The Effects of Country-of-Origin and Attitude Functions on Luxury Brand Purchase

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Introduction. A luxury brand refers to "a brand [associating] with a premium quality and/or an aesthetically appealing design, which implies expensiveness and rarity" (Hudders, 2012, p.609). The luxury market is highly profitable and has seen growth in sales revenue even though the global economy has slowed. The global luxury market reached $241 billion in sales in 2014 (Bain & Company, 2015). The number of luxury consumers has grown from 140 million worldwide in 2000 to over 350 million (Kim & Joung, 2016). More than half of luxury market revenues resulted from fashion products (Kim & Lee, 2015). Despite the rapid growth of luxury market, factors influencing consumers' perceptions and purchase intentions toward luxury brands remain under investigated. Researchers (Godey et al., 2012) found consumers rely on extrinsic attributes such as country-of-origin when purchasing luxury products. Thus, this study aims to examine the effects of country-of-origin on consumers' attitude and luxury brand purchase intentions (see Fig. 1).

Theoretical Framework. The "Functional Theories of Attitudes" (Grewal, Mehta, & Kardes, 2004; Katz, 1960) were adopted to develop a theoretical framework for the present study. The functional perspective of attitude suggest that attitude held by individuals influence psychological functions. The attitude functions include social-adjustive, value-expressive, hedonic, and utilitarian functions (Grewal et al., 2004; Schade, Hegner, Horstmann, Brinkmann, 2016). The present study extends the scope of attitude functions by adding materialistic functions. Materialistic function reflects beliefs of the importance of possessions (Belk, 1995; Dowson, 1992), which is found to be an important segment of luxury consumption behavior (Wiedmann, Hennigs, Siebels, 2009).

Method. A convenience sample of college students at a Mid-Southern university in the US was recruited to complete an online survey through emails sent by undergraduate class instructors. To measure the variables, reliable and valid scale items were adapted from existing literature. The survey questionnaire contained eight sections: (1) social-adjustive function, (2) value-expressive function, (3) materialistic function, (4) hedonic function, (5) utilitarian function, (6) country-of-origin, (7) luxury brand purchase intentions, and (8) demographic information including age, gender, ethnicity, and household income. All scale items except demographic information were measured using 7-point Likert scale ranging from strongly disagree (1) to strongly agree (7). Linear and multiple regression analyses were conducted in SPSS 23.0 to test the proposed hypotheses in the theoretical model.

Results. A total of 520 students participated to the survey. After discarding incomplete data, 418 responses were used to test proposed model. The majority of the sample was Caucasian American students between the ages of 19 and 24 years old (85%). Annual household income of a half of the participants ranged $75,000-$200,000. Exploratory Factor Analysis (EFA) using principal axis factoring with varimax rotation confirmed one factor for each variable with an

Eigenvalue greater than 1. Items were retained with factor loadings of .50 or higher on one factor, but below .30 on the other factor. Reliability was supported for all variables ($\alpha \geq .73$) except utilitarian function ($\alpha \geq .63$). Thus, utilitarian function was excluded in further analysis. EFA tested whether the four attitude functions (social-adjustive, value-expressive, materialistic, and hedonic functions) were loaded on one construct. Results confirmed a hierarchical structure of attitude construct. All factor loadings of the four attitude functions were greater than .70. Reliability was supported for the second-order-factor of attitude ($\alpha = .78$). Results showed that country-of-origin positively influenced attitude toward luxury brand ($\beta = .21$, $t = 4.28$, $p < .001$), supporting H1 and attitude toward luxury brand positively influenced luxury brand purchase intentions ($\beta = .38$, $t = 5.37$, $p < .001$), supporting H2. Additional multiple regression analysis found a significant path between country-of-origin and luxury brand purchase intentions ($\beta = .56$, $t = 8.89$, $p < .001$), which showed much stronger impact than the direct effect of attitude on purchase intentions ($\beta = .27$, $t = 3.97$, $p < .001$).

      <u>Conclusions and Implications.</u> This study identified attitude is a multidimensional construct consisting of social-adjustive, value-expressive, materialistic, and hedonic functions. This new finding implies that materialistic function plays a more important role rather than utilitarian function when young consumers purchase luxury brand. Results confirmed that country-of-origin and attitude positively influenced luxury brand purchase intentions. In addition, country-of-origin appeared to be important as a direct predictor of luxury brand purchase intentions. These findings suggest that a luxury brand's original country image should be promoted by highlighting its superior quality that originates from the country. Future research using national sample is needed to improve external validity of the study. The factor structure of the second order factor of attitude should be further examined through confirmatory factor analysis.
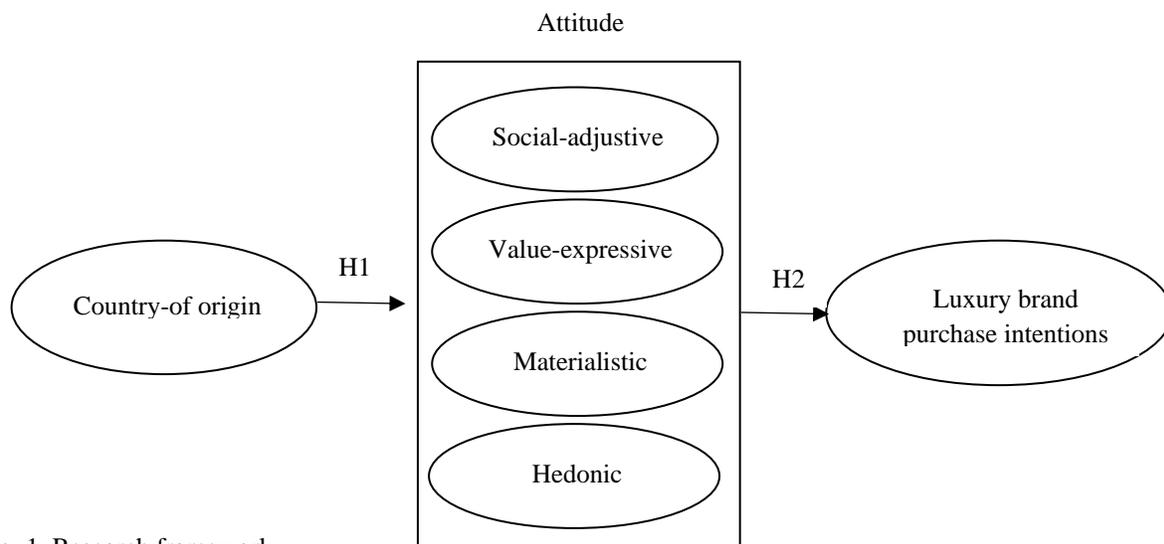

Fig. 1. Research framework.
References are available upon request.