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What values do customers create/co- create through their interaction with luxury brands?

A dissertation submitted in partial fulfilment of the requirements of the Royal Docks Business School, University of East London for the degree of **MSC International Business Management**

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Abstract:

The Luxury market has encountered considerable growth over recent decades. Thanks to economic growth, nowadays people are more likely to spend higher amount of money for luxury and exclusive products. In this state of affairs customers need to perceive sufficient value in the luxury brands in order to intend to purchase expensive goods. Customer positive experiences about the brand play a prominent role in customer purchase intention. According to service-dominant logic studies, customers are value creator and firms are value facilitator. Both brand and customer can change their roles to value co-creators when they interact with each other during the process of value creation. Luxury customers are enthusiastic to achieve personalised brand experiences and the firm is responsible to pave this way for them. In this paper, the researcher attempts to explain the values that are created through this interaction between luxury brand and luxury customers. For this reason, the researcher has built the research upon the Tynan et al. (2010) study. The research aims to explore the interaction between customers and luxury brand resources and look at the concept from the customer's perspective. Yet, the previous related articles have been reviewed. Eight in-depth interviews are conducted to investigate the luxury customers' perspective on the phenomenon. The study findings suggest five values that customers create through their interaction with luxury brands. The research also supports previous studies on luxury value co-creation and provides some recommendations for practitioners and future studies.

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Chapter 1: Introduction

1.1 Overview

Individuals, throughout the history of mankind, have shown a propensity for possessing beautiful, exclusive, and unique goods. In fact, luxury has its roots in human nature (Kapferer and Bastien, 2012) and as result of this natural tendency, luxury markets emerged. Economic growth in recent decades provides an opportunity for more people to enhance their social class, at the same time, fulfil their luxury desires (Democratisation of luxury). Consequently, the global luxury marketplace has encountered rapid growth and nowadays people are more likely to offer higher amount of money for exclusive and unique products (Husic and Cicic, 2009). Yet, luxury studies have also attempted to stand shoulder-to-shoulder with this rapidly growing marketplace.

Nowadays, the demand of luxury brands is not restricted to wealthy societies and developed countries. There is evidence to suggest that, in spite of global economic recession, emerging countries such as India, Latin America and China have shown a growing appetite for luxury products (Tynan et al. 2010, Shukla and Pourani, 2011, Choo et al. 2012).

There are various products and services that can be considered as luxury. In fact, everything has potential to become luxury (Kapferer and Bastien, 2009), which calls for an extensive range of luxury brands. Luxury products not only express a standard of excellence, but also play a social role which suggests access to the exclusive resources. Contemporary definition of luxury argues that, luxury goods satisfy simultaneously the customer's psychological and functional desires. The more the brand satisfies these criteria, the more it gains financial value (Appendix 1).

In today's high competitive market, firms are exploring novel ways of enhancing their image and attempt to differentiate themselves from other

competitors. Traditional marketing strategies which put relatively more emphasis on quality and price as value are superseded by modern strategies which lay further emphasis on the customer's emotions and unique experiences as the source of value. By the same token customer value has become the hearth of all marketing activities (Holbrook, 1999; 1). Therefore, the key argument is to develop a platform in which brand gain access to customers' preferences and knowledge to facilitate the process of value creation to them. Thus, customer's value perception has become the key concept in contemporary marketing. Yet, the luxury marketing requires a holistic approach to satisfy the increasing demand, protect luxury cachet, and safeguard the brand from counterfeit products. In this light, a novel outlook on luxury marketing which goes beyond the high status of a brand name is crucial (Atwal and Williams, 2009). In this state of affair, one of the most important factors for firms to survive and success is a unique customer's value perception about the brand and its resources (Tynan et al. 2010).

Considerable research has been conducted to contribute to the identification and conceptualisation of luxury customer value (Vickers and Renand, 2003; Vigneron and Johnson, 2004; Smith and Colgate, 2007; Wiedmann et al., 2009; Tynan et al., 2010). Since the luxury brands' mission statement is to ensure that customers perceive sufficient value to compensate for the high price charged (Tynan et al. 2010), congruence between brand and customer value is crucial. By the same token, customer value creation through a special interaction, dialogue, and relationship can create an atmosphere of trust and satisfaction. Therefore, functional/instrumental value, experimental/hedonic value, symbolic/expressive value, and cost/sacrifice value (Smith and Colgate, 2007) are necessary values but not sufficient. Building a relational value (Tynan et al. 2010) can create an effective platform where luxury brand and customer co-create value together. Although recent studies outline the importance of value co-creation of the luxury brand (Tynan et al. 2010), some scholars argue that value co-creation in luxury brands is meaningless (Kapferer and Bastien,

2012). This study is positioned amongst this contentious debate and attempts to make sense of the phenomenon of luxury value co-creation and aims to investigate the process of value (co)creation for luxury brands.

In this research the concept of value co-creation refers to the situation where the brand and the customer interact with each other to create value in a win-win situation. This perspective is based on service-dominant logic in which customers act as value creator and firms act as value facilitator and value co-creator (Gonroos and Voima 2011).

1.2 Research objectives and question

Although there has been widespread research into the phenomenon of luxury and luxury customer value, comparatively insufficient studies have been conducted to investigate the concept of co-creation of value between luxury brands and luxury consumers. Although previous studies highlighted the importance of luxury customer value (Kapferer 1997; Vigneron and Johnson, 1999; Vickers and Renand 2003; Wiedmann et al, 2007; Kapferer and Bastien 2012), and luxury co-creation of value (Schembri, 2006; Tynan et al. 2010; Roper et al, 2013), further academic research on the concept is crucial.

The aim of this study is to provide a profound insight into the concept of value creation and particularly value (co)creation in luxury marketplace. The study investigates what values luxury customers create through their interaction with luxury brand resources. The research is built on Tynan et al. (2010) co-creating value theory for luxury brands, which adapt the earlier study by Smith and Colgate (2007) on generic customer value creation. The researcher provides a detailed literature review of the luxury brand and value creation and outlines the importance of value co-creation in luxury marketplace. The study also suggests a customer value framework for luxury products based on Smith and Colgate (2007) generic framework which encompasses utilitarian,

symbolic/expressive, experimental/hedonic, relational, and cost/sacrifice value. They also advocate the need for further research to examine value co-creation from both customer and practitioner perspective. The research also utilises the Gronroos studies (2006, 2011) of value co-creation in service-dominant logic in order to analysis the findings. In the light of previous studies and eight in-depth interviews, this study also attempts to investigate, what values are created by luxury customers from customer perspective.

The research objectives are:

1. To investigate the nature of value co-creation.
2. To develop a framework for different spheres of value creation
3. To critically evaluate and examine the efficiency of value co-creation for luxury brands
4. To determine how value creation can take place through customer-brand interactions.

This study seeks to answer the following question:

What values do consumers (co)create through their interaction with luxury brands?

For this reason, the study employed qualitative method to originate primary data. The reason behind such a choice is that, qualitative researches are involved in discovering meaning and relationship. Yet, through qualitative research the researcher can investigate, how social realities are built from the people perspective (Daymon and Holloway, 2011). Yet, a study based on perception requires individuals' idea and views, whereas numerical data (quantitative method) is not able to entirely present a holistic appreciation (Silverman, 2000). In order to gather primary data, face-to-face and on-line (Skype) in-depth interviews are conducted. Each interview took about 45 minutes. In-depth interviews are used to encourage participants to share their

ideas and experiences, at the same time, to gain insight into their interpretation of their environment. The study consists of in-depth interviews with eight participants. The questions are divided into four themes which all of them are related to the research objectives and the research question (Appendix 2). The researcher tape-records the interviews and transcribes them. Three of the interviews are translated from Persian into English. The methodology utilised in this research offers an opportunity to gain deeper insight into the participants' perspectives and experiences.

1.3 Structure of the research:

Again, this study explores the customer value (co)creation in the luxury marketplace based on existent value creation studies (Smith and Colgate, 1997, Vargo and Lusch, 2008, Tynan et al. 2010). The researcher attempts to provide a deep insight to what values are created by luxury customers and how they co-create value with luxury brands.

This study is structured around six chapters. The first chapter is allocated to the introduction of the research, which is provided to present an overview on this study's background, methodology, data analysis, question, objectives, and structure. The following chapter is allocated to the literature review, in which the main theories that are presented in this particular study are investigated. The second chapter provides a broader and deeper insight into the essential ideas associated to the topic. The aim of the third section is to explain what methodology the researcher employed in order to address the research question. In this chapter the study attempts to describe the reason of choosing qualitative method, interpretivism approach, and in-depth interview in this research in detail. In the fourth chapter the study endeavours to analyse and interpret gathered data through in-depth interviews in the light of the available literatures. Eight in-depth interviews are conducted based on four key themes (Appendix 2) to gather primary data. The fifth chapter is used to provide the

conclusion of the study. This chapter highlights the main findings and conclusion of the research. Finally the sixth chapter offers some recommendations for luxury management practitioners and also presents some suggestions for future researches.

Chapter 2 Literature review

2.1 Conceptualising the luxury

Creation value in the mind of customers is at the heart of marketing (Sheth and Uslay, 2007). To fully understand the nature of luxury value perception, at the same time, be able to market luxury, in the first place it is worthwhile to consider the definition of luxury and luxury brand.

The main challenge for the definition of luxury products and brands is that the concept of "Luxury" depends, to a certain extent, upon the consumer's perception (Kapferer 2008, p. 96). Hence, there is a large number of alternatives as the definitions of the term "Luxury" (Chevalier & Mazzalovo, 2008). In order to perceive this diversity, it might be useful to imply the history of the concept. Kapferer (1997, p.251) states that, there is a contentious ambiguity in the notion of luxury and luxury brands. The term "luxury" originates from the Latin word "Luxuria", which means: "too great quantity" (Longman, Dictionary of Contemporary English the 5th edition). The term has its roots in an old Indo-European word which means "twist" (Chevalier & Mazzalovo, 2008). According to Oxford Latin (1992) the Latin "luxus" which is the root of "luxury" indicates "extravagant living".

Chevalier and Mazzalovo (2008) explain the transformation of the concept "Luxury" through history. They describe luxury in '1607: Way of life characterised by large expenditures to make show of elegance and refinement. 1661: character of which is expensive, refined, luxury clothing. 1797: expensive and superfluous object, pleasure. 1801: excessive, quantity, a luxury of vegetation. 1802: the which is superfluous, unnecessary.'

Contemporary definitions of the term encompass the psychological value as well as, physical values. Kapferer (1997) describes "Luxury" as the distinguishing feature of a brand in a certain market. Vigneron & Johnson (1999, 2004) used "Luxury" to describe the top category of prestigious brands. It simply means consumers purchase luxury products or utilise luxury services in order to gain prestige, which refers to conspicuous consumption (O'Cass & McEwen, 2004). Additionally, luxury good brings simultaneously pleasure and

comfort to its consumer and also is hard to attain (Shukla & Purani, 2012). The common aspect of luxury goods definitions seems to be the symbolisation of personal and social identity (Vickers and Renand, 2003). Therefore, luxury goods satisfy the psychological and functional needs of their owners (Li et al, 2012). Vigneron and Johnson (2004) argue that, luxury goods confer esteem to the owner as well as functional utilities. Yet, in a generic approach Nueno and Quelch (1998, p.61) defined luxury goods as 'whose ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high'. Alleres (1990) distinguished three levels of luxury on the basis of the degree of accessibility. The lowest level of the hierarchy is allocated to accessible luxury which represents the luxury products that are accessible to the middle socio-economic class. Accessible luxury products are made in factories in a large amount. The intermediate level is allocated to intermediary luxury, which represents the luxury products that are accessible to professional socio-economic class. Finally the top level of hierarchy is allocated to inaccessible luxury which corresponds to extremely expensive products. This level of luxury good offers very exclusive goods (Cited: Vickers and Renand 2003).

2.2 Luxury perception

Chevalier and Mazzalovo (2008) argue that luxury goods should meet three criteria. They advocate that luxury products should have a strong artistic content in other words must be beautiful, they should be the result of craftsmanship, which is associated with brands, and they should be international, that is one of the major challenges marketers encounter. On account of the fact that identifying and satisfying the common needs and desires in a global scale requires a global level in research methodology (Hofstede et al. 1999), hence there is a need of different prescription for luxury products marketing strategy.

Dubois et al. (2001) look at the concept of luxury from the consumer perspective and argue about six facets which can be utilised in order to

facilitate the definition of luxury. The first aspect associated with luxury is perceived excellent quality. They argue that there is a strong link between the concept of "luxury" and "quality". In short, some individuals consider the both concept almost synonymous. The second aspect of luxury is "very high price". Very high price is considered as the determining factor of the perceived excellent quality, that is, by taking the quality for granted, the price comes to be satisfactory. Moreover, high price of products merely measures the opulence of the consumer (Kapferer and Bastien, 2012) and previous studies illustrate that the usage of price as an indicator of quality varies according to the product or service category (Zeithaml 1988, p12). The third notion related to luxury is scarcity and uniqueness. It is not surprising that consumers believe that mass-produced products cannot be luxury and accordingly they adore the luxury after passing through a series obstacles (Kapferer and Bastien, 2009, p.318). The fourth dimension of luxury is related to aesthetics and polysensuality aspects, whereby a luxury product should be artistically crafted item that customer will love to purchase (Chevalier and Mazzalovo, 2008, Kapferer, 1997). By the same token, Kapferer and Bastien (2009) argue that luxury is relatively closer to art than to function. The fifth aspect regarded with luxury is "Ancestral heritage and personal history". When consumers purchase luxury product they expect to consider it as a legend and some of them are enthusiastic to pass this legend to future generations. A luxury brand should tell its own real story because the brand story can create emotional bond with the customers (Kapferer and Bastien, 2009). Luxury watch, Patek Philippe states that 'you never actually own a Patek Philippe. You merely look after it for the next generation.' The sixth notion associated with luxury is "Superfluosity". Luxury products are not considered as necessity of survival. This notion highlights the non-functional features of luxury product.

2.3 Value for luxury brand customer

Value is the key concept in appreciating and foreseeing customer behaviour in marketing studies (Choo et al. 2012). By the same token, Zeithaml (1998) reports that, 1) price, 2) trade-off between “give” (benefits) and “get”(costs and sacrifice), 3) the trade-off between perceived quality ,which varies across customers, and price, 4) and overall evaluation of personal values, are four common features of value. More recently the concept of value has been faced a movement towards a more experimental view in the context of customer experiences (Holbrook, 1999).

The objective of brand is to develop brand equity (Clegg et al, 2011). The brand is an indispensable part of the luxury product. Brand equity is developed through creating brand awareness, loyalty, perceived quality, and brand association in relation to customers (Clegg et al, 2011). By enhancing the customer interpretation about the brand, brand equity influence the customer perceived value (Li et al, 2012). The way individual views and interprets products and services relies to a great extent upon perceived attributes regardless of the objective reality (Blythe 2008: 106).

Smith and Colgate (2007) suggest a generic framework of customer value creation. Their framework consists of different types of value including functional/instrumental value, experimental/hedonic value, symbolic/expressive value, and cost/sacrifice value. They also offer information, products, interaction, environment, ownership transfer as sources of value. This framework is general framework of value creation hence there is a need to develop the framework to be applicable in luxury brands. Yet to expand the sources of value to encompass luxury value, there is a need to include a number of new values such as self-identity (Vickers and Renand 2003), prestige (Dubois et al., 2005), uniqueness, craftsmanship (Kapferer 1997), history (Kapferer and Bastien 2012), and authenticity (Beverland 2006).

Tynan et al. (2010) added relational value to Colgate and Smith (2007) perceived value framework. In fact relational value demonstrates the perceived

value that is driven from the relationship between brands and customers. They indicate that, luxury consumers expect special services and distinct treatment from firms. Yet in their luxury perceived value framework cost/sacrifice is interpreted as exclusivity and rarity. They also highlight the need for further empirical testing of the luxury perceived value in order to enhance reliability of the theoretical framework.

Vigneron and Johnson (1999) conceptualise five perceived value that fascinate luxury or prestige products consumers. There are three types of interpersonal effect (a, b, and c), and two types of personal effect (d and e). They describe luxury consumption according to the effects. These five constructs are analysed on the basis of price perception and self-consciousness (Choo *et al.* 2012).

- a) The Veblen effect - Perceived conspicuous value: This group of consumers, values price as a sign of prestige, because their main interest is to impress others. Thorstein Veblen (1899) suggested prestige products are those that prove wealth and power.
- b) The snob effect - Perceived unique value: This segment of consumers tends to observe the price as the sign of prestige and they avoid consuming popular brands to experiment with inner-directed consumption.
- c) The bandwagon effect - Perceived social value: Although this group also values price to a certain extent, the impression that they leave on others outweigh the price. Dubois and Duquesne (1993) argue that, albeit snobs and bandwagons purchase luxury products for opposite reasons, their basic stimulus is in actual fact similar. Basically, both groups fancy increasing their self-concept.

- d) The hedonic effect - Perceived emotional value: In this segment consumers are more interested in the pleasures that the product bring to them. They also lay comparatively less emphasis on price as an indicator of prestige and more emphasis on the quality derived from the product's features and performance.

- e) The perfectionism effect - Perceived quality value : Perfectionist consumers tend to rely on their own judgment, and after choosing a product use the price as an indicator to quality (Beverland, 2004)

Wiedmann et al, (2007) develop the Vinegron and Johnson (1999) dimensions of luxury value perception by employing four latent luxury dimensions. These four dimensions encompassing the financial aspect, functional aspect, individual aspect, and social aspect of luxury value perception. The financial aspect refers to the cost and sacrifice value. The functional aspect refers to the extent to which a product or service function desirably. The individual dimension addresses personal matters such as hedonism and materialism. Finally the social aspects have to do with reference groups and social cultures.

Deeter-Schmelz et al. (2000) present four factors that can create value to luxury products, namely, premium quality, patron status, fashion involvement, and store atmosphere. They argue that, due to consumers often observe price, quality, and brand as the same factor, it would be useful to combine them to form the premium quality dimension. These factors can be indicator for evaluating prestige. Prestige-seeking consumers by purchasing luxury brands underpin their self-image and convey a sense of conformity with people who are sharing this image and brand. Luxury consumers, to protect their prestige, tend to emphasis on store atmosphere. All tangible and intangible factors in the shop's environment can affect luxury consumers' preferences, ranging from the music to customer service. 'Prestige-sensitive individuals fear that others might perceive them as "cheap" if they were seen redeeming coupons' (Husic and

Cicic, 2009, p.234). Luxury customers, especially those from the lower classes, consume prestige products due to especial feeling it brings to them. For this consumers who often seeking to transfer a personal prestige image, patron status usually plays a prominent role. And they also argue that, there is evidence to endorse that, consumers tend to purchase products for their symbolic meaning.

Husic and Cicic (2009) examined the extent to which these factors might have effect on luxury consumption. They suggest that 1) the brand image and quality can have significant influence on luxury consumption and this effect is positive. 2) Store atmosphere does not have any impact on luxury consumption. 3) Patron status has significant influence on luxury consumption and this effect is negative. 4) Fashion also has not any influence on luxury consumption.

Vickers and Renand (2003) consider luxury goods as symbols of personal and identity which can be a substitute approach towards the concept of consumer perceptions. They attempted to conceptualise the luxury products by differentiating luxury and non-luxury products in terms of functionalism, experimentalism, and symbolic interactionism dimensions, in which by exhibiting a distinctive mix of the three dimensions luxury goods would be differentiated from non-luxury goods.

Vigneron and Johnson (1999), differentiate between prestige brands and non-prestige brands through five perceived values. These five perceived values are conspicuous value, perceived unique value, perceived social value, perceived hedonic value, and finally perceived quality value. Similarly Beverland (2004) implies four themes to develop a luxury brand 1) Product integrity, 2) Value driven emergence, 3) Culture and history, 4) Marketing and endorsement.

Choo et al. (2012) provided a comprehensive luxury customer value framework by expanding the alternative frameworks (Tynan et al. 2010, Vigneron and

Johnson 1999; Smith and Colgate 2007; Sheth et al. 1991, Wiedmann et al. 20019) for luxury fashion brands. Their framework is applicable for non-fashion luxury customer value since, previous literatures have not reflected any meaningful differences between them. Their framework composed of utilitarian, hedonic, symbolic, and economic value. Basically they argue that utilitarian value embraces excellence and functional value, hedonic value includes aesthetic, pleasure and experimental value whereas symbolic value encompasses self-expressive and social values. (Figure 1)

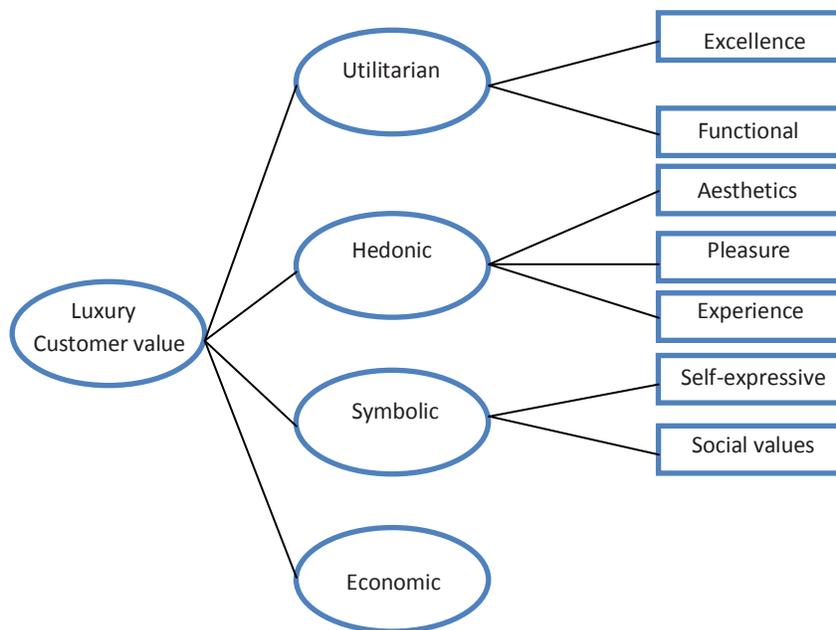


Figure 1: Luxury Customer Value

Source Choo *et al.* 2012

Yet, contemporary marketing has encountered some challenges due to alteration in marketing inputs. The marketing discourse has shifted focus from production and distribution to customers as a psychosocially complex collection of needs (Zwick et al. 2008). Hence marketers attempt to satisfy the customers' needs and wants. Towards this end, building a relationship with customer and managing this relationship seem to be vital (Payne and Frow 2005). By the same token, the marketing approach has been facing an evolving

transformation from a product dominant logic to a service dominant logic, that is, tangible output and discrete transactions are replaced by the stress on intangibility, relationships, and exchange processes (Vargo and Lush 2004: 2). In fact, service dominant logic argues that everything is a service. Given the circumstances, customers become the permanent member of company's production and marketing mission (Zwick et al., 2008). Accordingly, customers become the value creator rather than target and they play an active role throughout the service and value chain of a company (Tynan et al. 2010). Prahalad and Ramaswamy (2004) outline the logic of value co-creation between the firm and the customer through an obsessive personalised interaction and based on a continuous dialogue. Although service dominant logic of marketing endeavours to develop a model to co-create value and focuses the interaction between producer and customer, the role of the customer and the nature of this interaction is still ambiguous (Gronroos & Ravald, 2011). Yet the extent to which customers willing to have a direct dialogue with the firm and how they can create personalised experience are the key factors.

Cova and Dall'i (2009) underpin the value co-creation importance and emphasise the different aspects of value co-creation by representing the concept of working customers. The concept describes the consumers as immaterial labours that can add social, technical cultural and affective value to market offering (Cova and Dall'i, 2009, Zwick et al., 2008).

Vargo and Lusch (2004) argue that organisation can merely suggest value proposition and it's the customer who determine value. They also view the constant role of customer in marketing process and imply the role of firms as facilitator in value-creation process. Gronroos and Voima (2011) argue that, firms can change their role from value facilitator to value co-creator through direct interaction with customers.

2.3.1 Dark vs. Bright sides of value co- creation

The dark side of co-creation value (Vargo and Luch, 2004) or working customers (Cova and Dallı, 2009) is double exploitation. The concept first proposed by Cova and Dallı (2007) and was developed by Zwick et al. (2008). Double exploitation raises important issues whereby 1) customers are not paid for their contribution to the manufacturing process and co-creating value, and 2) customer customises his/her own commodity and this process ends up increasing the cost of product or service, in other words, the company co-creates with "free customer" to add value to the product and subsequently persuades them to buy the good with higher price (Zwick et al., 2008)

Pongsakornrunsilp and Schroeder (2011) explore the roles of customer in the process of value co-creation process in which all parties have the potential to gain value and benefits therefore double exploitation cannot be a threat to co-creation value. Basically they look at the bright side of the value co-creation process within a win-win relationship whereby companies can benefit from the positive cash flow and consumers can achieve their desires and goals such as experience and extended self-identity.

They also propose a theoretical framework through the combination of the concept of service dominant logic (Vargo and Luch, 2004), consumer cultural theory (Arnould and Thomson, 2005), and working consumer (Cova and Dallı, 2009).

2.4 Luxury Brand and Co- creation of value

While value is the key concept when in marketing and branding areas, the better understanding of customer value seems to be vital (Tynan et al, 2010, p.1158). Traditionally, brands have been structured around the interface between marketers and customers from the marketer's viewpoint (Roper et al, 2013) whereas the role of consumers in the luxury brands is relatively ambiguous. One of the ambiguous concepts related to role of customers in

luxury brand is the value co-creation of customers and luxury brands. The contemporary logic views the concept of brand as collaborative, value co-creation activities of firm and stakeholders (Merz et al, 2009). Jevons (2007) identified six key components of brand including identity, symbol, functionality, sustainability, differentiation, and value creation (Cited: Tynan et al. 2010)

Luxury brand is a relatively novel concept (Chevalier and Mazzalovo 2008, p.51). It embraces so many different trade activities such as, accessories, perfumes, cars, jewellery, hotel and gastronomy, great champagne and wine, haute couture, publishing, decorative arts, and so on. By the same token, anything that can be a social indicator has the potential for playing the role of luxury in society (Kapferer and Bastien, 2009). Yet, the marketing strategies of luxury goods are fundamentally different from of non-luxury products (Kapferer and Bastien, 2009).

On the one hand, some luxury literatures emphasise the importance of co-creation of luxury brands with the customers (Schembri, 2006; Tynan et al, 2010; Roper et al, 2013), by the same token, Clegg et al (2011) states that the best way to take advantage of rich sources of ideas that are beyond the organisation's boundaries is to interact with external environments (p.201). On the other hand there are those who believe that many luxury brands suffer as a result of the customers' engagement, and by co-creation the luxury brand loses its aura (Kapferer and Bastien, 2009).

According to Ind et al. (2013) the contemporary idea of co-creation stems from three notions. 1) The adaptation of communication networks (Clegg et al, 2011) 2) The adaptation of organisation's perspective, whereby organisations attempt to become part of consumers' experience, and 3) the adaptation of marketing's perspective, in which marketing approach has changed from the act of purchase to usage

Successful luxury brand marketing requires the sufficient customer value perception (Tynan et al, 2010). Also, there should be a balance between what

customers get and what they have to give up. Therefore in the absence of benefit for customers, co-creation might disturb the reputation of the brand. In other words, to gain a sustainable co-creation between brand and customers, it must provide benefit for customers as well as brand (Ind et al, 2013). According to Fuller (2010) customers' expectations towards co-creation vary depending on their personality. Although some individuals expect extrinsic rewards, there are some customers who expect intrinsic rewards. Fuller (2010) argued that intrinsic customers are more knowledgeable and creative and are more involved in co-creation than other types of customers. Accordingly, nowadays luxury goods are accessible to different people with different lifestyle and social class, so-called democratisation of luxury, (Roper et al. 2013), luxury marketers need to deal with different levels of expectations. According to Wong and Ahuvia (1998), customers consume the same products, whereas their motivations and consumption behaviours are different.

Chapter 3 Research methodology

3.1 Overview

Methodology is considered important part of a study because using the correct and suitable method leads to more accurate outcome (Silverman, 1993). Hence, in this chapter, the researcher attempts to select an appropriate method with regards to the research question.

The previous chapter started from a general outlook on luxury, customer perception, and co-creation value. The view narrows down to luxury customer perception and luxury value co-creation.

This study builds on Tynan et al. (2010) and aims to look at the luxury consumer perspective related to value co-creation. Basically, this dissertation explores: **‘what values do consumers (co)create through their interaction with luxury brands?’** and for this reason, attempts to address the question in a qualitative approach through a face-to-face and online interview with a number of luxury consumers.

3.2 Research philosophy

The concept of research philosophy refers to the way of viewing the world, gaining, and enhancing knowledge and also is related to the nature of that knowledge (Saunders et al. 2009). Research philosophy encompasses three major ways of thinking including epistemology, ontology, and axiology. There are different approaches towards gaining knowledge such realism, positivism, interpretivism, objectivism, and subjectivism, and pragmatism (Saunders et al., 2009). Two predominant philosophies in social science are positivism and interpretivism (Collis and Hussey, 2009) which this paper will provide an analysis of them. Additionally, there are two different research approaches, namely qualitative (non-statistical) and quantitative (statistical).

3.3 Positivism and Interpretivism

On the one hand, positivism refers to philosophical attitude of the natural scientist (Saunders et al. 2009). This philosophy states that people behaviour is the mirror of the external world (Morgan and Smircich, 1980). This approach believes that reality is an independent entity. Yet, the researcher neither influence nor be influenced by the subject of the research, so the researcher is independent as well (Saunders et al., 2009), however it is almost implausible to

exclude your own values from the research objective. Furthermore, in order to facilitate replication, positivists tend to utilise highly structured methodology (Gill and Johnson 2002 cited in Saunders et al., 2009). The main reason behind the positivist approach is to provide themselves with quantifiable observations in order to be empowered to use statistical analysis. Anderson (1986) argues that positivism basically relies on definite laws therefore it is incapable to profoundly clarify customer behaviour. There are different methodologies related to positivism paradigm, namely experimental studies, surveys, cross-sectional studies, and longitudinal studies (Collis and Hussey, 2009).

On the other hand, interpretivism observes individuals as social actors. Interpretivism approach maintains that there is a difference between conducting research among people rather than objects (Saunders et al., 2009). This philosophy argues that individuals dynamically interact with the intention of forming their environment hence people can influence and be influenced by the environment. Subsequently, the main objective of this approach is to understand the behaviour not to predict it and aims to discover the reasons and motivations behind certain behaviour (Collis and Hussey, 2009). Yet, methodologies associated with interpretivism are hermeneutics, ethnography, participative enquiry, action research, case studies, grounded theory, and ethnicity studies. (Collis and Hussey, 2009)

The two philosophical attitudes are the extreme ends of a continuum and most of the researchers stand somewhere in between (Collis and Hussey, 2009). Due to the nature of the question and the scope of the study this paper has a tendency towards interpretivism approach to address the research question.

3.4 Quantitative and qualitative methods

There are two major data collection approaches, namely quantitative and qualitative. Although, the two terms can regularly be used interchangeably, they

can suggest dissimilar things (Hackley, 2003: 73). Quantitative data refers to all data which can be analysed with statistical approaches, while qualitative data can be analysed with interpretive methods (Collis and Hussey, 2009). Generally, both are useful in business and social science depending on the nature of research question as well as researcher philosophical preferences (Collis and Hussey, 2009). The two concepts are not mutually exclusive, that is qualitative research had a quantitative component and vice versa (Hackley, 2003: 73, 74). Nevertheless, the decision of whether to utilise qualitative, quantitative, or multi-method depends heavily on constraints of time, the student abilities, availability of data sources, and the objective and framework of the research (ibid. 72, 73).

Qualitative data are usually temporary and result in findings with a high degree of validity, while quantitative data are usually precise and result in findings with high degree of reliability (Collis and Hussey, 2009). Moreover, a positivist attitude leads to quantitative methods and conversely an interpretivism attitude leads to qualitative methods (Hussey and Hussey, 1997). The interpretivism approach focuses more on individuals' perception of the state of affair and attempts to question their experience, which is the main objective of this study.

3.5 Research philosophy adopted and research approach

The intention of quantitative research built on positivism is to describe phenomena based on what is already known about marketing luxury brand and it is not suitable to study questions about cause and effect, or to measure and assess something, while qualitative research is involved in discovering meaning and communication relationship, and how social reality is built from the people's perspective (Daymon and Holloway, 2011). Yet, a study based on perception requires individuals' idea and views which numerical data is not able

to present a holistic appreciation (Silverman, 2000). This study is built upon the work of Tynan et al. (2010) and they also utilise qualitative method for gathering and analysing data. As is illustrated by recent explanations, method of the similar researches and base on the nature of the research question the qualitative method seems to be the most suitable research method.

Qualitative research is usually associated with interviewing (Daymon and Holloway, 2011). An in-depth, face-to-face, and on-line interview will be conducted in order to gather primary data. In-depth interviews are not only used to encourage people to share their idea and experience, but also is a logical way to gain insight into people interpretation of their environment. In-depth interviews are a major source of data in qualitative research and a way of exploring informant perspectives and perceptions.

One of the main reasons to adopt qualitative method is to learn and study the experience and the perception of luxury consumers and their relationship with luxury brands. As support for the argument it would be useful to point to strength of this method to study the underlying reasons for the connection between people and phenomena.

3.6 Data collection techniques

Data are recognised realities or things utilised as a basis for inference or reckoning (Collis and Hussey, 2009). Basically, data collection techniques depend on the way the data will be used, in other words, if the researcher uses a technique to collect data on the frequency of occurrence of phenomena, s/he will attain quantitative data, while collection data in order to study the meaning of phenomena will lead to qualitative data (Hussey and Hussey, 1997).

Main methods for collecting data for qualitative analysis are interviews, protocol analysis, repertory grid technique, diary methods, observation, and focus groups (Collis and Hussey, 2009). This paper aims to use (in-depth) interviews for collecting data in which selected interviewees, who are luxury consumers, are asked questions to find out what values they perceive through their interaction and how they interact with luxury brands.

3.7 In- depth interview

Interviews are useful methods to collect data in every kind of research design (Hackley, 2003: 76), especially when it comes to marketing and public relations, qualitative research is often linked to interviewing (Daymon and Holloway, 2011). Under an interpretative paradigm, interview is less structured and generally, has to do with exploring data in order to study opinions, attitudes, intentions, and feelings that people have in common (Collis and Hussey, 2009; Daymon and Holloway, 2011). The qualitative interview provides an opportunity to negotiate with people to gain insight into their world and access their experiences and beliefs. One of the most important skills in interview is ask the right question, at the right time. Interview can be conducted through face-to-face, telephone, email, or video conferencing methods. To address the research question, eight interviews were conducted. Interviews are divided into four themes which each of the theme is relevant to the research question. Unstructured interviews can be with probes to investigate the interviewees' responses in more depth. On the one hand unstructured Interviews are very time-consuming, difficult to control the range of topics, difficult to recording the questions and answers and difficult to analysing data. On the other hand this process is adoptable from one interview to another. By the same token, interviewer can interacts directly with a number of consumers and compare their answers. Therefore data collection base on in-depth interview seems to be an efficient method with regards to the research question and the researcher's approach towards the concept (Collis and Hussey, 2009; Hussey and Hussey,

1997). Although, interviews can be conducted in different ways, the one-to-one interview is the most common type (Daymon and Holloway, 2011).

3.8 Sampling

Choosing suitable samples in terms of quality and quantity is very crucial, because all findings are based on the samples (Marshal and Rossman, 2006). Sampling in qualitative research is usually driven by rational considerations of convenience for the research question (Hackley, 2003: 75). The size of sample depends on the objectives of research, nature of the subject, time-scale, quality of the collected data, and costs, however the determining factor is how well the researcher employs the available data (*ibid*).

The interviews are conducted with luxury consumers who buy luxury products at least twice a year. These interviewees are from Russia, Middle East, and India. The reason behind such a sampling is the available resources.

3.9 Data collection

In-depth interviews are a main source of data in qualitative research and a way of exploring participant perspectives and perceptions. This study consisted of in-depth interviews, as the main source of data in qualitative research (Daymon and Holloway, 2011), with participants who consume luxury brand in order to explore their perceptions and perspectives. The interviewer attempts to encourage interviewees to raise the experiences that are of a personal interest to them. The researcher has an avid interest to encourage participants to talk at length about their experiences and perceptions so few questions are asked during the interviews. The interviews are pre-planned, following by arranging to send a summary of the findings to the interviewees for feedback on interviewer's interpretation. Moreover, all interviews will be recorded with the permission of interviewees. The process of analysis starts with listening to

interviews and transcribing them. It is followed by organising data and coding which is conducted manually. Besides, copies of the interviews are prepared, in order to be maintained.

3.10 Data analysis and interpretation procedures

The analysis of qualitative data is more challenging than quantitative data due to the large volume of data (Collis and Hussey, 2009). In fact, qualitative data analysis is bringing order to this large volume of data by organising, structuring, and constructing meaning (Daymon and Holloway, 2011). Yet, we should not lose the sight of the fact that, the emphasis on text rather than on numbers is the most important feature of qualitative analysis (Schutt, 2012: 321). Accordingly, the text that this research aims to analyse is based on transcripts of interviews.

Table one shows some ways in which qualitative data analysis differs from quantitative data analysis.

| Qualitative data analysis | Quantitative data analysis |
|-----------------------------------------------|----------------------------------------------------|
| Emphasis on meaning | Emphasis on quantifiable phenomena |
| Collection of many data on a few cases | Collection of a few data on many cases |
| Study in depth and detail | Emphasis on analysis |
| Without predetermined categories or direction | With determined categories or direction beforehand |

| | |
|------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Researcher's perception as a tool | Researcher's perception as the designer of objective tool to measure specific variable |
| Sensitivity to context | Looking for worldwide generalisation |
| Influence of researcher's value and other's value on the data analysis | Presuming the possibility of Value-free inquiry |
| A goal of rich description of the world | Measurement of specific variable |

Table 1: Differences between qualitative and quantitative data analysis

Source Schutt, 2012: 323, 324

Schutt, (2012) suggest five techniques of qualitative data analysis, namely 1) documentation, 2) conceptualisation, coding and categorising, 3) Examining relationship and display data, 4) authenticating conclusion and 5) reflexivity, accordingly Marshal and Rossman (2006) divided data analysis techniques into three categories, namely description, analysis and interpretation.

Interpretation conveys meaning and insight to the interviews and acts of interviewees in the study. For this reason the researcher attempts to interpret the findings, in the light of the literature, by developing concepts and theories which explain the findings (Daymon and Holloway, 2011)

3.11 Validity and reliability

The extent to which the findings are precise, address the research question, and represent reality, conveys the trustworthiness or validity of a research. There are several forms of validity. Daymon and Holloway (2011) suggest three aspects of validity that are useful in qualitative researches. *Internal validity* states that extent to which findings reflect the social world of participants and the phenomenon. *External validity* states that the extent to which the findings

are applicable to other context or larger research population. Terms *Relevance, plausibility and credibility* are the third aspect of validity. *Relevance* states the extent to which research study is meaningful for people who it is addressed. *Plausibility* states that the extent to which the researcher's claim about the subject is plausible and finally researcher can attain *credibility* through providing persuasive evidence for the claims they make.

In qualitative research the concept of reliability is not as salient as validity because of the nature of this kind of research. In quantitative research reliability means the extent to which a research tool will reproduce the same findings or answers. However, in qualitative research the research instrument is the researcher (Schutt, 2012), so research would be difficult to replicate (Daymon and Holloway, 2011).

3.12 Conclusion

This chapter promotes a description of research philosophies, qualitative techniques, and analytic operations used to address research questions. Yet, this chapter provides an insight into the different methods for gathering and analysing primary data. Yet, the researcher has attempted to highlight the nature of quantitative and qualitative techniques. This study intends to utilise qualitative techniques owing to objectives of the study and the nature of the research question. Yet, it is the researcher's conviction that qualitative techniques are totally useful in consumer behaviour and customer perception spheres.

Chapter 4 Data analysis

4. Data analysis

The study examined how the brand and the customer play the role of value (co)creator in luxury products marketplace. The study reveals the considerable influence of luxury brands in the lives of the consumers which implies, luxury brands are important in their lives and make value for consumers. This effect is quite different among people engaged. There are some luxury consumers who are extremely impressed by the brand and those who behave slightly different

while consuming luxury products. Nonetheless the main aim of this research is to study how luxury brands (co)create value with their customers.

Therefore based on interviews and previous findings the researcher has divided the process of luxury value (co)creation into five dimensions, including 1) Utilitarian value 2) Experimental value 3) Relational value 4) Symbolic value and 5) Economic value . In the following text, based on in-depth interviews, the researcher will discuss about the ontology of value and how these five values can be created through customer's interaction with luxury brands.

4.1 Utilitarian value

Utilitarian value is related to the task-related and rational feature of the shopping (Choo *et al.* 2012). Utilitarian value of luxury brand (Tynan et al. 2010) also reflects the functional/instrumental value of the Smith and Colgate (1997) generic value framework. Utilitarian value is stimulated by the functional aspects of the good (Hirschman and Holbrook, 1982). Base on the interviews and previous findings, luxury brands functions embrace outstanding quality, design, and excellence of services.

Aashik is a master student of University of East London. He is 25 from India. He purchases luxury brands at least two times a year. He is a big fan of Bentley and he dreams to buy from this brand as soon as he has the money. He usually consumes luxury brands such as Armani, Gucci, and Dior.

Aashik: "actually I started buying Armani and Gucci products when I was about 19, (...) to me luxury equals to a perfect product (...) in terms of design, quality, functions, (...)"

Narain is a student of University of East London. He is 25 from India but he has been living in London for twelve years. He purchases luxury brands at least two times a year and his favourite brand is Ralph Lauren. Although he always wear expensive and luxury shoes and clothes, he does not consume other luxury items.

Narain: *"I like Ralph Lauren because it is suitable for formal ceremonies and they have different models for different people, the quality of their shoes is fantastic (...) I do not expect anything but the best quality, beauty, and glamour (...)"*

Both participants give emphasis to the importance of quality and design in luxury products. The researcher identified excellence (Holbrook, 1999), craftsmanship (Kapferer, 1997) for the utilitarian value for luxury brand which reflects the Choo *et al.* (2012) study. The research also reveals the increasing importance of utilitarian value for contemporary luxury customers.

Arash is the manager of a high-tech company in Tehran, he is 35 and married. He often purchase luxury products and utilises luxury services. He is a big fan of Louis Vuitton's products. He purchases more than three luxury items per year.

Arash: *"(...) I never waste my money on buying counterfeit products because after first usage you have to throw them away but I can consume (for example) Louis Vuitton for a long period of time and that is always "Louis Vuitton" (...)"*

The findings point out the increasing importance of utilitarian value for luxury consumption. The participant implies the tangible benefit that luxury brand serves to him. In fact the respondent invests money into durable product which could be utilised several times with great aesthetic characteristic.

The result indicates that luxury brands should provide customers with premium quality and aesthetic design as functional aspect of the product in order to attract them and keep them satisfied. Therefore the utility of luxury brands is one of the significant research findings which highlights, luxury customers seek for usefulness of luxury products.

4.2 Experimental value (Hedonic value)

Kapferer and Bastien (2012) argue that hedonic value is linked to experiences, and emotional involvement between the luxury brand and its customers. Choo et al. (2012) argue that, hedonic value reflects the emotional worth of shopping. Experimental value of luxury brand reflects the experimental/hedonic value of the Smith and Colgate (1997) generic value framework and also customer value framework for luxury products of Tynan et al. (2010).

The researcher perceived that customer's experience could add value to the luxury brand and has a direct impact on their next purchase intention. Atwal and Williams (2009) recognise that a continuing success in luxury brands rests upon interaction with the customers through brand-related experiences. Most of participants focus the experience that the luxury shop provides them during the process of purchasing. Hence the role of the firm ambassadors (salespersons) and the venues (stores) are very critical during the process of value co-creation for luxury brands and it affects directly on the customer's next purchase. The findings reveal the importance of personal experimental interaction with luxury brands which is associated with hedonic aspects of luxury brands.

4.2.1 Direct impact on the next purchase

Nastaran is 25 and from Iran, she recently purchased Gucci purse in London, and after the first purchase she decided to purchase more products from this shop. She used to consume non-luxury and even counterfeit products but the good experience during the process of shopping makes her to buy more genuine products.

Nastaran: What I absolutely adore is the atmosphere (...) the salesperson helped me right off the bat with what I needed she was really helpful and energetic. Although there were so many people there I waited in line no more than three minutes (...) I am going to probably purchase more from them.

The researcher observed that the positive experience in shop influenced on customer decision making and she intends to purchase from the brand after the first positive experience.

Tanya is the student of University of East London, she is 24 and single. She is a fan luxury brands. Her favourite brands are Louis Vuitton and Gucci. She recently started purchasing luxury brands and during this limited time the brands have become a part of her and it is very difficult for her to live without Louis Vuitton.

Tanya: After buying my first purse from Gucci I "liked" their Facebook page, and have been pursuing their new collections.....I want to be aware of their new products.

The study suggests that after a positive experience in process of purchasing, customers are more likely to include themselves in the brand community and they usually become more connected to the brand. Therefore the positive

experience during the process of purchasing can lead to experimental value creation.

4.2.2 Decrease the threat of counterfeit

Nastaran: *"(...) I bought fake Gucci shoe 2, 3 years ago and I still have it (...)"*

Arash: *"(...) she (Salesperson) persuaded me to buy Louis Vuitton just from the Louis Vuitton's shop by her behaviour (...)"*

Aashik: *"(...) to be honest I cannot see any differences between them (counterfeit and origin) (...) of course there is a big difference between their shops and sometimes their quality (...)"*

On account of the fact that there is an increasing tendency for the phenomenon of counterfeit luxury brands (Heine, 2012; 50), some scholars argue that this growing interest can be a threat to luxury products (Wee *et al.* 1995). Findings indicate that although some customers do not differentiate between the genuine and counterfeit products, they acknowledge the positive experience during the process of purchasing and different perception during the usage of the product. Hence, positive customer experiences during the process of purchasing and consuming create experimental value, at the same time, decrease the threat of counterfeit products owing to customers expect the same quality and services from the brand when intend to purchase and consume the item. Findings indicate that the luxury brand as value facilitator needs to create a positive brand experience for their customers to encourage them to purchase their products and at the same time to discourage them from searching for alternative brands and counterfeits, and also to decrease the potential threat of counterfeit products. To this end, the brand attempts to impress de facto and potential customers with outstanding design, layout, premium services, and one-to-one interaction in shop.

4.2.3 Role of salesperson

Nastaran:*the salesperson helped me right off the bat with what I needed she was really helpful and energetic.*

The researcher observed that in this case the participant was highlighting the positive experience that the salesperson had created for her by their skill and behaviour.

Loey is a sale manager in one of the famous firms in Dubai, he is 38 and married. He often purchases luxury products and utilises luxury services. He is a fan of Rolex, Mercedes and De Beers. He purchases more than three luxury items per year. He usually buys expensive diamonds for her wife and his daughter from De Beers in Dubai Mall.

Loey: I have relatively a good salary. I'm looking for luxury products and try not to buy cheap products because it might damage my status. (...) I really like to buy from Rolex shop. They are always so kind and never push me to buy. They usually just give me good suggestion about the products (...) and when I enter the shop I always know that I will be treated like a very special person. I love the atmosphere of the shop and it is always a good experience for me. Whenever I go there I spend plenty of time with them and we talk about different subjects (...) they usually show me new collections and I really appreciate it (...) the vendor in De Beers shop is very knowledgeable, I am very impressed when he starts talking about the history of one small piece of diamond (...).I feel kind of relationship with both the diamonds and the salesperson"

The researcher perceived that consumers are affected by the well-trained and informed salespeople (Tynan et al. 2010). He goes there to hear some story about the history of diamonds and other fancy colour stones. In this interview

the researcher observed that salesperson creates value to the customer by his knowledge and skills. The study suggests that the role of salesperson is very important in the process of experimental value creation. Based on this interview the researcher perceived that a positive experience can create both experimental and relational value for customers.

AmirReza is an IT professional and manager in a respectful firm in Iran, he is 28 and married. He is not a big fan of luxury brands but he usually purchases luxury products regardless the name of the brand. He often buys Burberry because the Burberry shop is close to his office and his wife is fan of this luxury brand.

AmirReza: One of the reasons I purchase Burberry is the atmosphere of the shop and people who work there (...) I don't buy it because it is Burberry (...) I feel kind of special when I am there (...).

In this case the researcher found that, the respondent is not a fan luxury brands whereas the good impression that is created by the salespeople makes him to visit the shop when he intends to shop apparel.

The study suggests that positive experience in the shop leading to a long-term emotional bond with customers. Even though the customer is not a fan of luxury brands and particularly Burberry, he cannot replace it with other alternatives owing to the emotional bond with the salesperson and atmosphere of the shop. The findings suggest that services in the shop can play a prominent role in customer value creation process.

4.2.4 Venue

AmirReza: One of the reasons I purchase Burberry is the atmosphere of the shop and people who work there. I do not like to purchase in very busy shops,

so I prefer to go to their shop because most of the time the shop is nice and quiet (...).

Arash: "(...) I am convenient in the store (Louis Vuitton) and they usually treat me very well (...)"

The study identifies that prestigious stores provide unique experience that sustain customer's interest with the luxury brand through time. Most of participants referred to the atmosphere of shops and the positive impression that luxury stores make on them during the process of purchasing. The study suggests that a convenient and exciting store has an important effect to create an appropriate atmosphere for customers and this positive experience leads to future purchasing and creating experimental value. Therefore consumers are affected by the store's attributes and they usually perceived value through the atmosphere of the store (Ligas and Chaudhuri, 2012).

The study suggests that a positive experience (experimental value) can contribute the creation of emotional bond and long-term relationship (relational value) between customers and luxury brands.

4.3 Relational value (co- creation of value)

The research findings suggest that, attempting to interact with active customers during the process of purchasing creates value to them and create a win-win platform for the both parties involved. Direct interaction in this phase is economical and value creator for the luxury brands and their customers.

Loey: Whenever I go there (De Beers shop) I spend plenty of time with them and we talk about different subjects (...) they usually show me new collections and I really appreciate it (...) I also give them my suggestions and sometimes I order a personal jewel. Once I cancelled my order because I had changed my mind and they kindly accepted that without asking me to pay compensation.

The researcher perceived that interaction during the process of purchase and sometimes during the usage is satisfactory to luxury customers and this direct interaction and dialogue create relational value to them. The main reason behind such a notion is that, customers can experience a personal service from their favourite brand. On account of the fact that, during the process of purchase, there is an inevitable contact between the firm and the customer, customer can create his/her own personalised experience through a direct interaction and dialogue with the brand (Pralad and Ramaswamy, 2004). Even though the existence of direct interaction and dialogue is a platform for co-creation value, it does not guarantee to end up in successful way. Since the result can be either co-creative or co-destructive. It is the firm who is responsible to manage this platform towards a successful way and create an atmosphere of mutual trust and confidence.

Lyaysan: *"(...) sometimes I find them so annoying (...) they called me when I was in an important meeting (...) I cannot talk to them when I am at work (...)I am too busy to talk to them (...)"*

If the company unexpected attempts to interact with the customer, potentially increases the risk of value destruction because, the firm cannot predict in what situation the customer is in a receptive mood. Yet if the direct interaction does not occur co-creation is meaningless (Gronroos, 2011).

Arash: *" (...) I don't have time to have interaction with any brand, I hardly can manage my time to consider my routines (...)"*

Most of the participants take the time constraint into consideration and their tendency to spend their spare time with family or for sightseeing. Therefore the research suggests that direct interaction between luxury brand and its customers during usage is critical. One of the reasons that in recent years,

luxury brands have been investing extremely in their websites illustrates the firm's understanding of this constraint. Therefore a positive customer experience creates relational value for the customer (Tynan et al. 2010, Gronroos 2006) whereas the firm need to be very perceptive owing to direct interaction with customer can destroy value as well.

4.4 Symbolic value

In Choo *et al.* (2012) study, symbolic value is reflected in self-expressive and social values. Tynan et al. (2010) segment this value in two sub-dimensions including self-directed and outer-directed. Luxury products can be described as a segment of products that deliver symbolic value rather than utilitarian value. Luxury consumers also can be characterised as individuals of high social class who arguably are free from functional usage of products. Even though symbolic value still is a main factor on luxury consumption, the study suggests that the influence of symbolic value has diminished among contemporary luxury consumers. Luxury products are described by most of the participants as manifestation of quality and durability which shows, they value the practical uses of luxury products. Nonetheless symbolic value still plays a prominent role in luxury scope. Luxury symbolic value (Tynan et al. 2010) reflects the symbolic/expressive value of the Smith and Colgate (1997) generic value framework.

"(...) I deserve it because I worked hard for that (...)"

"(...) I enjoy when I am using (...)"

"(...) I feel special (...)"

"(...) good experience (...)"

Clearly, these clauses from participants illustrate that value is becoming more self-directed. Nevertheless luxury customers are still concerned about the

impression they make on other people and their desire to gain approval from other people is deniable. (Husic and Cicic, 2009)

4.4.1 Self- expressive

Self-expressive value is a self-directed value (Tynan et al. 2010). The participant creates value independent of others and perceives value owing to premium quality of the brand.

Tanya: “(...) I think that I cannot substitute Gucci for other brands because I believe that the quality of Gucci shoes (products) are far better than other brands that I have bought so far (...)”

Lyaysan: Chanel is the symbol of quality, (...), design and I totally trust the brand

The researcher encountered almost the similar responses from the other participants which suggest the power of brand attributes (quality, design, durability ...) in customer's self-expressive value. Hence the researcher perceived that luxury customers tend to perceive a high self-expressive value owing to the brand attributes such as premium quality and unique design. The study suggest that customers who perceive more symbolic value for luxury brands are more likely create a positive experience with the brands. The research suggests that self expressive effect is powerful on luxury consumption. Symbolic value can be affected by the product attributes such as design, quality, price and so on (Choo et al, 2012).

4.4.1.1 Brand Love

“(...) I adore Gucci (...)”

“(...) I really love the way they treat their customers (...)”

“(...) I cannot live without it (...)”

These are common phrases that the researcher faced during the interviews which suggest the positive experience and emotional bond (brand love) between the luxury brand and the customers. Most of participants demonstrate feelings of love toward their favourite brands, they frequently employed the term “love” and “adore” in the interviews.

Key aspects of love towards a brand are great quality, Strongly held values and existential meaning, Intrinsic rewards, Self-identity, Positive effect, Passionate desire and a sense of natural fit, Emotional bonding, Willingness to invest, consumer's identity, Frequent thought and use, Length of use (Batra et al. 2012). Luxury brands are most likely to consider these dimensions.

a. Great quality: participants' comments on luxury brands tend to began with some of their expectations and perceptions about the luxury products. They usually referred to the quality, trustworthiness, and design of the luxury brands. Participants were satisfied to pay high price for luxury brands because they believe that price is justified by these criteria.

Strongly held values and existential meaning: Luxury brands are more likely to be loved by customers owing to provide different benefits such as convenient, entertainment, relaxation and so forth (Betra et al. 2012)

b. Intrinsic rewards: Luxury brands also provide intrinsic rewards due to creation of happiness and satisfaction which are perceived during usage the product.

c. *Self-identity*: People usually identified with the things they consume and like. Talking about a favourite brand with others is a main part of creation of identity (Holt, 1997).

d. *Positive affect*: Most of participants described their experiences with luxury brands in positive emotional terms which are the manifestation of positive effect of luxury brand on the owner (Ahuvia 2005).

e. *Passionate desire and a sense of natural fit*:

Lyaysan is a student in the University of East London, former employee of Russia ministry of economy, she is 28. She is a fan of luxury brands and her favourite brands are Chanel and Dior. She has purchased Chanel's and Dior's products three times in the last year. She states that brand is important to her brings her self-esteem.

Lyaysan: "(...) *in terms of design (...)I would be glad if the company ask my opinion, but, you know, I prefer to buy available products because I believe that they have an elite group of designer*"

In fact the participant talks about a sense of natural fit and harmony between herself and her favourite luxury brand.

f. *Emotional bonding and anticipated heartbreak*:

Tanya: "(...) *I think that I cannot substitute Gucci for other brands (...)*"

Most of participants talked about their emotional connection to their favourite luxury brand. They frequently talked about their favourite brand as irreplaceable and unique which imply the emotional bond with the brand.

Willingness to invest: Participants highlighted the energy and money that they are willing to invest for their favourite luxury brands. In fact luxury brands comparatively require high investment which calls for the importance of the brand for them.

Frequent thought and use: the researcher perceived that luxury customers think about luxury brands frequently. In fact the participants highlighted how much time they spend for thinking about some luxury brands. Some participants revealed that they even dream about a particular luxury brand which is key criterion for luxury brand and represent a manifestation of brand love (Albert et al. 2008).

g. Length of use: the study reveals that luxury customers tend to have a long relationship and history with their favourite brands which is a feature of brand love. Participants emphasised the long history of luxury brands and durability of luxury products which calls for a long-lasting relationship and interaction (Albert et al. 2008, Batra et al. 2012)

As is illustrated in this paper, luxury products can consider all of the dimensions of brand love and participant frequently highlighted their love towards luxury brands, which calls the power of luxury brand to create brand love as personal value to customers.

4.4.2 Social values

Social value refers to individual's attitude to own luxury brands that provide as a symbolic indicator of group membership (Vigneron & Johnson, 2004).

Narain:” *I wear Raulph Lurn shoes to behave like the people I live with (...) Most of my friends wear luxury clothes and shoes (...) sometimes I wear them just for showing off (...)*”

In fact the participant explains that he utilises luxury brands to conform to his society and to demonstrate his social status.

The findings reveal that customer perception about the luxury brands is influenced by the reference groups (Arghavan & Zaichkowsky, 2000). The respondents described that, he is willing to create identity by consuming luxury brands. Therefore he looks at the luxury products as symbols of personal and social identity (Vickers and Renand, 2003) which create certain position for him.

4.4.2.1 Identity

Tanya: *“When I see somebody is driving a Bentley (...)the first thing that springs to my mind is that the driver is from the high level of society, very rich, respectful, successful (...)*”

Social values are other’s perception or the individual’s conviction of other’s perception of the owner (Choo et al. 2012). Therefore individual perception of a particular brand is applicable to the situation where they are the owner of the brand. In other words we can interpret the passage as:

“When I am driving a Bentley I expect people to think I am from the high phase of society, very rich, respectful, successful (...)

Lyaysan: *“(...) one of the reasons (she likes and purchases Chanel products) is my mother because she always buys Chanel products especially Chanel perfume and recently I have decided to buy this brand.”*

Hence the customers' value creation may occur under the influence of society, peer groups, family and so on. In fact social values are stimulated by other people's perception of the brand and the owner. In-depth interviews reveal the notion that individuals are most likely to consume the products that are socially utilised. By the same token, the researcher perceived that luxury customers tend to perceive a high social value owing to the perception of other people. The research suggests that social value effect is powerful on luxury consumption while its influence is less in comparison with prior decades. Therefore social value is still worthy of attention.

4.5 Economic value

Economic value addresses financial features such as price and investment. Choo et al. (2012) argue that economic value of luxury brand encompasses economic investment and price satisfaction. Economic value reflects the cost/sacrifice value of the Tynan et al. (2010) and Smith and Colgate (1997) generic value framework.

Some of the participants proudly consider their purchase as a rational decision and justify it by identifying economic value of luxury brand. The researcher also conceived that participant usually consider economic value of luxury product as self-expressive value. Participants highlighted the value of luxury brands as investment.

4.5.1 Luxury good as investment

AmirReza: "(...) I look at it as an investment (...)"

Arash: "(...) *I never waste my money on buying counterfeit products because after first usage you have to throw them away but I can use (for example) Louis Vuitton for a long period of time and that is always "Louis Vuitton" (...)*"

As support for their conviction, both participants pointed to limited availability, increasing price, (Choo et al. 2012) and durability of the luxury goods.

Although in luxury consumption definition the economic consideration does not seem to be a key factor in decision making, the respondents took the economic values into account. As is mentioned in utilitarian value section, rational decision making is observed in interviews for luxury consumption.

In conclusion, the researcher analysed gathered data from eight luxury consumers in this chapter. The findings suggest that luxury consumers (co)create utilitarian, experimental, relational, symbolic, and economic values through their interaction with luxury brands. The research reveals that utilitarian values for luxury products are mostly about quality and design. Experimental value has direct influence on the customer's next purchase intention and customer's desire to buy genuine products, in that, the role of salespeople and the venue are determining factors in co-creating experimental values. Although nowadays individuals are more likely to create self-expressive values through brand love and other individual perceptions, social values such as, indication of identity still plays a prominent role in luxury symbolic value creation. Luxury customers also create economic and relational value for luxury brands through their interaction with luxury resources. These five values reflect Tynan et al. (2010) study and underpin the importance of interaction between luxury brands and their customers. In terms of co-creation value, luxury brands can offer an atmosphere of trust and mutual benefit for customers through their staff, services, and venues to create win-win platform for both parties involved.

Chapter 5 Conclusion

5. Conclusion

The current study has intended to contribute to luxury brands value creation studies from customer's perspective. For this reason eight luxury consumers have been interviewed. Data gathered through interviews and available literatures to examine the result of interaction between luxury brands and their customers in order to (co)create value. The findings indicate that luxury brand owners should offer a platform of value creation through customising brand experience for customers due to luxury customers expect a unique and tailored brand experience when they intend to buy luxury products. As the result of interaction between the luxury customers and luxury products utilitarian, experimental, symbolic, and economic value can be created. Experimental and relational value co-creation can takes place through customer interaction with staff and venue.

On the light of previous theories in the field of luxury brand values, this research has intended to evaluate the luxury brand value (co)creation. The key results are highlighted in the following.

Dubois, et al. (2001) look at the concept of luxury from the consumer perspective and suggest perceived excellent quality, very high price, uniqueness, aesthetic, history, and superfluousness, as six luxury attributes. Chevalier and Mazzalovo (2008) argue that luxury goods should be beautiful, piece of craftsmanship, and international.

Tynan et al (2010) argue about the customer value creation and they expand Colgate and Smith (2007) study on customer value creation framework to make it applicable to luxury customer value creation. They offer utilitarian, symbolic/expressive, experimental/hedonic, relational, and cost/sacrifice as luxury customer values. In Choo et al. (2012) study, economic value supersedes cost/sacrifice (Tynan et al. 2010) value because they found the concept of cost/sacrifice overlap with other aspects of customer value creation.

The present study offers five luxury customer value including utilitarian, experimental/hedonic, symbolic, economic, and relational values in order to address the research question. As qualitative methods are powerful techniques to study the underlying reasons for the connection between people and phenomena, this study has employed this method in order to learn and study the experience and the perception of luxury consumers and their relationship with luxury brands. Eight in-depth interviews provide an opportunity to negotiate with luxury consumers to gain insight into their world and access their experiences associated with purchasing and using luxury products.

The Interviews revealed a relatively effective interaction between participants and luxury resources such as luxury product, salespeople, and venue. The interviewees mainly talked about their positive experiences during usage and purchasing luxury products. Based on interviews the researcher found these five key values that customers perceived and (co)create through their interaction with luxury brands.

- 1) **Utilitarian value:** utilitarian value generally stimulated by the functional features of the product (Hirschman and Holbrook, 1982) and emphasises on the rational aspects of purchase. Luxury brands functions embrace outstanding quality, design, and excellence of services. The research focus on the importance of excellence (Holbrook, 1999) and craftsmanship (Kapferer, 1997) as utilitarian value for luxury brands. The findings highlight the growing importance of utilitarian value for luxury customers when they interact with luxury brands. The results highlight that, luxury customer satisfaction is associated with usefulness of luxury products as well as premium quality and aesthetic design which are functional aspect of luxury products.

- 2) **Experimental values:** positive experiences during using and shopping luxury brands provide an emotional bond with customers. Customers co-create experimental value through their interaction with the brand resources such as products, salespeople, and venues. The research indicates that positive experience during interaction with the luxury brand has a direct impact on the next purchase intension, at the same time, obliges customer to buy genuine products.

- 3) **Relational values:** Interviews with eight luxury customers reveal that interaction with luxury brands especially during the process of purchasing can creates relational value to customers. Relational value can be created through direct interaction and dialogue between brands and customers. In fact, active customers can experience a personal service from their favourite brand. Although direct interaction and dialogue can create a potential win-win platform for the both parties involved, sometimes this interaction ends

up in unsuccessful way. The firm needs to build a structure to allow customers to co-create value through their interaction.

- 4) **Symbolic values:** people may consume luxury products not only to distinguish themselves from other, but also to integrate the symbolic meaning of luxury brands into their identity (Vigneron and Johnson, 2004). The study reveals that the social aspect of luxury has been diminished and personal aspects (e.g. quality, experience) are relatively more important.
- 5) **Economic values:** addresses financial aspects of luxury brands such as price and investment. Customers may create economic value through their interactions with luxury brands. The study reveals that customers may look at the luxury products as an investment opportunity owing to limited availability, increasing price, (Choo et al. 2012) and durability of the luxury products.

Additionally this paper investigated the implications of direct interaction and dialogue between luxury customers and luxury customers. The study suggests that direct interaction and dialogue between both parties can destroy value as well as create value it in the mind of customers. In fact, firm cannot predict in what situation the customer is in a receptive mood. Therefore If the company unexpected endeavours to interact with customers the result may be value destruction. On the other hand, direct interaction and dialogue with customers can provide them with a unique experience whereby experimental and relational values can be created through this positive experience. The determining factors in experimental and relational values are skilled and well-trained firm's ambassadors (e.g. salespeople) and the shop atmosphere (venue). The company can create an atmosphere of mutual trust and benefit whereby customers satisfy their desires and company can benefit from cash flow and customers' knowledge in a win-win platform. Therefore brand owners not only offer value but also they co-create value with active customers (Tynan et al,

2010) through their resources (staff and shop) to achieve value. By the same token, luxury brand management practitioner need to be very prudent about interaction with their customer. They need to train their personnel and enhance the lay-out and design of the shop in order to gain satisfaction from their customers and maintain the luxury cachet of the brand.

Chapter 6 Recommendations

6. Recommendations

This paper has endeavored to gain an insight into the luxury customer value creation. Through the endeavour to investigate how values are created through luxury brands and luxury customers' interaction, the research underpins the previous investigations in luxury brands value, extending the luxury brand theoretical framework conducted by Tynan et al. (2010). Previous scholars suggest that a confirmatory (Wiedmann et al. 2009) and exploratory (Tynan et al. 2010) studies of luxury consumption value structure is required. For this reason, this research explores luxury value creation from customer perspective.

This study also provides an insight for practitioners and highlights the importance of interaction between brand resources (e.g. product and services) and luxury customers. Yet, practitioners can gain an insight into luxury customers' expectations from luxury brands. As customers are who determine and create luxury value (Vargo and Lusch, 2004), their perception about the brand is significant. The study suggests that, brand owners should provide customers with unique experience during the process of purchasing. To this end, firms should benefit from well-trained staff and very impressive locations

in order to attract potential customers, satisfy de facto customers, and sustain the luxury cachet of the brand. Luxury brands marketers need to be very prudent about the concept of interaction and dialogue with high status customers. The firm can satisfy the luxury customers' expectations by proving them a positive experience through their interaction with the brand resources. The positive experience requires a mutual trust and confidence atmosphere in shop in which both involved parties may reap benefit from. This state of affair provides financial benefits for company, desire satisfaction for customers, and experimental and relational value for both firm and customer, in the other words in a win-win situation, customers and the brands can co-create value with each other. Hence, practitioners need to concentrate their resources on delivering experimental and relational values to customers.

The research also reveals that contemporary luxury customers relatively put more emphasis on the functional aspects of the luxury products and tend to consider high level of utilitarian value. Basically they look at the practical uses of the products. Therefore luxury management practitioners should supply customers with premium design and quality products as the utilitarian aspects of luxury goods (Choo et al, 2012).

The present study reveals that customer-brand interaction can create value for brand in the mind of customers. Most luxury brand practitioners attempt to create a positive brand experience for customers in order to facilitate experimental and relational value creation. Yet, positive brand experience may leads customers into purchasing genuine products, at the same time, discourage them from searching for alternative brands and counterfeits. Therefore long-term relationship based on positive brand experience should be the aim of luxury marketers.

Furthermore the research reveals that, the customers who perceive more symbolic value for luxury brands are more likely create a positive experience

with luxury brands. Moreover, the study indicates that, although the influence of social values has diminished, impact of self-expressive values have enhanced among contemporary luxury consumer.

The nature of co-creation of value and interaction between customers and brands may differ considerably in different segments, and luxury brand practitioners should explore a specific set of customer values suitable to their luxury products to pave the way for their customers to perceive values.

The study, like any other study, has a number of limitations. The researcher mentions four limitations among others. First of all the time constraint makes the researcher to focus more on previous researches and only eight in-depth interviews have been conducted. Hence, further studies need to consider the concept of luxury customer value, with larger sample size.

Second, the study is limited to small group of people who consume luxury brand. The average age of the respondents is 28.5 years old. According to Solomon et al. (2002), young people are more brand-aware and have different ideas about their environment and therefore the research findings may not be generalisable to all luxury customers. Hence, further empirical studies are also required to concern whether age differences influence individuals perception about interaction with luxury brands.

Third, there is evidence to suggest that, consumers' behaviour consumption may change over time (Shukla and Purani, 2012) therefore further studies need to capture this rapidly changing behaviour of consumers.

Forth, prior studies recognised some other dimensions of customer value perceptions such as community value among others which may be applicable to luxury brands. Hence future empirical researches can benefit from considering other value dimensions of luxury brands and including those dimensions in the

present study. Finally, future studies may also benefit from the novel idea of luxury brand-customer co-creation.

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Appendix 1

Luxury brands financial value (2013)

Billion \$

| | |
|---------------|--------|
| Louis Vuitton | 22,719 |
| Hermes | 19,129 |
| Gucci | 12,735 |
| Prada | 9,454 |
| Rolex | 7,941 |
| Chanel | 7,075 |
| Cartier | 6,377 |
| Burberry | 4,194 |
| Fendi | 3,636 |
| Coach | 3,276 |

Adopted from Brandz Top most valuable global brands 2013

Appendix 2

Interview themes

Theme 1: Luxury brand

What is your definition of luxury brand?

How often do you purchase luxury products or use luxury services?

Theme 2: luxury value perception

Are you a fan of luxury brands?

Why do you purchase luxury brands?

How a luxury brand can help you to feel better?

Theme 3: Luxury value creation

Which brands do you think are more luxurious?

Can you explain why you think this brand is more luxurious?

Tell me about your favourite luxury brand, why this brand is special to you?

How this brand can create value to you?

How do you describe your engagement with this brand?

How do you describe other customers of this brand?

Theme 4: co- creation of value

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How do you feel if the brand be in touch with you sometimes? For example, asking you about your opinion about products or the quality and design?

Explain the value you gain from engagement on the luxury brand?

How do you feel if the brand asks you to interact with them?

Can you explain me in which topics you are fancy to be engaged?

Why do you like to share your ideas to a brand?

What you think if you see this brand is interacting with other customers as well as you?