Considering Factors Effective on the Consumption of Luxury Goods (Case study: Ilam City)

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ABSTRACT: Nowadays, consumption has been changed to a modern phenomenon that fulfills multiple human needs. Often, during human history, consuming luxury goods has been an important process. In recent decades, the consumption of global luxury goods has a considerable growth, but information about this consumption is limited to commercial publications and literature reviews. Only in some research, it is considered consumers’ behavior in relation to luxury goods in new emergent markets. The purpose of this research is to consider factors effective on consuming luxury goods, perceived conspicuous value, perceived idiosyncratic value, perceived social value, perceived pleasant value, present research method is descriptive-statistical and research community are whole Ilam citizens. Research results suggested that all research hypotheses have been confirmed. Therefore, there is a positive meaningful relationship between mentioned factors and consuming luxury goods.

Keywords: Luxury goods, perceived conspicuous value, perceived idiosyncratic value, perceived pleasant value, perceived social value

INTRODUCTION

The success of every economic plan depends on the precise programming of production and consumption, also needs to perfect knowledge and recognition of supply and demand structure and producers and consumers’ behavior. Economy chain has various rings that disturbance in one of them caused dysfunction in subsequent rings, consequently, whole economics would confront to challenges and dysfunction.

Proper understanding of consumer behavior and consumption process will have various benefits for organization. In order to succeed in transaction process, visitors must have a proper understanding of those factors that affect consumer needs and demands, in this respect, it seems necessary that purchasing and consuming goods and services context needs more thinking. Managing luxury brand caused interest in enterprises, for this reason, consumers would relate themselves to luxury companies. (Okonkwo, 2007). Luxury goods are those goods that the extent of demand for them is more than increasing income (Beverland, 2004).

Despite difficulty in defining luxury goods, this concept is very necessary in marketing research and their procedures some researchers attempt more about this issue and addressed five factors necessary to comprehensive definition of luxury goods, including: idiosyncrasy, having prominent commercial brand or identity, benefit from commercial brand and their quality, conserving selling level and customers fidelity (Phan and Prendergest, 2000).

Some researchers said that consumers develop their concepts from luxury goods based on object or goods features (e.g. best quality), interaction to others (interested or reference groups) and pleasant values (Vigneron and Johnson, 1999). According to researchers, luxury goods have been objective in specific sections of market and have limited distribution but general goods would supply in wholesale market and sell in every place of market. During purchasing general goods, consumers would priorize performance and price, while during decision making about purchasing luxury goods, mainly have been affected by brand and goods position (Djelic and Ainamo, 1999).

In recent decades, consuming luxury goods have a considerable growth, but information about this consuming is restricted to commercial or business publications and the problem of consuming luxury goods caused more interest among marketing researchers, meanwhile, there is less knowledge about how to optimize market and manage the waiting of consumers in the context of luxury goods consumption (Vigneron and Johnson, 2004).
Researchers have merged present knowledge of luxury goods and entitled five values related to these goods as following: perceived conspicuous value, perceived idiosyncratic value, perceived social value, perceived pleasant value and perceived qualitative value. Three primary values have been affected by inter personal effects and two others are based on individual effects (Vignron and Johnson, 1999).

**Perceived Conspicuous Value of Luxury Goods**

It refers to this concept that consumption of luxury goods indicates social status and being rich and with respect to common standards, its price is high and individual value promotes due to it (Vignron and Johnson, 1999).

**Perceived Social Value**

It means that consumers would use luxury goods according to interests and tastes of prominent and important individuals or reference groups are not such famous persons (Vignron and Johnson, 1999). The importance of social effect in the purchasing intention of consumers has been recognized in most consumers behavior model (Bearden and Teel, 1989). To make an optimal social picture of consequences of buyers' behavior, consumer would be affected by internal motives intensely (Hume, 2010).

**Perceived Idiosyncratic Value**

It refers to this concept that customers buy luxury goods in order to promote the necessity of social and individual perception with appealing to personal intentions or by refusing these rules, mention lack of consumption (Vignron and Johnson, 1999). Perceived pleasant Value

In emphasize on these consumers who intends to mental intangible benefits like pleasuring sense or aesthetics tendency during purchasing luxury goods (Vignron and Johnson, 1999). Consumption of luxury goods results in pleasant and relaxation, they have been obtained hard. Consuming such products with specific brand shows considerable idiosyncrasy related to others (Wiedmann and Hening, 2009).

Although there is no systematic and comprehensive definition for luxury goods and its literature in marketing context, but this research shows that mentioned goods have special value and social principles (Starch and Everatt, 2006), but any practical application has not been mentioned about them (Reddy and Bhat 1998; Vignron and Johnson, 2004). Consumer behavior is the touchstone of marketing in which individual motives and ideals play an important role (Grouzet, 2005). Therefore, research about purchasing behavior of customers in relation to luxury goods has been done with respect to this hypothesis that by purchasing these goods, customers would achieve the value of internal experience and external social status. Considering factors effective on the consumption of luxury goods is one of most recent subjects, as to present, such program hasn't been done in Iran, spatially and temporally.

**Research Hypotheses**

H (1): There is a positive relationship between conspicuous value and the consumption of luxury goods.

H (2): There is a positive relationship between perceived idiosyncratic value and the consumption of luxury goods.

H (3): There is a positive relationship between perceived social value and the consumption of luxury goods.

H (4): There is a positive relationship between pleasant value and the consumption of luxury goods.

**RESEARCH METHOD**

In this study, research method is descriptive- statistic and in respect to its purpose, application. Statistical community is unlimited including whole Ilam citizens. Sampling method is random classification and sample volume obtained 874 subjects by Cochran formula. To gather data related to theoretical bases and research background, it was wed library resources, journals, publications and Internet. Input data obtained by researcher directly from Ilam consumers or by means of a questionnaire. In this research, 7 scores Likert scale have been used to answer questions.
Research Conceptual Model

![Research Conceptual Model Diagram]

The Validity and Reliability of Questionnaire
For questions contained in this questionnaire, it was obtained $\alpha = 0.86$ suggested the acceptable reliability of this questionnaire. As questionnaire used in this research is standard, it confirmed by professional and is of content validity.

Data Analysis
In order to analyze descriptive statistics section and mention features of statistical community, it was used SPSS software, also to analyze data and test this model, it was used LISREL software. Data analysis was performed in two stages: the method of modeling structural equation and analyze confirmed factors. At first, convergence and the validity of this model was tested, then structural model has been used to identify the power and relationship between variables, then applied fairness test. Measurement model would determine how to assess final variables or hypothetical structures based on observable variables and to what extent is their reliability and validity. At the other hand, structural equations model would determine causative relationships between hidden variables and explain causative effects and determined variance rate (Azar, 2002).

Fairness Index Test
After determining model, there are various methods to estimate FI*10* by observed data. Totally some indices have been used to assess models' *10*, but 3 to 5 indices are sufficient (Qazi TabaTababee, 2002). Default model is fair when computed coefficients have been in acceptable range, if they were out of this range, it means that such index assessed weak. The following table shows fairness indices of this model.

<table>
<thead>
<tr>
<th>FI</th>
<th>CFI</th>
<th>GFI</th>
<th>AGFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimal status</td>
<td>More than 0.9</td>
<td>More than 0.8</td>
<td>More than 0.8</td>
<td>Less than 0.1</td>
</tr>
<tr>
<td>Research Model</td>
<td>0.93</td>
<td>0.82</td>
<td>0.86</td>
<td>0.02</td>
</tr>
</tbody>
</table>

Values obtained from the above table shows that research conceptual model has a good fairness.

Testing Research Hypotheses by Using Structural Equations
In order to consider main research hypotheses, it was used structural equations modeling (SEM). In the following designed model, it was considered the effect of implicit concept of perceived conspicuous value, perceived idiosyncratic value, perceived social value and perceived pleasant value on the implicit concept of luxury goods consumption.

The following diagram shows the meaningfulness of obtained coefficients and parameters of research measurement model, if their individual meaningfulness test is more than 1.96 and less than -1/96 obtained coefficients are meaningful. Meaningfulness of these numbers shows the meaningfulness of this model
Table 2.

<table>
<thead>
<tr>
<th>Standard coefficient</th>
<th>Meaningfulness level</th>
<th>Independent variable</th>
<th>Dependant variable</th>
<th>Test Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>%85</td>
<td>7.44</td>
<td>Perceived conspicuous value</td>
<td>Luxury good</td>
<td>H₁ confirmed</td>
</tr>
<tr>
<td>%67</td>
<td>7.45</td>
<td>Perceived idiosyncratic value</td>
<td>Luxury good</td>
<td>H₁ confirmed</td>
</tr>
<tr>
<td>%73</td>
<td>4.38</td>
<td>Perceived pleasant value</td>
<td>Luxury good</td>
<td>H₁ confirmed</td>
</tr>
</tbody>
</table>

Figure 2

Research Final Model

Freedman Ranking Test

Table 3.

<table>
<thead>
<tr>
<th>Rank Average</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conspicuous</td>
<td>2.86</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pleasant</td>
<td>2.78</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social</td>
<td>2.27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Idiosyncratic</td>
<td>2.08</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ranks

With regard to above table, it could be concluded that conspicuous value is in primary (first) priority, pleasant value in second, social value in third and idiosyncratic value in forth priorities.

DISCUSSION and CONCLUSION

Present research has been written with the purpose of considering factors effective on consuming luxury goods among different persons, that has been achieved with regard to mentioned topics and in the context of researcher studies. Research findings are the same with previous research findings. Paurav Shukla and Keyoor Purani (2011), by comparison of the importance of understanding luxury value in the contrastive national context showed that this study aims at following a conceptual framework to understand luxury value in the international context and by using five various parameters, compares understanding luxury goods among English and Indian customers, consequently, compares individualistic and pluralistic markets and supports this concept that understanding luxury value would penetrate among cultures and countries: 1. Value brand 2. Value bases 3. experimental value/ self- pleasant 4. benefit/ applicational value and 5. financial value cost have been confirmed as five key values of luxury goods. This is main primary research with the purpose of understanding luxury value and provides sophisticated aspects to compare luxury among individualistic and pluralistic cultures in England and India.
Also, Vigron, Frank and Johnson (2004) in a research entitled "measurement of understanding luxury goods" showed that luxury goods have been considered as a representation of individual and social identities and customers behavior in relation to luxury goods is the results of socialization and self-tools motives.

Also, Yan Truong and Rod Mc coll (2011) in a research entitled "considering internal motives, self-confidence and consumption of luxury goods" showed that despite the considerable growth of luxury markets during two recent decades, a few incomplete and studies have been done about luxury consumers. Research data obtained from 587 luxury consumers and its results showed that inherent motive to consume luxury goods is mainly better quality and pleasant value. Also, findings showed that self-confidence has an important concept in psychology and consumers behavior, but rarely considered in researches about consuming luxury goods. Wong NY. Ahuvia (1998) by considering the effect of luxury consumption in China showed that motive to consume luxury goods is different among various cultures as in individualistic culture, consumer would consume luxury goods mainly to show themselves, whereas as in collective culture, consumers primarily give importance to their social needs.

Based on research results, following recommendations have been presented:

Based on research results and with regard to relationship between consuming luxury goods and perceived social value, persons would consume luxury goods provided for a special group in society. Therefore, it is recommended that visitors and producers of luxury goods identify prominent reference groups in society and design luxury goods based on their interests and desires.

With regard to relationship between consuming luxury goods and perceived conspicuous value, persons consume luxury good with respect to their status in society. Therefore, in order to use these goods more and more, by identifying individuals' needs and cultural differences between consumers, producers would produce luxury goods with respect to social status of individual and their satisfaction.

With regard to relationship between consuming luxury goods and idiosyncratic value, individuals intend to use new and fashionable goods, therefore, it is recommended that producers manufacture luxury goods, new and electronic luxury goods with regard to their consumption.

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