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Engaging luxury consumers in social media

Does active consumer engagement influence brand image?

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<p>This study aimed to investigate the effects of active consumer engagement within social media based brand communities on the brand image and luxury consumers' desire to purchase luxury goods. The purpose of this study was to prove that by actively engaging consumers on social media luxury brands can positively influence the way consumers perceive the brand and through it increase consumers' intention to purchase their products and services.</p> <p>Secondary research was carried out through collecting data from academic literature and previous studies on luxury brands, online marketing, social media and branding. Primary research was conducted in the form of an online survey, which was distributed through various social media platforms.</p> <p>It was found that social media by allowing two-way communication is an effective tool for luxury brands to utilize in communicating with consumers as well as that today's luxury consumers expect the luxury brands to have an active presence on social media.</p> <p>While some contradictory evidence was found through primary research, all in all the results revealed that there is a clear correlation between active consumer engagement and brand image, which in turn affects purchase intentions. The research proved by actively engaging consumers in brand communities embedded in social media luxury brands can positively influence the brand image and purchase intention of luxury consumers. Although, need for further research on a larger scale was also revealed.</p>	
Keywords	luxury brands, social media, consumer engagement, brand image, luxury, brand communities

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1 Introduction

For as long as there has been civilization, there has also been luxury. Throughout time what is considered as luxury as well as who has access to it has changed as cultures and mind sets of people have evolved but the desire for luxury has remained unaffected through hurdles of time. Thus, luxury has stayed relevant. What used to be for the privileged few, is today accessible to ever increasing amount of consumers around the globe (Kapferer and Bastien, 2009: 313). Despite recent economic downturns and other forms of crisis affecting economies all over the world, the global luxury industry, unlike most other industries, has exploded and is expected to continue growing due to the emergence and growth of new luxury markets such as China (Chadha and Husband, 2015: 1-2).

The consumers of luxury goods and services have changed as well. Today's luxury consumers are much less brand loyal than previous generations, know exactly what they want and are not afraid to demand perfection. The technological advances of recent decades have given them tools to communicate with not only companies but each other more effectively than ever before. The Internet has given consumers and businesses alike the ability to access and spread information globally regardless of where they might actually be located at. Furthermore, social media with its explosive popularity has provided companies with new and effective tools for building and maintaining relationships with consumers and engaging them with ways that were not possible before (Ryan and Jones, 2012:13).

As brand image is of paramount importance to luxury brands and communication being an important aspect of maintaining positive image, most of world's leading luxury brands are already present on various social media platforms. The amount of followers on the official social media sites of these brands itself serves as an indication of the desire luxury consumers have to interact with the brands they love on social media.

Previous research has found that social media based brand communities enable luxury brands to strengthen their relationships with consumers (Kapferer and Bastien, 2012: 267) and established social media as an effective medium for marketing communica-

tions (Kim and Ko, 2012: 1485; Kapferer and Bastien, 2012: 249-250). A link between active consumer engagement and feelings of loyalty and trust has also been established in previous research (Brodie et al., 2013:107,112). As it is clear that social media as a phenomenon will keep growing and luxury, as it always has, will remain relevant, the researcher feels it is justified to expand on the research in the fields of social media, luxury and their relationship.

1.1 Research question and thesis structure

The purpose of this study is to through primary and secondary research acquire additional insight on the effects of active consumer engagement within social media based brand communities on the brand image and luxury consumers' desire to purchase luxury goods. In short, this study aims to investigate the correlation between active engagement and purchase intention. Based on the notion that consumers are generally more likely to communicate through social media and engage with brands that they like or are interested in and other consumers they share interests with, it seems likely that should active consumer engagement within social media based brand communities impact luxury consumers' purchase intention it would seem more likely for the effect to be positive than negative. Thus, the central hypothesis is that active consumer engagement within social media based brand communities has a positive impact on consumers' perception of luxury and increases their desire to purchase luxury products.

This study consists of seven chapters and is structured as follows. First the secondary research in the form of literature review is presented from chapter two to four. Chapter two discusses luxury as a concept, defining characteristics of luxury, luxury brands and the global luxury industry as well as the luxury consumer. Chapter three will continue literature review by discussing consumer buying behaviour and the aspects related to the purchase decision process, while chapter four will concentrate on luxury in the online environment, social media and consumer engagement online. After presenting the secondary research, methodology used in the primary research will be introduced before presenting and analysing the results yielded by the primary research. Lastly, conclusions will be drawn and suggestions will be given for future research.

2 Luxury

This section discusses the world of luxury, luxury as a concept and the defining characteristics that differentiate luxury brands from ordinary brands as well as looks into the unique nature of today's luxury consumer and the state of the global luxury industry.

2.1 The concept of luxury

While it might seem easy at first, defining luxury as a concept can be much more challenging than one thinks. Instead of one correct definition, there are a large variety of different definitions depending from which point of view one is looking at it (Chevalier and Mazzalovo, 2012:1). Each individual, as well as each academic field, might have a very different view of what luxury is. What one thinks of as luxury, could very well not be so for another. For example going away on a weekend trip to a neighbouring country or even another city in one's home country might be a great luxury to one but ordinary to another. Also, luxury changes over time meaning that what we consider luxury today might not be considered luxury at all few decades from now. Similarly, what people in the past thought of as luxury, such as perhaps owning a car, has become ordinary for today's people (Kapferer and Bastien, 2012: 39).

In the words of the legendary design icon Coco Chanel: "luxury is a necessity that begins where necessity ends." (Okonkwo, 2007: 7). Luxury is not something one necessarily needs but desires and dreams about. It is something that cannot be easily acquired, otherwise it wouldn't feel special. Luxury is multisensory, personal and more hedonistic than functional (Kapferer and Bastien, 2012:19-20).

Luxury has existed throughout the times. In the past, luxury was the privilege of the aristocrats and the rich, who were the only ones with the means to afford it. The social stratification which luxury was used to demonstrate was often inherited from the previous generations. Aristocrats would spend elaborately to set them apart from ordinary people, while laws restricted the rich from dressing the way aristocrats did. Along with the Enlightenment theory of the 1700s, arrived the gradual change that reformed the

social structure and made way for the western societies of today, where globalisation continues to change how societies function (Kapferer and Bastien, 2009: 313).

Throughout history, luxury has served as a visual display of social stratification. While the world has evolved and social structures have been changed by the impact of democracy and globalisation, the human nature still calls for social stratification albeit in a different form. What has changed is not the role luxury serves as a social signifier but instead who has access to it. Democracy has made it possible for everyone with the financial means to do so to gain access to luxury (Kapferer and Bastien, 2012: 17).

During the past decade, the terms "new luxury" and "democratisation of luxury" have emerged in the academic literature and discussions on luxury brands and the global luxury market. Both of these terms refer to newer concepts of luxury and are accessible to larger amount of consumers than the traditional and iconic heritage luxury brands. Even more than before, luxury has evolved to be about experiences not just specific products as often was the case in the past when only the very best products were granted the luxury status. The new luxury is about the more personal dimension of luxury, the feelings and experiences of the consumer (Danziger, 2005: 19-20).

As Okonkwo (2009: 302) states: "Luxury is neither a product, an object, a service not is it a concept of a lifestyle. It is an identity, a philosophy and a culture." As with any culture, one needs to have a proper understanding of luxury in order to adequately understand the workings of the luxury industry and the mind-set of today's luxury consumer (Okonkwo, 2008: 313). As such a subjective concept, finding a universally accurate definition for the term luxury is rather improbable (Chevalier and Mazzalovo, 2012: 1). However, for the purpose of this thesis, there is a need for a framework of what luxury is and what constitutes a luxury brand.

According to Heine, there are three major ways to examine and define luxury; a philosophical-sociological, a micro-economic and a managerial understanding. Out of these, the philosophical-sociological view is the broadest, defining all desirable resources that are not ordinary and more than necessary as luxury, while the micro-economic view limits these resources to product categories and the managerial view limits them further to products as compared to ordinary products from the same product category

(2012: 46-47). Taking to the managerial understanding, in the category of bags a bag from Louis Vuitton or Prada would be considered luxury as opposed to a bag from a fast-fashion brand like Zara. Thus, two types of luxury brands exist in today's global luxury market. The traditional luxury brands with heritage and long history behind them, and the so-called new luxury brands that have, due to not having the backing of long history, created a story for themselves from scratch (Kapferer, 2008: 97). In order to better understand the difference between the old and the new luxury as well as what sets them apart from ordinary brands, a definition of what constitutes a brand as well as a luxury brand is needed.

2.1.1 The luxury brand

Similarly to luxury as a concept, there are numerous opinions on the definition of a luxury brand that vary greatly depending on the academic field. In the most basic form, a brand is "a name, term, sign, symbol or design, or a combination of these that identifies the goods or services of one seller or group of sellers and differentiates them from those of competitors" (Kotler et al., 2008: 985). Through a brand consumers can link a specific product to a specific company and vice versa. It is also through a brand that consumers, in their minds, form images of companies and products. Brands are more than just products though. Okonkwo contends that brands are intangible assets that are not only symbolic in nature but yield a significant power to influence entire societies as well as every individual who interacts with the brand. It is in the consumers' minds that the image of a brand is formed as a result of the consumers' interaction with a company. For the company, on the other hand, brands create wealth and as such are valuable intangible assets (2007: 8-9). Thus, a brand could be defined as "a set of mental associations, held by the consumer, which add to the perceived value of a product or service" (Keller, 1998 as cited in Kapferer, 2008: 10).

Due to their intangible nature, brands are not tied to the concept of time like tangible products are. While products might go out of fashion or become outdated, due to not being physical in form brands can evolve and stay current. They thus, tend to have a longer life-span than a company's physical products (Kotler et al., 2008: 521; Jackson and Shaw, 2009: 247). A product, such as for example a bucket bag could be considered as fashionable and as such be desirable today but might not be so next month.

However, well-established and globally known brands like Louis Vuitton, Gucci, Apple or Nike will remain desirable even when the trends change.

What differentiates a brand from others are the various brand elements, such as brand names, logos, symbols and packages, it possesses. It is essential for these brand elements to be not only memorable, as in consumers being able to effortlessly recognize and recall them, but also meaningful and likable as it is with these features that brand elements are used to acquire a high level of brand awareness (Keller, 2008: 140-142). The brand elements, in other words the brand identities form the essence of the brand, what the brand precisely is and how it is perceived by the consumers. The concepts that form brand identity are brand personality, in other words the core characteristics that have been specifically chosen for the brand, and brand identity, which is the perception of the said brand in consumers' minds (Okonkwo, 2007: 110).

As one might guess, luxury brands are fundamentally different from ordinary brands. They employ characteristics and hold meanings that ordinary brands do not. Luxury brands are brands that, in addition to functional value, provide consumers with emotional value while also being of selective and exclusive nature (Chevalier and Mazzalovo, 2012: xvi). It is the additional emotional value that differentiates luxury brands from ordinary brands with mere functional value. Tynan et al. (2009: 1157) place luxury brands and ordinary brands at the opposite ends of a continuum with consumers being the ones deciding where the other ends and another begins. This further emphasizes the idea that luxury brands reside in the minds of consumers and whether something is luxury or not depends on how it is perceived by them. In the words of Kapferer and Bastien (2012: 87): "A brand is luxury when it is perceived as such".

2.2 Luxury characteristics

While luxury brands differ greatly from ordinary brands, luxury goods are also significantly different from other products of the same product categories. Both luxury brands and goods display more characteristics than are necessary and that are beyond the functional benefits of the product in question (Heine, 2012: 53). On top of the functional benefits of a tangible product, luxury goods provide consumers with the

intangible emotional, social and psychological benefits through serving as the means for consumers to visually express either their true or ideal-self and exhibit excellent taste and prestige (Okonkwo, 2007:129).

According to Heine (2012: 72) the distinctive characteristics a product or a brand has to exhibit in order to be considered luxury can be divided into six major characteristics of price, quality, aesthetics, rarity, extraordinariness and symbolism. While all of these characteristics might not seamlessly fit every luxury category, the framework provides a general guideline into understanding what sets luxury products apart from the ordinary products of the same product categories. Observations and frameworks from other academics are also used to expand this framework.

2.2.1 Price

Kotler et al (2008: 639) state that a price is either the monetary amount charged or the sum of all the values exchanged for owning a product or using a service. Price is often the very first feature to imply to consumers whether a product is considered luxury or not. As luxury consumers are today, and have always been, less sensitive to prices, luxury brands generally employ a premium pricing strategy. The intangible benefits provided by luxury products to whoever purchases them justify the often much higher price than that of ordinary goods of the same product category as the higher price also serves as an indicator of high quality, exclusivity and the strength of the brand whose name the product carries as well as sets it apart from ordinary goods (Okonkwo, 2007: 140).

As Kapferer and Bastien (2012: 217) put it; "being expensive is not enough to be luxury". While one can say that all luxury products are expensive, the price alone is not enough to justify them as luxuries. Nevertheless, it is crucial that luxury brands take extreme care in setting the prices of their products. Due to the fact that the price generates an image of the brand and its status in the minds of consumers, be it conscious or subconscious, going with a price level that is below consumer expectations can possibly damage the brand's value (Arora, 2013).

2.2.2 Quality

Luxury goods should always be of superior quality. This applies to not only products sold and materials used, but also to the service aspect, which should be of outstanding quality as well. It is what luxury consumers expect, much like they expect, as mentioned in the earlier paragraph, luxury products to be expensive (Chevalier and Mazzalovo, 2012: 120). To satisfy consumer expectations and ensure the superior quality of the products, all raw materials used to produce luxury products should be of extremely high-quality. For example, only the best leathers should be used in the making of a luxury leather bag, and only the finest jewels should end up on a luxury necklace. A luxury product has to be manufactured with precision and with a high level of meticulous craftsmanship (Okonkwo, 2007: 130). Nothing less of perfectionism is to be expected in the production of luxury products and a tight quality control should ensure that no flaws, except in the case of planned imperfections showcasing the human touch of a handmade product, exist on the product (Heine, 2012: 75). The requirement for superior quality is also reflected on the design of a luxury product. A luxury product must be timeless; it has to be able to, both material-wise as well as design-wise, last for a long period of time, preferably a lifetime. At the same time, it has to be modern and current. A luxury product with a classic and timeless design will not lose its appeal over time, but instead grow in value as the time passes (Kapferer and Bastien, 2012: 203). Furthermore, it is not enough for the luxury product to be of superior quality, the notion of excellency should apply to other brand manifestations, such as store staff and brand communications as well (Chevalier and Mazzalovo, 2012: 12).

2.2.3 Aesthetics

Aesthetics is without a doubt a crucial characteristic for a luxury brand and product. Luxury builds around a similar core of creativity as art does. Creativity is paramount to luxury, and for art it is the *raison d'être*. Luxury and art are multi-sensory and highly subjective, highly hedonistic concepts. Luxury without a hedonistic component cannot be considered luxury. The fact that hedonism over-rules functionality in luxury, showcases how closely interlinked luxury and art are (Kapferer and Bastien, 2009: 315; Kapferer and Bastien, 2012: 33). Luxury consumers of today look for hedonistic values and

beauty, which make the aesthetic components highly important for luxury products. The ability of different aesthetic components, such as shapes and colours, to trigger emotions only proves this importance (Chevalier and Mazzalovo, 2012: 121-122, 206).

2.2.4 Rarity

Rarity and exclusivity are significant defining characteristics of luxury brands as perceived rarity increases the allure of luxury (Fionda and Moore, 2009: 351). Thus, rarity is a paramount to luxury brands. It can be either actual or artificially induced, although the latter is most often the case today. The key point is that inaccessibility leads to desire, thus giving luxury brands an incentive to create an impression of rarity (Kapferer and Bastien, 2009: 318). Kapferer and Bastien (2012: 100-102) refer to five different types of rarity distinguished by Bernard Catry: physical rarity, technical rarity, rarity of production, rarity of distribution and informational rarity. Physical rarity refers to the rarity induced by the limited supply of ingredients or components needed to produce luxury products. These ingredients and components commonly include diamonds, fur and leather from rare or nearly extinct animals, scarce natural resources as well as rare skills needed in the production of a certain product.

Technical rarity, on the other hand, by aiming for perfection uses innovation and new features to create an illusion of rarity. The rarity of production creates rarity and exclusivity through limited editions, special collections produced in limited quantities, and by limiting production of goods with high demand and creating waiting-lists in order to increase the desirability of the said products (Kapferer and Bastien, 2012: 100-102).

Similarly to the rarity of production, a luxury brand can artificially increase perceived rarity through the rarity of distribution, which creates perceived rarity by highly controlling and limiting the places and channels through which the brand's goods are sold. Informational rarity induces perceived rarity through marketing and communications whether through creation of rumours or the use of the word "rare" in advertising. Out of these five types of rarity, all but physical rarity can be managed and controlled by the brand (Kapferer and Bastien, 2012: 100-102).

Today, the rarities of production and distribution are strategies often utilized by luxury brands. Okonkwo (2007: 142-143) argues that a tightly controlled distribution aids in maintaining an exclusive aura and that the most suitable channel of distribution for luxury brands are directly owned stores as it is a medium through which a brand has direct control over the retailing of its products as well as the store atmosphere, which helps to project an image of prestige to consumers. Keller (2009: 292) notes the highly targeted market segments as another aspect demanding a careful control over distribution.

Exclusivity is a concept closely linked with rarity and crucial to luxury brands. Luxury product is exclusive as it makes its owner feel special and as with rarity, a luxury brand needs to maintain an aura of exclusivity in order to remain desirable in the eyes of consumers. What matters is not whether the exclusivity of a brand is real or virtual, but whether consumers believe the brand to be exclusive or not. Exclusivity is thus as crucial to luxury brands as rarity (Kapferer and Bastien, 2012: 103-105).

2.2.5 Extraordinariness

Unlike with traditional brands, luxury brands are not too concerned about possible comparisons to competitors. Instead, as luxury is essentially of creative nature and expresses the taste of its creator, it is extraordinariness, in other words uniqueness that is considered to be of paramount importance. In luxury, the brand identity is what matters, not the brand positioning (Kapferer and Bastien, 2009: 316, Kapferer and Bastien, 2012: 66). Nueno and Quelch (1998: 63) state uniqueness as a characteristic, which all traditional luxury brands share. Attributes that help create and enhance the dimension of luxury brand's as well as the luxury product's uniqueness include innovative design and functional attributes, craftsmanship, history and brand image (Heine, 2012: 78-79).

The use of the latest technologies either in the creation of or as a component of a luxury product, or in some cases both, can make the product feel unique to consumers. Similarly, an innovative design can create the feeling of uniqueness and make a luxury product more desirable (Heine, 2012: 78-79). Such attributes could be, for example, the latest technological innovations being incorporated into luxury cars like Rolls-Royce

or Lexus before they become available for ordinary brands to use in the mass market or the use of a new kind of fabric or a never-before-seen way of using unconventional materials in the design of a luxury product. With the level of creativity luxury brands tend to command, the possibilities seem endless.

As described in the section 2.2.2, it is not uncommon for luxury brands to include so-called planned imperfections in their products. These planned imperfections can aid in creating and enhancing the brand's perceived uniqueness. They highlight the fact that most luxury products are either completely or partly handmade and thus serve as displays of the craftsmanship and human touch utilized to produce the said product (Heine, 2012: 75). Each handmade product or a component of a product is unique and thus desirable. The planned imperfections are part of the product's charm and provide luxury consumers with a guarantee of the product's authenticity (Kapferer and Bastien, 2009: 317) and exclusivity (Nueno and Quelch, 1998: 63).

Luxury consumers seek uniqueness, which makes it even more important characteristic for luxury brands to possess. Apart from the already mentioned guarantee of exclusivity and authenticity, uniqueness also provides consumers with the means to express and improve their social and self-images (Vigneron and Johnson, 2004: 490).

2.2.6 Symbolism

Enhancing the luxury consumers' self-image and displaying of their social images is also highly linked to the characteristic of symbolism. The symbolic features and benefits luxury products and brands provide often outweigh the functional benefits in the eyes of consumers and help create the image and aura of prestige that is paramount to all luxury brands (Heine, 2012: 79). The symbolic elements of a luxury brand enable consumers to associate themselves with groups or social classes they wish to belong to, or differentiate themselves from those they do not wish to be associated with through the projection of their social images, in other words displaying of who they wish other members of the society would think they are. Through the same symbolic elements, consumers can affect their self-image, both who they truly are and who they would personally like to be (Keller, 2008: 552-553; Okonkwo, 2007: 62). Kapferer and Bastien (2009: 314) describe the consumers' wish to be associated with and belong to

a group beyond their actual status as the essence, or the DNA, of luxury and note that thus whether something is considered luxury or not depends on its ability to act as a social signifier.

Heritage, regardless of whether it is based on history or a story created by the brand, is another dimension distinct to luxury brands and products with a highly symbolic value. A luxury brand cannot exist without history, which forms its heritage and contributes to the creation of the mysterious aura luxury brands possess and makes it unique. If a brand doesn't have a long history and the heritage it brings, one must be created from scratch. What matters is not whether the heritage is based on actual history of the brand or a story created for the brand, but the fact that it possesses either one (Kapferer and Bastien, 2012: 93). As Arora (2013) puts it, heritage is an inseparable part of the brand and its mystique.

The heritage, as mentioned in the previous paragraph, can be either based on the brands history or on a story created by the brands owners. Many European, especially French luxury brands like Chanel and Hermés have a long history from which they can draw their heritage and create the mystique surrounding the brand and its products. On the other hand, as American brands, such as Ralph Lauren tend to be newer additions to the luxury industry, they often lack the long actual history element and have thus invented one for themselves (Kapferer, 2008: 101; Kapferer and Bastien, 2012: 93). The heritage of a luxury brand often centers on a founding designer, such as Gabrielle Coco Chanel of Chanel or Yves Saint Laurent of YSL as in the beginning the brand was all about them and they were the source of the brand's personality and mystique (Chadha and Husband, 2015: 26). Even the more recent luxury brands have built their story around a charismatic character, which like Dom Pérignon have either borrowed from actual myths and history or as Ralph Lauren has done created a completely new and contemporary legend by using fictitious associations to the past (Kapferer and Bastien, 2012: 95).

The heritage of a luxury brand also includes a strong link to the brand's country of origin enabling the brand to utilize the country's reputation and history as a guarantee of excellent quality in both products and services (Nueno and Quelch, 1998: 63). An association with a country-of-origin known for the brand's product category or an ex-

cellent technique used in the production of luxury goods can enhance the brand equity of a luxury brand associated with it (Keller, 2009: 292). The roots and the country-of-origin of a luxury brand shape the brand's culture and are thus necessary characteristics for all luxury brands (Kapferer and Bastien, 2012: 143).

Another symbolic element closely linked with the brand's history and often its founder is the brand name. As the very first sign of brand recognition, the brand name is a vital aspect of a luxury product (Chevalier and Mazzalovo, 2012: 103). The name of a brand and its logo are symbolic elements that draw consumers to the brand (Okonkwo, 2007: 13).

2.3 Categorization of luxury brands

Heine (2012: 62-63) categorizes luxury brands according to their level of perceived luxury and divides them into elite-level, top-level, medium-level and entry-level luxury brands, which are demonstrated in Figure 1. In this categorization, entry-level brands are brands that are not widely recognized as part of the luxury segments of their respective product categories, with concrete examples being Hugo Boss and Mercedes Benz, and are positioned barely above the premium segment. Medium-level luxury brands on the other hand are recognized as member of the luxury segment. However, with the representatives of this category being the likes of Moschino and Dolce&Gabbana, these brands do not command enough prestige to be considered as leading luxury brands. The status as leading luxury brands on a global scale belongs to top-level luxury brands, such as Louis Vuitton, Cartier, Chanel and Armani, which command a high level of prestige and are without a doubt considered as luxurious. Elite-level luxury brands are belong to a niche category offering the highest possible quality in their product or service category and target only the most wealthy and the most sophisticated of luxury consumers (Heine, 2012: 62-63).



Figure 1. The pyramid of luxury levels (Heine, 2012: 62-63).

A luxury brand is, however, not bound to its current level as through time the brand's status and thus its categorization in the segments of luxury industry might change as a consequence of its actions and the changes in how it is perceived by the consumer. A brand can either climb up to a higher level or fall down to a lower one, or even off the luxury category altogether (Heine, 2012: 63). Burberry and Gucci are both examples of brands that have once damaged their luxury status as a result of incorporating extensive licencing into their methods of distribution, as has Pierre Cardin. Unlike Cardin, though, Burberry and Gucci have managed to over the recent years re-position themselves and regain their status as luxury brands (Okonkwo, 2007: 302).

In addition, in her article on Business Insider UK Willet (2015) refers to Rambourg's pyramid as a means to demonstrate a scope of major luxury brand's accessibility. Rambourg's pyramid (see Figure 2) ranks globally known luxury brands from the most to the least powerful according to their price points and number of points of sale.

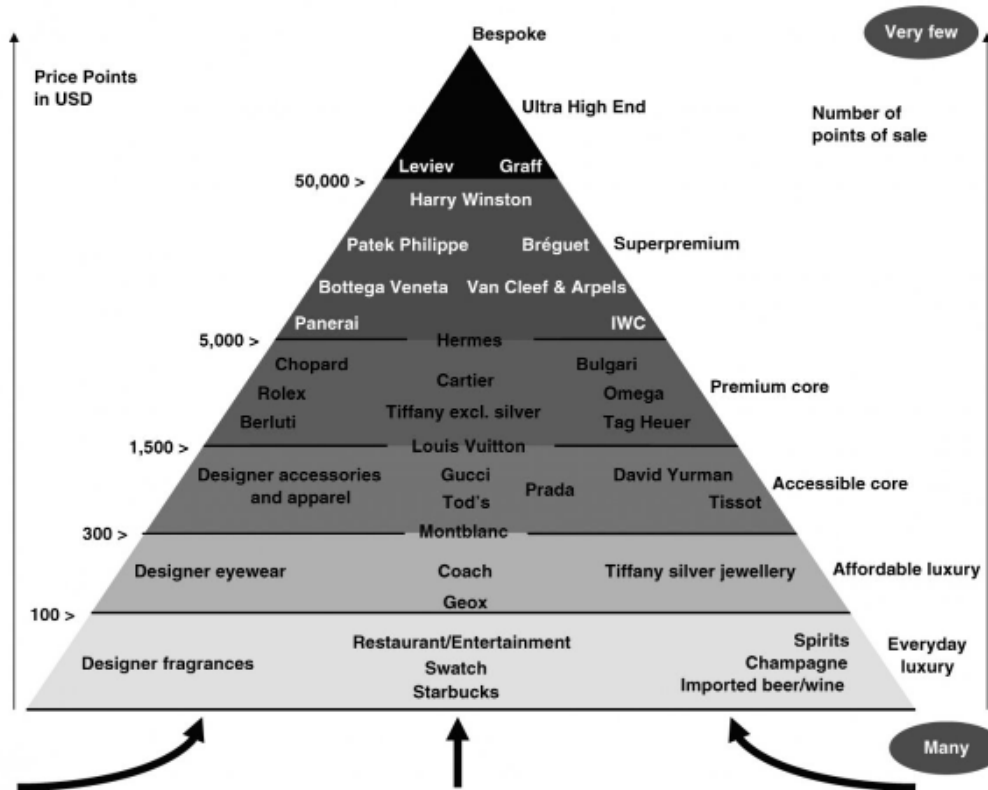


Figure 2. Rambourg's pyramid of major luxury brands per accessibility (as cited in Willet, 2015).

The two highest levels of Rambourg's pyramid, the 'ultra-high end' and 'super premium' levels correspond with Heine's elite-level of luxury goods aimed at the wealthiest luxury consumers with Rambourg defining the price points as above fifty thousand dollars and five thousand dollars respectively. Brands that are categorized as top-level luxury brands according to Heine's categorization fall within the premium and accessible core levels on Rambourg's pyramid, as can be observed from the positioning of Louis Vuitton, Armani and Hermès on Figure 2. Similarly, Heine's medium-level can be considered to correspond with the affordable luxury level of Rambourg's pyramid. While the very lowest levels of both pyramid models include brands that are not widely perceived as belonging into the luxury segments, one could argue that with the inclusion of Starbucks Rambourg's pyramid includes brands that Heine's model does not consider as luxury.

2.4 Luxury industry

What started as something limited to only the rich and noble has over the years grown into a global market yielding enormous revenues year after a year. The global market of personal luxury goods reached €253 billion in revenue in 2015 with Japan being the leading market for luxury growth, while terrorism and new visa requirements are slowing down the growth in Europe (Bain&Company, 2016). Today, led by Japan, Asia is without a doubt the largest market for Western luxury brands with out of all women in their twenties in Tokyo approximately 94% own at least one product from Louis Vuitton (Chadha and Husband, 2015: 1). Kapferer (2015:9) notes that despite revolutions, wars, economic downturns and crises of the last few decades, the luxury industry has continued to constantly grow fuelled by the economic growth of the world. Albeit very different from what it used to be in the beginning, the luxury market continues to actively grow, while its target audience keeps expanding (Kapferer and Valette-Florence, 2016: 120).

2.4.1 Major luxury sectors

Luxury brands can be divided into sectors according to what types of products and services they offer (Chevalier and Mazzalovo, 2012: 51). On a more limited scope, these sectors include fashion and accessories, jewellery and watches, leather goods, cosmetics and fragrances as well as wines and spirits, while on a wider scope automobiles, luxury travel and airlines, hotels and hospitality sectors are also included (Chevalier and Mazzalovo, 2012: 42, 51-52; Okonkwo, 2009b: 287-288). Fionda and Moore (2009: 348) further add private banking and home furnishing to the mix. Organizations like Comité Colbert of France and Alta Gamma of Italy often represent the members of the luxury sector in their respective countries (Kapferer and Bastien, 2012: 46). This thesis will focus on the personal luxury goods sector, which includes the fashion and accessories, jewellery and watches, cosmetics and fragrances and leather goods sectors. Thus, there is a need for the identification of the most prominent brands operating within these sectors.

The luxury fashion and accessories sector, which includes haute couture and ready-to-wear, might not command the highest sales within the industry but it is nevertheless the most significant sector with the closest link to the world of art and the highest visibility. Also, many of the world's leading luxury brands, such as Armani, Valentino, Chanel, Fendi, Dior and Louis Vuitton, which started out with leather goods, to name a few belong to the fashion and accessories segment. Italian and French brands dominate this sector, while brands from the United States of America and various other countries command smaller presence (Chevalier and Mazzalovo, 2012: 52-56).

Generating much greater sales than the fashion and accessories sector and employing more than 30 percent of all luxury-goods employees is the cosmetics and fragrances sector, which is out of all sectors within the luxury industry the closest to fast-moving-consumer-goods with its low unit prices and standardized products (Chevalier and Mazzalovo, 2012: 60). Chevalier and Mazzalovo (2012: 63-64) note that most of the brands operating within the cosmetics and fragrances sector today also operate on other sectors of the global luxury industry with the brands with highest sales within this sector, each generating more than €1 billion in revenue being Estée Lauder, Chanel, Dior, Armani and Lancôme.

Also of high significance is, the leather goods sector, which is by far dominated by Louis Vuitton and includes product categories such as handbags, shoes, luggage and small leather goods, while the leading brands in the luxury jewellery and watches consists of Cartier, Tiffany and Bulgari with Swiss brands, for example Patek Philippe dominating the luxury watch segment (Chevalier and Mazzalovo, 2012: 80-87).

Wines and spirits, luxury automobiles, luxury hotels and luxury tourism are also significant segments of today's luxury market. While luxury hotels and tourism are mainly service based, well-known luxury automobile brands include for instance Rolls Royce and Ferrari (Chevalier and Mazzalovo, 2012: xvii). Wines and spirits differ from other luxury sectors as the products belonging to this sector are generally more widely available than other luxury products. They are not only often sold at supermarkets and restaurants, but at duty-frees, which are of paramount significance to the sector, as well. Brands such as Hennessy, Moët et Chandon, Jack Daniels and Absolut belong to the luxury wines and spirits sector (Chevalier and Mazzalovo, 2012: 70-73).

2.4.2 Major players of the luxury industry

Only a few decades ago, before the 1990s, luxury was a relatively niche industry and the businesses operating within the industry relatively small (Jackson and Shaw, 2009: 268). After the World War II, already established luxury houses, such as Chanel and Gucci, evolved into globally known brands and newer brands like Christian Dior emerged (Pinkhasov and Nair, 2014: 19). The 1990s brought around another significant change as the first two of luxury conglomerates that today dominate the luxury industry were created and the luxury segment transformed into an economic sector (Okonkwo, 2009b: 288). First of the three major non-family-owned luxury groups to be formed was LVMH through the merger of Moët Hennessy and Louis Vuitton, which set the example for other companies to go public and soon after the other two of today's major luxury groups, Compagnie Financière Richemont and Kering, formerly known as PPR Gucci, were formed (Pinkhasov and Nair, 2014: 20-21). Not all luxury brands have, however, gone public or become part of a conglomerate. There are leading luxury brands, namely Chanel, Hermès and Armani that remain privately owned (Okonkwo, 2007: 122).

Formed in 1987, the Louis Vuitton Moët Hennessy group, more commonly known as LVMH, has grown into housing 70 brands, including Louis Vuitton, Dom Pérignon, Christian Dior, Fendi and Bulgari, across various sectors of the luxury industry and generating a whopping revenue of €35.7 billion in 2015 (LVMH, 2016). Today, LVMH is by far a global leader and the most powerful luxury company in terms of financial value maintaining its position from the previous years (Deloitte, 2016: 14-15; Kapferer, 2008: 95).

The second of the three large luxury conglomerates, Compagnie Financière Richemont, also known as simply Richemont, which is based in Geneva was formed merely a year after the LVMH in 1988 (Chevalier and Mazzalovo, 2012: 46). Today, the company houses 19 brands, most globally well-known of which include Cartier and Chloé (Compagnie Financière Richemont, 2016). Chevalier and Mazzalovo (2012: 46-47) contend that while for LVMH the fashion, accessories, leather goods, wines and spirits proved the most profitable, more than half of Richemont's sales and 78% of operating sales in

2011 came from the conglomerate's jewelry brands, most likely from Cartier. Deloitte (2016: 14) ranks Richemont as the world's second most powerful luxury company.

Kering, the third of the three major luxury conglomerates places sixth on Deloitte's (2016:14) ranking of the world's most powerful luxury companies. In 2015, the revenues generated by the brands owned by Kering totalled at €11,5 billion and the company's portfolio of brands currently consists of 16 luxury and 3 lifestyle brands. The 16 luxury brands include, for example Gucci, Bottega Veneta, Balenciaga, Saint Laurent and the newer luxury brands Alexander McQueen and Stella McCartney (Kering, 2016).

Even though a large portion of the luxury industry is dominated by these three conglomerates, there are still some successful single-brand luxury companies, such as Armani, Hermés and Tiffany operating in the luxury industry. Some of the individual brands in the industry, for example Chanel can be more profitable than the larger multi-brand companies (Chevalier and Mazzalovo, 2012: 48-49). Unlike brands owned by luxury conglomerates as well as many single-brand companies, Chanel and Armani have remained privately-owned (Okonkwo, 2007: 122).

2.4.3 Drivers behind luxury industry's growth

The global luxury industry has over the recent years been and continues to be influenced by fairly recent changes occurring in the societies of the world as well as globally. Kapferer and Bastien (2012: 10-14) list democratization, increase in spending power, globalization and communications as the driving forces behind the changes in the luxury industry. Okonkwo (2007: 71-72) adds the ageing population of Europe and American baby boomers to the list. Additionally, Twitchell (as cited in Truong et al., 2009: 375) notes the significance of the so-called new luxury consumers.

Out of all the listed forces, democratization has had the most significant impact on the global luxury industry and its recent success. Democratization has not only made luxury accessible to much wider client base than ever before, but it also indicates that the form of social stratification apparent throughout the history is disappearing. This does not mean that luxury no longer serves as a form social stratification. Instead, it has evolved into a different form as a result of the advent of democratic societies. The de-

mocratization of luxury, though, runs the risk of dilution of a luxury brand's exclusivity if everyone has access to the brand's products, which demonstrates the importance of having an appropriate luxury strategy (Kapferer and Bastien, 2012: 11).

The emergence of the new luxury goods brought along by the democratization of luxury has made luxury accessible to not only the wealthiest of societies but middle-class and lower-class consumers as well. These products, Swarovski crystals for instance, are often sold at more reasonable prices than traditional luxury goods yet are still perceived as prestigious and command a certain level of exclusivity (Truong et al., 2009: 376). The new luxury goods can be divided into accessible super premium, brand extensions of old-luxury and mass prestige, commonly dubbed as *masstige*. Super premium products are generally the highest priced products of their category. Yet the fact that these products are often relatively low-ticket items, such as vodka or other consumable goods, keeps them in the reach of original consumers (Silverstein and Fiske, 2003).

The brand extensions of old-luxury brands are, in turn, more affordable versions of the brands' traditional goods. Mass prestige goods are the most affordable of the new luxury goods, consisting of products from the mass product categories, such as personal care products, that enjoy a perceived prestige higher than other products of their categories and are thus able to command premium pricing (Silverstein and Fiske, 2003).

Not only have the luxury goods become accessible to increasing amount of consumers even in the middle and lower classes of today's societies, the unemployment rates and production costs have decreased, while the amount of working women, which has contributed to the increasing amount of disposable income, around the world keeps increasing (Truong et al., 2009: 375-376). These changes, for instance, in the world's economic environment have led to a rapid increase in the amount of people who are able to afford luxury brand's products, and the emergence of a new group of high net-worth individuals, commonly dubbed as the new luxury consumers, with disposable income of more than 1 million USD dollars (Okonkwo, 2007: 71). These new luxury consumers are not only younger than the previous generations, but also much larger in numbers and making money sooner than the preceding generations, they are not afraid to spend (Twitchell, as cited in Truong et al., 2009: 375).

The rapid increase in spending power, which is the most obvious factor affecting the growth of the luxury sector has been accelerated by globalization. Globalization is, in a way, a double edged sword. On one hand, globalization contributes to the disappearance of old notions of social stratification and aids luxury brands in achieving financial success. On the other hand, globalization carries the risk of luxury brands forgetting where they stem from, their roots. Consequently, a luxury brand that fails to stay true to its roots ceases to be considered luxury (Kapferer and Bastien, 2012: 12-14).

Apart from the emerge and continuing increase in the number of the young and wealthy new luxury consumers, also known as Generation Y or the Millennials, Europe's ageing population that commands a high level of disposable income and American baby boomers, who were born between 1946 and 1964 and constitute the consumer group with the most disposable income in the United States, have also significantly contributed to the growth of the global luxury industry. All of these consumer segments are less brand loyal than previous generations of luxury consumers making them more willing to try new luxury products and spend more. (Okonkwo, 2007: 71-72).

The rise of the world's emerging luxury markets, closely linked to globalization and the democratization of luxury, has also played a significant role in shaping the luxury industry into its current state. Asia has over the recent years grown as a luxury markets and is now the world's largest market for Western luxury goods. Over 40 percent of the worldwide sales of many significant Western luxury brands are accounted for by the Japanese consumers, with China, India and other Asian countries also exhibiting an increasing desire for luxury (Chadha and Husband, 2015: 1-2). Even though mature luxury markets of Europe, the United States and Japan are the ones dominating the global luxury industry today, according to predictions the leading position will be overtaken by China by 2020 (Bain & Company, 2014 as cited in Kapferer and Valette-Florence, 2016: 120). This only proves the might of Asia's emerging luxury markets.

Last of the factors affecting the growth of the luxury industry is communications, more precisely the emergence and development of the global mass media, new communication technologies and the increasing amount of international travel (Kapferer and Bastien, 2012: 14).

2.5 The luxury consumer

The consumer pool active on the global luxury market of today can be categorized, for instance, according to their age and generation, the level of their luxury consumption, how they have acquired their wealth and their objectives in purchasing of luxury goods. While the diversity apparent among today's luxury consumers brought along by the changes in the luxury industry (as discussed in the section 2.4.3) explains the variety of possible ways to categorize luxury consumers, there are some characteristics that describe the group as a whole.

Age-wise, four generations of luxury consumers make up the consumer mix of today's global luxury market; the World War II and swing generation, the Baby boomers, the Generation X and the Millennials. The World War II and swing generation, being born before 1946 and at least 71 years old in 2016, is a group that is gradually growing smaller as those belonging to this generation of consumers age. Baby boomers, on the other hand, are those born in 1946-1964, while Generation X consists of those born from 1965 to 1976. This makes Baby boomers 52-70 years old and the Generation X 40-51 years old today in 2016. Youngest of the four generations, more precisely 39 years old or younger in 2016, are the Millennials. Being far more numerous than the Generation X, the Baby boomers and the Millennials can be considered to have not only the greatest, but also the longest impact on the global luxury market in the future (Danziger, 2005: 14-15).

Chevalier and Mazzalovo (2012: 118) cite four luxury consumer segments, categorized by how each segment has acquired their wealth, distinguished by Don Ziccardi; millennium money, old money, new money and middle money. While old money segment has inherited their wealth, both millennium and new money segments have made their own fortunes. The difference between the two segments is that whereas the millennium money segment consists of fairly young consumers who have acquired their wealth

in the turn of the millennium or through an Internet-related business, the new money segment consists of people not necessarily of young age and who have struggled to make their fortunes making them more careful spenders than the millennium money segment. Last of the four segments, the middle money, consists of those belonging to the upper-middle-class whose wealth comes from their salaries or professional income (Chevalier and Mazzalovo, 2012: 118).

Additionally, the luxury consumers of today can be divided into Veblenian, snob, bandwagon, and hedonist as well as perfectionist consumers according to the objectives behind their purchase of luxury goods. Whereas the Veblenian consumers use luxury products as means to display their wealth and status to others, the hedonist consumers assign more importance to their own feelings and thoughts. Snob and bandwagon consumers can be considered to be the opposite of each other. While the bandwagon consumers care about the effect their consumption makes on others and thus use luxury products to associate themselves with a certain group, the snob consumers aim to do the exact opposite and differentiate themselves from groups they do not wish to be affiliated with through the consumption of for example products available in limited quantities. Perfectionist consumers, on the other hand, value their own perception of a quality of a luxury product (Vigneron and Johnson, 1999: 5-9).

As it is evident that each of the before mentioned categorizations use different criteria by which they divide luxury consumers into segments, one consumer can be considered to belong to more than one of these segments. Thus, these categorizations are by no means mutually exclusive. For instance, a luxury consumer born in 1980, thus being a Millennial according to Danziger (2005: 14-15), can be of wealthy background and have inherited his or her wealth, which would make him or her part of the old money segment (Chevalier and Mazzalovo, 2012: 118). The same consumer could use luxury products as the means to avoid being affiliated with those from less wealthy backgrounds, making him or her snob consumer according to Vigneron and Johnson's (1999: 6) categorization. As Vigneron and Johnson (1999: 9) also note that it is possible for a consumer to belong to more than one of the categories they propose, the same luxury consumer taken as an example here could also be perfectionist through relying on his or her own perception of quality.

The above categorizations shed light to the diversity of consumers active in the global luxury market today. Of higher importance than the segment a luxury consumer might belong to, however, are the common characteristics that the luxury consumers of today can be considered to share. Okonkwo (2007: 66-67) describes the luxury consumer of today as a smart and intelligent, powerful, individualistic and highly demanding person with high expectations, disposable attitude and strong set of values and principles. The ever-growing amount of publicly accessible information along with the advent and spread of virtual communities and increased luxury brand offering has led luxury consumers becoming more informed about luxury brands than ever before giving them more power in the marketplace thus shifting the power balance from brands to consumers. They are now able to not only search for information on luxury brands but also to purchase them more easily (Okonkwo, 2007: 66-67).

The increasing amount of knowledge luxury consumers now possess in regards to luxury brands has also made them more demanding. They know what they want and demand satisfaction for their needs and wants. Unlike few decades ago, today luxury consumers are not afraid to display their personal style and are less loyal to a single luxury brand. Instead they mix products from different brands, or even combine luxury products with mass market products to express who they are. They are also less likely to be satisfied with just one luxury purchase over an extended period of time without making additional purchases. Additionally, the moral ethics of today's consumers make them interested in the ethical practices conducted by the luxury brands they follow (Okonkwo, 2007: 66-67).

3 Consumer buying behaviour

Solomon (2009: 685) defines consumer behaviour as “the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires”. The stimulus-response model of buyer behaviour, as demonstrated in Figure 4, provides a framework for understanding how two types of stimuli, marketing and other stimuli influence the billions of people constituting the world’s consumer market and produce different types of responses (Kotler et al., 2008: 238-239).

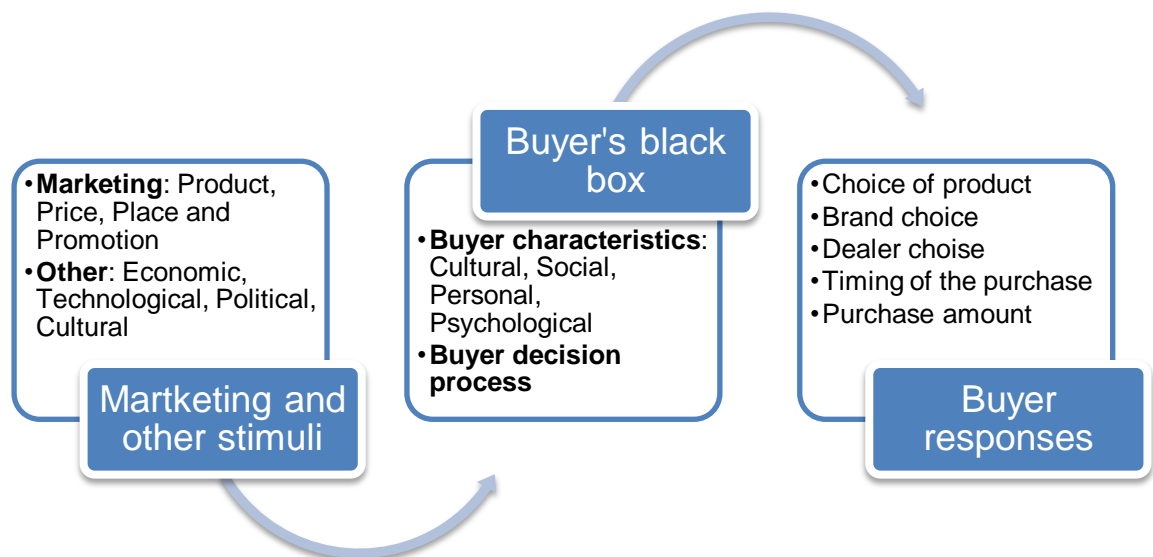


Figure 4. Stimulus-response model (Kotler et al., 2008: 239)

The four P’s of marketing, in other words product, price, place and promotion, make up the marketing stimuli, while the other stimuli consist of economic, technological, political and cultural forces affecting the consumer’s surroundings (Kotler et al., 2008: 239). In the case of luxury, as proposed by Okonkwo (2007: 129), people and positioning should be added to as to more P’s to the marketing mix. People, in this sense, are the customers, employees and brand ambassadors of a luxury brand. As the public perception is of paramount importance in the luxury field and the interactions custom-

ers have with a brand involve both the employees and brand ambassadors, people can be considered as a crucial element of the luxury marketing mix. Positioning, in this context, refers to a luxury brands decisions regarding its positioning in the market thus making it of crucial importance as well (Okonkwo, 2007: 164-167).

The second part of the stimulus-response model consists of the so-called buyer's black box, which includes the various buyer characteristics that affect the consumer's reactions to the stimuli he or she is exposed to and the purchase decision process (Kotler et al., 2008: 239). These characteristics and the purchase decision process will now be discussed in more detail in order to gain a deeper understanding of how luxury consumers' decisions to purchase luxury goods are formed.

3.1 Characteristics influencing consumer buying behaviour

The characteristics influencing consumer buying behaviour can be divided into cultural, social, personal and psychological characteristics (Kotler et al., 2008: 239).

3.1.1 Cultural characteristics

Culture and the social norms that it imposes on a person have a significant impact on consumer buying behaviour (Ghosh and Varshney, 2013: 151). The values, perceptions, wants and forms of behaviour learned while growing up in a society constitute one's culture. A subculture exists within a certain culture and is formed by people who share the same value systems that are based on similar experiences and situations, while social classes can be defined as divisions of a relatively permanent nature that exist within a society and consist of people sharing similar values, interests and behaviours. Forms of a subgroup include geographic regions, nationalities and religions to name a few. Social classes, on the other hand, are closely linked with cultures and thus the influence that one's social class has on one's behaviour can vary greatly depending on one's culture. While in the Western societies this link between culture and social class may be quite loose, in for example some Asian countries the rigid hierarchy of social classes still present today ties the two closer together (Kotler et al., 2008: 240-243).

3.1.2 Social characteristics

The social characteristics influencing consumer behaviour can be divided into groups, family, roles and status. The importance of family comes from the fact that as with culture, family plays a significant role in shaping one's behaviour, values and perceptions beginning from early childhood. Groups, on the other hand, can be further divided into membership groups and reference groups. Membership groups, of which the consumer is a part of, directly influence the consumer's behaviour, while the reference groups have an indirect impact on the consumer's behaviour and attitudes. Reference groups include groups that the consumer is not but would like to be a part of (Kotler et al., 2008: 244). In the luxury context, the reference groups can for example be wealthier luxury consumers or famous people who one admires and through the consumption of luxury goods wishes to be associated with. The consumption of luxury goods provides consumers with means of displaying their status, or alternatively serves as a tool in their aim to be associated with those of higher social status than them thus performing the role of a social signifier (Kapferer and Bastien, 2012: 18). This demonstrates the importance of the influence social status has on consumer behaviour, especially in the luxury market.

3.1.3 Personal characteristics

As consumers' tastes change during the lifetime, so do the products and services they purchase (Kotler et al., 2008: 250), especially when it comes to luxury as what was considered luxury a decade or two ago might have become a necessity for today's luxury consumers (Berry, 1994 as cited in Ghosh and Varshney, 2013: 151). Other personal characteristics that have an impact on one's values, opinions and behaviours and thus affect one's decisions regarding purchases of goods and services include lifestyle and personality and self-concept (Kotler et al., 2008: 252-253).

Additionally, one's occupation and economic circumstances affect what kind of products one might buy and what kind of services one chooses to use (Kotler et al., 2008: 252). When it comes to luxury, the influence economic circumstances, in other words one's income, have on both consumption and buying behaviour far exceeds the influence of one's occupation. After all, as luxury goods command a considerable price

premium, one can only purchase luxury goods when one has the financial means to do so (Ghosh and Varshney, 2013: 151).

3.1.4 Psychological characteristics

First of the psychological characteristics is motivation. The driving force behind motivation is a need that has to be satisfied. While there are numerous forms of human needs, not all of them are equal (Kotler et al., 2008: 255). In his hierarchy of needs framework developed several decades ago, the famous American psychologist Abraham Maslow arranged these human needs that turn into motivation for purchases into a hierarchy from the most basic needs to the least pressing and necessary ones (Buchanan and Huczynski, 2010: 268; Kotler et al., 2008: 256; Solomon, 2009: 162). This framework is demonstrated in the Figure 5.

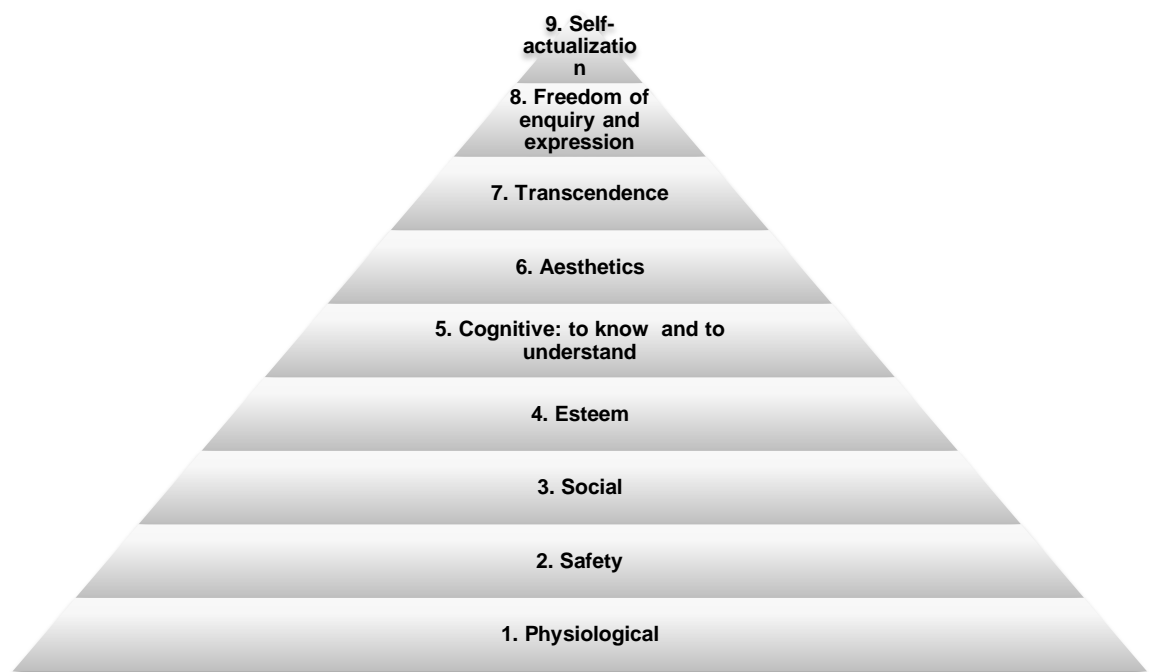


Figure 5. Maslow's hierarchy of needs (Buchanan and Huczynski, 2010: 268; Kotler et al., 2008: 256; Solomon, 2009: 162)

The most basic physiological needs, such as thirst or hunger, have to be satisfied before one can move on to the needs less important for one's survival (Kotler et al., 2008: 256-257). While Maslow's hierarchy of needs is cannot be considered universal as different cultures may value different levels of needs above others and vice versa, it still serves as an useful tool to demonstrate how human motivation is typically formed (Buchanan and Huczynski, 2010: 269). Due to its highly aesthetic nature, role as a social signifier and the perceived prestige of it, as discussed in section 2.2, luxury consumption can be considered to correspond with social, esteem and aesthetics levels of Maslow's hierarchy.

Second of the psychological characteristics affecting consumer buying behaviour is perception, in other words the image of certain situation, product, and brand and so on inside the mind of the consumer (Kotler et al., 2008: 258). Consumer perception is in the center of luxury. Unless perceived by consumers as luxury, a brand cannot be considered as a luxury brand and neither can a product be considered luxury product (Kapferer and Bastien, 2012: 87). In addition, behaviour based on experience together with one's attitudes and beliefs affect one's purchase behaviour (Kotler et al., 2008: 260).

3.2 The purchase decision process

When making purchasing decisions, the consumer goes through a five-stage purchase decision process (see Figure 6). The process begins with recognition of a need followed by information search and evaluation of alternatives after which comes the purchase decision while the process ends in post purchase behaviour (Kotler et al., 2008: 265; Solomon, 2010: 351).



Figure 6. The purchase decision process (Kotler et al., 2008: 265)

As Figure 6 demonstrates, the first step of consumer purchase decision process is recognition of a need, or problem depending on the situation at hand. The need can be caused by either internal or external stimuli. Basic human needs, hunger for instance, result in creation of internal stimuli, while external stimuli is triggered by either a situation or a factor in the consumer's surroundings, for example commercials airing before a movie at a movie theatre (Kotler et al., 2008: 265-266).

The recognition of a need is followed by search for information related to the particular need recognized. This search for information can be conducted in multitude of ways. First of all, the search for information can be carried out either internally, by going through one's own memory for information on suitable products or services that one may have run into before or seen advertisement of somewhere, or externally, for example by looking through advertisements or asking other people for recommendations (Solomon, 2010: 356). Commercial sources such as the Internet, advertising and salespeople as well as other public sources like mass media and consumer-rating organizations serve as sources for external information (Kotler et al., 2008: 266).

Thirds phase of the consumer purchase decision process is the identification and evaluation of possible alternatives. The process of evaluating the alternatives can vary greatly depending on individual consumers. Some might skip the evaluation process altogether and go with their intuition, while others might perform detailed calculations in order to determine the best possible alternative or consult their friends or possibly sales staff to aid them in the evaluation. However, the basic concept is that the consumer is seeking to fulfil a need and in order to fulfil that need the product or service must possess certain set of benefits. Each of the alternative products and services on the other hand has a varying set of attributes, some of which carry higher importance in the eyes of the consumer than others. The consumer will then utilize the brand's perceived image and the product or service attributes in the process of evaluating the alternatives and reaching the purchase decision (Kotler et al., 2008: 269-270).

The purchase decision, which is the fourth step in the consumer purchase decision process, and the purchase of the chosen product or service are followed by the last stage of the process, post-purchase behaviour. The action the consumer takes post-purchase depends on whether he or she is satisfied with the product or service purchased or not. It boils down to whether the product, or service, meets, exceeds or falls short of the consumer's expectations (Kotler et al., 2008: 271). This has major implications for luxury brands. After all, luxury consumers expect luxury brands to deliver nothing less than exceptional and superior quality in both products and services as well as on an emotional level (Arora, 2013). If a consumer is not satisfied with his or her luxury purchase, they might not purchase products or services again from the same brand and the perceived image of the brand is bound to suffer. While damage to the brand image is problematic for all brands, it can be much more disastrous to luxury brands as they rely greatly on their luxurious image and mystique to be considered as luxury brands.

While the consumer purchase decision process can be as it is applied to all product and service categories, though some consumers might skip certain steps when purchasing certain types of products, the framework can be further expanded to better fit the luxury category. Unlike when purchasing an ordinary product or service, the purchase of a luxury good always includes a set of intangible benefits embedded in the brand and its products. Luxury goods are also constantly desired, which means that a luxury purchase stems from the desire, not need or convenience like the purchase of a mass market product. Thus, the purchase of luxury goods is driven by one's desires, instead of one's needs which drive the purchase of other types of products and services. Additionally, luxury consumers purchase luxury goods as often as they can afford to do so, and use the products they have purchased frequently. It is worth noting also that as luxury goods are bought for benefits beyond their functional attributes, the products are rarely disposed of and the post-purchase evaluation can be considered unimportant when it comes to luxury products and services (Okonkwo, 2007: 63-64).

4 Online environment

Technological advancements over the past few decades have reshaped the way businesses and consumers behave and communicate. Internet has enabled consumers to access information instantly and with minimal effort as well as presented new opportunities for companies to build deeper and more meaningful relationships with consumers than ever before (Okonkwo, 2007: 178-179). Web 2.0, the evolutionary way consumers utilize the possibilities provided by the Internet in order to connect with others who share they share the same interests with and to communicate with other consumers as well as with companies regardless of where they are physically located at, has shifted the power from companies to consumers (Ryan and Jones, 2012: 13).

4.1 Social media as an environment

According to Kaplan and Haenlein (2010: 61), social media are Internet-based applications that enable consumers to create and share content themselves. Similarly, as social media makes it possible for anyone to post new or comment on existing content it creates new opportunities for not only consumers but companies as well (Scott, 2015: 56). With companies no longer the sole contributors of online communications, the content on social media can be now divided into two categories; firm-created and user-generated content. While companies create and control firm-created content, such as official accounts on sites like Facebook and Twitter, user-generated content is created by consumers around the word and thus out of the reach of companies and their control (Bruhn et al., 2012: 771).

User-generated content can take various forms as there are numerous social media platforms with differing functions. Apart from being created by consumers outside of the control of companies and other professional practises, to count as user-generated content the content has to be posted on a site accessible to either anyone or a certain group of consumers sharing the same interests. Additionally, the content has to contain an original component, in other words, it cannot be purely copied and pasted from another online or even offline source (Kaplan and Haenlein, 2010: 61). Thus, commu-

nications between consumers, for instance in the form of comments on a post on a social networking site, can also be considered as user-generated content.

Unlike firm-created content, which aims to communicate a positive image of the company, user-generated content including the consumer-to-consumer communication can be either positive or negative. For example, consumers may express their love for their favourite brand through comments on the said brand's social media profiles or tweet their dissatisfaction regarding a product they have purchased. Regardless of whether the content created and communicated is positive or negative, it conveys information to other consumers (Bruhn et al., 2012: 775). In addition, due to not being controlled by companies user-generated content is considered by consumers to be credible and can offer further validation in regards to the desirability of a brand and its products. User-generated content within social media can thus be seen to have a positive impact on a brand's image (Bruhn et al., 2012: 782).

4.2 Social networking sites

Social networking sites are online services, which have over the recent years grown into a popular phenomenon, that through creation of personal profiles enables users to connect with friends they already know offline as well as to make new friends online through networking (Kaplan and Haenlein, 2010: 63; Scott, 2015: 259). Some of the most popular social networking sites today include Facebook, Twitter, Instagram and Pinterest.

Launched on February 4th of 2004, Facebook has grown into a service with an average monthly user count of 1,71 billion out of which whopping 1,57 billion users access the service on mobile devices. With a clear majority, approximately 84,5% of its daily users located outside of the North American continent, Facebook aims to empower people by enabling them to share and stay connected (Facebook, 2016). On Facebook consumers can connect with not only other consumers but companies as well through personal profiles, official company pages, public and private groups, and through applications embedded on the site (Scott, 2015: 261-262).

Often dubbed as so-called microblogging service, Twitter is a social networking site where users communicate through short messages of maximum 140 characters called tweets. Often used update one's followers with what is going on in one's life, Twitter also serves as a platform to discuss and share news and other content that one finds interesting as well as to comment on updates made by other users (Scott, 2015: 271). With approximately 313 million users active on a monthly basis, 79% of who are located outside of the United States, Twitter is without a doubt one of the most popular and globally known social networking services (Twitter, 2016).

Purchased by Facebook two years after its 2010 launch, the photo sharing site and social networking service Instagram has witnessed a significant growth in the past few years and as of October 2016 has over 500 million monthly users. Like Facebook and Twitter, majority of Instagram's users, more specifically over 80%, live outside of the United States (Instagram, 2016). As a service, Instagram enables its users to take, edit, share photos with the possibility to add captions, share the posted photos on other social networking sites as well with also enabling them to comment on photos shared by those they follow (Scott, 2015: 315-317).

Another relatively new social networking site with growing popularity is Pinterest. The company calls itself "the world's catalogue of ideas" and has over 150 million active monthly users (Pinterest, 2016). According to David Meerman Scott (2015: 317), Pinterest functions as a bulletin board where one save posts that spark their interest by pinning them on boards they have created. One can also connect with other users by following their boards (Scott, 2015: 317).

Numerous other social networking sites and services exist, such as Google+, Snapchat, LINE and Weibo to mention a few, the four mentioned above (Facebook, Twitter, Instagram, Pinterest) command the most significant amounts of active users globally and will be thus concentrated on in the scope of this thesis.

4.3 Social media based brand communities

The phenomenon of social media and the possibilities it offers have also resulted in forming of brand communities embedded in social media, in other words social media based brand communities. A brand community can be defined as a "specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand" (Muniz and O'Guinn, 2001 as cited in Laroche et al., 2012: 1756).

Within these brand communities consumers can connect with each other and with the company whose brand the community is built around. Consumers can for instance express their love or interest towards the brands products, bring up their experiences with the brand, voice their dissatisfaction or other negative feelings and seek advice from other members of the community (Henning-Thurau et al., 2004 as cited in Brodie et al., 2013: 107).

4.4 Consumer engagement

Consumer engagement as a concept is multi-dimensional concept that includes cognitive, emotional and behavioural dimensions (Brodie et al., 2013: 107). It is the process of creating experiences that give a meaning to and deepen the bond and the relationship between a company and its current and possible future customers (Sashi, 2012: 256). In social media based brand communities, consumer engagement consists of not only the interactive experiences and communications between consumers and companies but also between other consumers of the same community. Active consumer engagement can lead to increase in feelings of loyalty, trust, satisfaction and connection to the brand (Brodie et al., 2013: 107, 112).



Figure 7. The customer engagement cycle (Sashi, 2012: 261)

According to Sashi (2012: 260-261), there are seven stages in creating consumer engagement as presented in the Figure 7; connection, interaction, satisfaction, retention, commitment, advocacy and engagement. The process starts with companies connecting with their existing or potential customers, or consumers connecting with brands of their liking either offline, online or both, which leads to interaction between the two parties. The continuation of the process depends on whether the parties are satisfied with their interactions as there cannot be consumer engagement without satisfaction. Satisfaction leads to retention. Commitment, which follows retention, can be either calculative, which is of rational nature, or affective, which results from emotional bonds and trust. While an affective commitment creates delight and often results in consumers becoming advocates for brands they feel strong delight towards, calculative commitment can result in increase of loyalty but unless the relationship between the brand and the consumer has deepened enough over a long period of time, rarely results in advocacy. As both delight and loyalty are necessary components for engagement, brands need to turn consumers into advocates by making them feel both dimensions of commitment (Sashi, 2012: 261-264).

4.5 Luxury and social media

Despite the clear contradiction of luxury being exclusive and social media being accessible for all, internet and social media have become an important part of the today's world and as such an important aspect of the luxury industry. Luxury consumers are increasingly tech-savvy, which makes it crucial for luxury brands to have an active presence online (Kapferer and Bastien, 2012: 247). Thus, it is highly important that luxury brands take into account the varied possibilities offered by the online environment and use it to their advantage in order to communicate and engage with luxury consumers without compromising their exclusive image (Okonkwo, 2010: xxiii). Due to their social nature, social media and especially the social networking sites can be considered more feasible mediums for luxury brands than other Internet-based forums (Kapferer and Bastien, 2012: 252).

In order to maintain a positive image, and the exclusive aura, of the brand, it is of paramount importance for luxury brands to communicate with consumers online. Through the internet and social media, luxury brands can deliver brand content and stories with ease to consumers all around the globe. Thus, social media platforms, which enable two-way communication between brands and consumers, serve as an effective medium in communicating the brand's values and the dream it sells, while retailing on the internet can quickly prove fatal to the exclusivity of a luxury product (Kapferer and Bastien, 2012: 249-250). Brand communities embedded in social networking sites, such as Facebook, enable luxury brands to gain feedback and opinions from consumers, while strengthening the relationship between them and the brand (Kapferer and Bastien, 2012: 267).

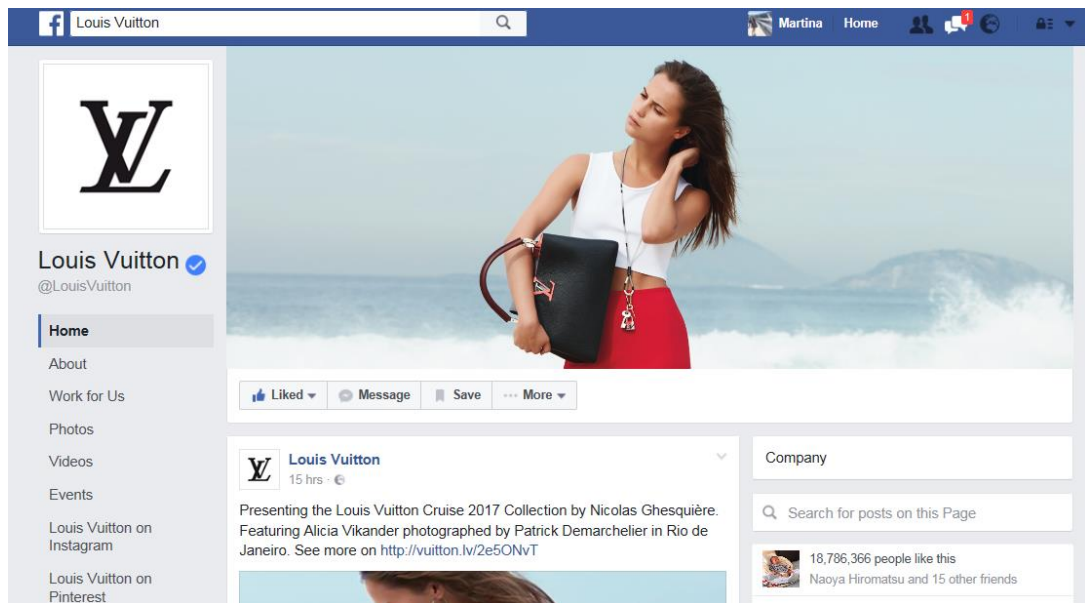


Figure 8. Screenshot of the official Facebook page of Louis Vuitton (October 17th, 2016)

Additionally, Kim and Ko (2012: 1484) note that luxury brands engage consumers on social media through not only two-way interaction, but through entertainment, customization, trendiness and word-of-mouth as well with all of these activities positively affecting the brand equity through the creation of desire and strengthening of the relationship between the brand and luxury consumers.

It is thus no surprise that today many of the world's leading luxury brands not only have a presence on but are also actively engaging in activities on social networking sites. Official accounts of brands such as Louis Vuitton, Chanel, Yves Saint Laurent and Armani have millions of followers on Facebook, where the brands are posting content varying from, for instance, catwalk and promotional videos to campaign photos and snaps of celebrities wearing the brand's creations. Louis Vuitton, for example, has over 18 million followers on Facebook and 13,3 million on Instagram as demonstrated by Figures 8 and 9.

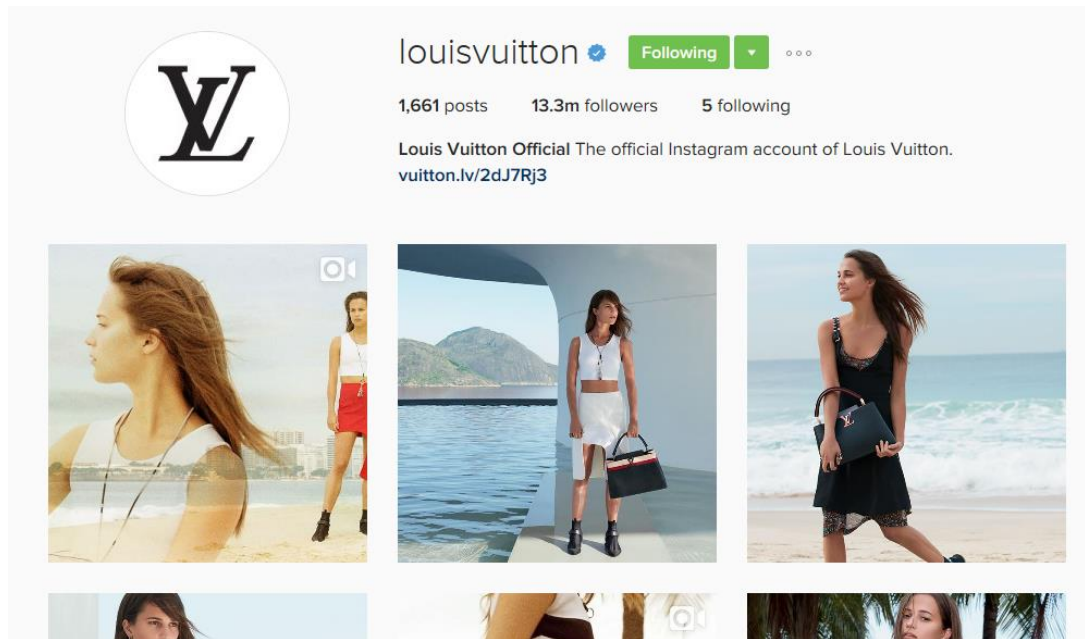


Figure 9. Screenshot of the official Instagram page of Louis Vuitton (October 17th, 2016)

The already whopping and constantly increasing numbers of consumers not only active on social networking sites but also following luxury brands on these platforms demonstrate the social media's importance as a channel of communication for luxury brands. As Okonkwo (2009a: 303) notes, despite Internet and social media having changed the mode of communication between brands and consumers from one-way to two-way form and thus changed the relationship between the two, consumers still look up to luxury brands and desire them.

The importance of active consumer engagement on social media is further demonstrated by the fact that communication within social media can be considered to have a significant impact on the brand image (Godey et al., 2016: 5835). With positive brand image positively influencing the brand equity, which in turn can translate into an increase in purchase intention and thus affecting the consumer behaviour of luxury consumers, Kim and Ko (2012: 1485) regard social media as an effective medium for luxury brands to conduct marketing communication and connect with luxury consumers.

5 Methodology

On top of research from secondary sources, primary research was carried out in a quantitative manner through an online survey, with the objective of gaining proof to support the hypothesis that actively engaged consumers have a higher perception of luxury and desire to purchase luxury products than those who are less engaged within social media based brand communities. This method of primary research was chosen due to its easily administrative nature and ability to reach a wide audience, as well as due to the limited amount of time available for conducting the research.

The survey was built on the Google Forms platform and consisted of 24 questions, of which 15 were closed and 9 open questions (see the Appendix 1). Open questions were included in order to give respondents the opportunity to answer in depth using their own words. Questions used in the questionnaire were designed and formulated based on the secondary data described in the previous chapters. The questionnaire design, which when distributed was open for anyone to answer for a duration of 10 days, was piloted among a close group of the author's friends who are active on social media and purchase luxury products and services at least once a year. After pilot testing the questionnaire was distributed through the authors Facebook, Twitter and Instagram accounts and posted on several luxury brand related consumer-created groups and brand communities as well as through direct messages to the author's personal friends and acquaintances. Although the questionnaire was open for anyone to answer, the target group was set as luxury consumers who are active on social networking sites and reside in Finland. Thus, social media based brand communities consisting of mainly Finnish consumers and consumers residing in Finland were chosen as channels of distribution. After the designated answering period had passed the data was cleaned and organized. Incomplete responses as well as those outside the target group were not taken into account in order to minimize respondent error.

6 Results and Analysis

This section presents and analyses the results of the online questionnaire. First the general demographics will be broken down in order to construct a profile of the sample, after which the responses to questions regarding luxury, social media and the respondents activities within it as well as the presence and activities of luxury brands within social media and the respondents' views on them are presented and analysed.

6.1 Demographics

A total of 115 respondents gave full responses to the online questionnaire, all of whom reside in Finland. Out of the 115 respondents 93% (107 respondents) were female and 7% (8 respondents) were male. The respondents were asked to indicate which of the 7 specified age groups between under 20-year-olds and 50-year-olds they belong to.

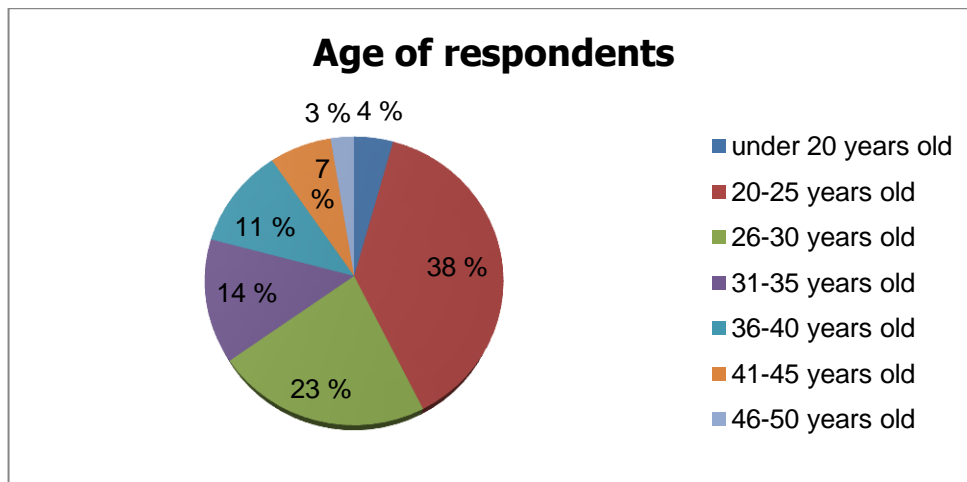


Figure 10. Age of questionnaire respondents.

As demonstrated in the Figure 10, the overwhelming majority of respondents were 20-30 years old at the time of the survey making them the dominant age group. To be more specific, 38% of respondents were 20-25 years old and 23% belonged to the group of 26-30-year-old. Additionally, 14% of the respondents were between 31 and 35 years old and 11% represented to group aged between 36 and 40 years. This would indicate that, as discussed in the section 2.5, a clear majority of the respondents

belong to the Millennial generation of young and affluent consumers, with the remaining 14% of respondents being representatives of the Generation X.

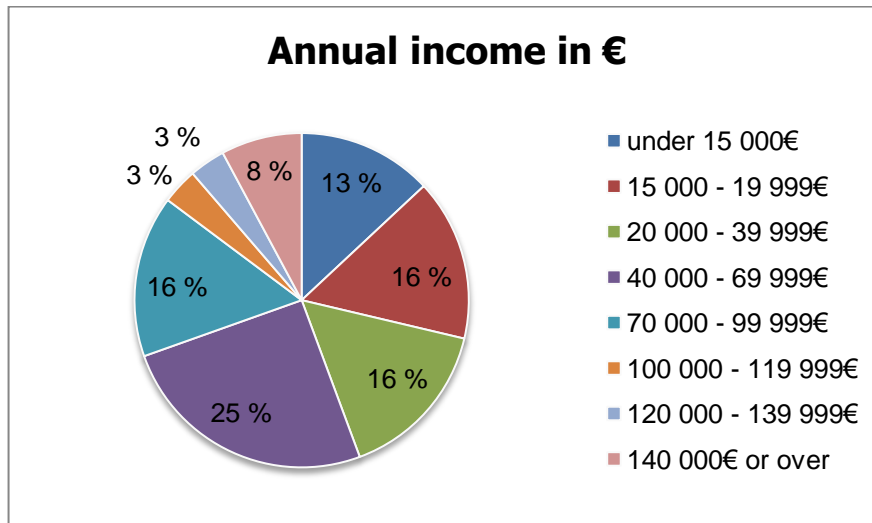


Figure 11. Annual income of questionnaire respondents.

When it comes to the annual income level of respondents, 25% earn 40 000 - 69 999€, while those earning 15 000 - 19 999€, 20 000 - 39 999€ and 70 000 - 99 999€ in a year represent 16% of the respondents respectively. This four income groups make up a total of 73% of all respondents, with the remaining 27% being divided into 13% for under 15 000€, 8% for 140 000€ or over and 3% for both 100 000 - 119 999€ and 120 000 - 139 999€ respectively (see Figure 11). Those with the lowest annual income were all under 30 years old, while those with the highest earnings were 36-45 years old.

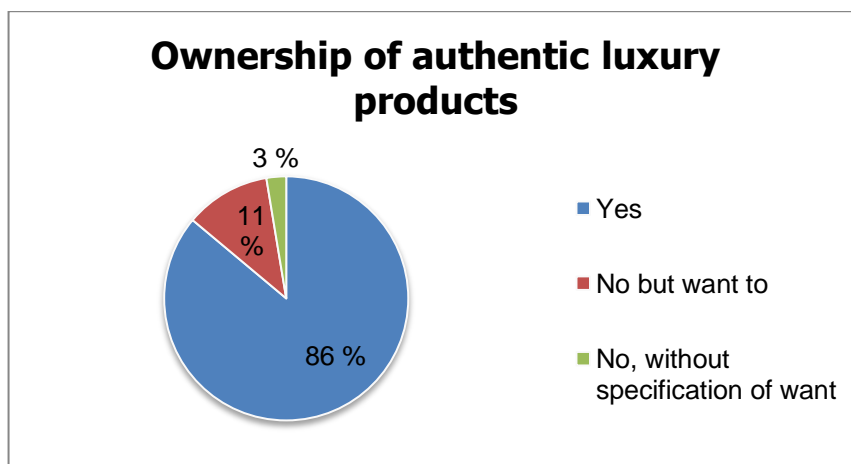


Figure 12. Ownership of authentic luxury goods among the questionnaire respondents.

Even though the annual income levels of respondents vary greatly, as Figure 12 indicates 86% of respondents answered “yes” when asked whether they own an authentic luxury product or not. Out of the remaining 14% who do not currently own any authentic luxury products, 11% stated that they would like to own one if possible. Thus mere 3% of respondents indicated no interest towards owning luxury products. From this, it is well within reason to gather that luxury brands are generally desirable among the luxury consumers in Finland regardless of their annual income and whether or not they can actually afford to purchase these products.

Additionally, those who indicated ownership of luxury products were asked to specify which brands they currently own. With respondents being able to name as many brands as they saw fit, the most mentioned were well-established brands such as Louis Vuitton with 49 mentions and Chanel with 28 mentions. Interestingly, Michael Kors was also mentioned 23 times indicating its popularity among at the very least Finnish luxury consumers. Other notable mentions are displayed below in Table 1.

Table 1. Indication of ownership by brand (out of 99 respondents who own authentic luxury products).

Brand	Amount of mentions
Louis Vuitton	49
Chanel	28
Michael Kors	23
Hermès	18
Mulberry	16
Gucci	16
Burberry	15
Prada	14
Balenciaga	11
Dior	10

The fact that nearly half (49,50%) of the 99 respondents, who stated that they own authentic luxury products, named Louis Vuitton among brands they own. After all, as discussed in the section 2.3, Louis Vuitton is without a doubt one of the leading global

luxury brands and on the scale of brands considered as luxury places well within the top-level category as described by Heine (2012: 62-63). The high amount of respondents indicating ownership of Louis Vuitton products indicates that the brand indeed the most highly desired among luxury consumers in Finland with Chanel being the next most desirable brand.

6.2 Luxury and buying behaviour

When presented with an open question, respondents described luxury as special, as in "something out of the ordinary", expensive, of high quality, elegance and timeless nature. Figure 12 demonstrates the brand characteristics associated with luxury by the questionnaire respondents. All of the 115 respondents (100%) associated high quality with luxury, with premium pricing being the second most indicated characteristic with 63 respondents (approximately 55%) linking the characteristic to luxury. Craftsmanship (approximately 54%) and heritage (49.50%) were also highly associated with luxury by the respondents.

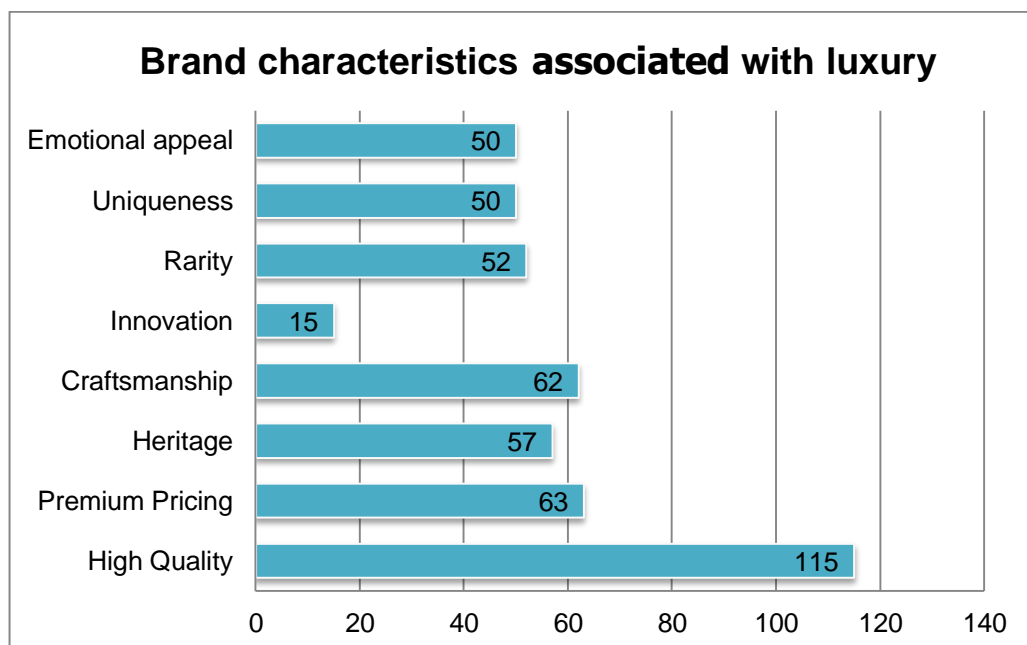


Figure 13. Brand characteristics associated with luxury.

Furthermore, 101 out of the (87.8%) 115 respondents indicated high quality as the characteristic they value most in a luxury brand, as demonstrated by the Figure 13 below, with other characteristics falling quite far behind. The second most valued is the characteristic or timelessness, which 53% of the respondents place the most value on. Interestingly, heritage and rarity were described as the most valued characteristics by mere 2.6% and 7% respectively.

Which of the following luxury brand characteristics do you value the most?
(Please choose up to 2)

(115 responses)

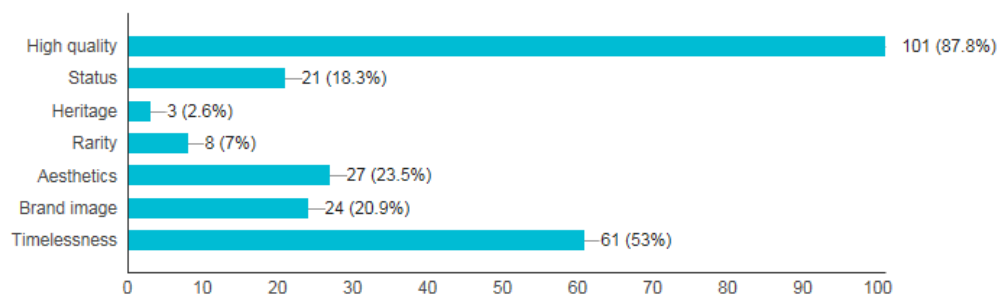


Figure 14. Luxury characteristics valued by respondents.

These findings correspond with the luxury brand characteristics discussed in the section 2.2 and clearly indicate the importance of luxury products being made with the utmost precision and being of high quality and timeless design. While the respondents viewed rarity and heritage as defining characteristics of a luxury brand, which corresponds to the emphasis put on these characteristics in academic literature as discussed in sections 2.2.4 and 2.2.6 respectively, they do not place as much value on them as the other luxury characteristics.

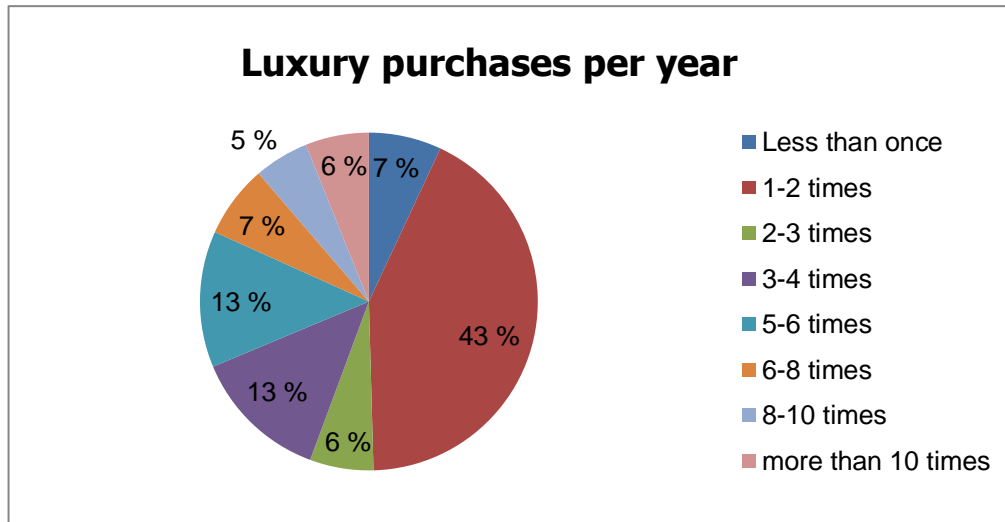


Figure 15. Amount of luxury purchases per year.

As shown in the Figure 15, only 7% of respondents purchase luxury goods less than once a year, which includes those who do not purchase luxury goods at all. On the other hand, 93% of respondents purchase luxury goods at least once a year with 6% making more than 10 purchases annually. As the nature of goods purchased was not specified, these purchases could be anything from entry-level luxury products such as perfumes and cosmetics to more expensive products such as handbags, ready-to-wear clothes or anything else considered luxury.

Following up, the respondents were asked to indicate what they base their luxury purchase decisions on by using their own words. Needs and desires were the top two motivations described by the respondents with mentions from 31% and 30% of respondents respectively. 20% of respondents stated rewarding and pampering themselves as the basis of their luxury goods purchases, while 16% of respondents make purchase decisions based on their financial situation and 10% after a careful consideration. Other motivations mentioned were quality of the product (17%), price of the product (6%), impulse purchasing (6%), aesthetics of the product (8%), brand image (3%), on top of which the product in question, availability, upgrading, rarity and status accounting for less than 1% each.

After explaining their motivations for purchasing luxury goods in their own words, the respondents were presented with a list of luxury brand characteristics discussed in the section 2.2, and asked to indicate their level of importance in influencing their personal decisions to purchase luxury products and services.

HIGH QUALITY			BRAND IMAGE		
Very important	70	60,87 %	Very important	31	26,96 %
Important	38	33,04 %	Important	52	45,22 %
Somewhat important	6	5,22 %	Somewhat important	26	22,61 %
Not at all important	0	0,00 %	Not at all important	5	4,35 %
Not sure	1	0,87 %	Not sure	1	0,87 %
STATUS			AESTHETICS		
Very important	9	7,83 %	Very important	58	50,43 %
Important	28	24,35 %	Important	28	24,35 %
Somewhat important	61	53,04 %	Somewhat important	14	12,17 %
Not at all important	16	13,91 %	Not at all important	7	6,09 %
Not sure	1	0,87 %	Not sure	8	6,96 %
BRAND HERITAGE			RARITY		
Very important	18	15,65 %	Very important	10	8,70 %
Important	43	37,39 %	Important	33	28,70 %
Somewhat important	46	40,00 %	Somewhat important	53	46,09 %
Not at all important	5	4,35 %	Not at all important	17	14,78 %
Not sure	3	2,61 %	Not sure	2	1,74 %
PRICE					
Very important			7	6,09 %	
Important			47	40,87 %	
Somewhat important			42	36,52 %	
Not at all important			15	13,04 %	
Not sure			4	3,48 %	

Figure 16. Influence of specific luxury characteristics on buying behaviour

As can be observed from the Figure 16 above, a vast majority of respondents regard high quality as a factor influencing their decisions to purchase luxury goods with nearly 94% of respondents indicating the characteristic as either important or very important. Aesthetics is also considered at least important by roughly 75% of respondents, with brand image being indicated as important by approximately 72% of respondents. Once again the results of the survey demonstrate the importance of high quality and aesthetics emphasized in the literature. In addition, a clear majority of respondents stating brand image as an important factor influencing in their decisions to purchase luxury goods demonstrates the importance of brand image and the factors, such as active consumer engagement, impacting it as discussed in the section 4.5. This would sug-

gest that active consumer engagement within social media could have a positive effect on the desire of luxury consumers' to purchase goods from the brand in question.

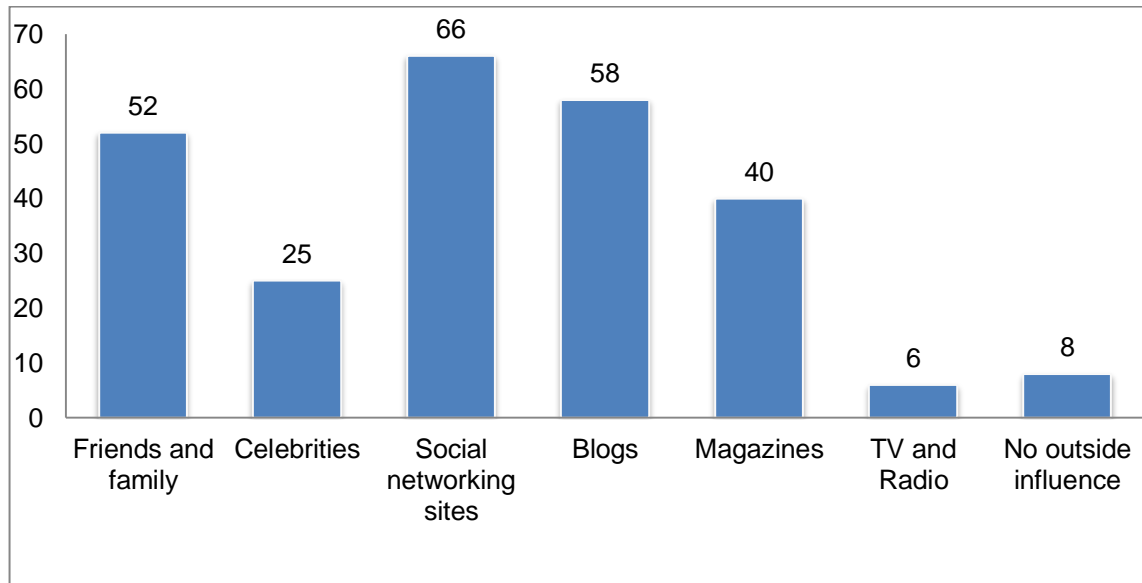


Figure 17. External factors influencing luxury purchase decisions.

Next respondents were presented with a question regarding external factors possibly influencing their luxury purchase decisions. The results for this question are presented in the Figure 17 above. As expected with the recent rise of social media and its exploding popularity 66 out of 115 respondents (57,39%) stated social networking sites as a factor influencing their luxury purchase decisions, followed by blogs (50,43%), which can be considered as another form of social media, and friends and family (45,2%). While celebrities (21,74%) and magazines (34,78%) still seem to influence fair amount of respondents, TV and radio seem to influence only 6 (5,22%) respondents and 8 (6,96%) respondents state that there are no external factors influencing their purchase decisions when it comes to luxury products. Of course, these results only take in account the external factors that the respondents consciously know having an effect on their decisions. Thus, there is a chance that certain external factors might influence these decisions unconsciously.

6.2.1 Luxury and social media

Next respondents were presented with questions related to social media and luxury brands within the social media environment. As discussed in section 4 and more specifically in section 4.2 on social networking sites, the emergence and explosive growth of social media in recent years has made it a truly global phenomenon with ever growing user base. Thus it is no surprise that 90% of the survey respondents are active on social media, as demonstrated in the Figure 18 below.

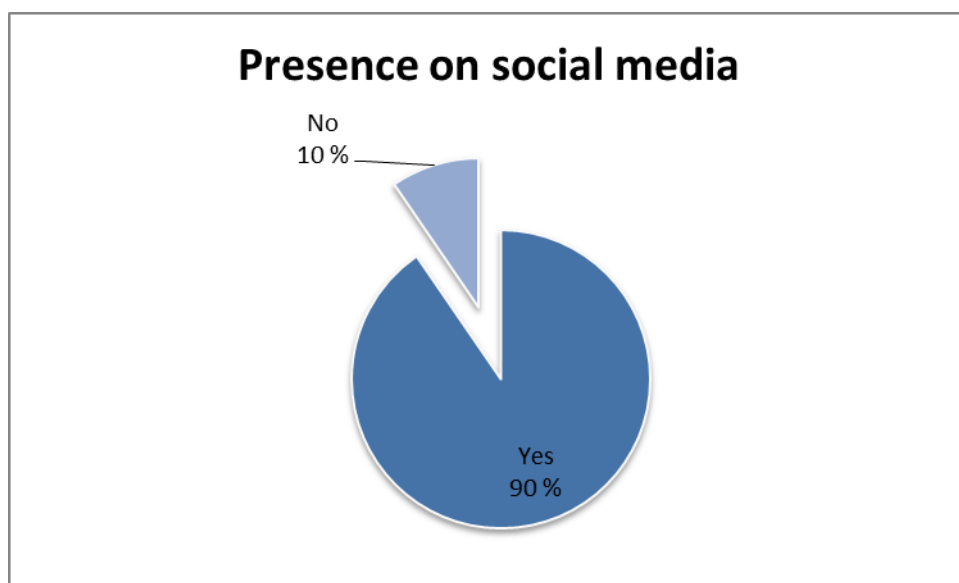


Figure 18. Social media presence among respondents.

After establishing the state of the respondents' activity on social media, they were asked to indicate whether they think luxury brands should have a presence on social media or not. From the Figure 19 below it can be seen that 70% of respondents find that luxury brands should indeed be present on social media while 15% were opposed to the idea and 15% either did not know or care. Some respondents provided additional comments to back up their opinion on the matter. Such comments included the following;

"Definitely yes, it's great advertising and creates a positive image of the brand."

"Yes, nowadays you have to be in social media somehow and be interactive with your customers."

"Social media is present. It's way of brands to get closer to customer and also dreamers."

"They should as social media is easy way to find new and interesting brands."

"Some 'luxury' brands have lost some of their value because every blogger seems to have a piece."

The comments above indicate that while some luxury consumers in Finland seem to view social media presence and increased visibility through blogs as a negative influence on luxury brands' image, a vast majority considers activity within social media a positive aspect that luxury brands can utilize in their efforts to not only gain new customers but to connect with their existing customer base as well and increase the consumers' desire towards their brand.

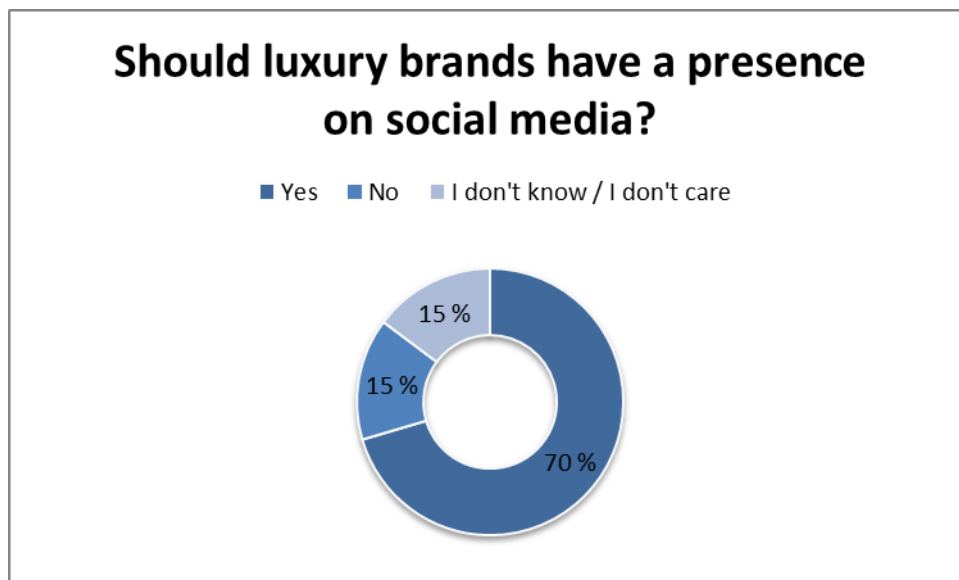


Figure 19. Respondents' take on luxury brands having a presence on social media.

Subsequently, respondents were asked whether or not they follow any luxury brands on social media after which they were asked to specify which social media platforms they follow luxury brands on. 56% of respondents stated that they follow luxury brands on social media, while 44% stated that they do not do so.

On which of these social media platforms do you follow luxury brands?
(Please choose all that apply)
(115 responses)

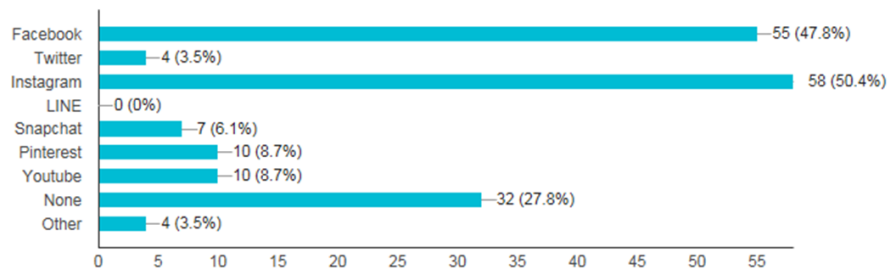


Figure 20. Social media platforms responders follow luxury brands on.

On the question regarding which social media platforms they follow luxury brands on, respondents were allowed to choose all options that applied to them. As indicated by the above Figure 20, Instagram and Facebook are by far the most popular platforms among the survey respondents with approximately 55 respondents following luxury brands on Facebook and 58 respondents doing so on Instagram. Out of the 58 respondents who chose Instagram, 29 also stated that they follow luxury brands on Facebook. Twitter, Snapchat, Pinterest and Youtube all yielded some answers but could not rival the two most popular platforms as only 1 respondent chose platforms that excluded both Instagram and Facebook.

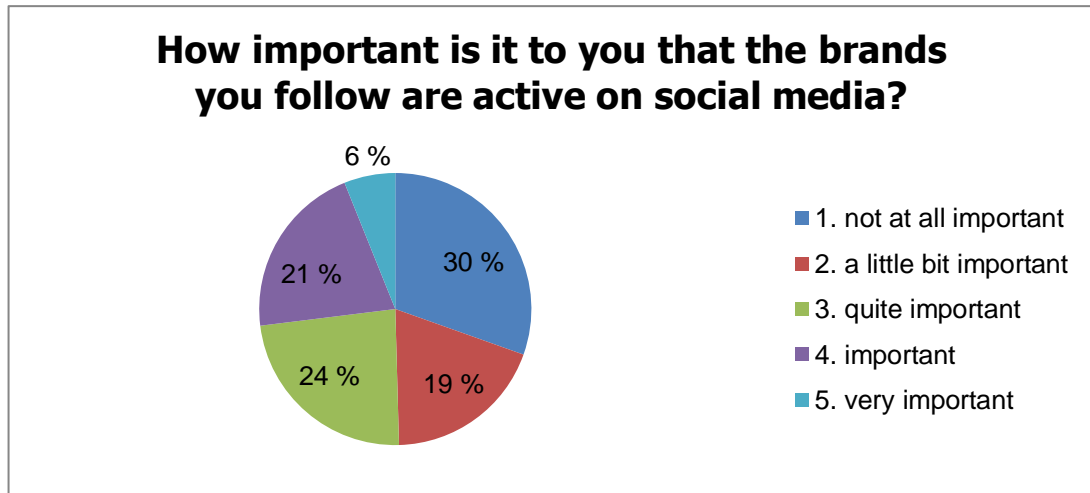


Figure 21. The level of importance of the social media presence.

When asked to estimate the importance of the social media presence of luxury brands that they follow or have interest in, a vast majority of respondents placed some importance on the matter (see the Figure 21), while 30,43% indicated that whether these brands are active on social media or not pose no importance to them. Furthermore, respondents were asked to indicate which types of updates attract them the most on luxury brands' social media sites. Campaign advertisements (63,48%) along with feedback and comments provided by other consumers (50,43%) were stated as the most attractive forms of social media updates by survey respondents, while other types of updates such as videos and live streams (36,52%), event invitations (21,74%) and responses to reclamations and enquiries (17,39%) got a fair amount of responses as well.

The respondents were then presented with various possible ways of communicating with luxury brands on different social media platforms and asked to indicate which actions they take and how often with the options presented being never, rarely, sometimes, often and all the time.

Interestingly, as can be seen on Table 2 below, most of the respondents (83,48%) never post comments on the timelines or social media pages of luxury brands, and only 3,48% of the respondents do so often. Sending private messages or enquiries to luxury brands on social media is unpopular among the respondents as well with 84,35% never doing so. Mentioning a luxury brand on a status update or a tweet is also done by less than half of the respondents with 63,48% never engaging in such activity and

23,48% only doing so rarely. On the other hand, 75,65% of the respondents read comments and reviews posted by other consumers on luxury brands' timelines or social media pages and 76,53% intentionally search for information on new luxury product launches and campaigns on social media. A vast majority of 73,92% of the survey respondents also like posts by luxury brands, ask other consumers for product recommendations (53,92%) and participate in unofficial fan groups created by other luxury consumers (53,04%) on the social media environment (see Table 2).

Table 2. Ways in which respondent's interact with luxury brands on social media.

Post comments on the timeline/page of a luxury brand		Participate in unofficial fan groups created by other luxury consumers	
Never	83,48 %	Never	46,96 %
Rarely	11,30 %	Rarely	21,74 %
Sometimes	1,74 %	Sometimes	14,78 %
Often	3,48 %	Often	10,43 %
All the time	0,00 %	All the time	6,09 %
Read comments and reviews from other consumers		Ask other luxury consumers for product recommendations	
Never	24,35 %	Never	46,09 %
Rarely	27,83 %	Rarely	16,52 %
Sometimes	30,43 %	Sometimes	29,57 %
Often	15,65 %	Often	3,48 %
All the time	1,74 %	All the time	4,35 %
Send private messages/enquiries to luxury brands		Like posts made/images and videos posted by luxury brands	
Never	84,35 %	Never	26,09 %
Rarely	11,30 %	Rarely	17,39 %
Sometimes	3,48 %	Sometimes	25,22 %
Often	0,87 %	Often	27,83 %
All the time	0,00 %	All the time	3,48 %
Search for information on new product launches and campaigns		Mention a luxury brand on a status update/tweet	
Never	23,48 %	Never	63,48 %
Rarely	25,22 %	Rarely	23,48 %
Sometimes	24,35 %	Sometimes	7,83 %
Often	22,61 %	Often	3,48 %
All the time	4,35 %	All the time	1,74 %

These results indicate that luxury consumers in Finland are more comfortable and engage actively in social media activities that do not necessary require for them to create content but instead prefer to find what they need from the content created by other consumers when it comes to information regarding luxury brands and their products.

Consequently, respondents were given six statements presenting different ways in which interacting with luxury brands on social media could affect them and asked to indicate whether the said option influences them very much, sufficiently, only a little or not at all. Respondents were also given an option to state they are not sure or do not know whether or not the option affects them. The six statements in question were the following; Interacting with luxury brands on social media....

- "...makes me feel closer to the brand."

- *"...increases my desire to purchase luxury goods/services."*
- *"...keeps me informed on luxury brands and their products."*
- *"...gives me a clearer idea about luxury brands and their brand images."*
- *"...provides me with a way to directly communicate with luxury brands."*
- *"...keeps me up to date on newest trends."*

33,91% of respondents did not feel that interacting with luxury brands on social media makes them feel closer to the brand, while 25,22% stated only a little impact and 9,57% of respondents felt unsure. The remaining 30,30% of respondents answered that through their interactions with luxury brands on social media they feel either sufficiently (18,26%) or very much (13,04%) closer to the said brand.

To the second statement 71,30% of respondents indicated that interactions within social media increase their desire to purchase luxury goods or services, with 'only a little' being chosen by 22,61% of respondents and the other two options yielding 48,69% of responses. This is a clear indication that actively engaging consumers within social media has a positive influence on the brand image through increasing the consumers' desire to purchase products from the luxury brand in question, as discussed in section 4.5. There were still, however, 20,87% of respondents leaning towards no effect at all and 7,83% who were unsure.

67,83% of respondents found that interacting with luxury brands on social media keeps them either sufficiently (26,96%) or well-informed (40,87%) on luxury brands and their products, while 11,30% of respondents do not find it helps them in this regard at all. 15,65% found social media interactions a little helpful in keeping themselves informed and 5,22% of respondents said they do not know.

As to whether social media interactions with luxury brands give them a clearer idea about luxury brands and their brand image, 59,13% of respondents agreed with the statement while 8,70% were unsure, 16,52% found social media interactions only a little helpful and 15,65% stated no effect at all. On the fifth statement regarding social media providing a way for consumers to directly communicate with luxury brands, 40% of respondents disagreed with the statement while 50,43% were relatively evenly

divided on the statement having different levels of accuracy. Again, small amount of respondents (9,57%) was unsure on their opinion.

Regarding the last statement, a whopping 80,87% of respondents agreed with the statement with majority of them (38,26%) finding interactions within social media a very good way of keeping up to date on newest trends. 11,30% of respondents disagreed with the statement and 7,83% were unsure.

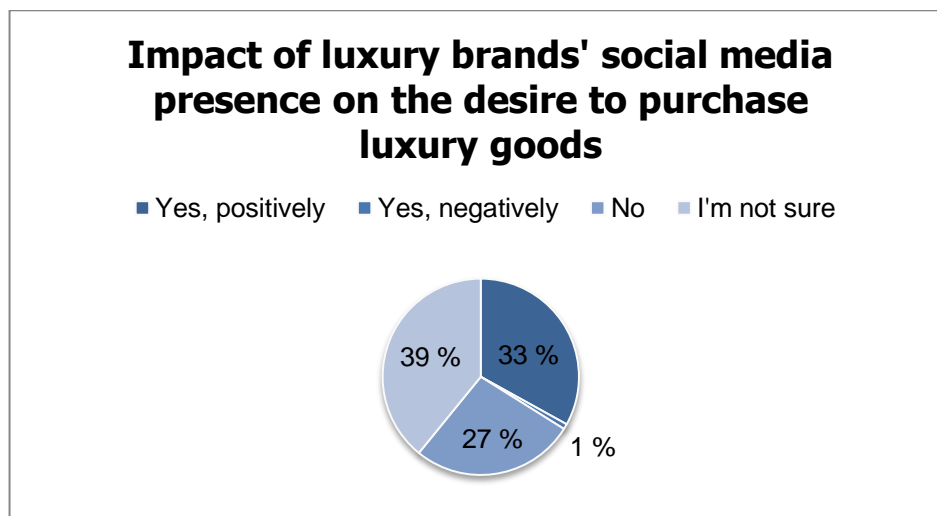


Figure 22. Luxury brands' social media presence and the desire to purchase.

Next the respondents were asked about how luxury brands' social media activities affect their desire to purchase products or services from the brand in question, to which 39% of respondents stated that they are not sure if there is an effect on their purchase decisions or not. While only 1 respondent (0,87%) denied any influence, rest of the respondents were divided between those, who felt that luxury brands' social media activities have a positive impact on their luxury purchase decisions (33,04%) and those, who felt that the impact is negative (26,96%). Those who stated either positive or negative influence were asked to elaborate the reason behind this in their own words. However, only some of those respondents who stated positive influence provided explanation to their decision highlighting the ease of obtaining information on new products, gaining a deeper understanding of the brand and what the said brand stands for, the entertainment value of photos and videos posted by luxury brands. Following are few comments given;

"It simply gives me a clearer vision of the brand and the product, thus making it easier to think of whether their products interest me or not."

"If brands activity looks good - answering comments, press inquiries and other - it makes the brand look so good, that you want to follow and buy something from them, not from brand which never answered for your question or which acts negatively towards possibly clients. One company is on my never-buy list, because they never answered to my short question, even they read it quickly after I send it. It doesn't felt nice so I don't want to buy the cashmere scarf or anything else anymore from them - that made me feel that they don't appreciate clients. So little thing matters and changes the picture you have of brand."

"I can easily see the newest collections through social media and I often find something I really like. If I didn't follow these brands on social media I might not come across the collections soon enough or at all. Also the savoir-faire videos are intriguing for someone like me who is fascinated by how the products are made and the high quality of the products. These videos highlight the quality and make me want to purchase goods from these brands."

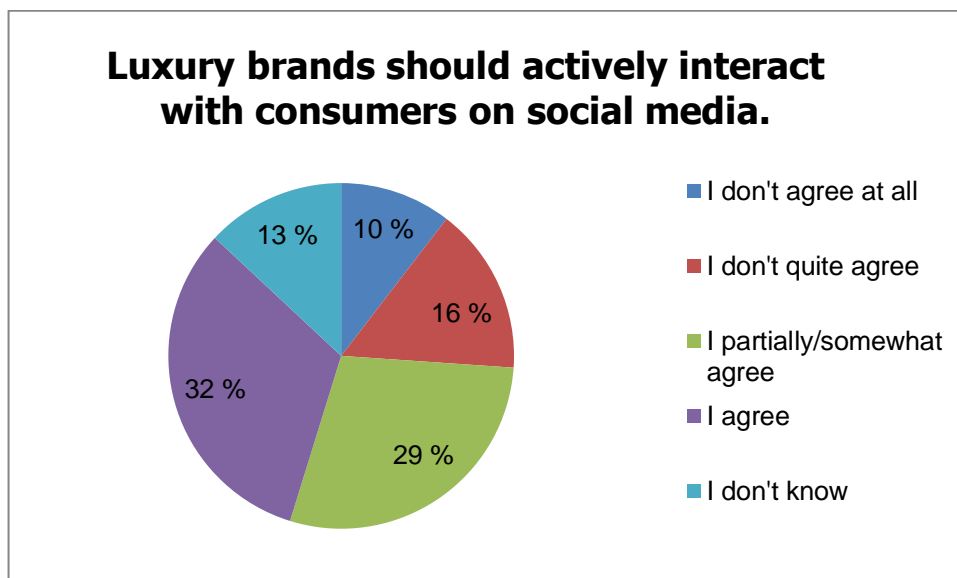


Figure 23. Luxury brands should actively interact with consumers on social media.

The second last question consisted of 6 statements (see Appendix 1). Respondents were asked to choose at which extent they agree with the said statements on. As can be seen on the Figure 23 above, majority of respondents (61%) agreed on some level that luxury brands should actively interact with consumers on social media. On the other hand, 26% of respondents did not find active interaction with consumers on social media a necessity for luxury brands, while 13% answered 'I don't know'.

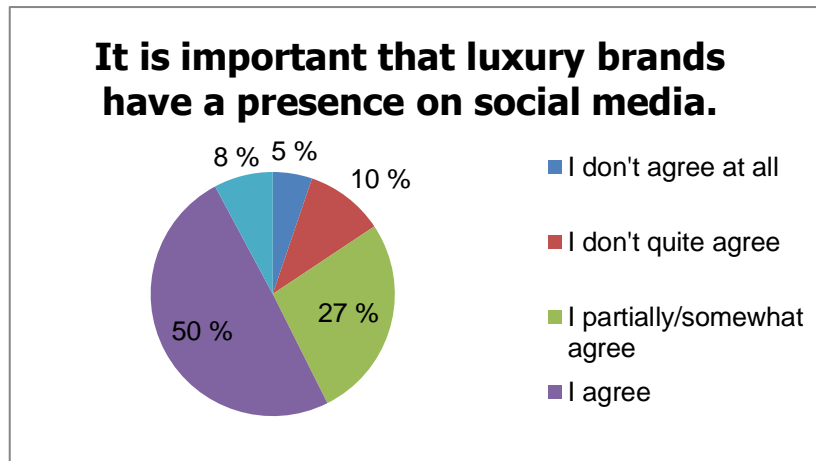


Figure 24. It is important that luxury brands have a presence on social media.

Figure 24 demonstrates the responses yielded on the second statement. With 77% of respondents agreeing with the statements and 8% being unsure of their stand on the matter, the findings on this correspond with the literature on the importance of brands having a presence in social media in today's well-connected world, as discussed in the section 4.5. Even in the mids of the social media boom, 15% of respondents found it unimportant for luxury brands to have a presence in social media.

Third statement continued along similar lines and asked the respondents whether they find luxury brands without social media presence outdated or not. With this statement approximately 52% of the respondents agreed on some level, while 35% disagreed as Figure 25 demonstrates below.

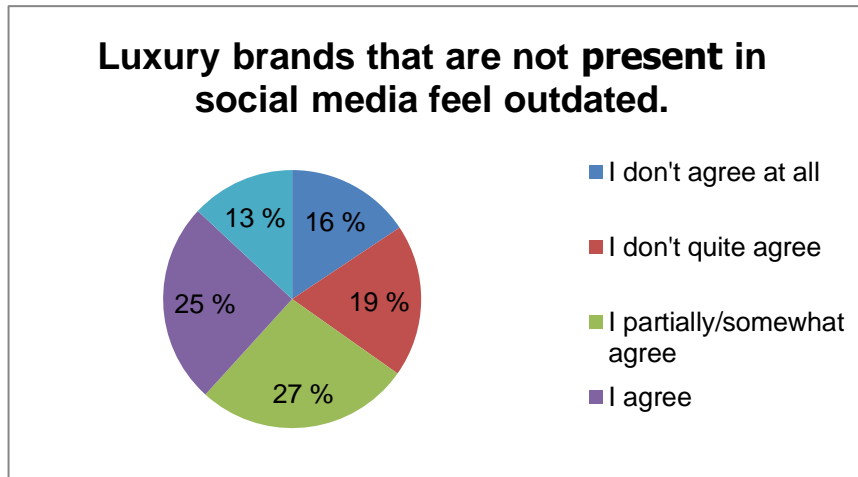


Figure 25. Luxury brands that are not present in social media feel outdated.

When asked whether they find luxury brands that are active on social media more trustworthy than brands without social media presence, 37% of respondents agreed with the statement while 44% disagreed (see Figure 26).

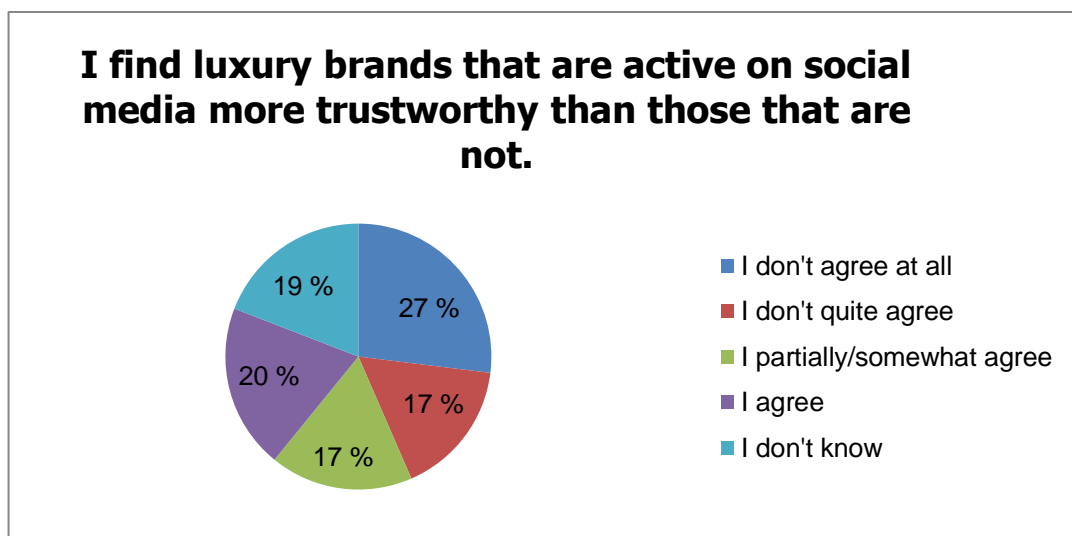


Figure 26. I find luxury brands that are active on social media more trustworthy than those that are not.

Statement 5 continued along the same lines with statement 4, asking respondents whether they feel that interacting with luxury brands on social media increases their trust in the brand and its products. 38% of respondents didn't agree and similarly to the previous statement 19% of respondents didn't have an opinion on the matter. On the other hand, 43% agreed that interactions with luxury brands on social media increase their trust in the said brands (see Figure 27). Thus, as trust is a crucial part of

consumer engagement and the base for creating commitment, as discussed in section 4.4, these results can be considered to support the notion of online interactions on social media playing crucial role in positively affecting the brand image and through that the purchase behaviour of luxury consumers based in Finland.

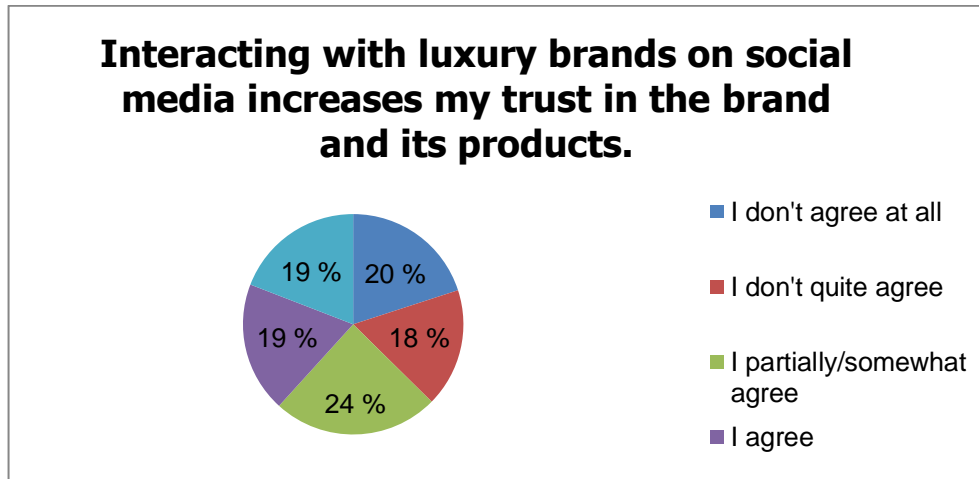


Figure 27. I find luxury brands that are active on social media more trustworthy than those that are not.

Last statement yielded quite different results with 49% of respondents stating that they wouldn't prefer to purchase products or services from brands that are active on social media and 18% of respondents neither agreeing nor disagreeing. Only 33% of respondents agreed with the statement (see Figure 28).

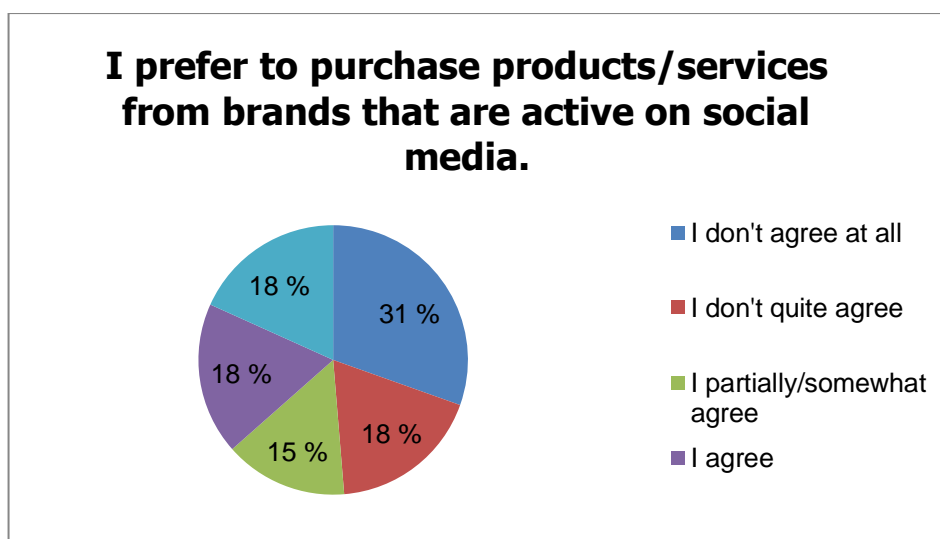


Figure 28. I prefer to purchase products/services from brands that are active on social media.

At the end of the survey, respondents were asked if they have any suggestions on how luxury brands could improve their social media presence. Only few of the respondents took the chance to give suggestions, which concentrated highly on posting of more videos and live streams, replying to comments faster and providing more detailed information on products and the brand itself on different social media platforms.

7 Conclusions and discussion

This section discusses the reliability and validity of the data collected through primary research and limitations concerning the research conducted before rounding up the conclusions of the study based on both primary and secondary research presented.

7.1 Reliability and validity

The data collected through primary research should be reliable and valid. Reliability refers to the ability to produce a same or nearly the same answer from the same respondent if the research was to be replicated, while validity deals with the truthfulness and accuracy of the responses provided by the respondents (Burns and Bush, 2010: 319). Validity of survey questions as well as the likelihood of the data acquired being reliable can be in the case of a quantitative research via online questionnaire be assessed by pilot testing the questionnaire (Saunders et al., 2009: 394).

As mentioned in section 5, the questionnaire was tested with the author's friends and family before distribution in order to ensure that the questions were relevant and easily understood and can be answered adequately. This was done in an effort to ensure the reliability of the chosen methods or research. The researcher aimed to construct all survey questions in the most objective matter possible in order to prevent indirectly influencing the responses and causing bias.

Due to the fact that online questionnaires can be replicated without much effort and that the chosen mode of distribution of the survey consists mostly of social media embedded brand communities accessible to all support the reliability of the chosen research method. Furthermore, an effort was made to gain sufficiently large number responses to ensure a satisfactory sample size in order to increase the validity and reliability of the research.

However, due to all survey respondents being based in Finland, the results yielded by this research do not apply to other countries. Furthermore, as respondents were only asked to specify which country they reside in, there is a chance that not all of them are

representatives of completely Finnish mind set but might instead be representatives of other cultures who currently reside in Finland. Additionally, the sample size itself was rather small, which is why the results may not represent the Finnish luxury consumer market as accurately as would be possible with a larger sample size. Nevertheless, the results provide an idea of the attitudes and mind set of luxury consumers in Finland.

7.2 Limitations and recommendations for future research

There are various limitations to this research, which demonstrates need for further research on the subject. First of all, the limited amount of time available along with the relatively small sample size greatly limited the scope of this research. It can be considered quite likely that a larger sample size would have, for example, revealed differences in answers between representatives from different cultures. The lack of such cultural differences is another limitation of this study and provides reason for further research on the subject as gaining understanding of the topic on a wider scale would require much larger sample as well as longer time to conduct such study.

This research also lacks insight from luxury industry professionals due to failed attempts of gaining an expert interview on the subject. Such insight could shed better light to the issue from the perspective of companies operating in the luxury industry. Thus, it could be beneficial to conduct further research through expert interviews on the relationship of active consumer engagement within social media and the brand image.

Furthermore, while effort was made to present the survey form and questions in the most objective manner possible and testing was conducted before circulating the survey, the possibility of respondent error could not be fully eliminated. This is because the whole research being conducted in English, which as the respondents reside in Finland very likely isn't their native language. Thus, there is a chance that respondents might have understood questions differently than was intended by the researcher.

7.3 Conclusion

The purpose of this study was to investigate the correlation between active engagement and purchase intention with a central hypothesis that active consumer engagement within social media based brand communities has a positive impact on consumers' perception of luxury and increases their desire to purchase luxury products. Furthermore, the hypothesis was based on the assumption of the impact of active consumer engagement being positive rather than negative as consumers are more likely to converse and engage with brands and other consumers alike that they share interests with than with those they do not have common interests with.

Both primary and secondary researches demonstrated a clear cause-effect link between active consumer engagement and brand image and intention to purchase luxury goods. Through primary research it was revealed that luxury brands' social media presence, as well as their activities and communications there, do indeed impact consumers' intention to purchase luxury goods. This impact was, depending on the consumer, either positive or negative. Thus, the results of primary research only partly supported the hypothesis suggesting that at least within luxury consumers in Finland, although a vast majority stated that luxury brands should have a social media presence, there are still a fair amount of consumers who view social media activities as a factor reducing their desire for luxury brands' products.

While these results of primary research were both partly supportive and partly contradictory of the central hypothesis, secondary research provided further proof of the positive impact active consumer engagement has on the brand image and through that the purchase intention of luxury consumers. Not only was social media regarded by numerous academics as a powerful and effective tool in communication between luxury brands and consumers, but also efficient in building and managing the relationship between the two (Kapferer and Bastien, 2012: 249-250, 252, 267; Kim and Ko, 2012: 1485; Okonkwo, 2007: 178-179). Furthermore, active consumer engagement was found to create trust, satisfaction and loyalty (Brodie et al., 2013: 107,112) and to have a significant influence on the brand image (Godey et al., 2016: 5835).

As secondary research revealed, brand image plays a significant role in the purchase decision process (Kotler et al., 2008: 269-270), which further supports the central hypothesis in that active consumer engagement can through improvement of the brand image increase the consumer's desire to purchase luxury goods. Research by Kim and Ko (2012: 1485) further supported the notion of positive brand image affecting the purchase intention.

All in all, while primary research revealed some contradictory evidence amongst luxury consumers in Finland and the need for further research on a larger and more global scale for more definitive proof, the overall conclusion of this study is, in support of the hypothesis, that by actively engaging consumers in brand communities embedded in social media luxury brands can positively influence the brand image and purchase intention of luxury consumers. Luxury brands should embrace social media and aim to engage and entertain their followers with diverse and interesting content in order to influence how consumers perceive the brand and increase their desire for the luxurious products and services the brand offers.

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Appendix 1: The survey questions

Survey on luxury brands and social media

I'm conducting research on luxury brands and the effects of active consumer engagement within social media based brand communities on consumers' perception of luxury as part of my studies in Helsinki Metropolia University of Applied Sciences. This survey will only take a few minutes to answer and I would greatly appreciate your cooperation. The survey is anonymous and all answers will be kept confidential. I kindly ask of you to answer all questions.

Thank you in advance!

Please choose your gender;

- Female
- Male

How old are you?

- under 20
- 20-25
- 26-30
- 31-35
- 36-40
- 41-45
- 46-50
- 51 or over

Please specify your household's yearly income (in Euros)

- under 15 000€
- 15 000 - 19 999€
- 20 000 - 39 999€
- 40 000 - 69 999€
- 70 000 - 99 999€
- 100 000 - 119 999€
- 120 000 - 139 999€
- 140 000€ or over

What country do you currently live in?

Your answer _____

Luxury

How would you describe "luxury"?

Your answer _____

Do you own an authentic luxury product? If yes, please specify which brand(s). If no, would you like to own one?

Your answer _____

Which of the following brand characteristics do you associate with luxury?

- High quality
- Premium pricing
- Heritage
- Craftsmanship
- Innovation
- Rarity
- Uniqueness
- Emotional appeal
- Other: _____

Which of the following luxury brand characteristics do you value the most? (Please choose up to 2)

- High quality
- Status
- Heritage
- Rarity
- Aesthetics
- Brand image
- Timelessness

When making the decision to purchase luxury goods and services, how important are the following characteristics?

	Not at all important	Somewhat important	Important	Very important	Not sure
High quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Status	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand heritage	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand image	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Aesthetics	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rarity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Approximately how many times a year do you purchase luxury goods or services?

Your answer _____

On what basis do you usually make the decision to purchase luxury goods?

Your answer _____

Which of the following are likely to influence your decision to purchase luxury goods or services?

- Friends and family
- Celebrities
- Social networking sites
- Blogs
- Magazines
- TV and Radio
- Other: _____

Social media

Are you active on social media?

- Yes
- No

In your opinion, should luxury brands have a presence on social media? Why?

Your answer

Do you follow any luxury brands on social media? If yes, please specify which brands you follow.

Your answer

On which of these social media platforms do you follow luxury brands? (Please choose all that apply)

- Facebook
- Twitter
- Instagram
- LINE
- Snapchat
- Pinterest
- Youtube
- None
- Other: _____

On social media, do you...

	Never	Rarely	Sometimes	Often	All the time
Post comments on the timeline/page of a luxury brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Read comments and reviews from other consumers on luxury brands' timeline/page	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Send private messages/enquiries to luxury brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Search for information on new product launches and campaigns	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Participate in unofficial fan groups created by other luxury consumers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ask other luxury consumers for product recommendations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Like posts made/images and videos posted by luxury brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mention a luxury brand on a status update/tweet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mention a luxury brand on your post/tweet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How important is it to you that the brands you follow are active on social media?

	1	2	3	4	5	
Not at all important	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very important

What type of social media updates on luxury brands' social media sites attract you the most?

- Campaign advertisements
- Videos and live streams
- Event invitations
- Responses to reclamations and enquiries
- Feedback and comments from other consumers

Interacting with luxury brands on social media ...

	Not at all	Only a little	Sufficiently	Very much	Not sure / I don't know
makes me feel closer to the brand.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
increases my desire to purchase luxury goods/services.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
keeps me informed on luxury brands and their products.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
gives me a clearer idea about luxury brands and their brand images.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
provides me with a way to directly communicate with luxury brands.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
keeps me up to date on newest trends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Does luxury brands' activity on social media affect your desire to purchase their products?

- Yes, positively.
- Yes, negatively.
- No
- I'm not sure

If you answered yes to the previous question, please explain why;

Your answer

Do you agree with the following statements?

	I don't agree at all	I don't quite agree	I partially/somewhat agree	I agree	I don't know
Luxury brands should actively interact with consumers on social media.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is important that luxury brands have a presence on social media.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Luxury brands that are not present in social media feel outdated.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I find luxury brands that are active on social media more trustworthy than those that are not.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Interacting with luxury brands on social media increases my trust in the brand and its products.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I prefer to purchase products/services from brands that are active on social media.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Lastly, how do you think luxury brands could improve their social media presence?

Your answer

BACK

SUBMIT

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