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## Investigation of Influential Factors on Luxury Purchase Intention: Evidence From Iran Market

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### ABSTRACT

The issue of luxury consumption has received a great deal of interest among marketing scholars. However, little is known about how to optimize the market and manage consumer expectations with regard to this specific consumption context. Therefore, this study provides insights into how branding cues and need for uniqueness shape consumer luxury purchase intentions. Empirical data were collected by a questionnaire distributed to luxury furniture stores. The empirical results indicated that brand origin, brand image and need for uniqueness all have a significantly positive effect on consumer luxury purchase intentions. Moreover, brand image and brand origin were found to be a significant moderator between consumer's need for uniqueness and luxury purchase intentions. The authors explore implications for theory and practice.

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## INTRODUCTION

After Iran has almost completely opened its markets to the globe due to political changes after presidential election in 2005, Iranian customers have been rapidly becoming global customers, developing tastes similar to those in the developed western countries. Tehran chamber of commerce's data shows Iran's furniture imports volume has been increased from less than 4 million dollar in 2005 to more than 14 million dollar in 2011. Moreover, according to Iran's customs statistics, the volume of luxury furniture imported has been increased more than 50% from March to September in 2011. Fairly easy import rules together with the increase in purchasing power have boosted demands for foreign products, especially in luxury market.

Increase of wealth in the emerging markets in Asia has resulted in drastic global development of luxury brands (Nueno and Quelch, 1998). Besides, with increasingly competitive retail environment, international expansion is an entirely appropriate strategy for mature domestic retail markets (Knight and Kim' 2006). As a result, Asian markets, such as China, India, Japan, South Korea and Iran have attracted attention from global luxury retailers, including global furniture luxury retailers.

Despite the given rapid growth and optimistic outlook for global luxury brands in Asia and different empirical studies explaining the construct of luxury consumptions in Asian countries namely, China, India, Japan, South Korea, little is known about Iran's luxury consumption and particularly, managing consumer expectations with regard to this specific consumption context. It is this vacuum in the contemporary literature on luxury consumption that this study is designed to fill.

The objective of this study is to examine the impact of branding cues (brand origin and brand image) and consumers' need for uniqueness on consumers' luxury purchase intention in Iran's luxury furniture market. The result of this study would contribute to the marketing arena and body of literature for Iranian consumer behavior toward global luxury brands, which to the best knowledge of the authors has not received any attention in literature.

The study is divided into four sections. First section reviews the relevant literature and from this review hypotheses are formed followed by methodology in second and results in third section. In final section, discussion of findings, managerial implications, and future research direction are presented.

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### *Theoretical Background and Hypotheses Development:*

#### *Luxury Consumption:*

It has been for years that people have satisfied themselves with the possession of beautiful goods (Husic and Cicic, 2009). As a result, luxury consumption has been the subject of discussions and researches in literature. Due to the strong involvement of human element and value recognition from others, luxury is considered as slippery term to define (Cornell, 2002). Chvalier and Mazzalovo argue that the luxury could mean the emotional feeling of individuals after using the brand (Chavalier and Mazzalovo, 2008). From a different view luxury is “a brand of goods/service with exclusive/selective distribution; usually higher than the average price of goods/service in the same category; typically have higher quality/design; while commanding a strong appeal to the desire and aspirations of its potential customers” (Hedirc-wong, 2007).

The scope of global luxury brands covered in this study is limited to furniture luxury brands for two reasons. First, luxury furniture was the only luxury product which has a concentrated market in capital city of Iran. Therefore, reaching luxury consumers in this market was far more convenient than other luxury markets. Second, market size and number of consumers in luxury furniture market is greater than other luxury markets in Iran, which could in turn generate more validity for the research through high and diverse amount of consumers.

#### *Brand Image and Luxury Purchase Intention:*

One significant characteristic associated with brand is brand image. Torres & Bijmolt have defined brand image as “consumer perceptions about a brand as reflected by brand associations held in memory” (Torres and Bijmolt, 2009). Keller has argued that maintaining a premium image for luxury brands is crucial. This premium image often revolves around prestigious, novel and unique luxury brand features (Keller, 2009). As a result, prior studies have suggested that luxury brands use strong brand image in their international strategy (Yuwa, 2007).

Different studies have investigated the impact of associated image of luxury products on purchase decisions (Chevalier, and Mazzalovo, 2008; Kapferer, Bastien, 2009; Okonkwo, 2007; Shukla, 2010). Shukla has investigated the impact of brand image on luxury consumption through his proposed model for luxury purchase intention. His results indicates that although there is no support for direct impact of brand image on luxury purchase intention, brand image has indirect significant impact on luxury purchase intention (Shukla, 2010). A review of the relevant literature led us to the following hypotheses:

H<sub>1</sub>: Brand image has direct positive impact on consumers' luxury purchase intention.

#### *Brand Origin and Luxury Purchase Intention:*

In the case of luxury products, brand origin is an important extrinsic cue related to perception of consumers and purchase decisions (Jin, Chansarkar and Kondap, 2006; Koubaa, 2007; Diamantopoulos, Schelegelmich and Paliawadana; 2011; Thanasuta *et al.*, 2009; Cheng *et al.*, 2007; McCutcheon and Bruwer, 2009; Wang, Sin and Hui, 2002). Kim and Chung have defined brand origin as the country a brand is associated with by its customers (Kim and Chung, 1997). Different studies in the field of brand indicate the high contribution of brand origin in brand positioning of global brands (Balabanis and Diamantopoulos, 2008; Oetzel and Doh; 2009). Likewise, Lee and Ganesh argue that brand origin is highly important in development of appropriate international marketing strategy (Lee and Ganesh, 1999).

In the study of Batra *et al.* it was shown that brands with non-local origin in consumers' perceptions are preferred to brands seen as local (Batra *et al.*, 2000). Cheng *et al.* show that consumers have different perceptions about local and international brands (Cheng, Chen and Wang; 2007). Moreover, Thanasuta *et al.* found that different brands with different origins affect consumers' willingness to pay differently (Thanasuta *et al.*, 2009). Therefore it is proposed that:

H<sub>2</sub>: Brand origin has direct positive impact on consumers' luxury purchase intention.

#### *Need for Uniqueness and Luxury Purchase Intention:*

Snyder and Fromkin's has proposed the consumers need for uniqueness theory (Snyder and Fromkin, 1980), which manifests itself in pursuit of material goods for consumers to differentiated themselves from others (Tian and Bearden; 2001). Therefore, buying luxury products will enhance consumers' personal identity through fulfilling the need of uniqueness. Creating perception of scarcity in luxury brands is pervasive due to perception of limited ownership of luxury brands among people (Dubois and Paternaut, 1995).

Recent studies in the marketing literature make it appear that need for uniqueness could have impact on consumers purchase intention (Knight and Kim, 2006; Tavikkai and Jirawattanukool; 2010). In the study of Tavikkai and Jirawattanukoolit was shown that consumers' need for uniqueness has significant positive impact on their luxury purchase intention (Tavikkai and Jirawattanukool; 2010). Knight and Kim found that consumers' need for uniqueness could influence consumers purchase intention indirectly (Knight and Kim,

2006). The results of those studies support the idea that consumers' need for uniqueness could be influential on their luxury purchase intention; therefore, it is hypothesized that:

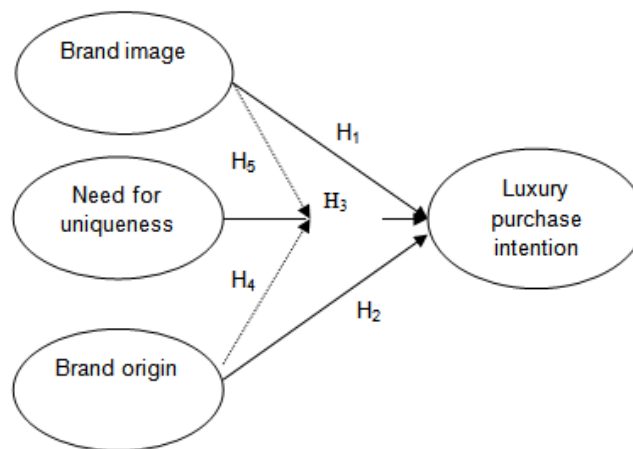
H<sub>3</sub>: Consumers' need for uniqueness has direct positive impact on consumers' luxury purchase intention.

#### *Inter-Functional Interactions:*

Previous research has demonstrated that consumers' perception of brand related cues (e.g. brand origin, brand image) is related to social status (Thakor and Kohli, 1996; Shukla, 2010; Schuiling and Kapferer; 2004). Zimmer *et al.* argued that consumers' need for uniqueness is related to brand image in purchasing nostalgic brands (Zimmer *et al.*, 1999). Knight and Kim have found that Japanese consumers' need for uniqueness has effect on their purchase intention of US apparel brand (Knight and Kim, 2006). Therefore, it could be assumed that branding cues have moderating role for relationship between consumers need for uniqueness and luxury purchase intention. Thus, it is proposed that:

H<sub>4</sub>: Consumer needs for uniqueness will positively increase when the consumer is aware of a luxury brands origin.

H<sub>5</sub>: Consumer needs for uniqueness will positively increase when the consumer is aware of a luxury brands image.



**Fig. 1:** Conceptual model

#### *Methodology:*

##### *Measures:*

The questionnaires were mainly adapted from relevant prior studies and carefully modified to reflect the characteristics of Iran's luxury consumers. The first set of items for brand origin and brand image were derived from Batra *et al.* (Batra *et al.*, 2000). Eight items measured consumers need for uniqueness were adopted from Tain *et al.* (Tian *et al.*, 2001). Items related to purchase intention were derived from Dodds *et al.* (Dodds *et al.*, 1991). To assess the content and face validity, the questionnaire was submitted to three marketing professionals who assessed each item for representativeness, specificity, and clarity. The final questionnaire was divided into two parts. The first part contained questions regarding respondents' demographics, and the second part focused on measurement scales. All variables in the second part of the questionnaire were closed-ended five-point scales, with 1 indicating "strongly disagree" and 5 indicating "strongly agree".

##### *Sample:*

The sample for this study was consumers who buy luxury furniture in Iran's capital city. A total of 315 consumers completed questionnaires. In total, 60.6 percent of the respondents were female, and 49.1 percent were below 30 years old. Moreover, 62.5 percent of respondents were married and 43.1 of them had no children. More than half of the respondents were graduates which indicate the interest of educated Iranian people to luxury brands. Table 1 lists the demographic statistics of all respondents.

#### *Analysis and Results:*

##### *Measure Validity and Reliability:*

For identifying the poorly fitting items exploratory factor analysis (EFA) has been used following confirmatory factor analysis (CFA) for further measure purification as shown in table 2. One item within the consumers' need for uniqueness scale has been removed due to unidimensionality requirements. Scales' coefficient alphas are indicated in table 2. In all the constructs, coefficient alpha has been exceeded the

recommended threshold value of .7 (Nunnally, 1978). Scales' average variance has been more than .5 which is the recommended level of Dillon and Goldstein (Dillon and Goldstein, 1984).

**Table 1:** Respondent profile

Percentages	
Gender	
Male	39.40%
Female	60.60%
Age	
30 and below	49.10%
31-40	32.95%
41-50	15.95%
50 and above	2.00%
Marital status	
Single	37.50%
Married	62.50%
Education	
Diploma and below	32.10%
Graduate	53.60%
Post graduate and above	14.30%
Number of children	
0	43.10%
1	22.00%
2	24.20%
3	8.00%
4 and above	2.70%

Discriminate validity of scales was measured using the test suggested by Fornell and Larcker (Fornell and Larcker, 1981). According to this test, for scale to have discriminate validity, the extracted average variance of latent variable must be greater than the shared variance of a latent variable with other latent variable. As shown in table 3, no correlation exceeds the square root of the average variance extracted, which is in compliance of needed criterion.

For examining fit between the data and the proposed structural model, the casual structure of the proposed model has been tested. The estimation of the structural model yields a chi-square of 103.67 with 81 d.f. the  $\chi^2/df$  value was 1.28. The GFI provides evidence of a reasonably fitting model (GFI = 0.91); so, all other indices are within the recommended range of acceptability. As a result, the structural model demonstrated good fit to the data. The various goodness-of-fit statistics are also presented in table 2.

**Table 2:** Measurement scale items

Scale items	Item reliability
Brand origin	
BO1	0.78
BO2	0.69
Composite reliability	0.71
Average variance extracted	0.57
Cronbach's alpha	0.76
Brand image	
BI1	0.81
BI2	0.73
Composite reliability	0.76
Average variance extracted	0.59
Cronbach's alpha	0.78
Need for uniqueness	
UNI1	0.66
UNI2	0.73
UNI3	0.75
UNI4	0.68
UNI5	0.78
UNI6	0.61
UNI7	0.71
Composite reliability	0.73
Average variance extracted	0.64
Cronbach's alpha	0.81
Luxury purchase intentions	
PI1	0.68
PI2	0.82
PI3	0.71
Composite reliability	0.84
Average variance extracted	0.76
Cronbach's alpha	0.87

Notes:  $\chi^2 = 103.67$ ;  $df = 81$ ; RMSEA = 0.048; CFI = 0.97; NFI = 0.92; GFI = 0.91; IFI = 0.94

**Table 3:**Correlation Matrix of latent constructs

Variable	Mean	SD	BO	BI	UNI	LPI
Brand origin (BO)	3.21	1.02	-			
Brand image (BI)	2.86	0.79	0.07	-		
Need for uniqueness (UNI)	2.44	0.83	0.19*	0.23*	-	
Luxury purchase intentions (LPI)	3.41	1.12	0.44*	0.38*	0.61*	-

Note: \* Significant at the  $p < 0.05$

#### Testing Research Hypotheses:

The standardized path coefficients ( $\beta$ ) support that brand origin is an antecedent of luxury purchase intention ( $\beta=0.48$ ,  $t=7.58$ ). The results of the analysis indicate brand image has a significant positive impact on the consumers' luxury purchase intention ( $\beta=0.39$ ,  $t=5.42$ ). The argument that consumers' need for uniqueness is an antecedent and positively relate to luxury purchase intention is supported by the findings ( $\beta=0.53$ ,  $t=8.46$ ). Also, the argument that brand origin has a moderator rule in relation between need for uniqueness and luxury purchase intention is supported in the findings ( $\beta=0.17$ ,  $t=2.27$ ). And finally results revealed that the brand image is a moderator variable for path between consumers' need for uniqueness and luxury purchase intention ( $\beta=0.12$ ,  $t=2.18$ ). The summarized results are presented in table 4.

**Table 4:**Summary of results

Hypotheses	Estimate	t-Value	Hypotheses validation
H1: BO LPI	0.48	7.58**	Yes
H2: BI LPI	0.39	5.42**	Yes
H3: UNI LIP	0.538	8.46**	Yes
H4: BO $\times$ UNILIP	0.17	2.27*	Yes
H5: BI $\times$ UNI LIP	0.12	2.18*	Yes

\* Significant at  $p < 0.05$ ; \*\* Significant at  $p < 0.01$

#### Test of the Structural Model:

Table 5 shows the common model-fit indices, recommended values and results of the test of structural model fitness. The estimation of the structural model indicates a chi-square of 575.32 with 198 d.f. the  $\chi^2/df$  value was 2.9. As shown in Table 5, comparison of all fit indices with their corresponding recommended values (Hair *et al.*, 1998), the evidence of a good model fit was revealed.

**Table 5:**Overall fit of the model

Fit indexes	Global fit	Incremental fit
df = 198	$\chi^2 = 578.32$	AGFI = 0.87
GFI = 0.90	CFI = 0.98	
RMSEA = 0.06	IFI = 0.98	
SRMR = 0.05	NFI = 0.97	NNFI = 0.98

#### Conclusion and managerial implications:

The effects of brand origin, brand image and need for uniqueness on luxury purchase intention were investigated in this research. The study also highlights how the presence of branding cues alters the relationship between consumers' need for uniqueness and luxury purchase intention. The results demonstrate that the model is effective in explaining Iranian consumers' luxury consumption tendencies to need for uniqueness, brand origin and brand image. Moreover, it also demonstrates the significantly positive moderating role played by brand origin and brand image.

Previous research has already showed that brand origin has influences on luxury purchase intention for British luxury consumers (Shukla, 2010), which is confirmed in this research for Iranian luxury consumers; therefore, it suggests that Iranian consumers are highly rely on brand origin cues. Although in Shukla research the impact of brand image on luxury purchase intention had not been supported (Shukla, 2010), in this study it is demonstrated that brand image has significant positive effect on Iranian consumers' luxury purchase intention. As a result, these two findings highlight the importance of brand building for global luxury firms considering Iranian consumers as target consumers.

The effect of consumers need for uniqueness as an antecedent of luxury purchase intention is supported by the findings, which is in line with previous research of Tovikkai and Jirawattananukool (Tavikkai, Jirawattananukool, 2010). This indicates Iranian consumers buy luxury furniture which makes them different from others and global luxury marketers should consider highlighting the unique nature of their products in their advertising.

Brand image and brand origin were also found to be an influential moderator for the relationship between consumers' need for uniqueness and luxury purchase intention which shows that Iranian consumers demonstrate their uniqueness by purchasing luxury products which has strong brand origin or brand image in their mind.

This research is considered as the first attempt to investigate the impact of branding cues and need for uniqueness on Iranian luxury purchase intention. Therefore, further researches are needed for further confirmation of the results. Besides, the sample size and the possibility of sampling bias occurrence are important constraints on the generalizability of the empirical results. Analysis of the hypotheses was based on a data set of 315 samples. Therefore, more researches could be conducted in with larger set of samples. Due to the point-in-time nature of this study which could not assess variations in results, further research is needed to be performed in longitudinal investigations.

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