



When higher prices increase sales: How chronic and manipulated desires for conspicuousness and rarity moderate price's impact on choice of luxury brands[☆]



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ABSTRACT

This study examines the impact of low, medium, and high prices on luxury brand choices by consumers very high versus very low in chronic desire for conspicuousness (CC) on selection of a luxury brand, namely, as well as the combination of very high versus very low chronic desire for rarity (CR). The research design tests and confirms the nomological validity of a system of relationships among chronic and manipulated conditions. High versus low manipulated desire for conspicuousness (MC) and manipulated desire for rarity (MR) conjoined with high versus low chronic desire for conspicuousness (CC) and chronic desire for rarity (CR) moderates the typically hypothesized negative main effect of price on demand and may cause a positive main effect of price on luxury brand choice across a relevant range of price-points. These findings confirm the applied theory that for some consumers, chronic psychological states in combination with manipulated related states allow for—perhaps demand that—merchants to charge higher prices to increase sales of luxury brands.

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1. Introduction

For some consumers, price matters little or not at all when given the opportunity to buy a conspicuous, rare luxury product. The findings of the study here support this view as well as an inverted “U” shaped relationship between demand and price for a combination of conditions coupling a very high chronic level of desire for conspicuousness (CC) or rarity (CR) with very high manipulated conspicuousness (MC) or rarity (MR).

In 2010, the worldwide luxury market rebounded from the economic crisis to reach an all-time high of \$256.6 billion (€172 billion) (Bain and Company, 2011). Between 2007 and 2010, Korea was one of the most resilient markets for luxury goods (Kim and Shin, 2011). In this four-year period, the top five department stores in Korea reported that luxury sales doubled (Kim and Shin, 2011). When consumers from seven different countries were asked, “How has your spending on luxury changed over the past 12 months?,” 46% of Koreans responded, “More than in the past,” compared to 44% of Chinese respondents, 6% of Japanese respondents, 3% of European Union respondents, and 6% of U.S. respondents (Kim and Shin, 2011). In particular, Koreans

20–30 years old have moved from luxury consumption to show off economic status and acquired symbols of wealth to “masstige,” or large-scale adoption of luxury fuelled by the need to conform or fit in (Ipsos, 2010). Purchase frequency, conformity, age, consumer ethnocentricity, social recognition, and the availability of pocket money are all factors related to young South Koreans' purchasing foreign luxury fashion brands (Park, Rabolt, and Jeon, 2008).

Although a variety of current research focuses on luxury consumption psychology, Wiedmann, Hennigs, and Siebels (2009) consider conspicuousness, a scarcity value, and an economical value as representative and important variables of luxury consumption. Wiedmann et al. (2009) divide luxury values into an economical value, an intelligent value, an individual value, and a social value to explain why customers purchase luxury products. Customers choose luxury products because they associate high price with high quality, and luxury products have their own unique properties and scarcity values that are exclusively distributed (e.g., they cannot be found in the supermarket) that lead to social values—like conspicuousness and a sense of entitlement—when consumers buy them.

Conspicuous consumption, spending on goods and services for the purpose of displaying wealth or social power or consumption deliberately intended to cause envy, was originally coined by Veblen (1899). In the early 1980s, a number of researchers carried out studies based on the original work of Bourne (1957) focusing on the influence of reference groups on luxury brand consumption (Bearden and Etzel, 1982; Mason, 1981, 1992). Exclusivity (Bearden and Etzel, 1982; Dubois and Paternault, 1997; Pantzalis, 1995), scarcity (Dubois and Paternault, 1997; Horiuchi, 1984; Mason, 1981, 1992; Pantzalis, 1995), and snob appeal (Dubois and Laurent, 1994, 1996; Leibenstein, 1950) are linked

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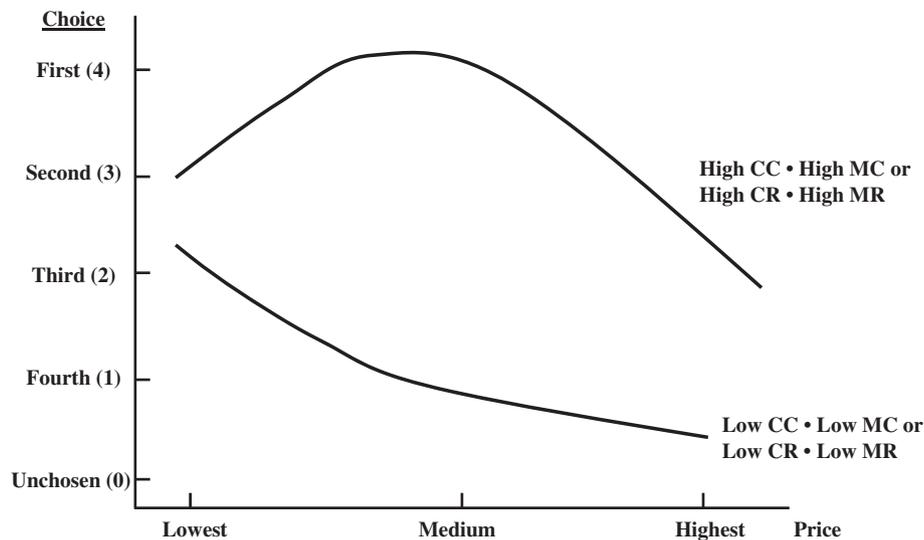


Fig. 1. Theory of chronic and manipulated conspicuousness and rarity moderating price influence on choice.

to the uniqueness value of prestige. In addition, many authors demonstrate that the price of a good may have a positive role in determining the perception of its quality (Erickson and Johansson, 1985; Lichtenstein, Bloch, and Black, 1988; Tellis and Gaeth, 1990). Conspicuous consumption has deep evolutionary roots in that it is used as a proxy for male fitness in that it signals control over financial resources linked to higher status (Saad and Gill, 2000).

2. Theory

According to commodity theory (Brock, 1968, in Lynn, 1991), scarcity (or rarity) enhances the value or desirability of anything that can be possessed, is useful to the possessor, and is transferable from one person to another. Scarcity influences the processing of price information (Suri, Kohli, and Monroe, 2007) and is used by marketers to increase the subjective desirability of products (Jung and Kellaris, 2004). The effects of scarcity on purchase intention, however, vary among individual consumers. Perceived quality, information costs saved, and perceived risk of purchasing prestigious or credible brands influence purchase intentions differently for high versus low self-expressive consumers (Baek, Kim, and Yu, 2010). Consumers respond differently to perceptions of scarcity (along with perceptions of product quality and the monetary sacrifice required to obtain the product) depending on relative price levels and consumers' motivation to process information, with perceived quality and sacrifice contributing to perceptions of value (Suri et al., 2007). Finally, cross-national or cross-cultural differences can also explain differences in the effect of scarcity on purchase intention where familiarity, uncertainty avoidance, and the need for cognitive closure moderate the effect of scarcity on purchase intent (Jung and Kellaris, 2004).

Prior studies (Gierl and Huettl, 2010; Stock and Balachander, 2005; Verhallen, 1982; Verhallen and Robben, 1994) report mechanisms through which scarcity signals are expected to have a positive effect on consumer responses. First, consumers may respond positively to scarcity signals when products can be used to communicate with friends or colleagues (Verhallen, 1982; Gierl and Huettl, 2010). For instance, possessing scarce products might evoke feelings such as envy and respect. Products that can be consumed to satisfy such social needs are referred to as conspicuous consumption goods. Typical examples of such goods are automobiles, apparel, jewelry, and home appliances (i.e., goods that can be noticed by guests and friends). A second mechanism through which scarcity signals are expected to positively affect consumer responses involves consumers using scarcity signals

as heuristic cues to simplify their assessment of a product's quality (Gierl and Huettl, 2010; Stock and Balachander, 2005).

The research reported here identifies the effects of the conspicuousness (brand seeking), rarity (uniqueness), and price (economic value) of products on the purchase intentions of women in their twenties and thirties who are power customers in the luxury market. The broader study aims to determine whether women in their twenties and thirties show off symbolically by displaying fashion products that are conspicuousness, unique, and high in economic value in order to gain status and power. The study focuses specifically on how chronic conspicuousness and rarity, when combined with manipulated conspicuousness and rarity, moderate the effect of price on purchase/choice.

The study proposes the following theory with eight tenets: (1) Consumers vary in their chronic desire for conspicuous consumption (CC). (2) Consumers relatively highest versus lowest in CC more frequently select brands positioned to be high versus low in conspicuousness. (3) Consumers vary in their chronic desire for uniqueness (e.g., desire to achieve rare acquisitions) (CR). (4) Consumers relatively highest versus lowest in CR more frequently select brands positioned to be high versus low in uniqueness. (5) The negative impact of price increases on choice is lowest for the brand positioned as delivering high conspicuousness among consumers highest versus lowest in CC. (6) The negative impact of price increases on choice is highest for a brand positioned as delivering low conspicuousness among consumers high versus low in CC. (7) The most profitable price-points vary by different combinations of CC and manipulated conspicuousness (MC) whereby a very high price is most profitable for the highest CC when coupled with high manipulated conspicuousness (MC); a moderate price-point is most profitable for the lowest CC coupled with high MC; and a low price-point is most profitable for a lowest CC when coupled with a high MC; a profitable outcome occurs for a low price-point for the combination of lowest CC or CR low MC or MR, and lowest price. (8) Demand is so low for all three price-points among the highest CC or CR coupled with low MC or MR, that no price-point is profitable (demand curve j–k–l in Fig. 6); such consumers are vigilant about avoiding low conspicuousness or rarity items even when the items are available at bargain prices.

The research reported here examines the nomological validity of a system of relationships among chronic and manipulated variables. Nomological validity is supported when measures of different but related constructs behave in predictable ways. For example, a chronic desire for status (i.e., seeking products with conspicuousness and/or rarity to signal status) should be highly correlated with demand for prestigious products or luxury brands. The demand for luxury brands, however,

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