

*Full Length Research Paper*

# Investigation of the effects of luxury brand perception and brand preference on purchase intention of luxury products

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Conspicuous consumption is a fairly universal phenomenon although possibly more pervasive in developed countries. It can be said, conspicuous consumption is more common in some cultures that have a tendency to materialism. Every country in terms of political, technological, cultural and economic environment is different. This paper deepens understanding of why consumers are willing to buy the luxury high end, automobiles provide. The head of the country of origin influences evaluations of how people tend to buy luxury automobiles are used and which of the demographic factors have most influenced the understanding of the luxury brand. The populations of this study are the owners of the automobiles Toyota, Hyundai and Kia Motors in Tehran. A comparison was made between German made Mercedes Benz and Japanese made Lexus luxury automobiles brands. The final sample consists of a total of 390 participants. Data analysis is used in structural equation modeling. The findings show that variables of hedonic, unique, and quality value are significantly higher than conspicuous and social values. They have more of a role in forming of luxury brand perception in Iranian consumers. This study is useful for marketers to understand their target market and how their customers evaluate products and make buying decisions. The five perceived values of luxury automobiles can be used as guidelines for salesmen to sell successfully to customers.

**Key words:** Luxury brand perception, conspicuous value, uniqueness value, social value, hedonic value, quality value, brand preference, purchase intention, country of origin, demographic factors.

## INTRODUCTION

Veblen (1912) states that conspicuous consumption refers to the ostentatious display of wealth for the purpose of acquiring or maintaining status or prestige. Spending money to tout one's success is not a new phenomenon. The desire to conspicuously consume dates back to tribal times when men possessed women and slaves as trophies of their status. Since that time, although the players and what is consumed have changed, the game of ostentatious ownership has

remained essentially the same, with the winners being especially important to the study of the history of consumption because they play such an important role in the growth of a consumer society" (Page, 1992).

The luxury brands industry is unique and different from other industries. The luxury market in Iran has grown quickly in recent years. There is a young population in Iran, making it an attractive market for many foreign companies. For example, the price of luxury cars such as

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**Table 1.** The existence of income gap in Iran.

Year	Social affairs ► Income distribution ▼	
	Gini coefficient	Ratio of richest 10% to poorest 10%
2000	0.3991	15
2001	0.3985	14.4
2002	0.4191	16.9
2003	0.4156	16.2
2004	0.3996	14.6
2005	0.4023	14.5
2006	0.4004	14.9
2007	0.4045	15.2
2008	0.3859	13.5
2009	NA	NA
2010	NA	NA

Source: Iran central bank reports.

Toyota, Porsche, Hyundai, Kia Motors, or BMW can be about two or three times their original price from factory due to tariffs, but they are still in top demand in Iran.

The income gap in Iran is one of the main reasons for consuming luxury products. One of the best criteria for showing this gap is the Gini coefficient. The Gini coefficient, which is a number between zero and one, is an important measure of inequality in distribution of income. Zero indicates a society with absolute equality in distribution of income and one indicates a society with inequality in income distribution. Data on this indicator is available for urban areas on an annual basis. One of the measures of income distribution is the ratio of 10th decile expenditures (the richest) to 1st decile expenditures (the poorest). The higher the ratio, the more inequality there is in the society. According to Iranian central bank the Gini coefficient has been reported during 2000 to 2010. As we can see in Table 1, the existence of income gap in Iran is obvious (CBI, 2010).

## THEORETICAL BACKGROUND

### Brand perception

Over the past 20 years, the literature has consistently highlighted the importance of brand perceptions and the components of these perceptions, including brand image and associations (Simms and Trott, 2006). Brand perception is a consumers' ability to identify the brand under different conditions, as reflected by their brand recognition or recall performance (Wonglorsaichon and Sathainrapabayut, 2008).

Aaker (1991), in his seminal book *Managing Brand Equity*, identified three key perceptual/cognitive variables: name awareness, brand associations, and perceived quality. All three are seen as key determinants of brand

loyalty. Feldwick (1996) and Chernatony and McDonald (2003) have distinguished six types of brand attributes: awareness, image, perceived quality, perceived value, personality, and organizational associations (Sadeghi and Ghaemmaghani, 2011). It is well documented that consumers' perceptions of brands consist of brand awareness and brand image (Keller, 1998). Awareness of a brand is not likely to be enough to ensure a brand's success, as it is not in itself likely to be sufficient reason to purchase a product. Successful brands must offer superior value to consumers and differentiate an offering from those of competitors (Kim et al., 2008). Researchers have examined purchase intention frequently and found it to be an important consequence of value perceptions (Dodds et al., 1991; Hanzaee and Yazd, 2010).

According to Vigneron and Johnson (1999) the term "prestige goods" was more broadly defined as it includes consumer motivations for pursuing uniqueness, technical superiority, and aesthetic appeal as well as signaling status and wealth. McCarthy and Perreault (1987) cited that in marketing, the term "prestige pricing" is used when a higher price is used to indicate high quality or status. Veblen (1899) observed that consumers often use price as a surrogate indicator of prestige, because high prices often have a positive role in determining the perception of product value (Thuy, 2008).

For Solomon (1996) luxury items have a degree of exclusivity, and are thus usually more expensive (that is, higher monetary risk) than necessities. The risk of a bad purchase and the hedonistic value of luxury products are characteristics of a complex task, such as purchasing luxury products (Piron, 2000).

Following the distinction between prestige brands and non-prestige brands (Vigneron and Johnson, 1999), the distinction between luxury brands and non-luxury brands has been operationally defined as the distinction between brands exhibiting five perceived values, contingent on a

particular socioeconomic framework (Thuy, 2008). Value is one of the most powerful forces in the marketplace to understand consumer behavior (Zeithaml, 1988; Dodds et al., 1991; Holbrook et al., 1984; Irani and Heidarzadeh, 2011). Value plays an important role in predicting customers' choice and future repurchase intentions (Zeithaml, 1988; Dodds et al., 1991; Irani, and Heidarzadeh, 2011; Holbrook, 1996).

### ***Conspicuous value***

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 (Mason, 1981; Bearden and Etzel, 1982). Findings revealed that the conspicuousness of a product was positively related to its susceptibility to the reference group. Luxury goods consumed in public were more likely to be conspicuous goods than privately consumed luxury goods and conspicuous consumption still plays a significant part in shaping preferences for many products that are purchased or consumed in public contexts (Braun and Wicklund, 1989; Vigneron and Johnson, 2004; Heidarzadeh and Teimourpour, 2011). The consumption of luxury brands serves as a signal of status and wealth. The higher price of the brands enhances the value of such a signal (Thuy, 2008).

### ***Unique value***

If virtually everyone owns a particular brand, it is considered to be non-luxury (Thuy, 2008). Uniqueness is based on the assumption, demonstrated in research, that the perceived exclusivity and rareness of the product enhances a consumer's desire or preference for it (Verhallen, 1982; Pantzalis, 1995). Furthermore, this desire increases when the brand is also perceived as expensive (Groth and McDaniel, 1993; Verhallen and Robben 1994). Therefore, the more unique a brand is deemed, and the more expensive it is compared to normal standards, the more valuable it becomes (Heidarzadeh and Teimourpour, 2011; Verhallen and Robben, 1994).

### ***Social value***

The role-playing aspects and social value of a brand can affect the decision to buy (Thuy, 2008). Thus, luxury brands may be important to individuals in search of social status and representation and means in particular that the ranking in a society associated with a brand plays an important factor in conspicuous consumption. The consumption of luxury goods appears to have a strong social function. Therefore, the social dimension refers to the perceived utility individuals acquire by consuming

products or services recognized within their own social group(s) such as conspicuousness and prestige value, which may significantly affect the evaluation and the propensity to purchase or consume luxury brands (Bearden and Etzel, 1982; Vigneron and Johnson, 2004; Wiedmann et al., 2007).

### ***Hedonic value***

A product's subjective intangible benefits clearly determine the brand selection (Thuy, 2008). Its value is perceived through fun and pleasure as opposed to goal achievement (Irani and Heidarzadeh, 2011; Hirschman and Holbrook, 1982). Previous studies have identified and included fun, pleasure, recreation, freedom, fantasy, increased arousal, heightened involvement, new information, escape from reality, and others as hedonic shopping value (Irani and Heidarzadeh, 2011; Hirschman and Holbrook, 1982; Tauber, 1972). As Bloch and Bruce (1984) stated, consumers obtain hedonic value as well as task-related or product acquisition value during the shopping experience (Irani and Heidarzadeh, 2011; Bloch and Bruce, 1984).

### ***Quality value***

Luxury is partly derived from technical superiority (Thuy, 2008). This is congruent with the assumption in the field of perceived quality that luxury brands offer greater product quality and performance than non-luxury brands (Vigneron and Johnson, 2004; Heidarzadeh and Teimourpour, 2011; Quelch, 1987; O'Cass and Frost, 2002). Aaker (1991) says that consumers may associate luxury products with a superior brand quality and reassurance so that they perceive more value from them. In addition, high quality is seen as a fundamental character of a luxury product in terms of a sine qua non (Heidarzadeh and Teimourpour, 2011; Quelch, 1987).

Groth and McDaniel (1993) supported the assumption that an exclusive or unique perception of a brand was also related to its cost. They stated that "brand exclusivity is the positioning of a brand such that it can command a high price relative to similar products." They suggested applying a prestige-pricing strategy to support the marketing of luxury or high-quality goods. Bearden and Etzel (1982) concluded that publicly consumed luxury goods were more likely to be conspicuous goods than privately consumed luxury goods.

In practice, Groth and McDaniel (1993) "high prices may even make certain products or services more desirable." Rao and Monroe (1989), attest that because people perceive higher prices as evidence of greater quality. Veblen (1899) suggested that conspicuous consumption was used by people to signal wealth and, by inference power and status. Thus, the utility of luxury products may be to display wealth and power and one

could consider that luxury brands would dominate the conspicuous segment of the consumers.

According to Twitchell (2002), luxury is a sign of status and class in modern societies and the two reasons that consumers buy luxury goods are to show that they belong to the higher class and to differentiate themselves from those of the lower class. In Nia's (2000) study, the results also indicated that consumers believe that ownership of original luxury brand products gives them personal satisfaction and helps them to be admired, recognized, and accepted by others (Thuy, 2008). Thus, the following hypotheses:

**H<sub>1</sub>:** There is a direct relationship between conspicuous value and consumers' purchase intention of luxury automobiles.

**H<sub>2</sub>:** There is a direct relationship between unique value and consumers' purchase intention of luxury automobiles.

**H<sub>3</sub>:** There is a direct relationship between social value and consumers' purchase intention of luxury automobiles.

**H<sub>4</sub>:** There is a direct relationship between hedonic value and consumers' purchase intention of luxury automobiles.

**H<sub>5</sub>:** There is a direct relationship between quality value and consumers' purchase intention of luxury automobiles.

**H<sub>6</sub>:** There is a direct relationship between luxury brand perception and consumers' purchase intention of luxury automobiles.

**H<sub>7</sub>:** There is a direct relationship between purchase intention and luxury brand perception of consumers' luxury automobiles.

### Brand preference

According to Roth and Romeo (1992), the image of a country arises from a series of dimensions that positively qualify a nation in terms of its production profile. Such dimensions include the following aspects: innovative approach (superiority, cutting-edge technology), design (style, elegance, and balance), prestige (exclusiveness and status of the national brands), and workmanship (reliability, durability, and quality of national manufactures). According to Kotler (1980), a product is defined as anything that can be offered to a market for attention, acquisition, use, or consumption that may satisfy a need or want (Thuy, 2008). Therefore, we propose that:

**H<sub>8</sub>:** There is a direct relationship between brand preference and consumers' purchase intention of luxury automobiles.

### Familiarity

Alba and Hutchinson (1987); Kent and Allen (1994) demonstrated that brand familiarity is generally viewed as a reflection of the extent of a consumer's direct and indirect experience with a brand. Kent and Allen (1994) found that the more consumers are familiar with a brand, the higher the quantity of response and memory towards

the brand they have (Shukla, 2008).

Han (1989) pointed out that the image from a particular country would indirectly affect consumers' attitudes toward the brand if consumers are not familiar with the country's products (Thuy, 2008). Thus:

**H<sub>9</sub>:** There is a direct relationship between brand familiarity and consumers' purchase intention of luxury automobiles.

### COO and purchase intention

Wall et al. (1991) noted that, for luxury items, the COO tended to have a stronger effect than price in product quality assessment (Piron, 2000). Bilkey and Nes (1982) showed that consumers' attitude toward foreign products or foreign brands could be influenced by consumers' image or knowledge about that country.

In Lin and Sternquist's study (1994), the results indicated that products from more developed countries usually gain more positive evaluations than products from less developed countries. Johansson et al. (1985) provided the evidence to support that stereotypes related to specific country of origin will affect the consumers' perceptions of attributes for some products. It means that a country's image becomes a bias and will influence the purchase decision.

Nigashima defined country of origin effect as "the picture, the reputation, and the stereotype that businessmen and consumers attach to products of a specific country." This image is created by such variables such as representative products, national characteristics, economic, as well as political background, history, and traditions" (Thuy, 2008). It can therefore be hypothesized that:

**H<sub>10</sub>:** There is a direct relationship between country of origin and consumers' purchase intention of luxury automobiles.

### COO and brand perception

The objective of Piron's (2000) study was to measure and analyze the impact of country of origin on consumers' purchasing intention of products which are consumed conspicuously. Although the results indicated that a product's country of origin may not be a strong determinant in purchasing products, it appeared that country of origin would affect consumers' buying decisions more when buying luxuries rather than necessities (Thuy, 2008).

**H<sub>11</sub>:** There is a direct relationship between country of origin and luxury brand perception (Appendix 1) of consumers' luxury automobiles.

### Demographic factors

Dubois and Laurent, (1994), Tidwell and Dubois, (1996),

**Table 2.** Variables, items and scale.

S/N	Variables name	Items	Scale name	References	
1	Country of origin	7	5-Point Likert	Yasin et al. (2007)	
2	Familiarity (Brand)	3	5- Point semantic differentials	Simonin and Ruth (1998) and Ruth (2001)	
3	Preference brand	3	100-Point summated scale	Costely and Brucks (1992) and Costely (1993)	
4	Luxury brand perception	Conspicuous value	4	5-Point Likert	Wright (2005) and Thuy (2008)
		Unique value	3		
		Social value	2		
		Hedonic value	5		
		Quality value	5		
5	Purchase intention	5	5-Point ratings scale	Dodds et al. (1991)	
6	Demographic factors	7			

showed that the perception of luxury is influenced by demographics, lifestyle, habit, social environment, and of course, the purveyors of luxuries, and the marketers.

That means drastic cultural influences are reflected in the perception of luxury (Thuy, 2008). Accordingly:

**H<sub>12</sub>:** There is a direct relationship between age and luxury brand perception of consumers' luxury automobiles.

**H<sub>13</sub>:** There is a direct relationship between sex and luxury brand perception of consumers' luxury automobiles.

**H<sub>14</sub>:** There is a direct relationship between marriage status and luxury brand perception of consumers' luxury automobiles.

**H<sub>15</sub>:** There is a direct relationship between family monthly income and luxury brand perception of consumers' luxury automobiles.

**H<sub>16</sub>:** There is a direct relationship between household size and luxury brand perception of consumers' luxury automobiles.

## MATERIALS AND METHODS

Measurement assessments were used to validate our model. The instrument for this study consists of the questionnaire proposed by this paper on demographic factors and brand perception on purchase intention of luxury automobile in Iranian Consumers. In this study Mercedes Benz and Lexus were selected as Luxury automobile from other luxury automobiles, because of their presence in the Iranian market, different country of origin, and comparison between two products.

The questionnaire was first developed in English and then translated into Farsi. Back translation and further testing were conducted to ensure consistency and reliability between the English and Farsi version. The study is relying on proportional stratified sampling. Respondents mainly included Toyota, Hyundai and Kia Motors owners in Tehran.

### Survey administration

The survey contained five sections totaling 44 questions on a 5-point Semantic differentials, 5-point Likert scale, 100-point

Summated scale, 5-point Ratings scale (Thuy, 2008; Dodds et al., 1991; Simon and Ruth, 1998; Ruth, 2001; Yasin et al., 2007; Wright, 2005; Costely and Brucks, 1992; Costely, 1993). Table 2 shows variables, items, and scales that were used in this study.

Each questionnaire item was scored on a five-point Likert scale (1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; and 5 = strongly agree). The questionnaire contained a few nominally scaled background questions. These questions sought information on demographics (age, gender, marital status, monthly family income, household size, monthly family cost, saving). The questionnaire has ten sections: brand familiarity, country of origin, conspicuous value, unique value, social value, hedonic value, quality value, purchase intention, brand preference and demographic factors.

A total of 412 questionnaires were distributed between May 2011 and June 2011. The printed questionnaires were distributed through personal visits to owners of luxury automobiles such as Toyota, Hyundai, and Kia Motors companies of different geography sections in Tehran. After distributing survey questionnaires, we asked the recipients for their email addresses or telephone numbers in order to increase the response rate by making a call and sending an email to the participants who could not complete the survey.

To refine the measures and to assess their reliability and validity, the survey was conducted with strict guidelines. Each participant was requested to carefully complete the questionnaire. Twenty-two questionnaires were eliminated due to invalid answers or a lack of experience in brand preference, leaving 390 questionnaires for our empirical analysis.

### Reliability and validity tests

#### Validity test

Validity is often assessed along with reliability - the extent to which a measurement gives consistent results. An early definition of test validity identified it with the degree of correlation between the test and a criterion. Under this definition, one can show that reliability of the test and the criterion places an upper limit on the possible correlation between them (the so-called validity coefficient). Validity of the structure is another important item in analyzing structural equations and correlations among factors (Wikipedia, 2011).

Face validity is a property of a test intended to measure something. Face validity is very closely related to content validity. Face validity describes to whether the test "looks valid" to the examinees who take it, the administrative personnel who decide on its use, and other technically-untrained observers (Wikipedia, 2011).

According to Anastasi and Urbina (1997) content validity is a non-statistical type of validity that involves "the systematic

**Table 3.** Cronbach's Alpha.

Scales	Alpha
Total of Mercedes Benz	0.8540
Total of Lexus	0.8757

examination of the test content to determine whether it covers a representative sample of the behavior domain to be measured". For example, does an IQ questionnaire have items covering all areas of intelligence discussed in the scientific literature? Content validity evidence involves the degree to which the content of the test matches a content domain associated with the construct. Content related evidence typically involves subject matter experts (SME's) evaluating test items against the test specifications. Content validity requires more rigorous statistical tests than face validity, which only requires an intuitive judgment. Content validity is most often addressed in academic and vocational testing, where test items need to reflect the knowledge actually required for a given topic area (for example, history) or job skill (for example, accounting).

One widely used method of measuring content validity was developed by Lawshe (1975). It is essentially a method for gauging agreement among raters or judges regarding how essential a particular item is. Lawshe (1975) proposed that each of the subject matter expert raters (SMEs) on the judging panel respond to the following question for each item: "Is the skill or knowledge measured by this item 'essential,' 'useful, but not essential,' or 'not necessary' to the performance of the construct?" According to him, if more than half the panelists indicate that an item is essential, that item has at least some content validity. Greater levels of content validity exist as larger numbers of panelists agree that a particular item is essential. Using these assumptions, Lawshe (1975) developed a formula termed the content validity ratio:  $CVR = (n_e - N / 2) / (N / 2)$  where  $CVR$  = content validity ratio,  $n_e$  = number of SME panelists indicating "essential",  $N$  = total number of SME panelists. This formula yields values which range from +1 to -1; positive values indicate that at least half the SMEs rated the item as essential. The mean CVR across items may be used as an indicator of overall test content validity (Wikipedia, 2011). In this research, CVR was more than 0.90 for each item. So questionnaire has content validity.

#### Reliability test

Reliability is determined by Cronbach's alpha, a popular method for measuring reliability (Mukherjee and Nath, 2003). Nunnally (1978) suggests that for any research at its early stage, a reliability score or alpha that is 0.60 or above is sufficient. As shown in Table 3, the reliability scores of all the constructs were found to exceed the threshold set by Nunnally (1978); all measures demonstrated good levels of reliability (greater than 0.70). The country of origin scale achieved the largest reliability of 0.8592 for Mercedes Benz and 0.8205 for Lexus.

The first pilot study was conducted in the autumn of 2010 to test the instrument among consumers in Esfahan and feedbacks from the pilot study were used to revise and improve the questionnaire. After eliminating the unusable, the procedure yielded a total of 53 from 73 respondents. The second pilot study was conducted in the spring of 2011 to test the instrument among consumers in Tehran and feedbacks from the pilot study were used to revise and improve the questionnaire. The data collection resulted in 30 usable questionnaires from 31 respondents. Finally, after eliminating the unusable, the procedure yielded a total of 390 from 412 respondents.

## RESULTS

In this research, we surveyed the relationship between demographic factors on luxury brand perception and also relationship between brand perceptions on the purchase intention. Descriptive and inferential statistical were used for the analysis of the questionnaires. Descriptive statistical include frequency table and Mean, in inferential level use of SEM include CFA, Path analysis, variance analysis and T-test.

#### Structural equation modeling

As suggested in the literature (Bollen and Long, 1993; Joreskog and Sorbom, 1993; Kline, 1998), the model fit is assessed by such indices as the comparative fit index (CFI), the goodness of fit index (GFI; Hair et al., 2003), the Normed fit index (NFI), and the root mean square error of approximation (RMSEA) (Steiger, 1990). The comparative fit index is an index of overall fit (Gerbing et al., 1993). The goodness of fit index measures the fit of a model compared to other models (Hair et al., 2003). The Normed fit index measures the proportion by which a model is improved in terms of the fit when compared to the base model (Hair et al., 2003). The RMSEA provides information in terms of the discrepancy for the degrees of freedom for a model (Steiger, 1990). The accepted thresholds for GFI, NFI, and CFI are 0.90; RMSEA is recommended to be at most 0.05, and acceptable up to 0.08 (Gefen et al., 2000).

The correctness of the research model was tested by using structural equation modeling techniques with LISREL 8.54. The Chi-square statistic of the Mercedes Benz model was 422.84 with 125 of freedom and the Chi-square statistic of Lexus model was 425.54 with 133 of freedom, thus indicating a good fit with the model (a ratio of less than 3). However, since the Chi-square test is very sensitive to the sample size, we employed a number of other indices to further test the model fit. As shown in Table 4, all the indices – RMR, SRMR, GFI, NFI, NNFI, IFI, CFI and RMSEA – are at acceptable levels. Overall, the results showed that our model provides a valid framework for the measurement of luxury brand perception on purchase intention.

In this research, SPSS and LISREL software were used for data analysis. The LISREL is mainly used for analysis of measurement and the structural models to assess the goodness-of-fit and explanation of the model. SEM combines the factor analysis model and SEM can explain the relationship among a series of interdependent potential variables. We also verify convergent validity and the goodness-of-fit of our research model.

The modeling of structural equations means creating a statistical model for the study of linear relations between latent (unviewed) variables and evident (viewed or observed) variables. In other words, structural equation modeling is a powerful statistical tool that combines a

**Table 4.** Indices of fit and comments for model analysis.

Indices in SEM analysis	Mercedes Benz	Lexus	Data fitting of the model
RMR (Root Mean Square Residual)	0.12	0.13	Good fit (should be near the zero)
SRMR (Standardized Root Mean Square Residual)	0.04	0.06	Good fit (should be near the zero)
GFI (Goodness of Fit Index)	0.92	0.90	Good fit (should be greater than 0.90)
NFI (Normed Fit Index)	0.97	0.94	Good fit (should be greater than 0.90)
NNFI (Non-Normed Fit Index)	0.97	0.94	Good fit (should be greater than 0.90)
IFI (Incremental Fit Index)	0.97	0.94	Good fit (should be greater than 0.90)
CFI (Comparative Fit Index)	0.97	0.94	Good fit (should be greater than 0.90)
RMSEA (Room Mean Square Error Approximation)	0.075	0.077	Good fit (should be less than 0.08)

**Table 5.** Hypotheses-testing of the research model.

Hypothesis	Structural path	Path coefficient Mercedes Benz	t-value
H <sub>1</sub>	Conspicuous value → purchase intention	0.50	7.78
H <sub>2</sub>	Unique values → purchase intention	0.78	10.09
H <sub>3</sub>	Social value → purchase intention	0.01	0.69
H <sub>4</sub>	Hedonic value → purchase intention	0.44	6.52
H <sub>5</sub>	Quality value → purchase intention	0.89	16.03
H <sub>6</sub>	Luxury brand perception → purchase intention	0.57	6.12
H <sub>7</sub>	Purchase intention → luxury brand perception	0.62	8.28
H <sub>8</sub>	Brand preference → purchase intention	0.79	10.15
H <sub>9</sub>	Brand familiarity → purchase intention	0.41	5.19
H <sub>10</sub>	Country of origin → purchase intention	0.51	7.89
H <sub>11</sub>	Country of origin → luxury brand perception	0.39	4.45

measurement model (affirmative factor analysis) and the structural model (Figure 1) (regression of path analysis) into one statistical synchronic test (Heidarzadeh and Sadeghi, 2010).

The result shows in the model; Mercedes Benz  $\chi^2$  (125) = 422.84, RMSEA = 0.075, CFI = 0.97, GFI = 0.92 and in the Lexus Brand  $\chi^2$  (133) = 425.54, RMSEA = 0.077, CFI = 0.94, GFI = 0.90.

### Hypotheses-path testing

This section presents the statistical results of the measurement validation and hypothesis testing. The effects of conspicuous, unique, social, hedonic, quality values, brand perception, brand preference, brand familiarity and country of origin on purchase intention were assessed through LISREL 8.54. Our empirical results are shown in Table 5.

As shown in Table 5, (Mercedes Benz) the effects of conspicuous, unique values on purchase intention were significant ( $\beta = 0.50$ ,  $t = 7.78$ ,  $\rho < 0.01$  and  $\beta = 0.78$ ,  $t = 10.09$ ,  $\rho < 0.01$ ). Hence, Hypothesis 1 (H<sub>1</sub>) and 2 (H<sub>2</sub>) are strongly supported by the results. In contrast, the effect of

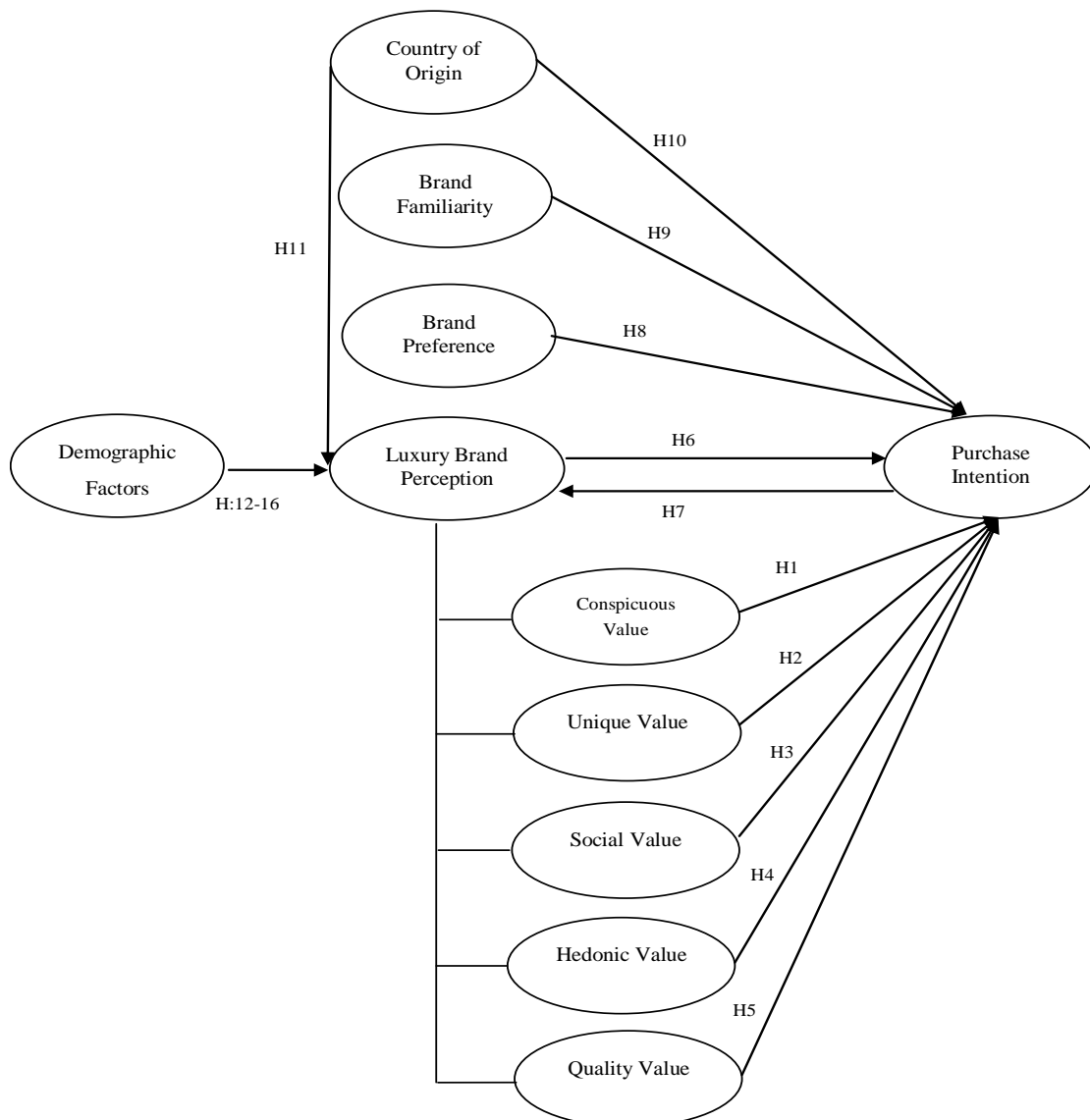
social value on purchase intention was not significant ( $\beta = 0.01$ ,  $t = 0.69$ ,  $\rho < 0.01$ ), thus, Hypothesis 3 (H<sub>3</sub>) is not supported. Our results indicate that hedonic value ( $\beta = 0.44$ ,  $t = 6.52$ ,  $\rho < 0.01$ ), quality value ( $\beta = 0.89$ ,  $t = 16.03$ ,  $\rho < 0.01$ ), luxury brand perception ( $\beta = 0.57$ ,  $t = 6.12$ ,  $\rho < 0.01$ ), purchase intention ( $\beta = 0.62$ ,  $t = 8.28$ ,  $\rho < 0.01$ ), brand preference ( $\gamma = 0.79$ ,  $t = 10.15$ ,  $\rho < 0.01$ ), brand familiarity ( $\gamma = 0.41$ ,  $t = 5.19$ ,  $\rho < 0.01$ ), country of origin on purchase intention ( $\gamma = 0.51$ ,  $t = 7.89$ ,  $\rho < 0.01$ ). Hence, Hypothesis 4 (H<sub>4</sub>), 5 (H<sub>5</sub>), 6 (H<sub>6</sub>), 7 (H<sub>7</sub>), 8 (H<sub>8</sub>), 9 (H<sub>9</sub>) and 10 (H<sub>10</sub>) are supported. On the other hand, the effect of country of origin on luxury brand perception ( $\gamma = 0.39$ ,  $t = 4.45$ ,  $\rho < 0.01$ ) was significant; Hypothesis 11 (H<sub>11</sub>) is supported.

As shown in Table 6, (Lexus) the effects of conspicuous, unique values on purchase intention were significant ( $\beta = 0.41$ ,  $t = 7.06$ ,  $\rho < 0.01$  and  $\beta = 0.48$ ,  $t = 7.65$ ,  $\rho < 0.01$ ). Hence, Hypothesis 1 (H<sub>1</sub>) and 2 (H<sub>2</sub>) are strongly supported by the results. In contrast, the effect of social value on purchase intention was not significant ( $\beta = 0.04$ ,  $t = 1.12$ ,  $\rho < 0.01$ ), thus, Hypothesis 3 (H<sub>3</sub>) similar to Mercedes Benz brand is not supported.

Our results indicate that hedonic value ( $\beta = 0.53$ ,  $t =$

**Table 6.** Hypotheses-testing of the research model.

Hypothesis	Structural path	Path coefficient	
		Lexus	t-value
H <sub>1</sub>	Conspicuous value → purchase intention	0.41	7.06
H <sub>2</sub>	Unique values → purchase intention	0.48	7.65
H <sub>3</sub>	Social value → purchase intention	0.04	1.12
H <sub>4</sub>	Hedonic value → purchase intention	0.53	8.20
H <sub>5</sub>	Quality value → purchase intention	0.87	15.67
H <sub>6</sub>	Luxury brand perception → purchase intention	0.63	5.12
H <sub>7</sub>	Purchase intention → luxury brand perception	0.42	3.23
H <sub>8</sub>	Brand preference → purchase intention	0.76	9.97
H <sub>9</sub>	Brand familiarity → purchase intention	0.77	9.85
H <sub>10</sub>	Country of origin → purchase intention	0.57	8.78
H <sub>11</sub>	Country of origin → luxury brand perception	0.54	5.05



**Figure 1.** Proposed structural model.



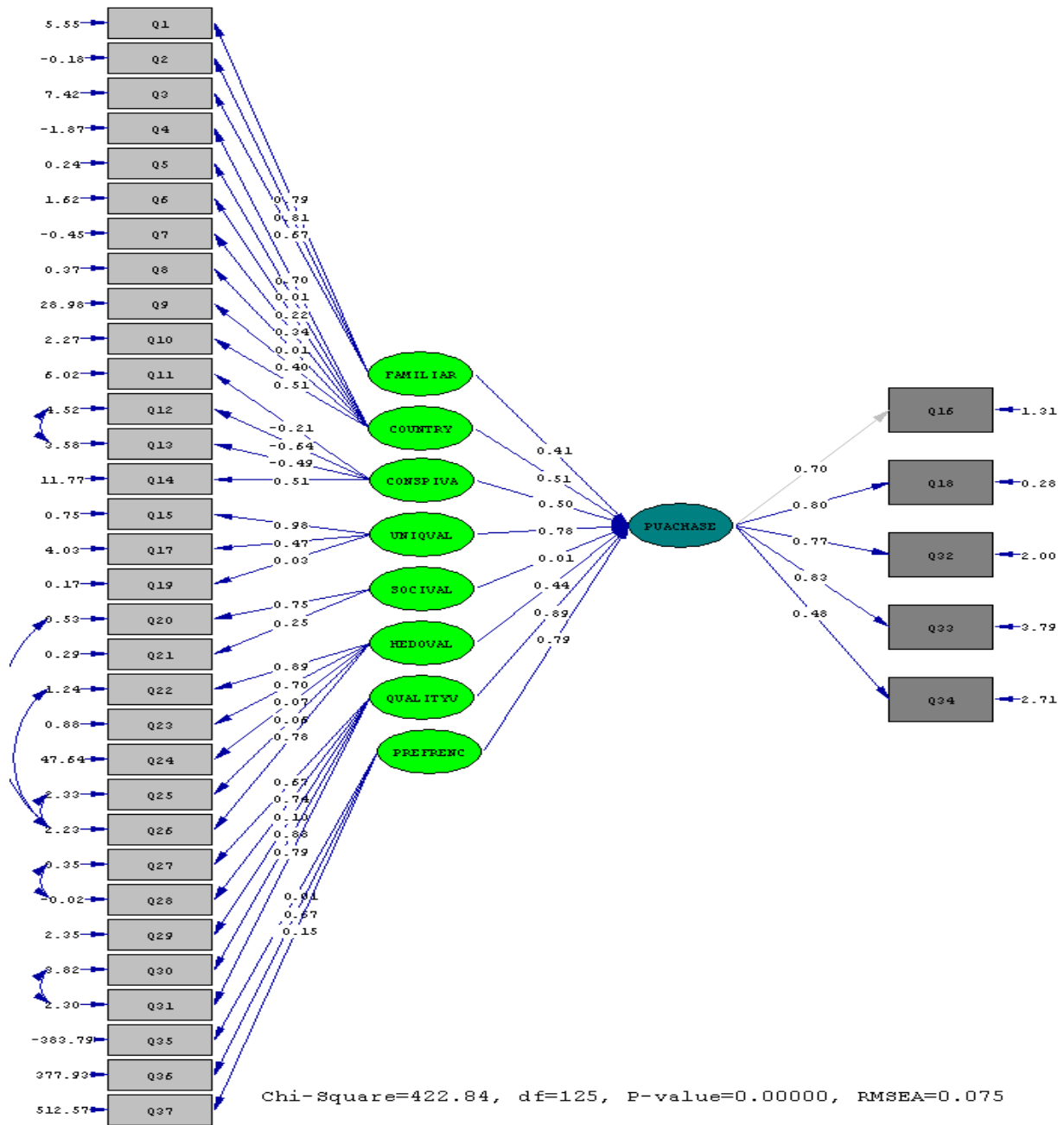


Figure 2. SEM model of Mercedes Benz brand.

8.20,  $p < 0.01$ ), quality value ( $\beta = 0.87$ ,  $t = 15.67$ ,  $p < 0.01$ ), luxury brand perception ( $\beta = 0.63$ ,  $t = 5.12$ ,  $p < 0.01$ ), purchase intention ( $\beta = 0.42$ ,  $t = 3.23$ ,  $p < 0.01$ ), brand preference ( $\gamma = 0.76$ ,  $t = 9.97$ ,  $p < 0.01$ ), brand familiarity ( $\gamma = 0.77$ ,  $t = 9.85$ ,  $p < 0.01$ ), country of origin on purchase intention ( $\gamma = 0.57$ ,  $t = 8.78$ ,  $p < 0.01$ ). Hence, Hypothesis 4 ( $H_4$ ), 5 ( $H_5$ ), 6 ( $H_6$ ), 7 ( $H_7$ ), 8 ( $H_8$ ), 9 ( $H_9$ ), and 10 ( $H_{10}$ ) are supported. On the other hand, the effect of country of origin on luxury brand perception ( $\gamma =$

0.54,  $t = 5.05$ ,  $p < 0.01$ ) was significant; Hypothesis 11 ( $H_{11}$ ) is supported.

Figures 2 and 3 show a summary of our results for each hypothesis in the research model. The hypothesis of demographic factors (age, sex, marital status, monthly family income and household size) Hypothesis 12 to 16 was rejected with the exception that  $H_{15}$  was supported, indicating a significant relationship between monthly family income and purchase intention (Mercedes Benz and Lexus). In the marital group with 65% having the

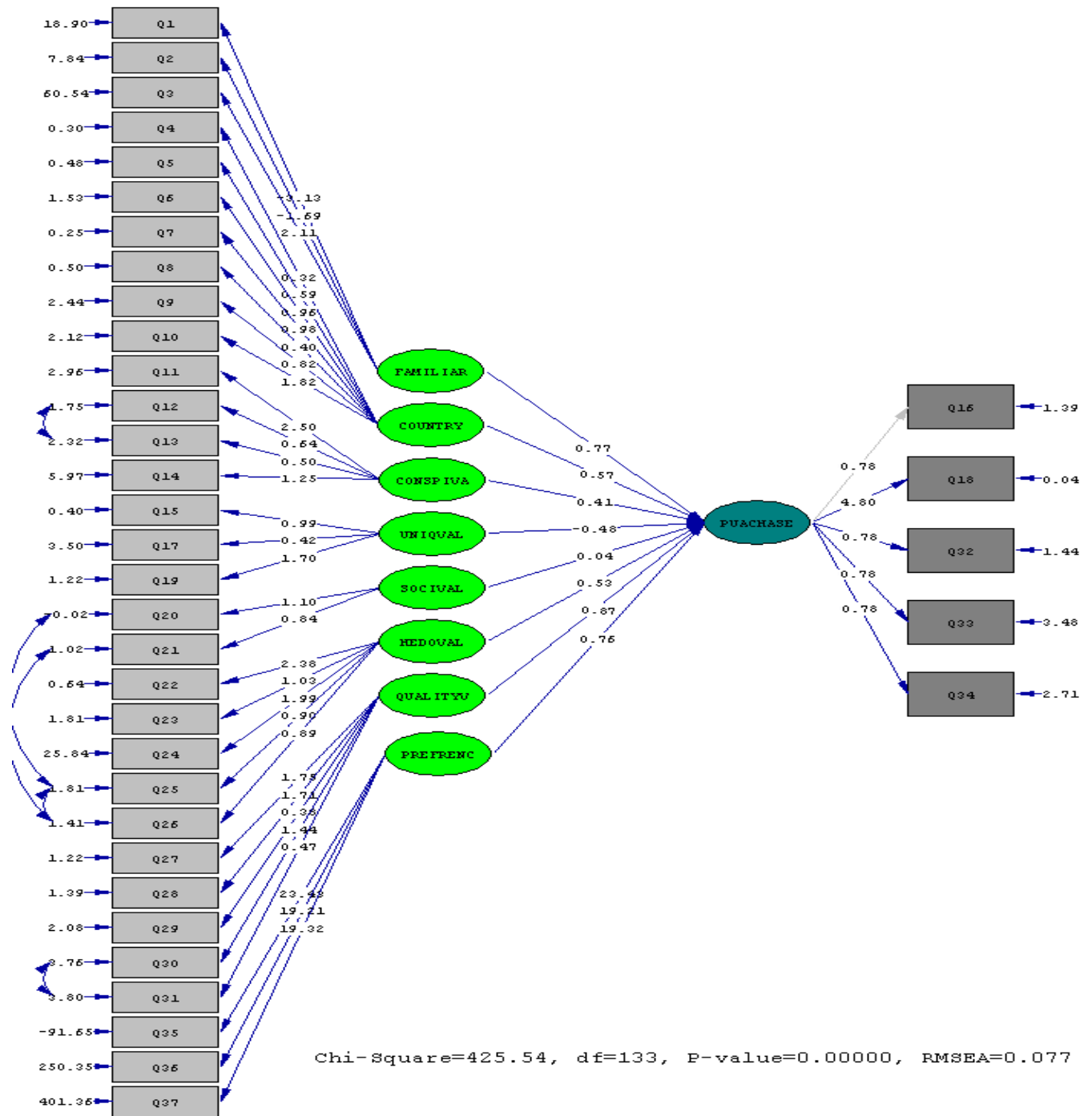


Figure 3. SEM model of Lexus brand.

most of frequency, household size variable, 224 people of 390 respondents were 3 to 4 household size that it is 58%. In the age variable, the most of frequency related to 29 to 40 years old with 166 people, 43% of sample. The variable of sex, 343 males response to questionnaire and monthly family income variable with 119 people have 2 to 4 milliard riyal (2 to 4 million Toman) monthly family

income (Table 7).

**DISCUSSION AND CONCLUSION**

In Usunier's interpretation, the perception of the country's image is also influenced by cognitive components

**Table 7.** Sample demographic factors-ANOVA.

Control variable	Changing source	SS (Sum of squares)	Df	MS (Mean squares)	F	Sig
Age	between	2.464	4	0.616	2.195	0.069
	Within	107.683	384	0.281		
	Total	110.247	388			
Monthly income	between	2.464	4	0.616	2.192	0.03
	Within	107.683	384	0.281		
	Total	110.247	388			
Household size	between	2.398	4	0.599	1.692	0.151
	Within	136.055	384	0.354		
	Total	138.452	388			

(referring to social, economic, cultural and political characteristics), affective components (feelings towards the country) and additionally by stereotypes (ingrained preconceptions) (Thuy, 2008).

This study brings out several interesting results, either from a conceptual or an operational perspective that are outlined subsequently in this study. The main purpose of this study was to investigate Iranian consumers' perception about luxury automobile brands, compared between German luxury automobile Mercedes Benz and Japanese luxury automobile Lexus.

Most of the participants in the study were familiar with, and liked these two luxury automobile brands. However, the German brand was more preferred while the Japanese brand was more familiar. Additionally, in forming brand perception of luxury automobile Mercedes Benz, variables of hedonic, unique and quality value was significantly higher than conspicuous and social value. But, the Lexus brand showed that variables of unique, hedonic, and quality value were significantly higher than conspicuous and social value. They have more of a role in forming of luxury brand perception in Iranian consumers.

## LIMITATIONS

There are limitations in this research; first, since the research only focused on one German luxury automobile brand and one Japanese luxury automobile brand, it may not represent the overall Iranian consumers' perceptions of all German and Japanese luxury automobile brands. Moreover, the research only included a limited number of product type (luxury automobile) and country of origin (German and Japan) in Iran.

Second, social value is measured in two items. Third, this study had practical problems for researcher because there was no internal investigation in Iran. Fourth, Culture and religion factors, especially in the luxury consumption, with varying degrees in different demographic to

generalize the results reveals factors that influence Iranian consumer behavior. Other limitations, due to the governing culture of the country, were that some of the responses to questions such as social, hedonic, and conspicuous values may have come from defensive posture and can be constituted as unreal.

## SUGGESTIONS FOR FUTURE RESEARCH

Further researches should examine other products and countries of origin relating to luxury consumption and replicate the findings in this study. Also, this kind of luxury consumption should be compared to other demographic characteristics such as education, location, rental, or private home. Future research can investigate the relationship between education and luxury brand perception and also brand familiarity.

## MANAGERIAL IMPLICATIONS AND MARKETING RECOMMENDATIONS

The luxury brands industry is unique and different from other industries. In order to succeed, it is important for marketers to understand their target market and how their customers evaluate products and make buying decisions. From this study, an automobile company can stimulate consumer purchase behavior of its luxury automobile through careful management of its marketing communication mix by addressing specific factors and dimensions relevant for modern Iranians. The five perceived values of luxury automobiles can be used as guidelines for salesmen to sell automobiles successfully to customers in Iran. They can indicate the key selling points of luxury automobile relevant for consumers.

This study will also make a practical contribution to the management in luxury industry. In the international market, the expansion of luxuries not only presents new business opportunities, but also poses enormous

challenges for finding effective strategies to maximize purchases out of these opportunities. The opportunities are different across countries and regions, partly due to consumer perception.

The study also provides deeper understanding of why consumers intend to buy luxury automobiles. Therefore, luxury-brand marketing managers may utilize the results of this study to elicit more purchases from their target consumers.

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**Appendix 1.** Survey questionnaire for Luxury brand perception items.

<b>Variable</b>	<b>Items</b>
<b>Luxury brand perception</b>	
Conspicuous value	Luxury machines inevitably are very expensive. Owning this luxury machine displays wealth. Owning this luxury Machine displays social class. Owning this luxury machine makes you conspicuous.
Unique value	This luxury machine is unique. This luxury machine is scarcity. This luxury machine is distinctive.
Social value	Because others have this luxury machine, hence I would like to own one. Seeking to imitate the rich and stars (celebrities).
Hedonic value	This luxury machine has aesthetic appeal. This luxury machine is fashionable. This luxury machine has personal history. This luxury machine makes life beautiful. This luxury machine is your dream.
Quality value	This luxury machine has excellent quality. This luxury machine is functional. This luxury machine is not mass-produced. This luxury machine has perfect shopping service. This luxury machine has a perfect warranty.
Purchase intention	The likelihood of purchasing this product is: If I were going to buy this product, I would consider buying the model at the price shown. At the price shown, I would consider buying the product The probability that I would consider buying the product is: My willingness to buy the product is: