The Devil Wears Prada or Zara: A Revelation into Customer Perceived Value of Luxury and Mass Fashion Brands*

Abstract

Emerging countries such as China are fuelling the rapid growth of luxury brands. With China expected to overtake Japan as the world’s largest luxury goods market, practitioners are keen to uncover the luxury buying behavior of this emerging group. Hong Kong is a renowned haven for luxury goods and attracts the bulk of Chinese luxury shoppers. In spite of the optimistic outlook, the luxury goods market is facing a multitude of challenges including changing clientele, fierce competition from other luxury brands and even rivalry from fast fashion retailers. These forces result in an increasing crowded luxury market and consumers becoming more astute in their tastes.

The intensity of these forces is compelling luxury retailers to embrace customer perceived value (CPV) as a strategic imperative to achieve customer loyalty and create competitive advantage. However, extant research on customer perceived value in the luxury retail context is scarce and current models of CPV lack important retail components. With the prolific growth of this market, unveiling the drivers of luxury consumption is imperative. Therefore this study addresses an important gap in the literature by investigating the drivers of CPV in the luxury context.

Few studies have incorporated a mass versus class perspective, however with the prevalence of luxury dilution, understanding service evaluation at both levels is crucial. Focus groups with mainland Chinese were conducted to uncover important attributes of luxury brands and develop a list of luxury and mass fashion brands for use in collecting survey data. Findings highlighted the tendency of Chinese shoppers to judge luxury mainly on extrinsic attributes. A subsequent small scale survey (n=138) affirmed the importance of attributes such as use top quality materials, a prestigious brand image and ability of the luxury good to enhance one’s social image. Conversely attributes such as brand heritage and expensive were deemed less important features of luxury goods. The next stage of the study sampled luxury (n=282) and mass fashion (n=240) shoppers to gather data for hypotheses testing. Multigroup analysis showed significant differences between the two shopper groups and subsequent analysis was carried out on each group separately.

The findings of the study show some differences in the CPV drivers between luxury and mass, with price, lower perceived risk and service quality being the top drivers of CPV in the luxury context implying the dominance of functional attributes in retail evaluation. The importance of lower perceived risk comes as no surprise given the numerous instances of deceptive counterfeit products in China. However, drivers pertaining to experiential needs failed to exert significant effects on luxury shoppers’ CPV. The findings imply that purchase of luxury fashion items by Chinese shoppers appears to be for the fulfillment of functional and social needs rather than experiential needs. Conversely, in the mass fashion context, price, service quality and product quality are the top drivers of CPV. The importance of these elements provides useful insight for retailers considering a masstige strategy.

The implications of the findings signal luxury consumption is important in fulfilling social needs such as expressing status and wealth; hence retailers should set prices to adequately reflect the prestige level of goods. To appeal to luxury consumers who want the newest and most fashionable item, retailers can push more exclusive items to boost the rarity features of the brand. The desire to communicate status means retailers should select fashion items that ostentatiously display the logo or brand name in such markets.

The study presents several avenues for further investigation including the exploration of luxury consumption behavior across different Chinese cities, and across cultures in light of possible social attitudes in explaining motivations. Lastly, future research may consider the presence of potential moderators such as materialism on luxury goods consumption. Taken together, these future explorations will illuminate luxury buyer behavior and provide retailers with insight when formulating strategies to serve emerging markets.

Keywords: Customer perceived value, Luxury, Customer satisfaction, Fashion, Mass fashion brands

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1. Introduction

The global luxury goods market is sizeable in terms of market value and growth, outstripping other consumer goods categories (Fionda and Moore, 2009). This prolific growth is propelled by factors including the growing acceptance of ostentation and conspicuous consumption (Phau and Prendergast, 2000), increasing numbers of high net-worth individuals with an insatiable desire for luxury consumption (Fionda and Moore, 2009), and the widespread images of success and wealth in popular culture (Mandel, Petrova, and Cialdini, 2006). However, there has been inadequate research effort on the marketing of luxury goods (Vigneron and Johnson, 1999) and a notable limitation is that the studies in this research stream are either exploratory research or empirical findings using student samples (Beverland, 2004).

Competition is more intense in fashion marketing with consumers expecting innovation and more astute in their tastes and preferences, spurred by the demands of the fast changing fashion market (Bruce and Kratz, 2007), and the challenges presented by fast fashion retailers. New purchasing patterns are observed with consumers readily pairing luxury brands with mass (Jackson, 2004).

Customer value is hailed as a key strategy for achieving customer loyalty and creating competitive advantage (Parasuraman and Grewal, 2000; Woodruff, 1997). Creating customer value is highlighted as a key strategic imperative for luxury goods producers as well (TNS, 2008). Similar to the scarcity of research on luxury consumption, even less is known about customer perceived value (CPV) in the luxury goods sector (Wiedmann, Hennigs, and Siebels, 2009). Calls remain for further investigation in retail settings and for more sophisticated measures with an expanded scope of inquiry (Sweeney and Soutar, 2001). For instance, prior research advocates for the inclusion of important sacrifice components such as risk into future models (Cronin et al., 1997), the examination of CPV across different customer types (Ruiz, Gremler, Washburn, and Carrión, 2008; Sweeney, Soutar, and Johnson, 1999), and different product categories. Although existing retail evaluation models show the relationships between perceived value, customer satisfaction and behavioral intentions, none of these studies empirically investigate the strength of these relationships in a luxury context.

Therefore, this study aims to address the current knowledge gaps in the literature answering the following research questions:

- What are the dimensions of customer perceived value for luxury fashion and do they differ from mass fashion brands?
- If there are differences between the service evaluation of luxury and mass fashion brands, what are the subsequent effects of CPV on customer satisfaction and behavioral intentions?

Using a comprehensive model of customer perceived value;