A Study on Consumer Characteristics of Korean consumers' Intention to purchase Luxury Brand

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ABSTRACT

This study aims to suggest marketing implications for the success of the luxury brands in the market. Questionnaire was conducted for 360 consumers interested in purchasing luxury goods. The collected data were verified for the appropriateness of the structural equation model and the causation of each concept. luxury brands should put more effort to improve the quality and type of products through various consumer characteristics analysis, and build a pricing strategy to match consumer characteristics with various pricing systems and payment methods. In addition, it is necessary to pay more attention to setting the service system worthy of their luxury images so that the service system can also take the luxury image. What's more, since most luxury consumers are those who value their personality and image rather than cost, so they should do their best at each step so as not to give the negative image of the company to the eyes of the consumers until the end. And it needs to continue their research for enhanced quality of the products and manage the image to sustain the image of the company over time, and make efforts to understand the way of expressing the changing images in step with the changing times and read the cultural trend.

This study presents the direction of marketing strategy to succeed in the market by analyzing the characteristics of consumers to the companies that produce and sell luxury brand products.

1. Introduction

A luxury product is a high-priced, high-grade product of a famous brand, it is a product that has been sought by very few wealthy and middle-aged people for many years, but its target has spread to become a product that anyone wants to have, can have, and must have, regardless of age or income level[1]. Recently, customers are more likely to turn back after looking around for a while than to buy things in the store due to declining consumer sentiment. They are reluctant to consume irrespective of their finances, probably conscious of depression[2]. However, amid frozen frozen consumer sentiment, luxury markets see an unexpected surge in sales. In the fourth quarter of 2018, the sales of overseas luxury goods in Korea's three major department stores jumped more than 10% on average from 2017. This is mainly driven by the influence of the 20s and 30s, who emphasize psychological satisfaction for prices, although household income has not increased significantly and consumer sentiment has not improved. The growth rate of overseas luxury goods in major department stores by the 20s ranges from mid 20% to as much as 30% [3]. In the case of overseas famous brand bags, worthy of more than one million won per one, there was a rush of orders and a purchase is possible only after waiting for several months[4]. Although Korean consumers are highly dependent on luxury brands, research on luxury goods from a consumer perspective is still insufficient. In this respect the purpose of this study s as below.

First, the study tries to understand consumer psychological characteristics related to the purchase intention of luxury brands by Korean consumers.

Second, the study will present the research model based on the identified characteristics and conduct empirical analysis.

Finally, research results will suggest marketing implications for the success of luxury brand companies in the market.

2. Theoretical Considerations

2.1. Decency

Decency refers to a dignified attitude or face that a person treat others with So, when people have done something less than the expectation of others, it is said that they lost their Decency(face) and when having done something others feel satisfied, it is said that they set their Decency(face) or save their Decency(face) and when having done something others feel satisfied, it is said that they lost their Sanitation(face) and save their Decency(face) and when having done something others feel satisfied, it is said that they lost their Decency(face) and save their Sanitation(face)[5]. Koreans tend to think that they have no substantial position internally without showing off externally. Thus, for Koreans, decency is an important element of social life[6]. Constructive Decency is an act of setting a face by showing that a person has appropriate personality, power and authority for his/her position and status[7].
2.2. Addiction

Shopping addiction is defined as an inappropriate or excessive obsession or impulse that is obsessively buy unnecessary things or that leads to purchasing goods beyond their financial capability[8]. Addiction is typically caused by excessive spending and excessive consumption, which can interfere with an individual's life[9]. The addiction of luxury goods is getting stronger as the self-esteem is lower, the compensation purchase tendency is higher and materialistic tendency is higher[10].

2.3. Service

Service means that a person works to benefit others. In particular, it refers to serve customers and accommodate them in business[11]. The difference between what consumers anticipate and what they feel about the service in terms of its direction and degree is called the service quality[12]. The model of Grunroos consists of two factors: Technical Quality and Functional Quality; functional quality is the quality perceived by the consumer in the process of delivering the service and technical quality is the quality that consumers obtain from the service itself[13].

2.4. Brand Equity

The actual value of today's companies is the ability to gain or gain future benefits. The potential value of a company is determined by its intangible assets rather than its tangible assets. The value of brand equity assures the market share and profitability for companies, and affects the purchasing decisions and guarantees for the consumers. A variety of views approaches brand equity. Acker and Keller describe the value of brand equity at the level of consumer perceptions[8]. It is defined as a tangible/intangible brand value that induces a favorable image, perception, attitude, and behavior by consumers' perceiving a particular brand's name, design, symbol, and more[14]. The components of brand equity are brand loyalty, reliability, recognition, and perceived quality[15].

2.5. Self Expansion

Self means a consciousness or an idea for oneself, and extensibility is defined as a property that expands by increasing scale or range[16]. Luxury takes a lot of opportunity costs. It has higher self-expanding than general products given that it is used as a medium of expressing oneself to others or expressing one's images[12]. A person instinctively have attachment to his/her possessions, and if the object has Self Image Congruity or Self Image Connection, the object's self-expansion will be further enhanced[17].

Thus, the following hypotheses were set in this argument:

H1 : Decency will have a positive effect on self-expansion.
H2: Addiction will have a positive effect on self-expansion.
H3: Services will have a positive effect on self-expansion.
H4: Brand equity will have a positive impact on self-expansion.

2.6. Image

Luxury images are a means to express one's individuality[12]. The images that luxury brands have serve as a determining factor in consumer behavior[18]. An image is a whole of a person or an object such as memories, evaluations, and attitudes, which makes one feel special emotions about the person or the object[19] and plays an important role in conveying an individual's value or capabilities. A person can be often appreciated as one who seeks new values or has a good image through well-colored fashion[20].

Thus, the following hypotheses were set in this argument:

H5 : Decency will have a positive effect on the image.
H6 : Addiction will have a positive effect on the image.
H7: Services will have a positive effect on the image.
H8: Brand equity will have a positive effect on the image.

2.7. Purchase Intention of Luxury Goods

Purchase intention means the intended future behavior of an individual, which is defined as an intention to purchase directly, led by attitude and belief[21]. The purchase intention process for a product is formed through steps such as problem recognition, information retrieval, evaluation of alternatives, purchase decision, and post-purchase behavior[22]. Purchase intent is the probability that consumers ' thoughts and attitudes about whether they are willing to purchase lead to actual purchasing[23]. It can be formed through the information from a product memory, or through favorable feelings such as belief and familiarity with the product or brand[24].

Thus, the following hypotheses were set in this argument:

H9 : Self-expansion will have an effect on the intention of purchasing luxury goods.
H10 : Images will have a positive impact on the degree of purchase of luxury goods.

3. Research Design

3.1. Research Model
In order to perform the empirical analysis of this study, the influence relationship between decency, addiction, service, brand equity, self-expandability, image, intention to buy luxury goods is to be investigated based on the previous study like [Figure 1].

Research models can be divided into three major types: First, the addiction that leads to one’s ostentation and excessive spending that can appear in relation to people around over luxury brand products. Second, the service method provided by luxury brand companies and the brand power of luxury brands. Last, consumer psychological characteristics (self-expandability, image, luxury purchase intention) on luxury brand goods.

3.2. Operational Definition and Measurement

In this study, operational definitions were constructed based on the following prior studies to measure decency, addiction, service, brand equity, self-expansion, image, and intention to purchase luxury goods. The following references are complemented and modified to fit this study: Chemyon by Lm MJ(2012)[25], Addiction, Service. Self-extensibility by Lee YK(2017)[12], the image by Battsetseg Batbaya(2012)[26], Brand equity by An JA(2003)[27], the intention to purchase luxury goods by Jo JJ(2011)[28] General matters by Lee JH(2017)[29] is used for reference In order to measure this, the Likert 5-point scale is used. Strongly disagree -1 point, Disagree -2 points , Neither agree nor disagree -3 points , Agree -4, Strongly agree -5 points.

3.3. Data collection and analysis

For data collection and analysis methods, Judgement Sampling among non-Probability sampling methods were adopted. Therefore, the consumers interested in purchasing luxury goods are targeted and surveyed. Preliminary investigations were conducted for five days from Feb 1st, 2019 to Feb. 5th, and 35 copies were recovered out of the distributed 40 copies. Based on the collected questionnaire, the questionnaire was modified to reflect reliability, validity verification and the unnatural responses.

The survey was conducted for 30 days from Feb. 7th to Mar. 8th, 2019 with 400 copies distributed and 377 copies collected. 360 copies are analyzed as valid samples, excluding 17 unsuitable questionnaires for analysis.

The reliability of the collected validity sample was confirmed by Cronbach's α coefficient and validity was verified by using Confirmatory Factor Analysis to ensure internal validity of discriminant validity and convergent validity. Frequency analysis was used for the general characteristics of the subjects. Then, the suitability of the structural equation model and the causal relationship between each concept were verified.

4. Empirical Analysis

4.1. General characteristics of survey subjects

The General characteristics of the subjects are shown as [Table 1] Gender ratio displays that women are a little high as shown by 151 men (41.9%) and 209 women (58.1%) among the total 360.

The highest age (31.7%) was over 50s, the highest career (37.2%) was service, and the highest final degree was high school (41.9%). More than 3.5 million won (31.9%) is the highest in income.

The most preferred products for luxury brands are bags (30.8%), and the highest number of luxury brand purchases is more than once a year (74.4%).

![Figure 1: Hypothetical Model](image-url)
4.2. Variables and Reliability and Validity Verification

The verification of reliability and validity for the collected data preceded empirical analysis. The reliability and validity were measured by Cronbach’s Alpha coefficient and exploratory factor analysis on testing items. By the criteria that The Cronbach’s Alpha coefficient with 0.6 or higher is considered to be reliable[30], the measurement items used in this study were 0.959 and showed satisfactory levels of reliability, such as [Table 2]. To analyze the validity of the constructs, Confirmatory Factor Analysis was performed. Confirmatory Factor Analysis is to analyze the measurement model to verify the convergent Validity and Discriminant Validity of the constructs. Table 2 shows that the concept validity of the constructs used in this study is sufficient as proven by that correlation between factors and constitutional variables is considered to be high if factor loading is more than 0.4%[31, 32, 33]. Plus, it is also analyzed that there is intensive validity. And the average variance extraction value(AVE)is approximately 0.5 or more, so the question items are analyzed to have representation of the research items. After Confirmatory Factor Analysis, correlation analysis was conducted as shown in [Table 3] in order to roughly examine the direction the relationship between the variables used in this study. Overall, there is a significant relationship between variables.

Table 1: General characteristics of participants

<table>
<thead>
<tr>
<th>Item</th>
<th>Division</th>
<th>Frequency (number of person)</th>
<th>%</th>
<th>Item</th>
<th>Division</th>
<th>Frequency (number of person)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>151</td>
<td>41.9</td>
<td>Less than 1,500,000 won</td>
<td>25</td>
<td>6.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>209</td>
<td>57.4</td>
<td>1,500,000 won ~ Less than 2,000,000 won</td>
<td>48</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>Under 20 years old</td>
<td>11</td>
<td>3.1</td>
<td>2,000,000 won ~ Less than 2,500,000 won</td>
<td>66</td>
<td>18.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20 ~ 29 years old</td>
<td>78</td>
<td>21.7</td>
<td>2,500,000 won ~ Less than 3,000,000 won</td>
<td>49</td>
<td>13.6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>30 ~ 39 years old</td>
<td>73</td>
<td>20.3</td>
<td>3,000,000 won ~ Less than 3,500,000 won</td>
<td>57</td>
<td>15.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>40 ~ 49 years old</td>
<td>84</td>
<td>23.3</td>
<td>More than 3,500,000 won</td>
<td>115</td>
<td>31.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Over 50 years old</td>
<td>114</td>
<td>31.7</td>
<td>Clothing</td>
<td>52</td>
<td>14.4</td>
<td></td>
</tr>
<tr>
<td>Occupation</td>
<td>A manufacturing Industry</td>
<td>77</td>
<td>21.4</td>
<td>Bag</td>
<td>111</td>
<td>30.8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Distribution Industry</td>
<td>30</td>
<td>8.3</td>
<td>Wallet</td>
<td>36</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Service Industry</td>
<td>134</td>
<td>37.2</td>
<td>Shoes</td>
<td>55</td>
<td>15.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The construction Industry</td>
<td>27</td>
<td>7.5</td>
<td>Accessories</td>
<td>32</td>
<td>8.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Etc</td>
<td>92</td>
<td>25.6</td>
<td>Scarves and Sunglasses</td>
<td>14</td>
<td>3.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Etc</td>
<td>60</td>
<td>16.7</td>
<td></td>
</tr>
<tr>
<td>Educational background</td>
<td>Less than Junior High school graduation</td>
<td>14</td>
<td>3.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td>High school graduation</td>
<td>154</td>
<td>41.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2-year university graduation</td>
<td>73</td>
<td>20.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4-year university graduation</td>
<td>104</td>
<td>28.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Graduate M.A and above</td>
<td>18</td>
<td>5.0</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>360</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
4.3. Model Analysis and Hypothesis Testing

4.3.1. Structural Equation Model and Path Coefficient

In order to analyze the structural equation model, decency, addiction, service, and brand equity were set as potential external variables, self-expansion, images as meditating internal variables, and the intention to purchase luxury goods as internal variables.

The overall suitability index of the model presented in this study is $X^2 = 290.286$, df = 152, $p = .000$, $X^2 / df = 1.910$, RMR = .034, RMSEA = .050, GFI = .928, AGFI = .900, NFI = .968, CFI = .984, IFI = .984, they all were satisfactory above the reference value. In other words, $X^2 / df$ is lower than 2 in suitability, GFI, AGFI, NFI, CFI, and IFI are greater than 0.9, and...
RMR is also lower than 0.05, which can be determined as a reasonable model to test the hypothesis of this study.

4.3.2. Verification of research hypothesis

The verification results summary of all 10 hypotheses set in the structural relationship between decency, addiction, service, brand equity, self-expandability, image is shown as [Table 4], [Figure 1]. Of all the entire study hypothesis, the p-value was lower than 0.05 and 6 hypothesis with positive value in the – value were adopted. The results of the research hypothesis through the structural equation are as follows.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>Path coefficient</th>
<th>Estimate</th>
<th>Standardized Estimate</th>
<th>t-value</th>
<th>p-value</th>
<th>Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Decency → Self- Expansion</td>
<td>.08</td>
<td>.084</td>
<td>.082</td>
<td>2.410</td>
<td>.016</td>
<td>Adoption</td>
</tr>
<tr>
<td>H2</td>
<td>Addiction → Self- Expansion</td>
<td>.45</td>
<td>.388</td>
<td>.449</td>
<td>10.427</td>
<td>***</td>
<td>Adoption</td>
</tr>
<tr>
<td>H3</td>
<td>Service → Self- Expansion</td>
<td>-.04</td>
<td>-.046</td>
<td>-.040</td>
<td>-1.169</td>
<td>.243</td>
<td>Rejection</td>
</tr>
<tr>
<td>H4</td>
<td>Brand Equity → Self- Expansion</td>
<td>.48</td>
<td>.579</td>
<td>.480</td>
<td>9.372</td>
<td>***</td>
<td>Adoption</td>
</tr>
<tr>
<td>H5</td>
<td>Decency → Image</td>
<td>.04</td>
<td>.030</td>
<td>.037</td>
<td>.740</td>
<td>.459</td>
<td>Rejection</td>
</tr>
<tr>
<td>H6</td>
<td>Addiction → Image</td>
<td>.01</td>
<td>.006</td>
<td>.009</td>
<td>.149</td>
<td>.882</td>
<td>Rejection</td>
</tr>
<tr>
<td>H7</td>
<td>Service → Image</td>
<td>.25</td>
<td>.219</td>
<td>.251</td>
<td>4.923</td>
<td>***</td>
<td>Adoption</td>
</tr>
<tr>
<td>H8</td>
<td>Brand Equity → Image</td>
<td>.57</td>
<td>.530</td>
<td>.570</td>
<td>7.910</td>
<td>***</td>
<td>Adoption</td>
</tr>
<tr>
<td>H9</td>
<td>Self-Expansion → Purchase Intention of Luxury Goods</td>
<td>.98</td>
<td>1.042</td>
<td>.976</td>
<td>16.456</td>
<td>***</td>
<td>Adoption</td>
</tr>
<tr>
<td>H10</td>
<td>Image → Purchase Intention of Luxury Goods</td>
<td>-.03</td>
<td>-0.46</td>
<td>-.033</td>
<td>-7.555</td>
<td>.451</td>
<td>Rejection</td>
</tr>
</tbody>
</table>

**p<0.01**

![Figure 2: Path coefficients of Model](image-url)
expansion ($\beta=.48$, $t=9.372$, $p=.000$) were statistically significant positive, and hypotheses 1, 2, and 4 were adopted. However, the relationship between service and self-expansion ($\beta=-.04$, $t=-1.169$, $p=.243$) was not statistically significant, so hypothesis 3 was rejected.

The relationship between service and images ($\beta=.25$, $t=4.923$, $p=.000$), brand equity and images ($\beta=.57$, $t=7.910$, $p=.000$) were statistically significant, so hypothesis 7, 8 were adopted. However, the relationship between Decency and images ($\beta=.04$, $t=.740$, $p=.459$), addiction and images ($\beta=.01$, $t=.149$, $p=.882$) were not statistically significant, so hypothesis 5, 6 were rejected.

The relationship between self-expansion and intention to purchase luxury goods ($\beta=.98$, $t=16.456$, $p=.000$) was statistically significant, so hypothesis 9 were adopted. However, the relationship between images and intention to purchase luxury goods ($\beta=-.03$, $t=-.755$, $p=.451$) was not statistically significant, so hypothesis 10 was rejected.

5. Conclusion

This study is to identify the effects of decency, addiction, service, brand equity, self-expansion, and images on the purchase intention of luxury goods, and suggest marketing implications for the success of the luxury brands in the market. Therefore, this study's implications are as follows.

First, Decency has a significant effect on self-expansion, but have little meaningful effect on the images. This analysis shows that consumers are very conscious of what others think of themselves and that consumers are trying to express their individuality. Therefore, luxury brand companies should make enhanced efforts to improve the quality and kinds of products by analyzing various consumer characteristics.

Second, addiction turned out to have a significant effect on self-expansion, but it has little significant effect on the image. This analysis shows the characteristics that even if the price is expensive, they willingly purchase luxury goods to feel comfortable in order to express their individuality and superiority. Therefore, luxury brand companies should build a pricing strategy such as various price system and price payment method so that customers can purchase products tailored to their various characteristics.

Third, the service is revealed to have no significant effect on self-expansion, but it has a significant effect on the image. This analysis shows that consumers think that service requests and complaints quickly should be processed based on the recognition that the product is good and high quality because they are luxury brand goods. For these reasons, it is necessary for luxury brand companies to pay more attention to setting the service system worthy of their luxury images so that the service system can also take the luxury image. What's more, since most luxury consumers are those who value their personality and image rather than cost, so they should do their best at each step so as not to give the negative image of the company to the eyes of the consumers until the end.

Fourth, brand equity shows to have a significant impact on self-expansion and image. This analysis shows that since it is a luxury good, the quality, reputation, and their personalities never change over times, customers judge that the value of such assets is high. Therefore, it needs to continue their research for enhanced quality of the products and manage the image so as to sustain the image of the company over time. And they should make efforts to understand the way of expressing the changing images in step with the changing times and read the cultural trend.

Finally, the self-expansion has a significant impact on the intention to purchase luxury goods, but images have little critical effect on the intention to buy luxury goods. This analysis explains that customers purchase luxury goods to express their personality and image through their social status, financial capability show off, and so on. Thus, luxury brand companies should care about developing innovative designs and materials that can express consumer personalities in various way. Furthermore, in-depth investigation and research should be conducted to better understand consumer’s purchasing tendencies.

Although this study has made great efforts to show substantial results and implications, there are also problems should be addressed in the future. First, in this study, the surveyed subjects were targeted to the customers interested in purchasing luxury goods, the result is thought to be unreasonable to be generalized. Therefore, in the future studies, the interest of purchasing luxury goods should be divided into upper, middle, low phase for detailed research. Second, service and image were studied only in limited to dissatisfaction resolution, rapid response, material and quality. In the future, research should be conducted in detail by product and service type.

6. References


