



Luxury Consumption Behavior: A Value-Based Segmentation of the US Consumers

Srikant Manchiraju, Indiana University, USA
Sonali Diddi, Colorado State University, USA

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Introduction. The USA is the largest consumer of luxury goods (Deloitte, 2014). However, very little is known about ways to market luxury brands (Vigneron & Johnson, 2004). This is especially true in the context of the USA luxury market. To date, few studies have addressed issue of luxury market consumer segmentation within the context of the USA. Therefore, in the present study, attempt is made to segment the USA luxury market based on the Luxury Value Perception (LVP) model proposed by Wiedmann, Hennigs, and Siebels (2009). To our knowledge, this is the first study to exclusively focus on the USA luxury market segmentation based on the LVP model. It is posited that the present study has some theoretical and practical implications.

Literature Review. The concept of “luxury” is debatable (Berry, 1994). Nevertheless, Wiedmann et al. (2009) proposed four luxury value perceptions based on extensive literature review. The four luxury values are: financial (i.e., price), functional (e.g., usability), individual (e.g., materialism), and social (e.g., conspicuous consumption). According to the LPV model, these aforementioned four values drive luxury consumption. The LPV model has been corroborated in the context of German luxury consumers (e.g., Wiedmann et al., 2009). It is maintained that understanding the driving force (i.e., luxury values) is important for luxury brands and markets, so that the advertisements are designed accordingly for the target market. Therefore, it is posited that the LPV model is valid in the context of the USA luxury market.

Methods. The data were collected through an online survey posted on Amazon Mechanical Turk (AMT). A total of 232 useable surveys were collected. The sample consisted of male and female consumers ages 18 and above from the USA. The survey consisted of existing scales on luxury value consumption (Wiedmann et al., 2009) and demographic items. All items used a seven-point Likert-type scale. Descriptive statistics, correlations and reliability were calculated for the data. Data were analyzed using three step approach – exploratory factor analysis (EFA), cluster analysis and discriminant analysis.

Results. The sample consisted of 58.6% male respondents with the mean age of 35.76 years. Exploratory factor analysis (EFA) using principal component analysis with Varimax rotation produced ten-factor structure with a Kaiser-Meyer-Olkin (KMO) measure of 0.90 that summarized 48 items with medium (>0.5) to high (0.8) factor loadings. Bartlett’s test of sphericity, was also significant. Reliability was calculated using Cronbach’s alpha which ranged from 0.70 to 0.92, indicating high internal consistency for the constructs. The factor structure revealed that consumers’ perceptions of luxury were determined by functional, individual and social aspects.

Cluster analysis was conducted to identify different groups of luxury consumers based on their luxury value perceptions. Hierarchical clustering using Ward’s method was conducted to determine the number of clusters which revealed *four* clusters, which is consistent with the LPV

model. This was validated using non-hierarchical k-means cluster analysis. The results indicated that perceived luxury value variables contributed towards formation of clusters. The USA sample revealed that consumers uniqueness value ($F = 53.439$), hedonic value – self-directed pleasure ($F=28.654$) and self-identity value ($F = 24.468$) had considerable differences, whereas materialistic value did not contribute greatly to differences between the clusters ($F = 4.747$). Discriminant analysis was conducted to check the cluster groupings which showed significant differences between the group characteristics. Overall 99.6 percent of the cases were assigned to their correct group, validating the results of cluster analysis.

Based on the variables from which they were derived, the four clusters can be described as follows. The *functional materialists* (Cluster 1) comprised of 12.5% of the sample, smallest among all the other clusters. Members of this group showed high ratings for materialistic value and quality value, whereas uniqueness and hedonic – life enrichment values were rather unimportant. Their mean ratings for quality value were slightly higher than Clusters 2 and 3. Comprising 45.69% of the sample, the *prestige-seeking hedonists* (Cluster 2) was the largest of all the clusters. The mean scores for hedonic value factors for these cluster members taken as a whole were higher than those recorded by other groups. Naturally, the prestige-seeking hedonists also showed highest mean ratings of all groups for prestige and usability value. The *rational functionalists* (Cluster 3) made up of 17.24% of the sample. Its members had very high ratings for self-identity value and uniqueness values compared to all other cluster groups. Members of the *introverted hedonists* (Cluster 4) perceived the hedonic value aspects of self-directed pleasure and uniqueness value to be most important for their perceptions of luxury value.

Conclusions and Implications. As noted earlier, this is the first study to employ the LPV model exclusively in the context of the USA luxury consumption. The present study has some theoretical and practical implications. Theoretically, not only the present study replicated the cross-validity of the LPV model, but also identified the major luxury value perception that drives the USA luxury market—prestige seeking hedonists. Future studies are encouraged to replicate the present study's findings in the context of the USA and beyond. The practical implications are that marketers need to know what product values (or attitudes) drive sales of luxury products, so that marketing campaigns are designed accordingly.

References.

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