Luxury Consumers' E-service Perceptions: Does Income Level Matter?

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In the past most luxury retailers sold their products exclusively in well-designed physical stores. Due to challenges associated with executing exceptional personalized service online and making exclusive shopping environment as physical stores, luxury retailers rarely used online to sell their merchandise. Only a few large luxury department stores that have adopted multi-channel strategies (e.g., Neiman Marcus) sold a limited range of luxury products. However, the rapid and wide adoption of e-commerce among consumers has brought changes to the luxury market.

Vigneron and Johnson (1999) defined luxury goods as conspicuous, unique, social, emotional, and of high quality (as cited in Türk, Scholz, & Berresheim, 2012). In the past, the term luxury seemed to be exclusively associated with a specific social class, the wealthy. Today, the luxury market does not appear to belong only to the wealthiest social class. Noticeably, more and more lower social classes are interested in possessing luxury goods (Truong, McColl, & Kitchen, 2009). The ongoing democratization phenomenon of luxury reflects this current change in the luxury market. Luxury retailers have developed luxury goods that attract divergent consumers and are accessible to more middle or lower class.

As aforementioned, upholding reputation of exceptional service quality online has been one of the biggest challenges facing luxury retailers expanding online. Our study considers the current democratization of luxury products among consumers and service quality online (e-service quality hereafter) executed by luxury retailers. Our research question was how luxury consumer groups based on socioeconomic status differ from the e-service quality perspective. Specifically, this study was designed to examine group differences in terms of which e-service quality dimensions impact e-satisfaction.

Method. Using Amazon Mechanical Turk (MTurk), online shoppers who purchased at least one luxury item over the last six months were recruited. To screen out unqualified participants, several initial screening questions such as numbers of luxury items purchased online and specific items purchased were utilized. The survey questionnaire contained three sections. The first section included respondents' online luxury fashion purchasing experience. The second section included respondents' perceptions of e-service quality dimensions and e-satisfaction. For this section, Kim et al's (2016) six dimensions of e-service quality (browsing, transaction, company & trust, personalization, product presentation and entertainment) and Yang et al's (2004) three e-satisfaction questions were utilized; all the items were measured using a five-point Likert scale (1=strongly disagree, 5= strongly agree). The third section included respondents' detailed demographic information including annual house income.

Results. A total of 310 usable responses were included in this study after eliminating 798 unqualified respondents. All the usable respondents purchased at least one luxury fashion item online in the last six months. The mean age of the respondents was 33.4 and two thirds of the participants were women (n = 209). About 20% of respondents spent between $501 and $1000 on one item when purchasing luxury fashion goods online and 10% spent over \$1000 on one item. Reliabilities for all the measures ranged from .84 to .92. To address the research question about luxury consumer groups and e-service quality, respondents were divided into three different income groups; high, middle and low. Using five different income ranges, those who chose the two lowest income levels were labeled as low-income luxury consumers, while those who chose the two highest income levels were labeled as high-income luxury consumers. The middle-income range was not the focus of this study and thus excluded for further analysis. As a result, 97 low-income luxury consumers (annual house income under \$ 50,000) and 77 high-income luxury consumers (annual house income over \$100,000) were compared. A chi-square test showed that no demographic differences (age, ethnic background, and marital statue) exist between the two groups except education levels. For low-income luxury consumers, regression analyses showed that transaction ($\beta = .64$, $t = 4.70$, $p < .05$) and entertainment ($\beta = -.31$, $t = -2.03$, $p < .05$) dimensions of e-service quality had significant effects on e-satisfaction. For high-income luxury consumers, only the browsing ($\beta = .43$, $t = 2.82$, $p < .05$) dimension of e-service quality had a significant effect on e-satisfaction. Low-income luxury consumers prioritize transaction process such as detailed information on shipping and return when shopping luxury online. Entertainment features such as flash intro, and for this group music had a negative effect on their e-satisfaction level. In comparison, high-income consumers' overall e-satisfaction was influenced by only how conveniently and easily they can find items online.

Conclusion and implications. The findings demonstrate how democratization of luxury market diversifies consumer expectations with regard to e-service quality. Shopping convenience, especially browsing capability was critical to high-income luxury consumers, whereas the reliability of online financial transactions was important to low-income luxury shopping. The finding about the adverse impact of the entertainment dimension of e-service quality on e-satisfaction reflects more goal-oriented tendency of low-income luxury consumers. Thus, "one size fits all" approach to e-service quality may not work for luxury e-retailers. Therefore, luxury retailers need to better understand their consumers' income levels and develop their websites accordingly. If luxury retailers target different income levels by differentiating prices ranges of their products, they need to create un-unified website platforms to accommodate different consumers with different income levels.

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