

### LITERATURE REVIEW

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#### 2.1. Introduction

An extensive literature review has been conducted from the available related work in different journals, proceedings, books, etc. A total of 189 research papers from many journals, six books, three proceeding papers, two survey reports and one thesis have been reviewed. While reviewing them, the focus had been mainly on conspicuous consumption. All types of research work were included and considered for review whether it was theoretical, or to bring out some important findings based on empirical study or from the use of mathematical models. A good number of research papers were found to identify various factors that influence conspicuous consumption. These factors were socioeconomic, cultural, ethnicity or related to religion, etc. This review identifies the suggested marketing strategies responsible for promoting conspicuous consumption and which focussed on certain dimensions of social, cultural and behavioural factors.

Using VOSviewer software, the coverage of all the related factors, etc. in the related literature is shown in Fig. 2.1. This figure reveals that the literature reviewed on conspicuous consumption mostly focussed on luxury consumption, luxury brand, social class, status good, lifestyle, socioeconomic, market condition, urban population, etc. Fig. 2.2 (a) and Fig. 2.2 (b) show the list of journals whose papers have been reviewed. The information accumulated from these resources is presented in the following sub-sections.

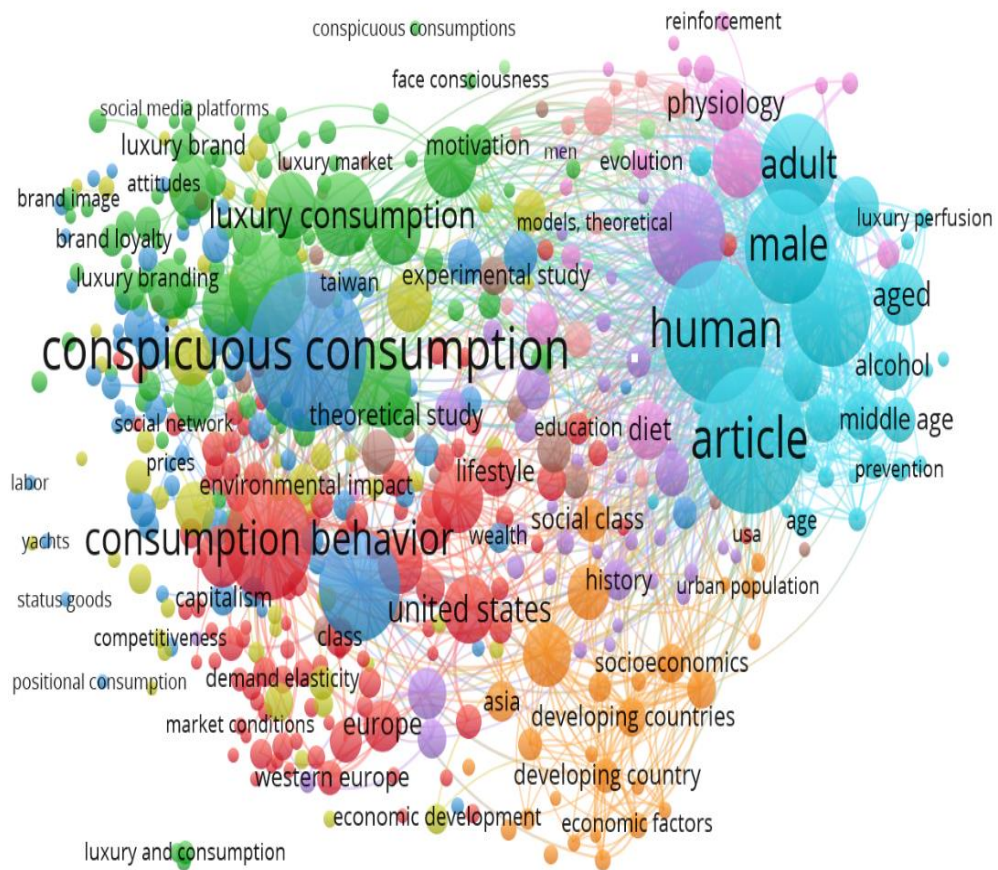


Fig. 2.1 Keywords related to conspicuous consumption



Figure 2.2 (a) List of Journals consisting of papers referred herein



Figure 2.2 (b) List of Journals consisting of papers referred herein

### 2.1.1. *Luxury and conspicuous consumption*

The art of signalling social status through conspicuous consumption has been an inherent tendency of an affluent society. In a formal way, conspicuous consumption was probably coined by [Veblen \(1899\)](#) in reference to luxury products. [Heine \(2012\)](#) defined luxury as anything that is desirable and more than necessary and ordinary. According to him, six important characteristics of luxury are high price, extraordinariness, aesthetics, quality, rarity, and symbolism. The origin of the word 'Luxury' is from the Latin word 'Lexus' ([Kiygi-Calli, 2018](#)). Its meaning is exuberance, superabundance, sumptuousness and soft-living. [Dubois et al. \(2001\)](#), while describing it, mention, “*The concept of luxury implies some perceived superfluosness or uselessness. Luxury products are not felt to be necessary for survival*”. The desire for luxury starts when the basic needs of a person are fulfilled. This is why the individuals of affluent society spend a considerable portion of their income on luxury goods ([Caserta and Murphy, 2008](#)).

[Vickers and Renand \(2003\)](#) defined the luxury as “*the symbols of personal and social identity, i.e., their principle values are psychological, and their consumption is dependent upon personal, social and individual cues.*” Luxury has also been defined by many scholars with some differences, while the essence is the same. There is no consensus among scholars regarding the definition of luxury ([Wiedmann et al., 2009](#)). It has been defined by scholars in terms of either exclusivity ([Kastanakis and Balabanis, 2014](#)), pleasure ([Berry, 1994](#)), price ([Thome et al., 2016](#)), prestige ([Vigneron and Johnson, 1999](#)), superior quality ([Thome et al., \(2016\)](#)), or aesthetic beauty ([Heine and Phan, 2011; Kapferer, 1998](#)). [Berry \(1994\)](#), expressing his view on luxury, mentions, “*A luxury is not something static; it is dynamic; it is subject to development as the desires, and necessarily attendant beliefs, are met and then fuelled with further qualitative modifications or refinements.*”

Even though the perception of luxury changes, but the core of the luxury is in the sense of conspicuous consumption. For this reason, [Dubois et al. \(2001\)](#) identified luxury as composed of one or many factors, such as, quality, hedonism, time-incorporation, scarcity, high-price and superfluousness. [Kovesi \(2015\)](#) found luxury hard to define, and he writes,

*"It is also one of the most elusive to define, with paradoxes at its core. Luxury at its most elemental is defined by the non-essential; goods or even simply experiences that are superfluous to need."*

According to him, the Romans were the first to adopt and adore luxury. He adds that, for the elite people of Rome, luxury was not the idea of preciousness and rarity but a tool to denigrate the consumption of non-elite class. Noble class people used to consume uncommon food, wine, luxury clothing, ornaments and other such goods that were beyond the reach of the common people.

Though luxury is elusive to define, it definitely inherits the notion of preciousness, rarity, exclusivity, access and splendidness. [Veblen \(1899\)](#), in his book entitled as 'Theory of leisure class', discussed conspicuous consumption behaviour of the elite society. The purpose of such consumption is to impress others and to have a distinctive and elitist status in society. In order to maintain distinctiveness for themselves in their social circle, people like to possess expensive or exclusive items generally for the sense of feeling of superiority among themselves. Possession of such products in the case of conspicuous consumption by the people is to satisfy their higher self-esteem with a feel of enjoying a higher status and respect in society.

Conspicuous consumption is not a modern idea and has been practised since those days when even possession of a large number of slaves was considered as a symbol of status ([Veblen, 1899](#)). Even spending leisure time luxuriously was a way to signal their

status (Veblen, 1899). Conspicuous consumption has been an inherent tendency of the elite class throughout the world in each era of history. Chaudhuri and Majumdar (2006) have mentioned that the nature of the conspicuous consumption changes due to changing socioeconomic conditions. Therefore, they emphasized the need for exploring the true dynamics of the psychology behind conspicuous consumption by the academicians. Leibenstein (1950) had observed the socioeconomic behaviour of conspicuous consumption being ignored by the economist while developing the theory of demand in the past. It was mentioned that the conspicuous consumption behaviour does not follow the law of demand and has the opposite trend. The selling price and demand, instead of having inverse relationship according to the theory of demand, have a positive correlation with the demand to rise with the increase in the selling price. This phenomenon was termed as '*Veblen Effect*' (Leibenstein, 1950). The demand for the product, in which the Veblen effect is seen, has been termed as '*Veblen demand*'. Such products have been referred to as '*Veblen Products*' in the literature. The phenomenon of '*Veblen Effect*' may not necessarily be witnessed in a luxury product only, but also in some premium services. Campos (2018) observed the Veblen effect in the case of admission to an American law school; while Lee and Mori (2013) noticed such an effect in the US housing market. People going with luxury consumption are categorized in two groups by Kastanakis and Balabanis (2014): (i) ones who look for rare and exclusive products, and (ii) the others who buy luxury products being influenced by others. The consumers of the first kind were termed as '*snobbish consumers*' and the effect as '*snob effect*'; while consumers of the other category were named as '*bandwagon consumers*' and the effect as '*bandwagon effect*'. Snobbish consumers have the dissociative tendency from the majority, while the bandwagon consumers have the tendency to associate with the majority (Leibenstein, 1950). Vigneron and Johnson (1999) identified two other categories of consumers: (i)

hedonist consumers and (ii) perfectionist consumers. Hedonist consumers buy luxury products for their emotional satisfaction. For them, the perceived emotional value is more important than the price of the product or service. This effect was termed by them as '*hedonic effect*'. The consumers who look for the perceived quality value in the product were named as perfectionist consumers by them. Such consumers were reported to have their own perception regarding the quality of the product, while most viewed price as an indicator of the quality. Such an effect was termed as '*perfectionism effect*'. [Das et al. \(2021\)](#) conducted a survey on Indian luxury fashion consumers and showed that how an interplay of psychological factors, such as uniqueness, social comparison and psychological entitlement, affect the purchase intention (snob and bandwagon) for different types of luxury items.

Consumption pattern of luxury products may vary with age ([Solomon et al., 2006](#)), gender ([Sundie et al., 2011](#)), ethnicity ([Park et al., 2008](#)), nature of the city as metro or non-metro ([Jain et al., 2015](#)) and education level ([Bock et al., 2014](#)). [Grotts et al. \(2013\)](#), in his survey, observed status-seeking trait in millennial young female residents of the USA in the age group of 18-24 years. The survey involved the study of their behaviour related to purchasing of luxury woman's handbag. [Sundie et al. \(2011\)](#) observed the conspicuous consumption tendency in men as well, and surprisingly to be more than in women. However, [Lewis and Moital \(2016\)](#) did not notice any significant difference across gender.

Scholars have also conducted a survey across different age group consumers, such as, youth ([Sharda and Bhatt, 2018](#)), middle-age consumers of 40-60 years age ([Shukla, 2008](#)) or old age consumers ([Amatulli et al., 2015](#)), to identify their conspicuous-consumption behaviour. It was observed by [Sharda and Bhatt \(2018\)](#) that the desire for materialism and the brand-consciousness develops an attitude in youth towards luxury purchasing.



[Shukla \(2008\)](#) observed that both psychological antecedents (noticed by others, showing ‘who am I’, a symbol of success, a symbol of prestige, indicating wealth, etc.) and brand antecedents (brand symbolism, brand image congruency, brand aroused feeling etc.) influenced middle-aged consumers to purchase luxury products. [Amatulli et al. \(2015\)](#) noticed that the older people were more influenced by brand reputation than the product’s feature and utility value. In a latest research, [Ma et al. \(2021\)](#) observed a result contradictory to all the above observations of the past and thus advised the manufacturer of luxury goods for not targeting a certain age range or gender type because people of all ages and sex types maybe equally interested in luxury goods.

[Lai and Prendergast \(2018\)](#) conducted an interview-based survey to investigate how men interpret the conspicuous display of luxury by women. They found that the men react positively to the women's conspicuous display if the status of a woman matches with the brand, and otherwise if the brand and status do not match. [Bock et al. \(2014\)](#) conducted a survey of adult consumers of south-eastern USA to determine the existence of a relationship between economic perceptions and consumers' motivation for conspicuous consumption and to further determine whether their education level moderates this relationship. They found that consumers with a low value of perceived economic value were less motivated for conspicuous consumption. They also noticed that their education level positively influenced this relationship.

[Prentice and Loureiro \(2018\)](#) observed that the association with luxury products and brand could also enhance an individual's subjective well-being. [Ajitha and Shivakumar \(2017\)](#) studied the behaviour of Indian women consumers of luxury cosmetic products. They noticed that the individuals' economic well-being in society was enhanced due to their conspicuous consumption. [Jaikumar et al. \(2018\)](#) also observed this

behaviour among Indian households, and they came out with an empirical relationship between conspicuous consumption and subjective economic well-being.

Conspicuous consumption can be identified across different segments of luxury products. Scholars have conducted surveys, expert interviews and empirical studies for various segments of luxury products and services, such as fashion clothing (O'cass et al., 2013), luxury handbag for women (Doss and Robinson, 2013), luxury hotels (Peng and Chen, 2019), restaurants (Yang and Mattila, 2016), cosmetic products (Alserhan et al., 2015), cellular phone (Acikalin et al., 2009), premium beer (Thome et al., 2016), and luxury automobile (Shukla, 2008).

### **2.1.2. *Conspicuous consumption and small income group***

Conspicuous consumption is not only present in the high-income group but also among the low-income group people. Senevirathne et al. (2016) investigated the farming communities in the Kurunegala district in Sri Lanka and found that the farmers spend a considerable amount of their income on conspicuous consumption. Bao et al. (2017) studied the land-lost farmers in the Zhejiang province of China and found a change in their consumption behaviour due to the sudden wealth gain from the compensation of their land expropriation. These farmers were found to be conspicuous in their consumption.

### **2.1.3. *Negative emotions from luxury consumption***

According to Boujbel and d'Astous (2015), consumption of luxury products may sometimes develop mixed feeling among consumers due to the possible development of negative emotions for having bought luxury products. Ki et al. (2017) conducted an online survey to investigate whether luxury consumption leads to mixed emotions of *pleasure* and *guilt* among consumers, and how mixed emotions affect luxury consumption and repurchase intention. They found that style consumption reduces guilt emotions. They also observed pleasure and guilt both to positively influence the conspicuous

consumption. The pleasure was found to influence the relationship between style-consumption and repurchase-intention. [Winkelmann \(2012\)](#) found that people develop a negative psychological impact on their satisfaction level from their income if many others own luxury sports cars in their locality.

Sometimes, consumers of luxury products develop fake pride in their behaviour. [McFerran et al. \(2014\)](#) observed two facets of pride: authentic pride, and the hubristic pride. They noted that the authentic pride is achievement-oriented and pro-social; while the hubristic pride is egotistical and self-aggrandizing. The people with hubristic pride buy luxury products to mask their reality and to cope with inferiority feeling.

#### **2.1.4. *Conspicuous consumption during the recession***

Economic recession can also affect the buying behaviour of luxury products. Considering this fact and the demand to be a function of price and brand image, [Caulkins et al. \(2011\)](#) had developed a pricing policy for luxury products under the effect of the recession. It was earlier observed by many scholars that the consumption of luxury products declines during the recession, but the opposite trend was observed by [Nunes et al. \(2011\)](#). They found that the people were willing to buy new luxury products during the economic recession and were even willing to pay a higher price for the newly launched luxury product for the feeling of their social status. Considering the recession, [Huschto et al. \(2011\)](#) developed a mathematical model to determine an optimal pricing strategy to be observed during the recession period for the conspicuous products.

#### **2.1.5. *Bandwagon luxury consumption***

Many scholars around the world have observed the phenomenon of the bandwagon effect in the luxury market. [Chaudhuri and Majumdar \(2006\)](#) found that people purchase certain Veblen goods due to their popularity in the market. [Shaikh et al. \(2017\)](#) did a survey to investigate the motivation behind bandwagon luxury consumption among Pakistanis consumers. They found the status-seeking trait to be the influencing

factor for such a consumption behaviour. Han et al. (2010) observed that the old consumers are more likely to get influenced by other consumers' perception and brand name than the product's core quality.

Kastanakis and Balabanis (2012) found the influence of psychological factors of consumers in inducing bandwagon type luxury consumption. Kastanakis and Balabanis (2014) have also witnessed bandwagon and snobbish buying patterns in luxury consumption. Roy et al. (2018) conducted a survey among Indian consumers to investigate the factors influencing luxury consumption. They found the motivation and the feeling of association with luxury products to have a positive impact on consumers.

#### **2.1.6. 'Need for uniqueness' luxury consumption**

Tian et al. (2001) defined consumers' need for uniqueness as '*the trait of pursuing differentness relative to others through the acquisition, utilization, and disposition of consumer goods for the purpose of developing and enhancing one's self-image and social image*'. Chaudhuri and Majumdar (2006), while discussing the various aspects of conspicuous consumption in the postmodern era, stated that the conspicuous consumption is no more just the synonym of buying expensive and status product but of buying such products only for the sake of distinction. Such a phenomenon, as mentioned earlier, was termed as '*snob effect*' by Leibenstein (1950). Some individuals resist conformity with others by owning unique, vintage or antique goods. Counter-conformity motivation arises in some individuals when they feel themselves to be highly similar to the others and perceive a threat to their identity (Tian et al., 2001). Amaldoss and Jain (2005) developed a utility-based model to study the implication of 'need for uniqueness' and 'conformity' on consumer's demand. They observed that the need for uniqueness might increase the demand for a product with an increase in the price and thus resulting in more profit to the firm. The opposite trend was noticed in the case of conformist behaviour.

The effect of dimensions of self-concept and status-seeking on brand loyalty and brand image with respect to the need for uniqueness was studied by [Najafi and Alvandi \(2017\)](#). They found a positive relationship between factors of self-concept and variables of need under uniqueness theory. [Schaefer \(2014\)](#) found another dimension of uniqueness in terms of people purchasing niche product in order to differentiate themselves from the mainstream. [Handa and Khare \(2010\)](#) did a survey among Indian undergraduate youth to identify their needs for uniqueness and attitude towards luxury products as self-identity. They observed a significant and positive relationship between them.

#### ***2.1.7. Influence of country image on the consumption of luxury products***

Not only luxury products' brand but even their country of origin has much impact on the users' perception of the image of the product ([Krupka et al., 2014](#)). Sometimes, a product is judged by its country of origin and not by the brand value. For example, Swiss watches and Italian fashion products have a positive image on a consumer's mind. [Krupka et al. \(2014\)](#) found that a product originated from either France or Italy is perceived to be more luxurious by consumers. [Vijaranakorn and Shannon \(2017\)](#) surveyed Thai consumers, who were luxury product consumers, to investigate the influence of a country's image on the perceived value of luxury products and their purchase intention. They found that the country image has both symbolic and emotional significance for Thai consumers and, for that reason, the notion of a country is equivalent to a brand.

Sometimes, political, military and economic conflicts may develop animosity towards a country, and thus it may lead to animosity towards the brands of that country. There are several articles which support such belief. For example, Kuwait consumers were not willing to buy Danish products ([Maher and Mady, 2010](#)), and Taiwanese consumers showed unwillingness towards products from mainland China and Japan ([Huang et al., 2010](#)). Chinese felt animosity towards Japanese product due to historic

war-time atrocities by Japanese army upon them (Klein et al., 1998). Similar experiences were among Dutch people towards the German army, and so they also had animosity toward German products (Nijssen and Douglas, 2004). Abraham and Reitman (2018) conducted a survey to find conspicuous consumption and consumer animosity on the country-specific product and observed a significant negative relationship between them.

### **2.1.8. Influence of religion on luxury consumption**

Religion has a significant influence on the lifestyle of many people across the world. Many scholars were interested in exploring the role of religiosity in influencing status consumption and the perception and attitude of luxury product consumers of Islamic countries, such as Arab, Iran or Kuwait. O'cass et al. (2013) surveyed the youth in the age group of 18-24 years from Iran to find the relationship between religiosity and conspicuous consumption and found an inverse association between them. Arabian women's perspective on luxury products was studied by Alserhan et al. (2015). They found that Arabian women are less committed to the idea of self-expression through the use of beauty care products. Ostentatious consumption behaviour among Muslim consumers of Kuwait was studied by Riquelme et al. (2011). They observed that the status consumption behaviour is affected by personality traits as materialism and susceptibility to personal influence. However, self-monitoring, the ability to readily alter one's behaviour to fit the current situation, was not found to be prevalent. Ma et al. (2021) conducted a cross cultural study on Thailand and US consumers to understand the effect of religious commitment on the purchase of luxury fashion products. It was observed that the luxury goods do not find a big market in Thailand because of the teaching and religious practice of Buddhism by its people. Because of the influence of Buddhism on consumers' negative attitudes towards materialism and indulgent consumption, they suggested retailers and manufacturers operating in Thailand to be more cautious towards production, promotion and distribution of luxury products. In contrast, their suggestion

for the Christianity-dominant countries (such as USA) is to go for promoting loudly the high-status image of luxury goods as the Christianity embraces material success as God's blessing for their diligence, obedience, and loyalty.

#### **2.1.9. *Influence of culture and ethnicity on luxury consumption***

Perception of luxury varies across cultures and nations. Many scholars have conducted surveys to identify the consumption pattern and perception of luxury in a specific country (Bock et al., 2014; Parrott et al., 2015; Sachdev et al., 2016; Liang et al., 2017) or across many countries (Godey et al., 2013; Wu et al., 2015). Seo et al. (2015) conducted an interview with conspicuous consumers in order to investigate the role of cultural diversity in luxury brand marketing. They concluded that the consumers could be influenced by proper augmentation of the global-local brand. Chung and Fischer (2001) conducted a survey on Hong Kong migrants to Canada in order to identify the nature of their conspicuous consumption behaviour. It was found that their conspicuous consumption behaviour later turned into inconspicuous behaviour, and it was also observed that the conspicuous consumption is not related to a person's ethnicity. Wu et al. (2015) did an empirical study to compare the luxury product purchasing behaviour of consumers from UK and Taiwan. They found that Taiwanese consumers use more luxury products as a symbol of self-identity compared to UK consumers. To identify the factors among university students of South Korean, which influence buying of luxury products of foreign fashion brand, Park et al. (2008) conducted a survey and found that the consumers' ethnocentrism has a negative influence on purchasing intention despite the fact of rapid diffusion of global consumer culture and materialism in South Korea. The study suggested to present luxury brand as a symbol of wealth and beauty, and also to work for creating scarcity value. In the case of the emerging Hispanic market, consumers

of Uruguay were found to be ethnocentric in their consumption behaviour ([Sachdev et al., 2016](#)).

[Jain et al. \(2015\)](#), in the case of Indian consumers with economical and cultural diversity, found that the perception of luxury is different with respect to age, gender and city of residence (metro/non-metro) and "one-size fits all strategy" is not applicable to Indian consumers. They also investigated the behaviour of Indian consumers in purchasing luxury products. They found subjective norm and attitude to be the most dominant factors influencing the purchasing intention. This purchasing intention ultimately affects the actual consumption behaviour of luxury products ([Sanyal et al., 2014](#)).

[Godey et al. \(2013\)](#) investigated the cross-cultural differences in the perception of luxury and luxury brand among the youth respondents from six different countries as Italy, France, China, Japan, Germany and USA. They found some cross-cultural differences in the perception of multi-faceted luxury. For Italian and German people, luxury meant 'exclusivity'; while French perceived luxury as a mix of 'prestige', 'expensiveness' and 'elitism'. Chinese were found to view luxury as a matter of 'prestige' and 'extravagance', while the Japanese had a view of 'expensiveness' for luxury, followed by 'sophistication', 'prestige' and 'exclusiveness'. Respondents from the USA viewed luxury as 'exclusive' and 'prestigious'.

Consumption behaviour of luxury consumers varies with ethnicity and culture. The reason to consume the same luxury products in different cultures may be different. For Iranian consumers, hedonic and self-identity values ([Teimourpour and Hanzae, 2011](#)) are more important when it comes to luxury consumption; while for Chinese, vanity and face-saving ([Liang et al., 2017](#)), and prestige and social value ([O'Cass and Siahtiri, 2013](#)) are important. [Oe et al. \(2018\)](#) studied Thai consumers and found that the purchasing



intention of consumers is not influenced by the conspicuous value, which is contradictory to the earlier belief regarding Asian consumers. Brazilian consumers give importance to 'pleasure' aspect of luxury product and its quality (Thome et al., 2016). Walley et al. (2013), in his survey of UK consumers, found five dimensions as effects, characteristic, status, gifting and involvements to be influential. Luxury products' market scenario in Turkey was studied by Kiygi-Calli (2018). Turkish people buy luxury products based on its reputation and high price. They like spending especially on luxury cosmetics, fashion and food category.

Asian consumers are highly influenced by the Western origin brand product and prefer them over the Asian brand. The purchasing behaviour of Chinese consumers were found to be different from western consumers (Liang et al., 2017). Chinese youth believe Western origin brand to communicate better status and wealth than Asian origin brand, and so they prefer Western origin fashion product (Liang et al., 2017). Turkish consumers also have the same opinion and prefer to buy Western origin brand (Kiygi-Calli, 2018).

#### **2.1.10. *Luxury consumption in emerging versus developed market***

Ostentatious consumption pattern in an emerging market can be different from the developed market. Earlier studies due to O'cass and McEwan (2004), and also from Shukla (2008), had shown a high correlation between conspicuous and luxury consumptions. To study the purchasing behaviour in the two types of market, Shukla (2012) carried out an empirical study to investigate the luxury purchase intention in emerging (India and Malaysia) and developed markets (US and UK). This study negated the existence of a positive correlation between conspicuous and luxury consumptions. He found the conspicuous dimension not to be a significant predictor of luxury consumption across developed and emerging markets, for example, for a product with the big brand name but with subtle and subdued design. Pino et al. (2019) studied the pattern for

purchasing luxury goods by Indian (emerging market) and US consumers (mature market). It emerged that the Indians with high status looked for prominently branded products compared to US consumers with lower status, who looked for subtly branded luxury products.

[Kapferer and Valette-Florence \(2021\)](#) conducted a study to understand what motivates cross-cultural luxury and affluent consumers from USA, China, Japan, Germany Brazil and France. It was observed that the extrinsic motivations dominate intrinsic motivations in both Western and Asian cultures. Unexpectedly, the pursuit of high quality was noted not to serve as a driver. This finding was very important for luxury brand communications, which tend to emphasize high quality and craftsmanship relying heavily on the extrinsic motivation aspect.

#### **2.1.11. Sustainability practices and luxury market**

Environmental consciousness has led the manufacturers of the luxury automobiles to promote and follow sustainability practice in manufacturing the products. Quoting the example of Tesla motors, [Aybaly et al. \(2017\)](#) suggested the luxury cars manufacturers to practice eco-friendly and green manufacturing practices. The high price of Tesla motors was not for its luxuriousness and comfort, but for the costly technology used in sustainability practices by them. Nowadays, consumers are motivated to use eco-friendly products, and thus the demand of products can also be positively influenced by manufacturing the environmentally sustainable products and by the use of sustainable technology ([Amatulli et al., 2018](#)). [Adıgüzel and Donato \(2021\)](#) observed that the up-cycled goods compared to recycled goods from the manufacturers of luxury brands have higher willingness for purchase by the consumers. The reason for this was found to be attributed to higher feelings of pride and greater novelty for an up-cycled good compared to that for a recycled good. The up-cycled goods were found to serve the interest of

environmentally concerned consumers' better than by the new ones and hence had more demand.

## **2.2. Factors Influencing Luxury Products' Consumption**

Earlier, it was believed that luxury product consumption is only status-oriented. Later, many scholars observed that several other factors also lead to the consumption of the luxury product. According to [Kumagai and Nagasawa \(2016\)](#), a consumer's behaviour is influenced by various socio-psychological factors, and this tendency is stronger towards luxury than non-luxury brands. Consumption of luxury products is influenced by both intrinsic (self-identity, hedonism, pleasure, etc.) as well as extrinsic factors (functional value, social media, animosity, ethnocentrism, etc.). [Truong et al. \(2010\)](#) also observed that intrinsic aspiration has a significant role to play in the luxury purchase behaviour of consumers.

Various factors that influence individuals to consume luxury products are listed in Table 2.1 and are discussed below. While describing them, close factors have been clubbed together while being elaborated.

### **2.2.1. *Social conformity/ Need to belong/ Association/ Susceptibility to normative influence/ Interpersonal influences/ Social Status/ Social value***

Generally, there is a strong desire in the heart of the people to belong to a specific or reference group, or a club that are considered to be high in terms of status. [Acharya and Nirjar \(2016\)](#) found this factor in causing the people to own the luxury products as the possession of the same helps them to associate with the upper class and, thereby, to earn respect in the society. Individuals like to purchase those status products that have high conformity value ([Liang et al., 2017](#)) in social and reference groups.

The primary motive behind the consumption of luxury products is to gain respect and recognition by belonging to the special group in society and thus to lift their social

status. The need for the affiliation (Rose et al., 1994) and social recognition (Park et al. 2008) influences luxury products' consumption. Bagwell and Bernheim (1996), Ajitha and Sivakumar (2017), Bao et al. (2017), Han et al. (2010) and many other researchers have observed that the social value-seeking consumers look for owning luxury products.

### **2.2.2. *Self-identity/ Personal value/ Self-expression/ The extended self***

The individuals, who are influenced by the self-factor or narcissism, are highly concerned about the impression they make in the social circle. They are motivated to build their identity or self-expression by adorning luxury products and accessories. According to Ajitha and Sivakumar (2017), personal value refers to self-centeredness and an individual's orientation towards inner thoughts and feeling. Acharya and Nirjar (2016) studied reasons for buying luxury products by masses and found both personal and social reasons as motivational factors in buying luxury products. The extended-self refers to the personal orientation of the people in which case one uses luxury products to create one's own identity in society (Wiedmann et al., 2007). The study from a survey conducted by Shahid and Paul (2021) also finds consumers' self-fulfilment to be a strong intrinsic factor towards the purchase and consumption of luxury products.

### **2.2.3. *Uniqueness value/ Need for uniqueness/ Patron status/ Rarity/ Exclusiveness/ Scarcity/ Extraordinariness***

Uniqueness value is due to the rarity and exclusiveness of the product. People enjoy high social status due to possession of such rare and exclusive products. One who prefers luxury products with high uniqueness value is a snobbish consumer (Leibenstein, 1950; Chaudhuri and Majumdar, 2006). The consumers, who seek differentiation either through avoiding similarity (Knight and Kim, 2007) or non-congruence (Clark et al., 2007), tend to favour unpopular brand (Knight and Kim, 2007) so that their counter-conformity character may enhance their social status (Tian et al., 2001). Sometimes, uniqueness value can also have a negative perception among the consumers, and this was

found by [Teimourpour and Hanzae \(2011\)](#). [Husic and Cicic \(2009\)](#) found 'patron status' as an influencing factor for luxury consumption. Patron status reflects strong snob effect among such consumers.

According to [Heine and Phan \(2011\)](#), luxury products are not ordinary rather rare. A manufacturer of luxury products generally launches a special edition of a product or an exclusive product in a limited quantity to attract those consumers who seek exclusive products. [Kluge and Fassnacht \(2015\)](#) noted that the perception of scarcity for the product improves the value of the product. Scarcity of the product reduces the accessibility of the product by the mass. Maintaining scarcity of the products helps in attracting snobbish consumers to buy such products even at a premium. Extraordinariness in a product is attributed to innovativeness in design, functional feature, manufacturing process or link with the history ([Heine and Phan, 2011](#)). [Hwang et al. \(2014\)](#), and also [Phau and Teah \(2016\)](#), observed that the consumers generally seek exclusiveness while deciding to buy luxury products

#### **2.2.4. *Utilitarian value/ Functional value/ Usability value/ Quality/ Perfectionism***

According to [Yang and Mattila \(2015\)](#), "*the functional dimension of luxury value measures the extent to which a luxury product has a desired quality and performance*". The functional or utility value also reflects the core benefits and utility value derived from the products. [Weidmann et al. \(2009\)](#) used the term 'Usability Value' to relate products' properties and a consumers' needs. For a luxury product, usability value is expected to be high in the eyes of a consumer. However, it is subjective and depends upon the individual's evaluation of the specific needs.

There are consumers who may not be conspicuous consumers but quality-conscious ones. Such consumers do not compromise with the quality of the product and can afford to pay a heavy price for the best quality products. Such a phenomenon is

known as '*perfectionism*' (Gao et al., 2009). Consumers purchase premium brand products since the perceived quality of such products is very high (Gentry et al., 2001). According to Husic and Cicic (2009), "*Perfectionist consumers rely on their own perception of the product's quality, and may use price as further evidence of quality*". Higher is the price of the product; higher is the perceived quality. However, Chao and Schor (1998) found that the price and quality correlation may vary on account of the product's visibility. A highly visible cosmetic product (such as lipstick) was found to have almost zero correlation, while in the non-visible product (facial cleanser), the quality was observed to have a positive correlation with price. Thome et al. (2016) found the quality to be a factor that builds the perception of having a premium product in the case of a beer. In a study of Teimourpour and Hanzae (2011), the quality was found as one of the factors influencing the consumption of luxury products.

#### **2.2.5. Hedonic value/ Emotional value/ Pleasure**

Yang and Mattila (2015) defined hedonic value to refer to emotional benefits such as indulgence and pleasure. It is the extent to which a product creates pleasurable experiences and feelings for a customer. Choo et al. (2012) take the hedonic value to include aesthetics, pleasure and experiential values as well. In short, it is the intrinsic value that a consumer gets in terms of sensory pleasure and fulfilment of the desire by way of luxury. Sometimes, the people develop emotional connect with the luxury products, and they buy such products not because of its functional value but for the fulfilment of their emotions and desires. Hedonic value is subjective and personal, and it reflects the entertainment aspect and emotional worth of consuming luxury products (Babin et al., 1994). The consumers, who are not susceptible to interpersonal influence and rely on their personal opinion while considering a luxury product, are called hedonist by Vigneron and Johnson (1999). They further mentioned that the purchasing of luxury

products gets influenced by the combined effect of more of hedonic value and less of utilitarian value.

#### **2.2.6. Materialism/ Materialistic value/ Display wealth**

Materialism is about all kinds of materialistic possession in life. According to [Richins and Dawson \(1992\)](#), “Materialism is assumed to have three dimensions, namely, possession-defined success, acquisition centrality and acquisition as the pursuit of happiness”. Highly materialistic people are likely to spend more on those luxury items which can signal their social status and achievements ([Richins, 1994](#)). [Bao et al. \(2017\)](#) found that even land-lost farmers treat materialism as the core value of the life and possession of the property as the only life goal.

#### **2.2.7. High price/ Expensiveness**

According to [Weidmann et al. \(2009\)](#), “A luxury product or service is, by definition, not affordable by or owned by everybody; otherwise, it would not be regarded as a luxury item”. In general, if higher is the price of a product, lesser will be its affordability by the people. With lesser affordability, the conspicuous value of the product will be higher. Also, if higher is the price, higher will be the perceived luxury value. So, the price will play an important role in differentiating between luxury and non-luxury products. Many scholars ([Thome et al., 2016](#); [Teimourpour and Hanzaee, 2011](#)), noticed the high price to be the main factor in purchasing of luxury products while identifying the factors that influence luxury product consumption.

#### **2.2.8. Conspicuous value**

The satisfaction and joy that someone gets by gaining the attention of other people in the society by having something exclusive and luxurious, not possessed by others in his social circle, is known as conspicuous value. The people, who consume products and services with high conspicuous value for status signalling, have been described as conspicuous consumers by [Veblen \(1899\)](#). [Teimourpour and Hanzaee \(2011\)](#) identified

conspicuous value as one of the key factors to influence luxury product consumption. They also observed that the luxury product consumed in public has more conspicuous value than those consumed privately. [Oe et al. \(2018\)](#) found contradicting results where the conspicuous value did not influence the purchasing intention of consumers.

### **2.2.9. *Prestige value/ Prestige-seeking tendency/ Brand image***

According to [the Oxford Dictionary](#), 'Prestige' means "widespread respect and admiration felt for someone or something on the basis of a perception of their achievements or quality". The prestige-seeking trait is ingrained in human behaviour. People desire to gain respect in society by owning such products that have high prestige value ([Heine et al., 2016](#)). [Acikalin et al. \(2009\)](#) conducted a survey among university students and found prestige-seeking tendency to be an important factor for conspicuous consumption. They prefer to own products of those brands whose image or prestige value is high in the market. There are some manufacturers who produce products with prestige value within reach of the masses. Such products have been termed as "masstige" products ([Acharya and Nirjar, 2016](#)).

### **2.2.10. *Symbolic value/ Expressive value/ Symbol of achievement and success***

The information about the wealth and status of an individual in the society can easily be communicated by the possession of a luxury product ([Hung et al., 2011](#)). This trait of luxury products to communicate the status of the owner is known as symbolic value. [Shukla \(2008\)](#) considered the luxury as a symbol of success and achievement. According to [O'cass \(2013\)](#), individuals gain recognition in society by spending their income on luxury products in helping themselves to display their success and achievements.

### **2.2.11. *Perceived economic welfare/ Economic value/ Financial value***

According to [Bock et al. \(2014\)](#), the perceived economic welfare is the perception of consumers regarding their current financial standing and the economic condition of



their country. This impacts their decision to spend on status products. A consumer may be reluctant to buy status products because of future uncertainty during an economic downturn. [Tynan et al. \(2010\)](#) mentioned that the consumers seek sufficient value out of the price they pay for luxury products. It means that the economic value plays an important role in the purchasing decision of luxury products. [Wiedmann et al. \(2007, 2009\)](#) introduced the dimension of 'financial value' mentioning that a consumer, while making a purchasing decision, looks for maximizing benefits out of the money he spends.

#### **2.2.12. Consumer confidence/ Attitude/ Motivation**

According to [Wiedmann et al. \(2009\)](#), a materialistic consumer has a positive attitude toward luxury products. The positive attitude toward luxury products will influence the consumption of luxury products ([Ajitha and Sivakumar, 2017](#)). [Chen and Peng \(2014\)](#) studied consumers' behaviour regarding their staying in luxury hotels. According to them, the consumers are more likely to stay in luxury hotels provided they have liking for the luxury. [Bock et al. \(2014\)](#) hypothesized that consumers with low confidence level are less motivated to consume status goods. However, no correlation was found between confidence level and status consumption in their statistical analyses.

#### **2.2.13. Aesthetics and Poly-sensuality/ Vanity value**

Aesthetics is one of the important and distinct characteristics of luxury products. It adds value to the products and makes it an attractive possession for the consumer. Luxury products have a strong aesthetic appeal to multi-sensual pleasure either due to smell, taste, hear or touch ([Dubois et al., 2001](#)). [Heine and Phan \(2011\)](#) also found aesthetics to be one of the factors that a consumer seeks in luxury products.

Vanity value is defined as excessive pride and admiration in its appearance and quality that a luxury product has. Vanity is characterized by a strong emphasis on the physical appearance of the product. As fashion products are judged by their outward

appearance, the consumers of such products are more influenced by vanity (Park et al., 2007). Liang et al. (2017) and Park et al. (2007) found the vanity value to be a strong factor that influences luxury products purchase.

#### **2.2.14. Consumer ethnocentrism/ Country of origin**

Some people are highly influenced by the product made in their own country. They prefer to purchase those products that are manufactured in their country and avoid products made in foreign countries (Chryssochoidis et al., 2007). They have a perception that domestic products are superior to foreign products. Nijssen and Douglas (2004), Fernández-Ferrín et al. (2015), and Sachdev et al. (2016) found that ethnocentrism influences the purchasing decision of the consumer.

Country of origin is an extrinsic attribute that influences many affluent consumers. Krupa et al. (2014) found the purchasing decision of approximately one-fourth of consumers being influenced by the products manufactured within the country. They also observed that the country of origin has a significant impact on the perception of luxury. They mentioned that the association of the name of the country, such as Italy and France, itself builds the perception that the product is luxurious.

#### **2.2.15. Consumer animosity**

Klein et al. (1998) defined consumer animosity as “*the remnants of antipathy related to previous or ongoing military, political or economic events*”. The consumer’s attitude towards foreign products may be negative due to historical war or enmity. This significantly impacts the buying behaviour of the consumer. Chinese had ‘*war animosity*’ as well as ‘*economic animosity*’ towards Japanese products (Klein et al., 1998). Nijssen and Douglas (2004) have found animosity among Dutch against Germans due to World War II atrocities.

#### **2.2.16. *Experiential value/ Store atmosphere***

Experiential value is a pleasant and exotic feeling experienced from luxury products or services. While visiting the showrooms of luxury shops or luxury hotels and restaurants, the consumers expect good service, pleasant atmosphere, artistic display, warm welcome and hospitality, etc. Better the experience they have, more likely it is that they will revisit and buy luxury products or services. [Chen and Peng \(2014\)](#) conducted a study on the luxury hotel staying behaviour of Chinese consumers. They found experiential value to be an important factor. [Husic and Cicic \(2009\)](#) studied luxury product consumers and noted ‘*store atmosphere*’ to be one of the factors influencing the purchasing decision of luxury consumers.

#### **2.2.17. *Socio-cultural reason***

[Acharya and Nirjar \(2016\)](#) observed that people buy luxury products due to social and cultural reasons. They found such behaviour, especially among Indians, who purchase luxury products and jewellery on special cultural occasions. Such buying is not directed to be ostentatious consumption but a tradition of buying such products on cultural occasions.

#### **2.2.18. *Corporate Social Responsibility***

Manufacturers are adopting sustainability practices and embracing sustainable development technology that helps in benefiting society and the environment. Companies such as Stella McCartney, a luxury fashion brand, project themselves as being socially responsible by promoting sustainability in their product manufacturing ([Ngai and Cho ,2012](#)). [Kapferer and Michaut \(2015\)](#) observed that there are consumers who are not interested in sustainability practices during product manufacturing, but they expect such products inherently to be sustainable and environmentally friendly.

#### **2.2.19. *Compulsive buying/ Necessity value***

Compulsive buying behaviour is motivated by the relief from anxiety and negative

emotions (d'Astous, 1990). It provides pleasurable feelings and positive emotion to the buyers for a short period of time. Boujbel and d'Astous (2015) observed that compulsive buying behaviour leads to the purchase of luxury products. Necessity value refers to the need or motivation to consume (Ko and Sung, 2015).

#### **2.2.20. Peer group pressure/ Impulsiveness/ Face-saving value**

Affluent people, due to the competitive spirit in their social circle, buy an exclusive luxury product to flaunt their wealth and status (Acharya and Nirjar, 2016). Thus, owning of status products becomes a compulsion for status-seeking people in order to earn appreciation and respect from their peer group. Due to the pressure to maintain high status in the social circle they belong to, the people buy such luxury products that are not owned in their circle. Acharya and Nirjar (2016), in their study, found this factor prevalent among Indians, where rivalry and competitiveness are engraved in the mindset of the individuals.

Liang et al. (2017) observed an interesting factor as 'face-saving value' that influences the consumers, especially Chinese, to purchase luxury products. The people buy luxury products to save, maintain or enhance their face in the social circle. Zhang and Wang (2019) also observed 'face-consciousness' behaviour among Chinese people. To live up to the expectation of social group, it becomes almost a compulsion for them to consume luxury products and save face.

#### **2.2.21. Innovativeness/ Epistemic value**

There is a category of consumers who seek new and innovative products launched in the market. Their consumption behaviour is only directed to the newly launched products. Owning such products earn respect from the friends and social circle. Boujbel and d'Astous (2015) found innovativeness as one of the factors that influences luxury consumption.

According to [Ko and Sung \(2015\)](#), “*Epistemic values refer to the benefits associated with exploratory, novelty and variety-seeking behaviours to satisfy desires for curiosity, uniqueness, and new knowledge*”. Innovativeness or epistemic value ingrained in the luxury products lures the consumer to own such products for gaining status in the society.

#### **2.2.22. Social Media**

For *millennial* and *generation-Z* ([Merriam-Webster dictionary, 1999](#)), respectively born in the 1980s to the mid-1990s and born in the late 1990s and early 2000s, the social media has become an important part of life. They use the social media platform (Facebook, Instagram, Tumblr, etc.) to share their latest purchased item to brag among their friends. This platform helps them to gain status through self-promotion on social media ([Taylor and Strutton, 2016](#)). Thus, the social media indirectly influences people to buy luxury products. [Taylor and Strutton \(2016\)](#) observed that the surge in the use of Facebook increases narcissism and envy among the users, and this propels the desire to promote their achievements and expensive possessions on the online platform.

#### **2.2.23. Desire/ Willingness to buy**

Willingness or desire to buy a luxury product is in essence the intention of a consumer to buy the same. Purchasing of luxury products can be influenced by the willingness of the consumer to buy such products. Willingness to buy can depend on the factors, such as accessibility, convenience, brand desirability, perceived scarcity, etc. ([Kluge and Fassnacht, 2015](#)).

#### **2.2.24. Increased income**

According to [Caserta and Murphy \(2008\)](#), the demand for luxury goods is high-income elastic. They observed that the consumption of luxury products increased with the increase in the income of the people. [Bao et al. \(2017\)](#) observed that the farmers, who

became rich from the compensation of their land expropriation, started consuming conspicuously. So, the increase in the income makes the people to spend for those objects that earn them respect in the society.

#### **2.2.25. Ancestral heritage**

There are some people who like to possess antique items and products that have a long history, even though such products may be of no utility value. They are ready to pay any premium value for such products since it helps them to reflect pride and status. [Dubois et al. \(2001\)](#) found that heritage and history can fascinate consumers to possess antique items. Value of the antique luxury increases with time. Staying in a heritage palace, consuming decades-old wine or possessing items of eminent persons of history are some of the examples that affluent people cherish for pride possession in their social circle.

#### **2.2.26. Authenticity**

According to the [Oxford Dictionary](#), “*authentic is not a copy, but genuine, real, unchanged and of undisputed origin*”. The consumers pay premium for such products when authenticity is inherently ingrained. So, authenticity is one of the reasons due to which some consumers are ready to pay a premium for the products ([Heine et al., 2016](#)). According to [Grayson and Martinec \(2004\)](#), authenticity refers to the knowledge about where, when, and by whom a product has been manufactured. Product's quality and functionality are judged on the basis of the company that has manufactured it. If the product is from an authentic manufacturer, then the quality and functionality of the product are not considered to be doubtful. [Heine et al. \(2016\)](#) noticed authenticity to become the central challenge for luxury products. This is probably due to the rise of fake or duplicate of luxury products.

### **2.2.27. Situational value**

According to Ko and Sung (2015), situational values refer to ‘*the benefits acquired from a product’s appropriateness in relating to a personal circumstance (i.e., age, gender, or social group) or to a condition (i.e., an event, a meeting, the weather, or a season)*’<sup>6</sup>. They observed that situational values influence the consumption of luxury products.

Individuals have different reasons to purchase and consume luxury products. Though there are several factors that influence the individuals to consume luxury products, the social factors can be noticed from Table 2.1 to be the most influencing ones for luxury consumption as observed by most of the researchers. Going down through the list presented in Table 2.1, self or personal value, uniqueness value and functional value can be found to attract the attention of many researchers. The factors, such as, consumer animosity, social media, authenticity, etc., are least noticed in the literature, but their influence on the consumption of luxury products cannot be ignored.

Table 2.1 Factors influencing luxury consumption

Sl. No.	Factors influencing luxury consumption	% of referred papers mentioning them
1	Social conformity/ Need to belong/ Association /Susceptibility to normative influence/ Interpersonal influences/ Social Status/ Social value	21.40
2	Self-identity/ Personal value/ Self-expression/The extended self	11.40
3	Uniqueness value/ Need for uniqueness/Patron status/ Rarity/ Exclusiveness/ Scarcity/ Extraordinariness	10.60
4	Utilitarian value/ Functional value/ Usability value/ Quality/ Perfectionism	10.40
5	Hedonic value/ Emotional value/ Pleasure	7.40
6	Materialism/ Materialistic value/ Display wealth	6.00
7	High price/Expensiveness	4.60
8	Prestige value/ Prestige seeking tendency/ Brand image	4.40
9	Conspicuous value	4.20
10	Symbolic value/ Expressive value/ Symbol of achievement and success	4.20
11	Perceived economic welfare/ Economic value/ Financial value	2.00
12	Aesthetics and poly-sensuality/ Vanity Value	1.80
13	Attitude/ Consumer confidence/ Motivation	1.80
14	Experiential value/ Store atmosphere	1.60
15	Consumer ethnocentrism/ Country of Origin	1.40
16	Consumer animosity	1.20
17	Peer group pressure/Impulsiveness/ Face saving value	1.00
18	Compulsive buying/ Necessity value	0.80
19	Corporate social responsibility	0.80
20	Socio-cultural reason	0.80
21	Innovativeness/ Epistemic value	0.60
22	Desire/ Willingness to buy	0.40
23	Social Media	0.40
24	Ancestral heritage	0.20
25	Authenticity	0.20
26	Increased income	0.20
27	Situational value	0.20



### **2.3. Segments of luxury**

Various segments of luxury products and services studied by researchers are listed in Table 2.2. The luxury products are from various segments as clothing, automobile, cosmetics, handbag, etc. Their importance in fulfilling the desires detailed in Section 2 is discussed below.

#### **2.3.1. Fashion clothing**

By wearing the latest fashion clothing, one easily gains the attention of people. Because of this, fashion clothing is one of the most favoured and affordable segment when it comes to gain prestige and social status. [Ko and Sung \(2007\)](#), and also [Roy et al. \(2018\)](#), found purchasing intention for fashion clothing to ignite conspicuous consumption behaviour. [Lewis and Moital \(2016\)](#) found UK young professionals going for expensive and fashionable clothing for status signalling.

#### **2.3.2. Automobile**

From the perspective of gaining social status through the display of wealth, the luxury automobile is also a most favoured segment. Possession of vehicle of luxury automobile brands, like BMW, Mercedes-Benz, signals wealth of consumer and earns a social recognition. In a developing country like India, even possession of the low-priced car is deemed as a status symbol among the lower-middle-income group. [Shukla \(2008\)](#) observed that the middle-aged (40-60 years) consumers view possession of luxury automobile as a symbol of prestige, success and image enhancer.

#### **2.3.3. Cosmetic products**

Use of luxury cosmetic products is not only a mode of self-expression and self-presentation, but it also gives inner satisfaction and psychological benefits to the consumers. Self-expression attitude is found to be responsible for the consumption of luxury cosmetic products in enhancing the social image ([Wilcox et al., 2009](#)). [Chao and](#)

Schor (1998) found women preferring to purchase high-priced cosmetics products to communicate their status. Alserhan et al. (2015) surveyed Arabian women and found that they do not value the luxury brand product as a way of self-expression. Rather they consume the cosmetic products valued in terms of its quality.

#### **2.3.4. Woman's handbag**

A rising trend in consumption of luxury woman's handbag is being seen by the fashion industry (Grotts et al., 2013). Handbags from luxury brands, like Gucci, Louis Vuitton, etc., are purchased for their features as high price, extraordinariness, aesthetics, etc. Women like to project a high image of themselves in their social circle through the use of luxury handbags (Wang and Griskevicius, 2013; Han et al., 2010). Grotts et al. (2013) found evidence of female millennial using luxury handbags as an important accessory in building their identity and status in social circle.

#### **2.3.5. Cellular phone**

According to Acikalin et al. (2009), a cellular phone exhibits not only functional but also exhibitionist properties. They mentioned that the Turkish university students, who contribute to the huge market share for cellular phone, flaunt their status and image in their friend's circle through a luxury cellular phone with the latest technological features. They found prestige seeking tendency as an important motivator among the university students that leads them to consume conspicuously.

#### **2.3.6. Luxury hotels**

Affluent people like to travel for leisure and are ready to spend heavily on their stay in luxury hotels. The hospitality sector has seen substantial growth in the past decade. Chen and Peng (2014) surveyed Chinese consumers to study their behaviour towards their stay in a luxury hotel while travelling for leisure purpose. They observed that the hospitality service, being intangible, does not have a high functional value as tangible products have, but has higher experiential and symbolic values. They also noted

that consumers with a better attitude towards luxury are likely to stay in a luxury hotel. [Peng and Chen \(2019\)](#) investigated the factors that contribute to the luxury hotel repurchase intention of the consumers and also to the attachment to the brand of the luxury hotel. They found hedonic, and perceived functional and symbolic values to affect consumers' choice in both cases.

### ***2.3.7. Luxury restaurants***

The characteristics of luxury restaurants are expensive menu, high-quality food, pleasant environment and excellent service ([Lee and Hwang, 2011](#)). While travelling for leisure, people look for experiencing luxury food and drinks. [Yang and Mattila \(2016\)](#) conducted a study to investigate the relationship between luxury hospitality service and consumers' purchase intention. They found that the purchase intention is highly influenced by hedonic value, followed by functional and financial values. Symbolic value, unlike in the case of luxury products, is not found by them to influence the consumption of luxury restaurant service. While, in a study by [Chen and Peng \(2018\)](#), the symbolic value was found to have a significant impact on the consumer's behaviour in the case of luxury restaurant dining. [Wu and Liang \(2009\)](#) found experiential value to be the factor influencing luxury restaurant dining.

### ***2.3.8. Alcoholic drinks***

Affluent class people generally feel pride in spending extravagantly to consume premium alcoholic drinks. This not only satisfies their hedonic value but also enhances their feel for social value. [Thome et al. \(2016\)](#) found the consumption of the premium beer by Brazilian consumers for the sake of prestige.

Apart from the segments of luxury products and services discussed above, there are many other segments that have not been described here that are also responsible for

conspicuous consumption. The obvious segments are jewellery and ornaments, luxury watches, footwear, furniture, antique items, recreational goods, vacations etc.

Table 2.2 Different segments of luxury products and the authors who did a survey in respective segments

<b>Luxury Segments</b>	<b>Authors</b>
Fashion clothing	Ko and Sung (2007), O’cass et al. (2013), Lewis and Moital (2016), Kumagai and Nagasawa (2016), Roy et al. (2018)
Automobile	Shukla (2008)
Cellular phone	Acikalin et al. (2009)
Cosmetic products	Wallström et al. (2010), Alserhan et al. (2015)
Woman’s handbag	Han et al. (2010), Grotts et al. (2013), Doss and Robinson (2013), (Wang and Griskevicius, 2013), Oe et al. (2018)
Luxury hotels	Chen and Peng (2014), Peng and Chen (2019)
Luxury restaurant	Wu and Liang (2009), Yang and Mattila (2016), Chen and Peng (2018)
Alcoholic drinks	Thome et al. (2016)
Other (Jewelry, watches, furniture, etc.)	-

## 2.4. Luxury and Counterfeit

Tom et al. (1998) noticed that consumers generally look for counterfeit products due to rapid change in the fashion market and the high price of the original products. Luxury products are imitated and sold at an affordable price in the market to middle-class consumers (Bagwell and Bernheim, 1996). Many masstige brands and counterfeit brands have come up to provide perceived premium products at a reasonable price to fulfil the desire for luxury products for middle-class people (Doss and Robinson, 2013; Han et al. 2010). Phau and Teah (2016) carried out a study to investigate the influence of luxury brand imitation on the perception of luxury for the imitated product. They found that mimicking of brand items have a positive influence on consumers. They further observed that there would be a high perception of luxury and exclusivity for the mimic product if

the image similarity between the mimic brand and the actual brand is high. The presence of counterfeit and masstige brand products have made luxury products accessible to masses and led to the overexposure of luxury products. This overexposure impacts the prestige value of luxury products negatively (Doss and Robinson, 2013). This finding was out of a survey of US young female consumers on luxury perception and counterfeit of that brand. It was also found that the rated perception of luxury goods on Brand Luxury Index (BLI) was higher than those of counterfeit products.

## **2.5. Marketing Strategy for Luxury Products**

Market share of luxury products and services was observed by Brun and Castelli (2013) to significantly grow in the USA, Europe and the Asia-Pacific region. The reason, for the growth being nearly two and a half times greater than the global average sales of luxury products, was the increase in the purchasing power of the middle-class people. Seo and Buchanan-Oliver (2015) emphasized the importance of working for the emergence of a global luxury brand and various other trends that may help to increase the consumption of luxury products. Luxury brand marketers have felt the need for adopting up-market to down-market strategy in order to lure the young generation from the middle-class (Doss and Robinson, 2013).

Consumer animosity and consumer ethnocentrism can be useful insight for the marketing manager in strategizing their global marketing (Fernández-Ferrín et al., 2015). The buying decision of a product, originating from other countries, maybe affected when the consumers have high animosity against that country. The consumers simply refuse to buy such products (Klein et al., 1998). Consumers with high ethnocentrism prefer those products that are made in their own country and see those products as superior to foreign products (Chrysochoidis, 2007).

Conspicuous value of the products can be enhanced by interactive image technology. [Beukels and Hudders \(2016\)](#) observed that the image interactive technology could play a big role in creating the perception of luxury through higher telepresence. [Rao and Schaefer \(2013\)](#) developed a marketing strategy for consumers who seek to satisfy status besides quality, while [McClure and Kumcu \(2002\)](#) proposed a strategy of charging enhanced sales price for luxury products incorporating product promotion. [Moore and Birtwistle \(2005\)](#) studied the role of parenting advantage in brand development in the context of the luxury fashion brand and found the transfer of brand management expertise and competence to its subsidiary as the key dimension of parenting advantage in the case of Gucci fashion brand. Various strategies are adopted by the marketer in order to increase brand awareness and to attract new luxury consumers. [Clark et al. \(2009\)](#) found that advertising has a positive effect on brand awareness. The brand extension increases the awareness of the brand. But it may damage the reputation of the brand, particularly for luxury products ([Stegemann, 2006](#)). [Choo et al., \(2012\)](#) found that the consumers desiring high utilitarian, and symbolic and economic values tend to develop a positive relationship with the brand. Conducting a study on suitability of brand management strategy for luxury products, [Reyes-Menendez et al. \(2021\)](#) found addressing of social value to be very important and emphasized that it must be focussed besides considering functional or financial attributes of such products.

Based on the surveys and empirical studies, many scholars have classified luxury consumers in different categories. [Ko and Sung \(2007\)](#) identified three groups of consumers based on the consumption behaviour: (i) the conspicuous group, (ii) innovator group, and (iii) the practical group. The conspicuous group seeks status, the innovator group seeks newness and uniqueness, while the practical group looks for the functional value of the product. [Gao et al. \(2009\)](#) investigated the market segmentation of luxury

fashion consumers and identified three segments as experiencers, achievers and idealist. [Ramadan and Dukenjian \(2018\)](#) identified six categories of luxury brand follower on social media as pragmatists, bystanders, trend hunters, image seekers, passionate owners, and prime consumers. [Makkar and Yap \(2018\)](#) identified luxury consumers in the categories as trendsetter, fashion follower, fashion influencer and luxe-conservatives. [Ngai and Cho \(2012\)](#) found additional four categories as the overseas pack, the luxury follower, the self-established cool and the spirituals. Marketing managers can use these insights to focus and target differently on these different segments of consumers and strategize their marketing policies since each category of consumers has different reasons to buy a luxury product.

## **2.6. Use of Social Media in the Marketing of Luxury Products**

Social media, such as Facebook ([Taylor and Strutton, 2015](#)) and online forums and communities ([Parrott et al., 2015](#)), where people share their experiences and views about luxury product and brand, can impact perception towards that product or brand and influence the purchasing intention of other members of communities. [Taylor and Strutton \(2015\)](#) conducted an online survey of Facebook users to investigate the effect of the use of Facebook on conspicuous consumption. They found that more Facebook usage is related to the conspicuous consumption due to psychological traits as envy, narcissism and self-promotion attitude. [Kluge and Fassnacht \(2015\)](#) conducted an in-depth interview with industry experts and also a survey of high-income individuals of Germany in order to investigate the effect of online price display, accessibility of luxury goods on perceived scarcity and brand desirability by consumers. They found that online accessibility neither affects the perceived scarcity nor brand desirability. Similar effects were seen with respect to price display.

Winer (2017) studied the strategy of online marketing of luxury products. He found digital marketing to be better for the new generation. He concluded that marketers need to understand consumer psychology and the role of the online pricing. Understanding consumers' perception and evaluation of brand may help in developing the right online marketing strategy (Janssen et al., 2017). Parrott et al. (2015) studied the purchasing intention and behaviour of consumers who buy luxury goods by getting influenced by the online communities and forum of luxury products. They found that such communities and forum advocate a set of brands to develop a deeper engagement and love with the same.

According to Kemp (2020), there are 3.8 billion worldwide users of social media, which is nearly half of the world population. He adds that this percentage is ever-growing. In India, where the youth population in the age group of 15-24 years is about 34.33% by the end of 2020, marketing managers and academician need to study the behaviour and psychology of youth for appropriately designing the marketing strategies as the millennial and new generation are making largest proportion using the digital platform. There is also a need to study the influence of marketing strategies adopted in various luxury magazines, online networking platform, and forums like Instagram, Tumblr, Flickr, Pinterest, Whatsapp, Snapchats, etc. for luxurious and conspicuous products.

## **2.7. Determination of Optimal Price and Lot-Size for Veblen Products**

From the marketing perspective, the pricing of the product and the associated distribution policy also becomes important. There are many researchers who have worked on mathematical modelling for lot-sizing and pricing. Authors, such as Soni and Joshi (2013), Yaghin et al. (2014), Avinadav et al. (2014), Chakraborty et al. (2015), Alfares and Ghaitan (2016), Herbon and Khmelnsky (2017), have developed



mathematical models for determining optimal pricing and inventory policies. Currently, available review papers on inventory models (Glock, 2012; Janssen et al., 2016; De Kok et al., 2018; Mosca et al., 2019), do not talk about any inventory model for Veblen products. Some researchers, such as McClure and Kumcu (2008), Zheng et al. (2013), have developed models on pricing policy for luxury products. But they considered demand to be inversely related to price. None of them attempted the demand curve with the Veblen effect as suggested by Leibenstein (1950).

## **2.8. Determining Optimal Advertisement Expense for Veblen Products**

Clark et al. (2009) developed a dynamic model to study the effect of advertisement expense on brand awareness and perceived quality among consumers and found that the advertising has a significant impact on brand awareness but not on perceived quality. McClure and Kumcu (2008) developed a model for maximization of profit from the sales of luxury goods. They showed that the profit could be maximized by incurring promotional expenses in order to charge enhanced sales price without sacrificing the demand. Zheng et al. (2013) developed a model for determining optimal pricing and advertising budget allocation policy in case of luxury products considering penalty if a proper budget allocation is not made to the two segments of the markets, named as leader and follower groups. Sana (2008) developed EOQ model for determining optimal price and advertisement budget in which the demand was considered as a function of both price and advertisement budget.

## **2.9. Identified Research Gaps**

From this extensive literature review, certain gaps have been identified and the same have been listed below.

- There is a need to identify and study conspicuous consumption behaviour in other luxury segments, such as precious jewellery and ornaments, luxury watches, various electronic gadgets, etc.
- There is also a need to study the influence of marketing strategies used for various luxury magazines, online networking platform and forums like Instagram, Tumblr, Flickr, Pinterest, Whatsapp, etc.
- From the literature review on inventory model ([De Kok et al., 2018](#); [Glock, 2012](#); [Janssen et al., 2016](#); [Mosca et al., 2019](#)), it is observed that no researcher has so far attempted the inventory modelling of Veblen goods. The same needs to be addressed.
- There were no research articles on determining the pricing and promotional strategies for luxury products following the demand curve having Veblen effect as suggested by [Leibenstein \(1950\)](#). Few authors formulated mathematical models for luxury goods, but have considered demand curve that follows the law of demand.

### **2.10. Research Objectives**

In the present research, an effort has been made to determine optimal sales price and lot-sizing policy as well as promotional expense for Veblen products. Towards this goal, the following three objectives direct the efforts undertaken in this research.

1. Study the literature to identify the gaps that require researchers' attention towards Veblen products.
2. Determination of optimal pricing and lot-sizing for Veblen products with price-dependent demand.
3. Determination of optimal promotional expense, price and lot-size for Veblen products whose demand depends upon price only.
4. Determination of optimal promotional expense, price and lot-size for Veblen products whose demand depends upon price as well as promotional expense.