

# **Understanding the Impacts of Luxury Value Dimensions and Behavioural Biases on Luxury Consumption**

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# ABSTRACT

The luxury market has been rapidly expanding worldwide, leaving marketers and researchers intrigued, and calling for brands to understand and adapt to what captivates customers towards luxury. This dissertation not only reflects on the multidimensional values that consumers gain from luxury purchases but also the behavioural aspects that guide purchase decisions. This dissertation aims to examine the influence of various dimensions of luxury value on an individual's luxury value perception and in turn its impact on the elements of luxury consumption. Additionally, it explores the impact of behavioural biases such as present bias and overconfidence on consumers' purchase intention and willingness to pay premium prices. A survey of 176 participants including Indian, Albanian, Canadian, Chinese, French, Saudis and Singaporeans revealed that perceived Hedonism from luxury brands or products has the strongest impact on an individual's luxury value perception, followed by Materialism and Social value. The Financial, functional and self-identity dimensions of luxury value have no significant influence on an individual's luxury value perception. Notably, a strong positive relationship was observed between individuals' luxury value perception and their luxury consumption behaviour highlighting the importance of their positive evaluation of the brand on their purchase intention. Concerning behavioural biases, although lower numeracy proved to increase overconfidence, overconfidence showed no impact on consumption behaviour. Similarly, no relationship was observed between present bias and consumption of luxury goods. This dissertation considers both luxury and non-consumer perspectives offering important insights into consumer perceptions and providing novel perspectives on how consumers' behavioural aspects shape their luxury consumption.

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# 1. INTRODUCTION

In the continuously evolving consumer landscape, the luxury goods market persists as a fascinating segment, characterised by its allure, exclusivity and aspirational aspect. The idea of luxury is not a new development (Rathi et al., 2022) and has gained substantial attention over the years due to its noteworthy attributes like excellent craftsmanship, high quality and distinctiveness (Jain, 2019; Wang, 2022). In the past, luxury was associated with prestige, opulence and rarity, reserved for the upper echelons (Batat, 2023). However, the notion that luxury is for the privileged has transformed in recent years due to several reasons including shifting socio-economic conditions, digitalisation and changing consumer demographics.

Despite the economic turbulences and detriment of the COVID-19 pandemic, the luxury industry has been successful in navigating the lows and re-establishing itself. According to a report by Bain & Company (2021), the overall luxury goods market reduced by 20-22% in 2020 due to the pandemic, and the core segment, personal luxury goods shrank by 23%. However, the top 100 luxury goods companies according to the 2023 Global Powers of Luxury Goods report have shown a significant rise in composite sales in 2022 from 2021, signalling a prospering luxury goods industry post the pandemic (Deloitte, 2023a). An annual study by Bain & Company (2024), has estimated that the overall value of the global luxury market reached €1.5 trillion, a striking 11% to 13% from 2022 and the market for personal luxury goods grew by 8% to reach €362 billion in 2023. Apart from the very-high-net-worth individuals, the growth of the global economy has contributed to the recent trend of rising numbers of wealthy high-net-worth individuals (Investopedia, 2022). The increase in wealth of people provides them with excess disposable income to splurge on personal experiences (Srinivasan et al., 2014). The rise of the rich and aspirational middle class has caused the democratisation of luxury leading to increased accessibility and availability of luxury goods, with brands bringing out affordable lines of luxury goods to satiate this consumer segment (Rosendo-Rios and Shukla, 2023). Additionally, the enhanced digital presence of luxury brands coupled with the rise in e-commerce and social-media usage has exposed brands to a broader audience, establishing brand image (Godey et al., 2016) and has transformed the target consumer demographic to include the younger and digitally savvy (Erdogmus et al., 2021). Altogether the emergence of new consumer cohorts and changing consumer perceptions challenge the notion that luxury is reserved for the elite (Kapferer and Bastien, 2012).

There are many reasons beyond the basic aspiration for expensive goods why consumers consume luxury goods. The traditional model of luxury consumption is mainly rooted in concepts of conspicuous consumption, exclusivity (Phau and Prendergast, 2000) and status signalling that describe the inclination of consumers to indulge in luxury consumption for extrinsic benefits such as display of wealth, prestige and social standing (Hamilton and Tilman, 1983; Han et al., 2010). Further, to study the impact of individual behaviour on consumption patterns the concepts of Bandwagon effect i.e., the consumption of luxury goods to conform with the majority and Snob effect which explains the acquisition of items due to consumers' desire for exclusivity (Kastanakis and Blabanis, 2014) were introduced. Besides the social and economic factors, a blend of emotional and psychological reasons influences consumers' decisions to engage with and purchase luxury goods. Consumers today are increasingly informed, selective and purpose-oriented, looking for personal alignment, experiences and enjoyment through the consumption of goods rather than just functional utility (Wiedmann et al., 2007). According to an article by McKinsey & Company (2020), experiential luxury including hotels, cruises, resorts and restaurants is one of the booming segments of luxury

thanks to the millennials who choose “Instagrammable moments” and experiences over luxury material possessions. The digitalisation of the shopping experience has led to increasing demand from a range of consumer segments and broader availability of luxury goods like never before, endangering the exclusivity of brands and exposing them to the threats of counterfeiting and brand over-extensions (Radon, 2012; Hennigs et al, 2015). Increasing environmental awareness and ethical concerns among luxury consumers, especially the younger population motivates brands to make more sustainable choices and at the same time challenges them to transition towards a circular economy model and adopt more responsible practices (Deloitte, 2023b). These shifts in consumer preferences have piqued the interest of researchers in the field and urged luxury brands to rethink their marketing strategies and offerings to keep up with the advancing consumer values and demands. The growing number of affluent people accompanied by factors like rising disposable income, escalating internet penetration, the emergence of new luxury brands and the younger generation’s propensity for luxury goods has contributed to the expansion of the luxury industry and demands an understanding of the factors that influence consumers’ luxury consumption behaviour.

A consumer’s perception of luxury value is multifaceted and involves several dimensions that together control and guide consumer behaviour. Wiedmann et al., (2009) proposed a four-dimensional framework combining financial, functional, social and individual values that constitute a consumer’s luxury value perception. These dimensions are central to the understanding of motivations behind luxury purchases. With the multidimensional framework in consideration, Hennigs et al., (2015) verified that the financial, functional and social aspects impact an individual’s luxury value perception defined as “the customer’s overall evaluation of a luxury brand” (Hennigs et al., 2015, p.925) which in turn influences purchase behaviour including purchase intention, recommendation behaviour and willingness to pay a higher price.

This dissertation aims to investigate the influence of various dimensions of luxury value on an individual’s luxury value perception and in turn its impact on the elements of luxury consumption. Additionally, it aims to explore the impact of behavioural biases such as present bias and overconfidence on consumers’ purchase intention and willingness to pay premium prices. The dissertation will incorporate the constituent dimensions of luxury value including financial, functional, social and individual value as the antecedents to understand customers’ evaluation of luxury goods.

## **2. LITERATURE REVIEW**

The notion of luxury and how consumers perceive it has evolved gradually over the decades and has long been an area of extensive study in consumer behavioural research. The expanding consumer interest and normalisation of luxury have called for a better understanding of consumer behaviour and a change of strategies for luxury brands to stay relevant while maintaining their exclusivity. This literature review aims to explore the evolution of the definition of luxury, consumers’ perception of luxury and the factors affecting it and related purchase behaviour.

### **2.1 Defining Luxury**

Due to the dynamism of the concept, luxury has no set definition (Kapferer, 1997; Cornell, 2002; Ko et al., 2019) and holds different meanings for different people depending on their experience and mood (Wiedmann et al., 2009). Luxury was derived from the Latin words “Luxus” meaning excess and extravagance or “Luxuria” meaning rankness and offensiveness,

which later evolved to the French words “luxe” and “luxure” to mean wealth or indulgence (Merriam-Webster, n.d.). In recent times, the word luxury has been used freely in our daily lives regardless of the understanding of what luxury actually encompasses and has slowly ingrained itself into society, making its adoption comfortable and seamless.

Over the years, the concept of luxury has progressed significantly and different researchers have defined luxury in many different ways. Traditionally, price and superior quality were the main focus while defining luxury. According to McKinsey (1990, as cited in Wiedmann et al., 2009) luxury brands are the ones characterized by a higher price-to-quality ratio and while the functionality-to-price ratio for some luxury goods is low, their ratio of intangible and contextual utility to price is high (Nueno and Quelch, 1998). This aligns with Berry's (1994, as cited in Kemp, 1998) claim of luxury goods as those that offer pleasure and are beyond the necessities. However, Phau and Prendergast (2000) argue that luxury stands for more in recent days and is neither unavoidably expensive nor a necessity. They point out that luxury brands stand out today based on their ability to elicit rarity, establish brand identity, expand brand awareness and retain customers' loyalty.

The subjective aspects of luxury are pointed out by several authors. Kapferer and Bastien (2009)<sup>1</sup> highlighted the experiential and multi-sensory nature of luxury, pointing out that luxury brands must focus on personal gratification beyond functionality. Emphasizing the complexity of luxury goods, Cornell (2002) mentioned attributes such as a substantial amount of human involvement, limited supply and value recognition by others. This subjective aspect is further reinforced by Dubois, Czellar and Laurent (2001)<sup>2</sup>, underlining that luxury is not a one-size solution and customers display ambivalence and conflicting attitudes towards luxury. They highlight the numerous sides of consumer attitudes suggesting that luxury cannot be entirely defined by the product but can also be connected to cognitive components like experiences, emotions and time.

Kapferer (1997) provided a more artistic definition “Luxury defines beauty; it is art applied to functional item. Like light, luxury is enlightening” highlighting the essence of each brand and further defining it as items that provide pleasure and flattery to all senses. This viewpoint accentuates the aesthetic and experiential aspects of luxury. Drawing attention to the psychological factors behind luxury consumption, Nia and Zaichowsky (2000) pointed out that luxury consumption allows consumers to satisfy their psychological needs by representing their social status, expressing their self-image and building self-concept. This is in line with Vigneron and Johnson's (1999) findings that prestige-seeking behaviour including hedonist motives, self-consciousness and susceptibility to interpersonal influence impacts the decision-making process concerning luxury purchases.

Several researchers and scholars have indicated that luxury is a multidimensional and subjective construct, shaped by various factors. Dubois et al., (2001) identified six facets that constitute luxury including excellent quality, high price, scarcity and uniqueness, aesthetics and polysensuality, ancestral heritage and personal history and superfluosity. Similarly, Heine (2012) associated luxury brands with those with consumer perceptions of high price, aesthetics,

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<sup>1</sup> This article explored the specifics of luxury brand management, discussing luxury marketing, essence of luxury including the social and personal aspect and luxury branding strategies.

<sup>2</sup> The paper explored the complex and opposing customer attitudes toward luxury goods. This research comprised of two studies: the first one implemented content analysis of in-depth interviews to understand the multi-faceted nature of consumer attitudes. The second study employed a quantitative survey (N=1848) conducted in twenty countries, identifying three customer segments based on their attitudes towards luxury goods.



quality, extraordinariness, rarity and numerous non-functional associations. With these studies in consideration, in an attempt to provide a usable definition of luxury brands, Ko et al. (2019)<sup>3</sup>, conducted a thorough literature review and proposed that luxury brands are those whose products or services are perceived to have high-quality, provide authentic emotional or functional value, are known for their craftsmanship or service, are worth the premium price and have strong alignment with the customer's identity.

Throughout literature, there is a shift in the way luxury is defined, from solely concerning price and quality to a more intricate understanding that encompasses social, psychological and experiential dimensions. This transition reflects the increasing importance of immaterial rewards as a means of life enrichment and changing consumer perceptions towards luxury as a concept and its consumption.

## 2.2 Evolution of the luxury market:

Evolving from a specialised segment dealing with limited products and wealthy clientele to a worldwide industry with a broader client base, the luxury market has lived through a notable transformation over the years. In the 17<sup>th</sup> century, only hard-to-find crystals and pearls were considered luxury (Rathi et al., 2022). During the 18<sup>th</sup> century, the luxury market to a great extent was kept for the elite and royalty and included goods like tea, textile fabrics and porcelain from Asia that were shipped to Europe as high-quality items for the middling-class (Berg, 2007). The 20<sup>th</sup> century was when today's well-known luxury brands started gaining the spotlight (Som and Blanckaert, 2015). Som and Blanckaert (2015) list three reasons for the transformation of the luxury market from that meant for the upper classes to the "democratisation of luxury" that encourages experimentation and expression through greater accessibility. The first reason is the emergence of new groups of wealthy individuals due to changing economic and social settings, second the rising number of new luxury brands offering more choice to consumers and increasing accessibility to luxury and third the digital transformation.

The economic conditions over the decades have shaped the luxury markets driving change. The 2008 financial crisis caused a decline in sales in the global luxury market, changing the pattern of luxury consumption in terms of consumer motivations shifting from a need for conspicuousness and logos to a more modest, value-based consumption (Kapferer, 2010). Such shifts urged luxury brands to reframe their strategies to cater for a diverse clientele. Regardless of the inflation crisis, there has been a strong and continued demand for luxury goods (J.P. Morgan, 2023b). The rapidly growing Asian population and rising Asian middle-class income, particularly in China created a new customer segment with consumption patterns highly influenced by culture, offering brands new streams for expansion (Zhan and He, 2011). Emerging markets including India, Southeast Asia and Africa are the ones with most potential (J P Morgan, 2023a). Additionally, the evolution of the markets from traditional stores to online channels and sales of pre-owned goods have increased customer engagement with brands. Demand from customers has led to increased sustainability considerations from brands to focus on more ethical and sustainable practices. All of these shifts collectively contribute to the industry's boom in recent years. A report by J P Morgan (2023a) mentions luxury markets as

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<sup>3</sup>Ko, Costello and Taylor's (2019) conducted a thorough review of literature to compare definitions of luxury as defined by multiple authors. It included articles on luxury brand marketing by conducting a database search using general keywords related to luxury brands and luxury marketing and used Ko and Meghee's (2012) framework for understanding luxury brand consumption as a guide. The literature search was conducted from Fall 2015 to 2017 to identify 130 academic articles.

an attractive doorway for investors looking to gain from the industry's growth in the longer term. This sort of growth has resulted in a drastic increase in academic interest with almost 50% of academic articles on luxury marketing published after 2017 in comparison to the last three decades (Rathi et al., 2022).

## 2.3 Luxury Perceptions and Purchase Behaviour

Individuals form perceptions to meaningfully understand their environment by selecting, organising and interpreting sensory information which then guides their attitudes towards it (Black and Bright, 2019). Perceptions do not essentially result in an accurate evaluation of the environment, but rather a personal and subjective evaluation that is shaped by an individual's values, needs, desires and personality (Black and Bright, 2019). Within the setting of luxury consumption, consumers' assessment of a luxury brand or product is majorly determined by their perceptions.

Furthermore, Srinivasan, Srivastava and Bhanot (2014) defined purchase behaviour as the set of actions, together with mental and social procedures that come before and after these actions, that guide the purchase and use of products and services. They highlight the five steps that a customer goes through while deciding on products and services to buy, they are:

1. Problem recognition
2. Information search
3. Alternative evaluation
4. Purchase decision
5. Post-purchase behaviour.

Purchase behaviour is key to the understanding of consumers' choice of certain brands or products and brands' response to this consumer behaviour. Luxury value perception is a nuanced construct affected by many factors like demographic, cultural, psychological, social, economic and brand-related aspects. Luxury brand marketers and researchers need to understand these factors to respond to consumer behaviour towards luxury brands and goods.

The following section of the literature review inspects the major categories of factors that influence luxury value perception and purchase behaviour including socio-demographic, psychological, cultural and brand-specific factors in an attempt to provide a broad overview of the complexities of luxury value perception.

### Socio-Demographic Factors

Many prior studies have studied the impact of various socio-demographic factors like gender, age, education and income levels on the luxury purchase intentions of consumers.

#### *Gender*

By gender, we refer to the social construct that varies with societal norms, roles and values and comprises of gender identity and expression (NIH, n.d.). Luxury marketing has used gender as a strategic tool for activities like premium pricing, advertising etc which is why understanding the role of gender towards luxury consumption behaviour is crucial. Women's attitude toward luxury brands is more positive compared to men's and also, they show a higher intention to purchase (Stokburger-Sauer and Teichmann, 2013). Additionally, status, hedonic value and uniqueness hold more significance for women than men. Building on this, Roux, Tafani and Vigneron's (2017)<sup>4</sup> study found that refinement is a major factor in women's luxury

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<sup>4</sup>Roux, Tafani and Vigneron (2017) examined the effect of gender on perceptions of and reasons for luxury consumption, and conducted three studies with French respondents who were frequent luxury buyers. Study 1 (N=512) identified the values linked to luxury consumption. Study 2 (N=640) proposed a luxury brand value

consumption. In contrast to the previous study, exclusivity and elitism are a main driver for men concerning luxury consumption. These results highlight the difference in motivation among genders for engagement with luxury brands and goods.

### *Age*

Age plays an important role in luxury purchase decisions as people from varying age groups have different responses to the various aspects associated with luxury brands (Srinivasan, Srivastava and Bhanot, 2014). A Bain and Company (2024) report revealed that Generation X and Y in their peak income years will make up 25% - 30% of luxury purchases by 2030 and Generation Z navigating social and cultural shifts will constitute 50-55% of the luxury purchases, suggesting brands to include multigenerational convolutions in their future strategies. While studying the luxury consumption patterns among different age groups Schade et al., (2016)<sup>5</sup> found that hedonic and utilitarian functions are significant among all age (16-59 years) groups. While socially-adjustive and value-expressive functions do not affect luxury purchase behaviours of middle-aged adults (40-59 years), the purchase behaviour of late adolescents (16-25 years) is positively influenced by socially-adjustive function and that of young adults (26-39) is influenced by value-expressiveness. Srinivasan, Srivastava and Bhanot's (2014)<sup>6</sup> work studying the influence of age on purchase behaviour and luxury value dimensions revealed that customers up to the age of 40 show a significant influence of financial, materialistic and self-identity value on the purchase intention. Customers up to the age of 50 highly associate luxury purchases with uniqueness value and snob effect when compared with older people and customers aged 36-40 perceive high prestige value indicating the status-seeking motivations.

### *Income and education levels*

Income is an important factor controlling luxury consumption as an increase in the wealth of individuals leads to rising demand for luxury products and a shift in perceptions of constituent value dimensions. This coupled with education and exposure impacts the luxury value perceptions of consumers.

In a cross-cultural study understanding luxury value among consumers Hennigs et al., (2012)<sup>7</sup> observed that the high-income consumer group placed more importance on the functionality of luxury goods and individual values rather than status and prestige. The medium-income group showed a preference for social, financial and individual values, valuing the exclusivity of luxury goods. While the medium-high income group reported higher importance for social and individual values, the low-income group assigned more value to

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model with four factors, refinement, heritage, elitism and exclusivity. Study 3 (N=1024) explained the moderating effect of gender on luxury value drivers. However, the generalizability of the study was limited since the study sampled only French consumers.

<sup>5</sup> This study (N=297) examined the impact of attitude functions like social-adjustive, value-expressive, hedonic, utilitarian on consumption of luxury brands. It employed three age groups (16-25, 26-39, 40-59) and used Structural equation modelling. The primary limitation was that the study only identified the impact on luxury consumption and suggested examining the influence of age on luxury perceptions in future.

<sup>6</sup> Srinivasan, Srivastava and Bhanot's study had 1200 respondents from Mumbai belonging to middle and upper classes and examined the impact of age on luxury purchase frequency, influence to buy luxury products and repurchase intention in addition to the impact on luxury value dimensions.

<sup>7</sup> To examine the influence of luxury value dimensions of financial, functional, social and individual on reasons for luxury consumptions, this cross-cultural study surveyed 1257 participants from 10 countries: Brazil, France, Germany, Hungary, India, Italy, Japan, Slovakia, Spain, and the United States. To maintain homogeneity of respondents, students were chosen.

quality assurance of luxury goods. Among consumers from different income groups, education influences where consumer buy their luxury goods like malls or speciality stores or outlets (Srinivasan, 2015)<sup>8</sup>. The study also found that consumers with different levels of education such as undergraduates, graduates, postgraduates and doctorates show significant differences in their perceptions towards luxury value dimensions such as financial and self-identity values with no impact on perceptions towards functional, social or other individual value dimensions.

### *Psychological Factors*

The psychological characteristics of an individual have a significant impact on their perceptions and behaviour towards the consumption of luxury goods. Dubois, Jung and Ordabayeva (2021) proposed that the need for status drives luxury consumption with socio-psychological, biological and structural factors influencing it resulting in both positive and negative outcomes.

### *Materialism*

Belk (1985) defined materialism as the significance a customer gives to material possessions and identifies its three sub traits envy, non-generosity and possessiveness. He highlighted that people with high levels of materialism derive satisfaction or dissatisfaction from these possessions.

To examine the link between luxury consumption and materialism, Hudders and Pandalaere (2012)<sup>9</sup> proposed that luxury purchases encourage a materialistic lifestyle and found that luxury consumption is more evident in materialistic customers than those with lower materialism. They also found that materialism moderates the influence of luxury consumption on satisfaction with life, showing the importance of symbolic value and increased satisfaction among materialistic consumers.

### *Need for Uniqueness*

People buy goods for various reasons, one being to differentiate themselves from others and express self-identity. Limited availability increases the desire for such goods and consumers with a higher need for uniqueness purchase from luxury brands due to their rarity aspect to diminish their sense of identity threat (Zhan and He, 2011). The need for uniqueness acts as a substantial psychological motivator for luxury consumption and impacts customers' behaviours concerning the selection and acquisition of luxury products (Vigneron and Johnson, 2004).

### *Hedonism*

Wiedmann et al., (2009) referred to hedonism as the subjective intangible gains such as excitement, sensory pleasure and aesthetic beauty that luxury goods provide and identified it as an important dimension of luxury value. Hedonic consumption is associated with the need for pleasure, emotional benefits and sensory gratification leading to favourable evaluation of brands due to focus on the experiential aspect (Hagtvedt and Patrick, 2009). Chen and Kim

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<sup>8</sup> The study had 1200 respondents from Mumbai and Navi Mumbai belonging to middle and upper classes and examined the impact of education on luxury purchase frequency, influence to buy luxury products and repurchase intention in addition to the impact on luxury value dimensions. The key limitation was that the respondents were from Mumbai or Navi Mumbai and did not represent a general population.

<sup>9</sup> To propose the impact of luxury consumption on materialistic lifestyle, the study examined the relationship between luxury consumption, materialism and subjective well-being. The study employed a survey in Belgium with 2206 valid responses. In addition to the findings above, luxury consumption enhanced positive mood, reduced negative mood and improved satisfaction with life.

(2013)<sup>10</sup> pointed out that hedonic value strongly impacts luxury purchases for self-use in consumers who desire intrinsic pleasure and emotional benefits, stressing the experiential aspects of luxury.

### *Conspicuousness*

The term conspicuous consumption refers to the acquisition and display of luxury goods to signal wealth and status to others and originated in the studies of Thorstein Veblen (Memushi, 2013). Luxury goods possess the power to display status and affluence of their owner, increasing the desire for its purchase, and positively impacting consumer behaviour (O’Cass and McEwen, 2004). Han, Nunes and Dreze (2010) introduced the relevance of brand prominence in consumers’ choice for conspicuous or inconspicuous consumption based on their wealth and need for uniqueness. This offers insights to brand managers to better segment the consumers and understand their consumption patterns.

### *Numeracy*

The Webster’s dictionary defines numeracy as the “ability to understand and work with numbers” (Merriam-Webster, n.d.). Numeracy is proven to be a strong indicator of decision-making quality in financial, medical and metacognitive tasks like planning and evaluation (Ghazal et al., 2023). Individuals with high numeracy are also known to be less impacted by framing effects, thus making precise decisions (Peters et al., 2006).

In a study examining the association between numeracy and superior judgment and decision-making, Ghazal et al. (2023) reported that in a sample of highly educated individuals, participants with high levels of numeracy were more accurate in their judgements as a result of being more thorough in their decision-making. Additionally, the study pointed out that highly numerate individuals are likely to accurately assess their performance and are less overconfident in their decisions. Another study by Winman et al (2014) showed that people with high numeracy have better calibration in their probability judgements and close to zero over/underconfidence bias. On the other hand, lower numeracy leads to overconfidence bias. Consumers’ tendency to overestimate a product’s potential and returns from it, leads to overconfidence bias regulating their decisions and increasing their purchase intention (Grubb, 2015; Sun, 2023). One of the key features of luxury branded products is premium price which is also one of the factors that draw consumers to it due to their aspiration for expensive products or belief that premium price equals premium quality. The aspiration for these luxury goods is likely to make customers optimistic and overconfident in their ability to purchase, increasing purchase intentions and willingness to pay premium prices.

### *Cultural Factors*

Culture acts as a key factor in determining consumers’ perceptions and behaviour towards luxury goods. Hofstede (2011) proposed the cultural dimension model in 1980 which has then been an important consideration in the context of luxury consumption research.

### *Individualism vs Collectivism*

Individualistic cultures are more likely to be driven by personal gains and self-expression while in collectivistic cultures, people are very much influenced by societal norms

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<sup>10</sup> This study investigated the influence of personal values and attitudes of Chinese consumers on their luxury purchase intention for self-use or gift-giving. The personal values include materialism, hedonism, social connections and face-saving. Analysis of data from 201 customers (aged 18-40) revealed that hedonism has a positive effect on luxury purchases for self-use, and attitude towards brand name impacted gift-giving.



and show conformity. Wong and Ahuvia (1998)<sup>11</sup>, in their study, found that self-expression and hedonist motives are the main drivers of luxury consumption in Western consumers while Eastern consumers are mostly influenced by group affiliations and social status. They add that Eastern consumers opt for publicly visible goods to display status and for gift-giving as a means of upholding social ties. On the other hand, personal taste and self-fulfilment are the main motivators of luxury consumption among Western consumers.

Aliyev and Wagner (2018)<sup>12</sup> in their study about the differences between individualistic and collectivistic cultures concluded that price-controlled values such as conspicuousness and high quality strongly influence the consumption of collectivists whereas hedonism majorly impacts luxury purchase intentions of individualists verifying the consumption patterns. Shukla and Purani's (2012)<sup>13</sup> cross-cultural study regarding the luxury value perceptions between Indian (collectivistic) and British (individualistic) consumers demonstrated that the status-signalling and symbolic nature of luxury goods held greater significance among both cultures. Additionally, Indian consumers were more influenced by the social values than the British. In another study, Shukla, Singh and Banerjee (2015)<sup>14</sup> employed luxury customers from China, India and Indonesia, which are often treated to be homogenous by luxury brands. The study concluded that despite collectivistic culture being prevalent in both Indonesia and India, other-directed symbolism strongly influenced the consumption patterns of Indians and Chinese and self-directed symbolism and experiential value greatly impacted Indonesian customers. These findings highlight the susceptibility of collectivistic cultures to social factors concerned with their luxury purchase behaviour.

### *Power Distance*

Hofstede (2011) defined power distance as the degree to which less powerful individuals in society accept the unequal distribution of power highlighting that inequality is supported by the low-power members as much as the higher-ups.

Kim and Zhang (2014)<sup>15</sup> studied the impact of power-distance belief and the moderating effect of buying status belief on the purchase of status brands. The results revealed that high

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<sup>11</sup> This article by Wong and Ahuvia aimed to investigate the cultural factors that drive luxury consumption in Asian markets. The study is theoretical in nature and reviews self-concept theory, materialism and conspicuousness in Individualistic (western) and Confucian (Asian) cultures.

<sup>12</sup> This study examined differences in luxury value perceptions and purchase intentions between individualists and collectivists, and employed 1608 participants in a survey about Brand Luxury Index (BLI) (Conspicuousness, Uniqueness, High-quality, Hedonism, Extended-self and Subjective norms) in Azerbaijan (Eastern) and Germany (Western).

<sup>13</sup> This study compared luxury value perceptions using five parameters including Self-directed symbolic/expressive, Other-directed symbolic/expressive, Experiential/Hedonic, Utilitarian/Functional and Cost/sacrifice. The study surveyed 298 British and 203 Indian participants by using a mall-intercept approach in two cities each in the UK and India. The findings show that all cultures are influenced by several luxury value perceptions to varying extents. The study was limited by the fact that only two countries and one cultural dimension were considered and the authors suggest addition of cultural dimensions like power-distance in future.

<sup>14</sup> This study surveyed a total of 626 real luxury customers in the Asian markets of China (N=231), India (N=190) and Indonesia (N=205) by employing horizontal/vertical collectivistic cultural dimensions and the impression management theory to study the distinctions in luxury value perceptions regarding functional, experiential and symbolic values.

<sup>15</sup> This paper assessed how consumers' preferences for luxury and status brands are affected by the power-distance belief employing four studies.

Study 1A: Survey examining the relationship between preference for status brand and power-distance belief in the USA (low-power distance) (N=159) and China (high power-distance) (N=165).

power-distance belief and low self-worth among consumers led to the consumption of status brands to gain social status and move up the social ladder when compared to low power-distance belief and high self-worth. Jiang, Gao and Shi (2021) conducted a survey and experiment in China (N=253) and the US (N=342) respectively to examine the impact of power-distance belief on the consumption pattern in terms of consumers' inclinations towards conspicuous and inconspicuous luxury brands. They found that consumers with lower power distance belief (USA) opt for inconspicuous brands to express personal identity and values while those with higher power distance belief (China) consume conspicuous brands due to their desire for social status.

### Brand-specific Factors

The characteristics of luxury brands can impact how consumers perceive the brand. Various brand-specific factors including Brand image, brand authenticity and country of origin are known to influence consumers' luxury perceptions. Tekin, Yiltay and Ayaz (2016) in their study (N=102) of the impact of brand image on luxury consumer behaviour argue that price is not the only main motivator for luxury purchases but aspects like design, quality and experience are also important to consumers. The key findings of the study revealed that brand image has a major impact on consumer behaviours specifically in the luxury brand context. Additionally, the study explored the concepts of brand awareness as in the customers' ability to remember and recognise a brand and brand association which encompasses emotional attachments consumers have with the brand in terms of status and quality. These two characteristics of brands also have a significant effect on consumers' evaluation of a brand and purchase behaviour. Moreover, the authors identified brand equity, which they define as the brand's assets and liabilities, as positively influencing consumer evaluations of a brand and willingness to pay higher prices. The quality, brand name and logo and the brand's capability to convey prestige and personal values add to the brand's image and influence consumers' perceptions.

## 2.4 Behavioural Biases in Consumer Behaviour:

Human beings, by nature, are constrained in their ability to comprehend information and make rational decisions. They usually rely on mental shortcuts to quickly and efficiently make judgements or decisions which often leads to errors in decisions referred to as cognitive biases by Daniel Kahneman and Amos Tversky (Hjeij and Vilks, 2023). These cognitive biases are known to affect multiple facets of everyday life including people's interactions, perceptions of the environment around them, decision-making, and even consumers' buying decisions including inclination for or dislike toward a brand or product (Jain, 2023). Many brands incorporate biases such as endowment effect, confirmation bias, availability heuristic, anchoring bias etc in their marketing strategies to influence consumers' perceptions regarding their product (Jain, 2023). However, not many academic studies exist on the effects of these biases on consumption behaviour in the context of luxury purchases. This dissertation incorporates two such biases namely present bias and overconfidence to understand their impact on luxury purchase intentions.

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Study 1B: 129 undergraduate students from a southwestern U.S. university were involved in three tasks and asked questions to analyse the same.

Study 2: 70 undergraduate students from a southwestern U.S. university were asked questions to check their beliefs about buying status brands (strong Vs. weak) based on power-distance belief (high Vs. low)

Study3: 231 undergraduate students from a southwestern U.S. university were asked questions to assess the impact of power-distance belief on status brand purchase by considering the moderating influence of self-worth and buying status belief.

## Present Bias

Present bias refers to an individual's tendency to opt for smaller immediate rewards than a bigger future reward, however, the preference is reversed when the two payoffs are equally delayed (Chakraborty, 2017). Xiao and Porto (2019)<sup>16</sup>, investigated the relationship between present bias and various financial behaviours including spending, borrowing, saving and money management, and found that present-biased customers are more likely to be involved in undesirable financial behaviours like spending in the present than saving for the future. They added that present-biased individuals prefer immediate gratification rather than long-term financial health.

Consumers are influenced by present bias in a range of decision-making contexts. A study on the influence of present bias on the purchase decision of energy-efficient appliances revealed that individuals showing higher present bias are likely to forestall energy-efficient appliance purchases due to the high initial costs without much consideration of future energy cost savings (Fuerst and Singh, 2018)<sup>17</sup>. Additionally, this effect is more evident for larger appliances owing to greater upfront costs compared to long-term savings. Barboza (2018)<sup>18</sup> investigated the role of present bias and procrastination behaviour in consumers toward the repayment of credit card debt. He found that present-biased individuals are more likely to develop procrastination behaviour when having to repay in full resulting in bigger debt due to interests. They also grapple with self-control issues that prompt them to use credit cards to cover income shortfalls and probable failure in repaying credit card balances. In the context of luxury purchases, this concept of present bias can be viewed as the tendency to seek immediate gratification from purchases of luxury products instead of saving for the future leading to higher purchase intentions and willingness to spend more.

## Overconfidence Bias

The concept of overconfidence bias was introduced by Daniel Kahneman and refers to people's tendency to overestimate and have strong beliefs in their abilities and judgements (Roxburgh, 2003). The effects of overconfidence are well known, causing people to be more risk-seeking resulting in poor decisions, potential physical risks or financial losses (Dhannur and Kusane, 2023). Overconfidence bias has significant consequences in investment decisions where overestimation of future outcomes of a company or stock market can lead to making high-risk investments or bets that could result in losses. Individuals with overconfidence bias are likely to ignore or diminish potential risks and also link positive returns during good market conditions to their investing abilities fuelling their confidence (Dhannur and Kusane, 2023).

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<sup>16</sup> This study used data from a survey of national urban sample of 3921 households from 25 provinces in China to study the relationship between present biased behaviour and found that present bias behaviour in people motivates them to spend now and save less for the future. A notable limitation of the study was that the behaviours investigated were self-reported by the respondents and authors suggest observation of actual behaviours would strengthen the research.

<sup>17</sup> This paper entails a quantitative study conducted in Delhi, India to examine the impact of present biased behaviour on the purchase of energy efficient appliances. It used survey responses from interviews with household (N = 240 households) heads as primary data and field experiment for secondary data. These survey and experiment collected information about the attitudes toward energy efficiency and behavioural characteristics such as cognitive abilities, time and risk preference. The study additionally pointed out that this effect is more evident for larger appliances like refrigerators and air-conditioners as their upfront cost tend to be higher than long-term savings.

<sup>18</sup> This paper investigated the impact of present-bias and impatience on consumers' repayment behaviour in a sample of 377 college students from MidAtlantic Institute of Higher Education in the US involved in a survey assessing consumption and savings behaviour related to credit card usage, financial knowledge, present-biased behaviour and preferences for time inconsistencies.



## 2.5 Evidence gaps:

Despite the big corpus of literature about luxury marketing, particularly about the consumer perceptions of luxury brands and motivations for the consumption of luxury goods, several gaps still remain.

First, Hennigs et al., (2015) explored the impact of financial, functional and social values on individual luxury value perception and its subsequent effects on consumption behaviour including purchase intention, willingness to pay a price premium and recommendation behaviour. However, the authors mention that future work would benefit from the inclusion of multiple brands and luxury industries like fashion and cars.

Second, Srinivasan, Srivastava and Bhanot's (2014) study investigated the influences of demographic variables like age, gender and occupation on luxury value elements such as uniqueness, social and quality, and the attitude of young Indian consumers towards luxury purchases. The sample included the upper-middle class aged 18-35 from two cities only. The author indicated the scope for future work by expanding the participant age group, including multiple luxury product categories and drawing samples from a wider geographical area.

Third, no previous study addressed the influence of individual value in terms of a "consumer's personal orientation towards luxury consumption" (Weidmann et al., 2009) on an individual's luxury value perception, as in the "customer's overall evaluation of a luxury brand" (Hennigs et al., 2015).

Finally, the effect of behavioural biases such as the present bias and overconfidence bias hasn't been explored in the luxury context, although these cognitive patterns impact everyday purchase decisions.

## 2.6 Key Research Objectives and Questions:

This dissertation aims to investigate the influence of various dimensions of luxury value on an individual's luxury value perception and in turn its impact on the elements of luxury consumption. Additionally, it explores the impact of cognitive biases such as present bias and overconfidence on consumers' purchase intention and willingness to pay premium prices. Overall, this dissertation aims to answer the following research questions:

1. How do the constituent dimensions of luxury value including financial, functional, social, and individual values relate to consumers' perception of luxury brands?
2. How does consumers' perception of luxury brands impact their purchase behaviour in relation to their purchase intentions and willingness to pay a higher price?
3. How does present bias impact consumers' purchase intentions and willingness to pay high prices?
4. How do consumers' numeracy skills and overconfidence bias impact their purchase intentions and willingness to pay high prices?

### 3.CONCEPTUAL FRAMEWORK AND HYPOTHESIS

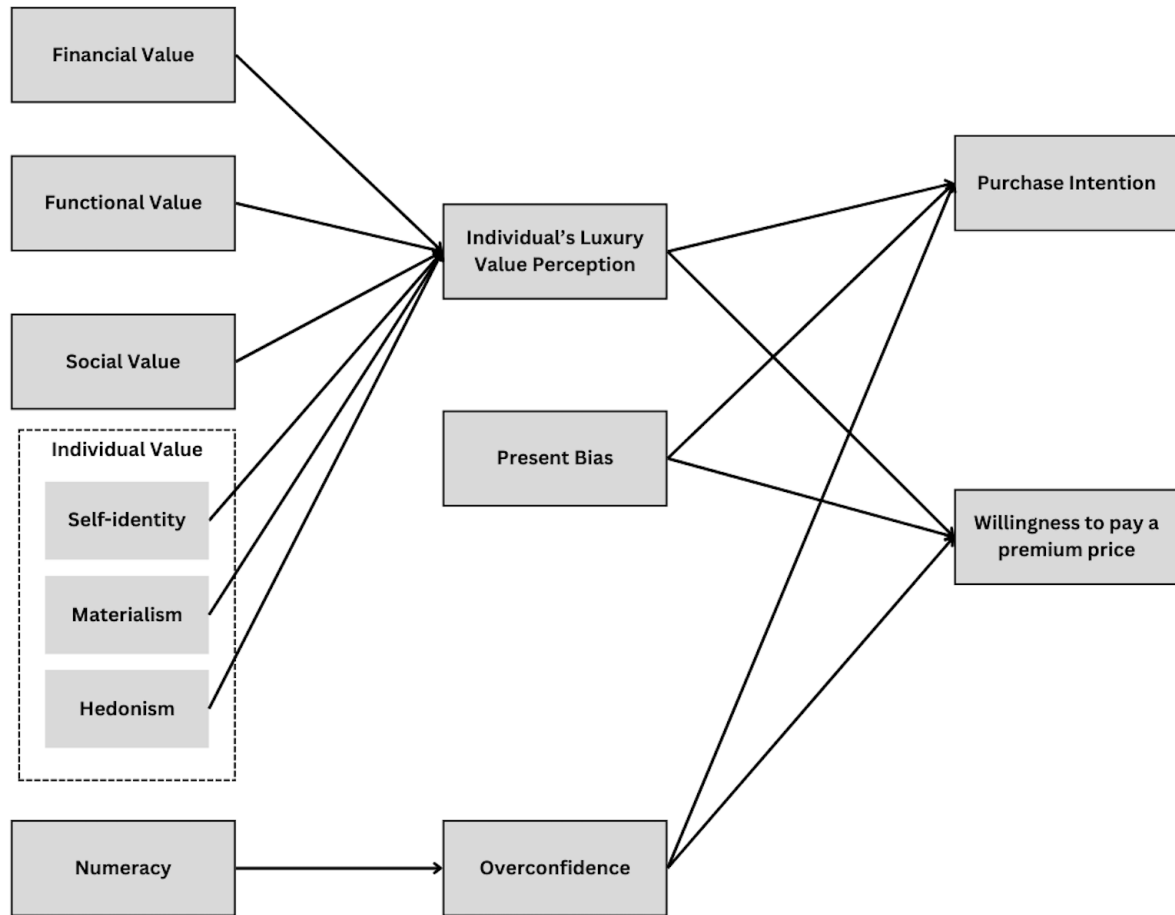
I've adopted the following conceptual framework based on the model developed by Weidmann et al. (2009) and Hennigs et al., (2015).

Wiedmann et al., (2009) proposed a four-dimensional framework combining financial, functional, social and individual values that constitute a consumer's luxury value perception.

1. Financial value includes the price of the product which the consumers often associate with superior quality, rarity and status.
2. The functional value emphasizes the utilitarian features of luxury goods such as usability, durability, quality, performance and uniqueness.
3. Social value, the foundational aspect of luxury consumption encompasses consumers' perception of the conspicuousness of a luxury product and the prestige they believe it brings them.
4. Finally, the individual value, defined as the "customer's personal orientation toward luxury consumption" by Wiedmann et al., (2009, p.628), entails the aspects of self-identity, materialistic motivations and perceived hedonism that collectively impact a consumer's alignment with a product. The authors referred to self-identity as the perceived level of coherence of luxury brands with the consumer's self-image. Materialism refers to the consumers' need for possession of goods. Hedonism is the pleasure and emotional value consumers seek from the purchase of luxury goods. These dimensions are central to the understanding of motivations behind luxury purchases.

Hennigs et al., (2015) proposed and empirically verified a framework examining the antecedents and outcomes of luxury value perceptions. The antecedents encompassing the financial, functional and social dimensions of luxury value significantly impact an individual's luxury value perception which in turn influences consumption behaviour including purchase intention, recommendation behaviour and willingness to pay a higher price.

For this dissertation, I've adapted the framework of luxury perceptions by Hennigs et al., (2015) along with the addition of the individual dimension of luxury value from Wiedmann et al., (2009). I've also added behavioural biases such as present bias and overconfidence in this framework with the aim of examining the impact of luxury value dimensions on consumers' luxury value perception and luxury consumption behaviour (please see *Figure 1* for more details).



**Figure 1: Conceptual Framework**

### 3.1 Hypothesis

**H1:** The consumer's perception of the financial, functional and social value of luxury brands, their perceived level of materialism and hedonism from a luxury brand or product and congruity of a luxury brand or product with their self-identity will positively impact their luxury value perception.

**H2:** The consumer's luxury value perception will positively impact their purchase intention and willingness to pay a premium price.

**H3:** The consumer's inherent present bias will positively impact their purchase intention and willingness to pay a premium price.

**H4a:** The consumer's level of numeracy will negatively impact their extent of overconfidence bias.

**H4b:** The consumer's overconfidence will positively impact their purchase intention and willingness to pay a premium price.

## 4. METHODOLOGY

### 4.1 Procedure

This dissertation aims to test five hypotheses in total based on existing theories to investigate the relationship between variables; therefore a quantitative approach is applied (Saunders, Lewis and Thornhill, 2015). I've distributed a survey online using a Qualtrics link to collect data. I've used non-probability sampling techniques such as convenience sampling and snowball sampling to recruit the participants due to the convenience they offer and the time limits of the research. The survey was administered using mobile and web media platforms like WhatsApp and Instagram, as well as the Qualtrics tool. Data was collected over a month (from 13<sup>th</sup> July till 13<sup>th</sup> August).

The questionnaire contains 10 sections, including:

The first section that provides an introduction to the survey, informing participants of the survey's purpose and asking for informed consent.

The second section asks participants if they own luxury branded products from any of the four main categories of personal luxury goods including cosmetics and fragrances, watches and jewellery, luxury fashion and luxury leather goods and asks them for product details if they own any to identify luxury consumers. Globally popular luxury brands in 2024 from each of the categories (Statista, n.d.) were identified and included to inform participants of the brands referred to as luxury in this dissertation.

Sections three, four, six and seven contain statements regarding each of the luxury value dimensions, Financial (3 statements), Functional (4 statements), Social (4 statements) and Individual values (Self-identity: 3, Materialism: 4 and Hedonism: 5 statements). The items on the luxury value dimensions of financial, functional and social value, the individual's luxury value perception and consumption behaviour attributes of purchase intention and willingness to pay premium price were adopted from Hennigs et al (2015). The items for the individual luxury value dimension were adopted from Wiedmann et al (2009). However, not all and only those scale items relevant to this dissertation were used, and this was determined by a combination of their high factor loadings and keeping the audience in mind.

Section five includes questions on present bias, numeracy and overconfidence. Questions measuring participants' numeracy and overconfidence were adopted from Schwartz et al. (1997). Numeracy was measured using three questions that assessed the participants' ability to interpret mathematical information such as probability and percentages. The participants were then asked how many out of the 3 questions they believed they answered correctly. Overconfidence was measured by assessing the difference between the participants' actual scores and their confidence in their numerical abilities. Present bias was evaluated by asking participants if they were likely to give up something in the present for future benefits.

Section eight consists of statements about consumers' luxury value perceptions (4 statements) followed by section nine addressing purchase intention (1) and willingness to pay (2). Wiedmann et al., (2009) and Hennigs et al., (2015) used a 5-point Likert scale to measure the participants' opinions for each of the items and obtained satisfactory results from the analysis; so, the same was used in this dissertation with 1 being strongly disagree to 5 being strongly agree

Lastly, section ten has questions enquiring demographic details of participants' including nationality, age, gender, and occupation.

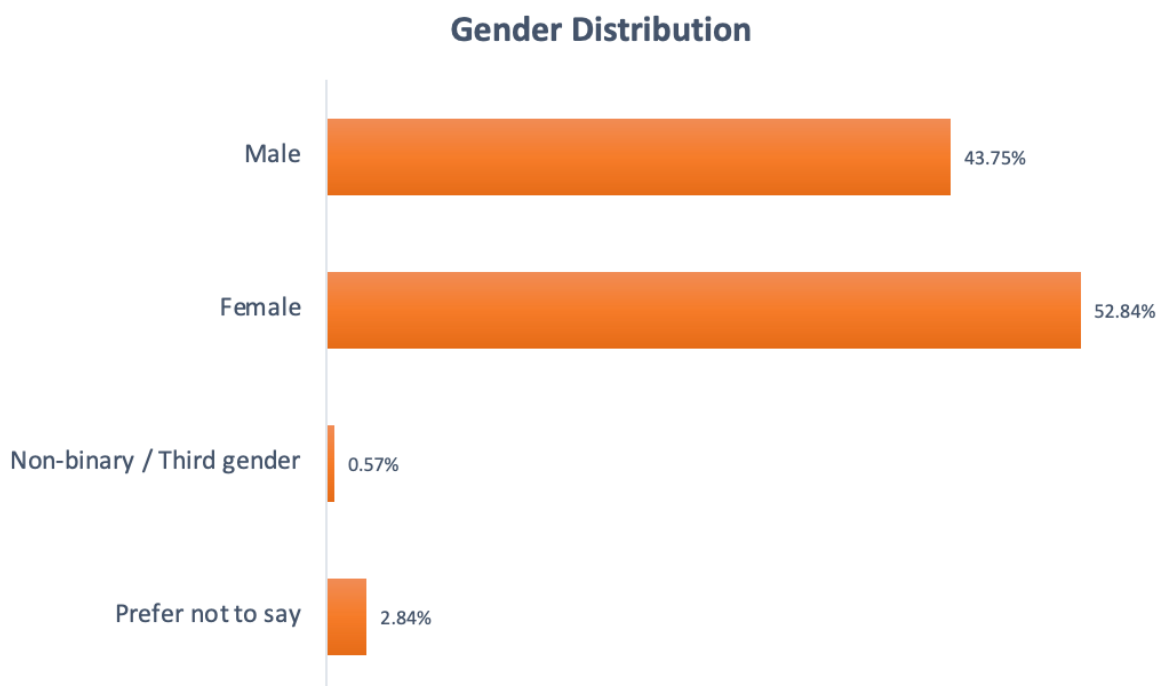
The questionnaire was pilot-tested before launch to check for appropriate interpretation of questions and any obstacles to completion of the survey. All the necessary corrections were made before launch.

## 4.2 Sample

A total of 261 responses were collected, out of which 176 were considered valid. 85 responses were rejected from the sample due to incomplete questionnaires or lack of consent. The data was exported to a CSV file and only necessary columns were retained. Values of reversed questionnaire items were converted to align with the rest of the items. I've used R studio software to conduct data analysis.

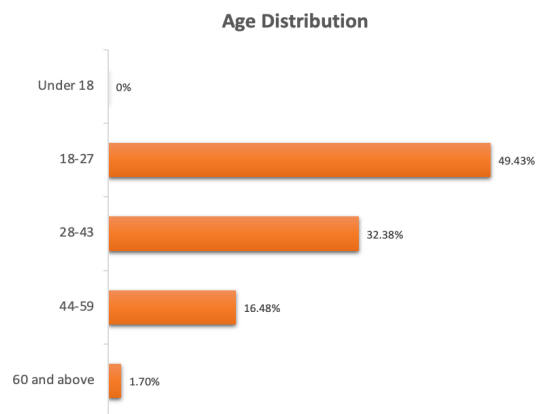
Of the 176 participants, 97 are luxury customers and 79 are not luxury consumers. To identify luxury consumers among participants, they were asked to choose the categories of personal luxury goods they owned and mention the brands and products. 63 participants claimed to own luxury cosmetics or fragrances, 48 owned luxury watches or jewellery, 63 owned luxury fashion and 48 owned luxury leather goods. Check Appendix 2 for details.

The sample's gender distribution is as follows: 53% females, 43.75% males, 0.5% non-binary and the rest of the participants preferred not to disclose.

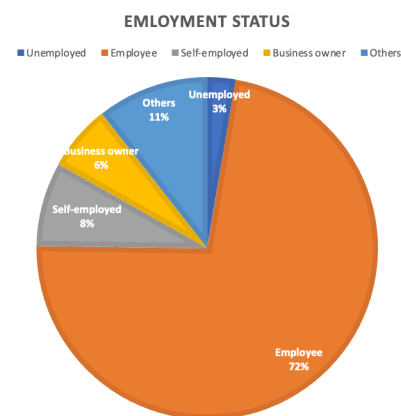


**Figure 2: Gender Distribution of sample**

Among the participants, 87 are between the ages of 18-27, 57 are between 28-43, 29 are between 44-59 and 3 are above the age of 60. The data distribution shows a higher interest in luxury brands and products among females and the younger generations including Millennials and Generation Z. 95% of the participants are Indians and the rest 5% include Albanians, Canadians, Chinese, French, Saudis and Singaporeans. Regarding employment status, 63 are students, 2 are unemployed, 82 are employed, 9 are self-employed, 7 are business owners and 12 have other employment statuses. Appendix 3 details the demographic distribution.



**Figure 3: Age Distribution of Sample**



**Figure 4: Employment status of Sample**

## 5. DATA ANALYSIS

### 5.1 Descriptive Statistics, Reliability and Internal Consistency

This dissertation includes 12 single and multi-item constructs including financial, functional, social values, self-identity, materialism, hedonism, numeracy, present bias, overconfidence bias, individual's luxury value perception, purchase intention and willingness to pay premium price which represents the variables in the model. Each luxury value dimension has a mean between 2.6 to 3.7, which indicates that participants' perceptions are slightly negative or neutral for some dimensions and generally positive for others. Functional and social values and self-identity dimensions have means above 3 indicating participants perceive higher value in these aspects from luxury goods. The same goes for customers' luxury value perception and purchase intentions with means slightly above 3. The standard deviations of the constructs range from 0.4 for overconfidence to 1.2 for willingness to pay (see Table 1 below). For detailed descriptive statistics of the constructs and each individual item please check Appendix 4.

Construct	Mean	Standard Deviation	Min	Max
Financial Value	2.63	1.01	1	5
			1	5
			1	5
Functional Value	3.77	0.68	1	5
			1	5
			1	5
			1	5
Social Value	3.21	1.00	1	5
			1	5
			1	5
			1	5
Self-identity	3.53	0.96	1	5
			1	5

			1	5
Materialism	2.82	0.98	1	5
			1	5
			1	5
			1	5
Hedonism	2.85	0.87	1	5
			1	5
			1	5
			1	5
Individual's luxury value perception	3.15	1.06	1	5
			1	5
			1	5
			1	5
Present Bias	2.09	0.99	1	5
Numeracy	2.14	0.93	0	3
Overconfidence	0.22	0.41	0	1
Purchase Intention	3.22	1.18	1	5
Willingness to pay premium price	2.74	1.2	1	5

**Table 1: Descriptive Statistics**

The factor loadings of each of the items were calculated by performing Confirmatory Factor Analysis(CFA) to understand how much each of the items contributes to the underlying construct. Loadings greater than 0.7 are ideal, reflecting that the item is a strong indicator of the construct. Weak loadings ( $<0.4$ ) are observed in functional value and materialism. The Cronbach alpha coefficient was employed to verify the internal consistency and reliability of the items in constructs. The coefficient has values varying from 0 to 1 with ideal values above 0.7. All the multi-item constructs except functional value have alpha above 0.7 indicating that items reliably measure the constructs. Considering that Cronbach's alpha assumes that all items equally contribute to the underlying scale, McDonald's Omega, a more accurate measure is calculated to verify the internal consistency for the functional value, which is 0.523 indicating questionable reliability. However, the average inter-item correlation of functional value is 0.248, indicating acceptable reliability. Content validity of the items has been verified by the expert judgement. Check Appendix 5 for details.

## 5.2 Inferential Statistics and Analysis Results

### 5.2.1 Assumptions' Validation

To validate the hypothesis of this dissertation, regression analysis was performed. Preliminary analyses like Linearity, Multicollinearity and Normality checks were conducted to satisfy the assumptions and ensure the validity of the regression results. The linearity assumption was verified from the residuals vs. fitted values plot of each of the regression models. The residuals were observed to be scattered around the zero line with no distinct patterns satisfying linearity. The Shapiro-Wilk test was performed to verify the normality of data. The p-value was  $>0.05$ , proving the normality of the data. Additionally, the skewness (-0.034) is between -0.5 to 0.5, indicating the symmetry and normality of the data. The Durbin-Watson test was performed to check the autocorrelation of residuals from the regression analysis. It is found that DW values for all the models are close to 2, indicating slight to no

autocorrelation. For multiple regression, VIF is calculated to check for multicollinearity among independent variables. VIF values are below 2 indicating no multicollinearity. Check Appendix 6-15.

### 5.2.2 H1: Relationship between Luxury value dimensions and Individual's luxury value perception

To address the first research question and test hypothesis H1, multiple linear regression is performed. The financial, functional, social, self-identity, materialistic and hedonistic values are independent variables and the individual's luxury value perception is the dependent variable. A summary of the multiple regression can be seen in the table below.

Independent Variables Model1	R <sup>2</sup> Adjusted	Unstandardised Coefficients (β)	Std. error	t-value	Sig.
Financial Value	0.532	0.07737	0.06106	1.267	0.20683
Functional Value		0.15695	0.08435	1.861	0.06451
Social Value		0.18352	0.06398	2.868	0.00465
Self-Identity		0.02799	0.06174	0.453	0.65088
Materialism		0.20287	0.06665	3.044	0.00271
Hedonism		0.60279	0.07422	8.121	9.22e-14
Dependent Variable: Luxury Value Perception level: α = 0,05; F-statistic: 34.16; p-value: < 2.2e-16					

**Table 2: Summary of multiple linear regression-Model1**

The results convey that the luxury value dimensions i.e., independent variables explain 53.2% of the variation in an individual's luxury value perception of a brand or product. The F-statistic (34.16) and p-value ( $< 2.2e-16$ ) suggest that the model is statistically significant. Perceived hedonism ( $\beta=0.603$ ) is the strongest contributor to luxury value perception followed by materialism ( $\beta= 0.203$ ) and social value ( $\beta=0.183$ ) and are statistically significant with p-value below 0.05. The financial, functional and self-identity values have a positive effect on the luxury value perception but aren't statistically significant. Based on the results hypothesis H1 is partially accepted, satisfying the relationship between hedonism, materialism and social value, and luxury value perception.

### 5.2.3 H2: Relationship between Individual's luxury value perception and Consumption Behaviour

To answer the second research question and test hypothesis H2, two linear regressions are performed with individual's luxury value perception as the independent variable, and purchase intention and willingness to pay premium price as the dependent variables in each of the models respectively. A summary of the linear regressions can be seen in the table below.

Independent Variables Model2a	R <sup>2</sup> Adjusted	Unstandardised Coefficients ( $\beta$ )	Std. error	t-value	Sig.
Luxury Value Perception	0.4079	0.71065	0.06445	11.025	$< 2e-16$
Dependent Variable: Purchase Intention level: $\alpha = 0,05$ ; F-statistic: 121.6; p-value: $< 2.2e-16$					

**Table 3: Summary of linear regression-Model 2a**



Independent Variables Model2b	R <sup>2</sup> Adjusted	Unstandardised Coefficients ( $\beta$ )	Std. error	t-value	Sig.
Luxury Value Perception	0.3446	0.66768	0.06922	9.645	< 2e-16
Dependent Variable: Willingness to pay premium price level: $\alpha = 0,05$ ; F-statistic: 93.03; p-value: < 2.2e-16					

**Table 4: Summary of linear regression-Model 2b**

The results of models 2a and 2b display that individual's luxury value perception explains 40.8% of the variation in purchase intentions and 34.4% of the variation in willingness to pay premium price. The F-statistic (model2a: 121.6, model2b: 93.03) and p-value (<2.2e-16) suggest that the model is statistically significant. An individual's luxury value perception positively affects both purchase intention ( $\beta=0.712$ ) and willingness to pay premium price ( $\beta=0.668$ ) and is statistically significant with p-value <2e-16, supporting the hypotheses H2.

#### 5.2.4 H3: Relationship between Present Bias and Consumption Behaviour

Two linear regressions are performed to address the third research question and test hypothesis H3. The customer's present bias is the independent variable in both models, and purchase intention and willingness to pay premium price are the dependent variables in each of the models respectively.

Independent Variables Model3a	R <sup>2</sup> Adjusted	Unstandardised Coefficients ( $\beta$ )	Std. error	t-value	Sig.
Present Bias	-0.005312	-0.02468	0.08994	-0.274	0.784
Dependent Variable: Purchase Intention level: $\alpha = 0,05$ ; F-statistic: 0.07532; p-value: 0.7841					

**Table 5: Summary of linear regression-Model 3a**

Independent Variables Model3b	R <sup>2</sup> Adjusted	Unstandardised Coefficients ( $\beta$ )	Std. error	t-value	Sig.
Present Bias	-0.004741	-0.03832	0.09179	-0.417	0.677
Dependent Variable: Willingness to pay premium price level: $\alpha = 0,05$ ; F-statistic: 0.1743; p-value: 0.7841					

**Table 6: Summary of linear regression-Model 3b**

The results of models 3a and 3b show that both models have a very low and negative adjusted R<sup>2</sup> indicating very low explanatory power of the independent variable. The p-value (>0.05) of both models suggests that the models are not statistically significant and do not fit the data well. Present bias has a negative effect on both purchase intention ( $\beta=-0.025$ ) and willingness to pay premium price ( $\beta=-0.038$ ) and is not statistically significant with p-value >0.05, thus hypothesis H3 is rejected.

#### 5.2.5 H4: Relationship between Numeracy, Overconfidence Bias and Consumption Behaviour

To answer the last research question and test hypotheses H4a and H4b, logistic regression and linear regression are performed. Model 4a has customers' numeracy as its independent variable and overconfidence bias as the dependent variable. The results show that the logistic regression model fits the data well indicated by a drop in deviance from 108.63 to

101 with the introduction of the predictor. Numeracy negatively impacts the overconfidence bias ( $\beta=-2.385$ ) and is statistically significant ( $p\text{-value}<3.55e-10$ ), supporting hypothesis H4a.

Independent Variables	Unstandardised Coefficients ( $\beta$ )	Std. error	t-value	Sig.
Model4a				
Numeracy	-2.3848	0.3802	-6.273	3.55e-10
Dependent Variable: Overconfidence Bias Null deviance: 183.63; Residual deviance: 101.00				

**Table 7: Summary of logistic regression-Model 4a**

Linear regression models 4b and 4c have overconfidence bias as the independent variable in both models and purchase intention and willingness to pay premium price as the dependent variables in each of the models respectively.

Independent Variables	R <sup>2</sup> Adjusted	Unstandardised Coefficients ( $\beta$ )	Std. error	t-value	Sig.
Model4b					
Overconfidence Bias	0.01368	0.39588	0.21387	1.851	0.0659
Dependent Variable: Purchase Intention level: $\alpha = 0,05$ ; F-statistic: 3.426; p-value: 0.06585					

**Table 8: Summary of logistic regression-Model 4b**

Independent Variables	R <sup>2</sup> Adjusted	Unstandardised Coefficients ( $\beta$ )	Std. error	t-value	Sig.
Model4c					
Overconfidence Bias	0.00494	0.2998	0.2193	1.367	0.173
Dependent Variable: Willingness to pay premium price level: $\alpha = 0,05$ ; F-statistic: 1.869; p-value: 0.1734					

**Table 9: Summary of logistic regression-Model 4c**

The results of models 4b and 4c display that overconfidence bias explains 1.37% of the variation in purchase intentions and 0.5% of the variation in willingness to pay premium price. The F-statistic (model4b: 3.43, model4c: 1.87) and p-value ( $>0.05$ ) suggest that the model is not statistically significant with low explanatory power. The overconfidence bias positively affects both purchase intention ( $\beta=0.396$ ) and willingness to pay premium price ( $\beta=0.299$ ) but the results aren't statistically significant ( $p\text{-value}>0.05$ ), thus rejecting the hypotheses H4b.

## 6. DISCUSSION

### 6.1 General Discussion

This research was conducted to understand the influence of various luxury value dimensions and behavioural biases on the consumers' perception of luxury value and its impact on consumption behaviours. The findings of this dissertation provide new insights into luxury consumption, enhancing the understanding of consumer motivations and behaviours that influence the purchase of luxury goods.

The results demonstrate a significant variation in consumers' perceptions and purchase behaviour due to several dimensions. These findings partially align with studies of Hennigs et al. (2015) and extend Wiedmann et al.'s (2009) work, mapping the luxury value dimensions to understand how they impact consumers' perceptions of luxury brands and goods.

H1	The consumer's perception of the financial, functional and social value of luxury brands, their perceived level of materialism, hedonism from a luxury brand or product and congruity of a luxury brand or product with their self-identity will positively impact their luxury value perception.	Partially Supported
H2	The consumer's luxury value perception will positively impact their purchase intention and willingness to pay a premium price.	Supported
H3	The consumer's inherent present bias will positively impact their purchase intention and willingness to pay a premium price.	Not Supported
H4a	The consumer's level of numeracy will negatively impact their extent of overconfidence bias.	Supported
H4b	The consumer's overconfidence will positively impact their purchase intention and willingness to pay a premium price.	Not Supported

**Table 10: Hypotheses Validation**

The first research question focused on exploring how the dimensions of luxury value including financial, functional, social and individual (encompassing self-identity, hedonic and materialistic values) values relate to consumers' perception of luxury brands. The findings suggest that perceived hedonism i.e., the emotional value derived from the purchase of luxury goods has the strongest impact on customer's perception of the luxury brand. This is consistent with the findings of Chen and Kim (2013) who highlight the positive influence of personal values like hedonism on luxury purchase intentions. This suggests a shift in consumer preferences from mere desire for social status to experiential benefits. However, it is contradictory to the previous finding that hedonist motives are a strong predictor of luxury consumption in individualistic cultures (Wong and Ahuvia, 1998; Aliyev and Wagner, 2018) since majority (95%) of the sample in this dissertation is Indian, which is known for its strong collectivistic culture. This change in cultural value can be attributed to the shift in customer demographics with younger generations becoming the primary customer segment, wider internet access and exposure to social media influencing their preferences.

The results indicate the next best contributor to luxury value perception is materialism, aligning with Hudders and Pandalaere's (2012) findings that materialistic motives encourage luxury consumption. The possession of luxury goods can symbolise success, status and wealth, and forms an integral part of their identity and self-image for materialists, enabling them to satisfy emotional fulfilment through possessions. Additionally, as per Hennigs et al. (2015), the results indicate a significant positive impact of social value on luxury value perception. Collectivistic cultures have a high tendency to conform to social norms (Shukla and Purani, 2012; Shukla, Singh and Banerjee, 2015) and seek social status through other-directed symbolism; this is supported by the sample's higher representation of collectivistic cultures. No significant relation is found between perception and financial, functional and self-identity values, conveying only partial support to Hennigs et al.'s (2015) results on the antecedents of luxury value perception. These findings confirm that luxury is more about intangible benefits such as hedonic and materialistic indulgence above functional utilities and price (Nueno and Quelch, 1998; Kapferer and Bastien, 2009). Moreover, the rise of masstige and premium brands offers customers high-quality and status goods at comparatively lower prices, allowing

customers to rethink their luxury purchases. These findings partially support hypothesis H1, answering the first research question. These results provide unique insights into how consumers' emotional needs, materialistic attitudes, self-congruity and hedonist motives impact their evaluation of luxury brands.

The second research question seeks to understand the effects of consumers' luxury value perception on their luxury consumption behaviour. The results show a significantly positive relationship between consumers' luxury value perception and both purchase intentions and willingness to pay a premium price, consistent with Hennigs et al.'s (2015) findings regarding the outcomes of luxury value perception, supporting hypothesis H2. Consumers' subjective evaluation of a brand is mostly dependent on the value they expect and perceive from it. Satisfaction of consumers' emotional and experiential desires, materialistic attitudes and sensory pleasure, leads to a positive evaluation, enhancing their consumption behaviour.

Concerning the biases, the third research question aims to examine the impact of present biased behaviour on luxury consumption. The results do not support the hypothesis H3 as no significant positive relation is observed. To the best of my knowledge, no prior study has examined this specific relationship. Even though present bias is known to impact financially heavy purchase decisions (Fuerst and Singh, 2018), the results show no evidence of this in the luxury context since the aspiration for luxury goods varies from person to person based on the benefits or resale value associated with it. This might be because luxury goods might not be fully aligned with types of impulsive purchase decisions under the influence of present bias and driven by the 'hot' states (i.e. where people are making decisions feeling overwhelmed or hungry and buy products that they might regret afterwards).

Lastly, the fourth research question aims to address the relation between overconfidence bias and consumption behaviour. The overconfidence bias is determined by the participants' numeracy and the findings support hypothesis H4a that participants with higher numeracy are less overconfident agreeing with Winman et al., (2014) and Ghazal et al. (2023), highlighting the impact of education and numeracy on decision-making abilities. Moreover, hypothesis H4b is rejected since results neither show a significantly positive relationship between the overconfidence bias and luxury purchase intention nor willingness to pay a premium price. This highlights that higher numeracy enables people to strategically evaluate their ability to purchase and not let their overconfidence guide their purchase decisions. Additionally, participants' tendencies to provide socially acceptable answers and lack of understanding of their biases may have led to the following findings. These biases are very subjective and have a subtle but powerful impact on consumer judgment, usually going unnoticed.

## 6.2 Limitations and Future Research

This research has some limitations that need to be assessed to guide the direction of future research. Non-probability sampling techniques were employed in this dissertation, which may not accurately capture the larger audience and limit the generalisability of the outcomes. While all the assumptions for analysis have been satisfied, the smaller sample size might limit the reliability of the findings. The inadequate distribution of various nationalities in the sample might limit the ability to capture cultural differences in consumers' purchase intentions. Therefore, a bigger and diverse sample, would improve the generalisability of the research and offer comparative insights based on demographics and culture.

Since the survey was self-administered, the data is subjected to the participants' misinterpretation of questions, unwillingness to be truthful and misconception of their

opinions. This dissertation solely relies on quantitative data which restricts deeper understanding of nuances of consumers' luxury consumption motives. Therefore, future studies should look into capturing consumers' actual purchasing data of luxury products either via randomised controlled trials or a combination between self-reported measures and actual credit card data.

Furthermore, additional research on present bias and overconfidence and inclusion of behavioural biases like confirmation, anchoring and scarcity bias would enable a better and complete understanding of the impacts of these biases on purchase decisions.

Lastly, more insights can be obtained by separating luxury and non-luxury consumers which will inform brands of what draws in new customers. A cross-generational comparison might help brands adapt to the needs of younger future customers. This dissertation evaluates luxury purchase intentions across multiple categories of personal luxury goods, a comparison between various categories might yield a better understanding of the reasons for purchase in specific categories.

### 6.3 Implications

The luxury market has been rapidly growing worldwide, demanding that brands understand and adapt to what draws customers towards luxury. This dissertation not only offers insights into the multifaceted values that consumers derive from luxury consumption but also their behavioural aspects that guide purchase decisions. It presents a conceptual framework, supported by empirical evidence that contributes to an enhanced understanding of the luxury consumption of both luxury consumers and non-luxury consumers, providing insights into the motivations of luxury customers. It takes into account a customer's personal orientation towards luxury consumption and how it impacts their evaluation of a brand. The findings of this dissertation can inform marketers and policymakers, helping them develop better strategies to target potential-luxury consumers taking into account their drivers and biases.

The findings of the dissertation suggest that perceived hedonic value, materialism and social value have a significant impact on customer's purchase decisions. This indicates that the desire for self-indulgence, extravagance, improved quality of life and the need to impress others overpowers utilitarian aspects or the pure desire for expensive goods. Brand managers and marketers should therefore position luxury goods as key to deriving emotional and experiential benefits while also stressing social indicators in their communications. Brands should incorporate immersive and interactive in-store experiences to create emotional connections building brand loyalty. Marketing through social media platforms and well-known influencers can boost brand image among social groups increasing the desirability of the brands.

This dissertation is contributing to existing literature. Previously, researchers have studied the factors that impact luxury perceptions (Wiedmann et al., 2007; Hennigs et al., 2015; Vigneron and Johnson, 2004) and their impact on purchase behaviour (Srivansan, 2015; Jain, 2019), however, no study to my knowledge has examined the effect of behavioural biases, specifically present bias and overconfidence on luxury purchase behaviour, providing a new understanding of the subtle intricacies of luxury consumption. These findings shed light on how behavioural biases might impact consumer decisions and may prompt other researchers to explore further how susceptible consumers are to various behavioural biases.

## 7. CONCLUSION

For a long time, possession of luxury goods has been a sign of wealth, prestige and achievements, bought more than just for its usability. However, with changing socio-economic conditions, the rise of the internet and increasing environmental concerns the luxury consumption pattern has transformed from conspicuous to experiential consumption. With this specialised segment undergoing democratisation, brands need to understand the customer motivations behind purchases to cater to the target consumers while maintaining the essence of exclusivity. This dissertation examines how the component luxury value dimensions and behavioural biases influence the perceptions and luxury purchase intentions of consumers.

An online survey was employed to collect data and the data was analysed using linear, multiple linear and logistic regression. The sample included 176 luxury and non-luxury consumers from India, Albania, Canada, China, France, Saudi and Singapore. The conceptual framework includes Financial, Functional, Social and Individual values as the luxury value dimensions impacting luxury value perception, to in turn check its impact along with behavioural biases on purchase intentions and willingness to pay higher prices. The first hypothesis tests the relationship between the luxury value dimensions and perceptions. The results showed that perceived hedonism from the luxury brand or product has a strong positive influence on an individual's luxury value perception. This is followed by perceived social value and materialism with both having a positive influence on the perception. The financial, functional and self-identity dimensions showed no impact on the luxury value perception, thus partially supporting the hypothesis and highlighting the importance of personal and social values over functionality and price among today's consumers.

The second hypothesis tests the relationship between an individual's luxury value perception and luxury consumption. The results revealed an evident positive impact of an individual's perception on both the purchase intention and willingness to pay premium prices stressing the importance of customer satisfaction and attitude on their purchase. Concerning the behavioural biases both present bias and overconfidence show no impact on purchase intention or willingness to pay premium prices, rejecting hypotheses three and four. Despite lower numeracy leading to overconfidence, overconfidence or the lack of it has no impact on luxury consumption.

The findings mostly support the hypotheses and answer the research questions of this dissertation; however, a larger and more diverse sample would improve the generalisability of the results. Despite the limitations, the findings have implications for marketers and strategists to better position their brands and products to potential customers and enhance repurchase behaviour. Additionally, it enables a better understanding of how consumers' orientations in terms of their materialism, self-identity and hedonist motives influence perceptions as people place a lot of importance towards personal value and alignment in today's society.

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# APPENDIX

## Appendix 1: Online Survey



### Introduction

#### Welcome!

This survey is being conducted by a student at the University of Leeds. I will be asking you questions about your experience of purchasing luxury products.

The whole survey will take approximately 8-10 minutes to complete.

Your participation is voluntary, and you are free to withdraw the survey at any time. Your responses are anonymous.

If you would like to participate, please complete the following questions and hit the arrow to continue:

- I confirm that I am 18 years or older.
- I understand the nature of this research and my right to withdraw at any point during the research itself.
- I consent to take part in this research.

☐ Yes

☐ No

**Do you own a luxury product from any of the below mentioned brands?**

**Do you own a luxury product from any of the below mentioned brands?**

Yes

No

**Category 1:**

Cosmetics or fragrances from Chanel, Dior, Estee Lauder, NARS, MAC, Gucci, Clinique, Armani Beauty, Tom-Ford beauty, Dolce & Gabbana, Louis Vuitton, SK-II, Mugler

☐☐

**Category 2:** Watches or Jewellery from Rolex, Cartier, Omega, Dior, Patek Philippe, Tissot, Tudor, Jacob and Co., Swarovski, Grand Seiko, Longines, Tiffany.

☐☐

**Category 3:** Luxury Fashion (Apparel and Footwear) from Chanel, Gucci, Dior, Calvin Klein, Michael Kors, Boss, Burberry, Hermes, Fendi, Ralph Lauren, Prada, Tommy Hilfiger, Diesel, Versace, Jimmy Choo, Alexander McQueen, Moncler

☐☐

	Yes	No
<b>Category 4: Luxury</b> Leather Goods (Handbags, suitcases, briefcases and wallets) from Louis Vuitton, Chanel, Coach, Dior, Hermes, Celine, Michael Kors, Marc Jacobs, Rimowa, Burberry, Bottega Veneta	<input type="radio"/>	<input type="radio"/>

If you answered 'YES' to any of the products above, please describe which products do you own.

## Financial Value

Could you please rate each of the following statements on a five-point scale from 1 (strongly disagree) to 5 (strongly agree)

	Strongly disagree (1)	Somewhat disagree (2)	Neither agree nor disagree (3)	Somewhat agree (4)	Strongly agree (5)
In my opinion, luxury brands are reasonably priced	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Strongly disagree (1)	Somewhat disagree (2)	Neither agree nor disagree (3)	Somewhat agree (4)	Strongly agree (5)
In my opinion, luxury brands offer value for money	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In my opinion, luxury brands are good products for the price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Functional Value

Could you please rate each of the following statements on a five-point scale from 1 (strongly disagree) to 5 (strongly agree)

	Strongly disagree (1)	Somewhat disagree (2)	Neither agree nor disagree (3)	Somewhat agree (4)	Strongly agree (5)
In my opinion, luxury brands have consistent quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In my opinion, luxury brands have poor workmanship	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In my opinion, luxury brands do not last a long time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In my opinion, luxury brands perform consistently	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Biases

Are you a person who is generally willing to give up something today in order to benefit in the future?

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

Imagine that we flip a fair coin 1,000 times. What is your best guess about how many times the coin would come up heads in 1,000 flips?

- ☐ 100
- ☐ 500
- ☐ 1000

In the BIG BUCKS LOTTERY, the chance of winning a £10.00 prize is 1%. What is your best guess about how many people would win a £10.00 prize if 1,000 people each buy a single ticket to BIG BUCKS?

- ☐ 1
- ☐ 100
- ☐ 10



In the ACME PUBLISHING SWEEPSTAKES, the chance of winning a car is 1 in 1,000. What percentage of tickets to ACME PUBLISHING SWEEPSTAKES win a car?

- ☐ 1%
- ☐ 0.1%
- ☐ 10%

How many of the three questions on the previous page do you think you answered correctly?

- ☐ 0
- ☐ 1
- ☐ 2
- ☐ 3

## **Social Value**

Could you please rate each of the following statements on a five-point scale from 1 (strongly disagree) to 5 (strongly agree)

	Strongly disagree (1)	Somewhat disagree (2)	Neither agree nor disagree (3)	Somewhat agree (4)	Strongly agree (5)
Luxury brands help me to feel acceptable	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Luxury brands improve the way I am perceived	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In my opinion, luxury brands make a good impression on other people	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Luxury brands give me social approval	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### Individual Value: self-identity, Materialistic, Hedonic value

Could you please rate each of the following statements on a five-point scale from 1 (strongly disagree) to 5 (strongly agree)

	Strongly disagree (1)	Somewhat disagree (2)	Neither agree nor disagree (3)	Somewhat agree (4)	Strongly agree (5)
I never buy a luxury brand inconsistent with the characteristics with which I describe myself	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The luxury brands I buy must match what and who I really am	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Strongly disagree (1)	Somewhat disagree (2)	Neither agree nor disagree (3)	Somewhat agree (4)	Strongly agree (5)
My choice of luxury brands depends on whether they reflect how I see myself but not how others see me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My life would be better if I owned certain things I don't have	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I'd be happier if I could afford to buy more things	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It sometimes bothers me quite a bit that I can't afford to buy all the things I'd like	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have all the things I really need to enjoy my life	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Purchasing luxury brands can be seen as giving me gifts to celebrate an occasion that I believe significant to me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
On the whole, I may regard luxury brands as gifts I buy for treating myself	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I enjoy spending money on things that aren't practical	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Luxury brands are one of the sources for my own pleasure without regard to the feelings of others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Strongly disagree (1)	Somewhat disagree (2)	Neither agree nor disagree (3)	Somewhat agree (4)	Strongly agree (5)
Purchasing luxury brands provides deeper meaning in my life	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Consumers' perception towards luxury

Could you please rate each of the following statements on a five-point scale from 1 (strongly disagree) to 5 (strongly agree)

	Strongly disagree (1)	Somewhat disagree (2)	Neither agree nor disagree (3)	Somewhat agree (4)	Strongly agree (5)
Luxury brands make me want to use it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Luxury brands are ones that I would feel relaxed about using	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Luxury brands make me feel good	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Luxury brands give me pleasure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Purchase Intention and Willingness to pay

Could you please rate each of the following statements on a five-point scale from 1 (strongly disagree) to 5 (strongly agree)

	Strongly disagree (1)	Somewhat disagree (2)	Neither agree nor disagree (3)	Somewhat agree (4)	Strongly agree (5)
I am likely to purchase luxury brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am willing to pay a higher price for luxury brands than for other brands	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Even though the luxury brand seems to be comparable to other brands I am willing to pay more	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Demographic details

What is your nationality?

How old are you?

## Gender

- ☐ Male
- ☐ Female
- ☐ Non-binary / third gender
- ☐ Prefer not to say

Which of the following most appropriately describes you

- ☐ Student
- ☐ Unemployed
- ☐ Employee
- ☐ Self-employed
- ☐ Business owner
- ☐ Others

## Appendix 2: Luxury Consumers distribution across categories of personal luxury goods

Category	Options	N	Percentage
1: Cosmetics or fragrances	Yes	63	35.8%
	No	113	64.2%
2: Watches or Jewellery	Yes	48	27.3%
	No	128	72.7%
3: Luxury Fashion	Yes	63	35.8%
	No	113	64.2%
4: Luxury Leather Goods	Yes	48	27.3%
	No	128	72.7%
Luxury Customer		97	55.1%
Not Luxury Consumer		79	44.9%

## Appendix 3: Sample Distribution

Characteristics	Options	N	Percentage
Gender	Male	77	43.75%
	Female	93	52.84%
	Non-binary / Third gender	1	0.57%
	Prefer not to say	5	2.84%
Age	Under 18	0	0%
	18-27	87	49.43%
	28-43	57	32.38%
	44-59	29	16.48%
	60 and above	3	1.70%
Nationality	Albanian	1	0.57%
	Canadian	1	0.57%
	Chinese	3	1.70%
	French	1	0.57%
	Indian	167	94.89%
	Saudi	1	0.57%
	Singaporean	2	1.14%
Employment Status	Student	63	35.79 %
	Unemployed	3	1.70%
	Employee	82	46.59%
	Self-employed	9	5.11%
	Business owner	7	3.98%
	Others	12	6.81%

## Appendix 4: Descriptive statistics of constructs and items

Construct	Item	N	Mean		Median	Standard Deviation		Min	Max
			Item	Construct		Item	Construct		
Financial Value	In my opinion, luxury brands are reasonably priced	176	2.23	2.63	2	1.22	1.01	1	5

	In my opinion, luxury brands offer value for money	176	2.82		3	1.27		1	5
	In my opinion, luxury brands are good products for the price	176	2.85		3	1.16		1	5
Functional Value	In my opinion, luxury brands have consistent quality	176	3.93	3.77	4	0.98	0.68	1	5
	In my opinion, luxury brands have poor workmanship *r	176	3.76		4	1.11		1	5
	In my opinion, luxury brands do not last a long time *r	176	3.76		4	1.06		1	5
	In my opinion, luxury brands perform consistently	176	3.63		4	1.01		1	5
Social Value	Luxury brands help me to feel acceptable	176	2.89	3.21	3	1.18	1.00	1	5
	Luxury brands improve the way I am perceived	176	3.17		3	1.24		1	5
	In my opinion, luxury brands make a good impression on other people	176	3.60		4	1.08		1	5
	Luxury brands give me social approval	176	3.18		3	1.28		1	5
Self-identity	I never buy a luxury brand inconsistent with the characteristics with which I describe myself	176	3.43	3.53	3	1.08	0.96	1	5



	The luxury brands I buy must match what and who I really am	176	3.57		4	1.16		1	5
	My choice of luxury brands depends on whether they reflect how I see myself but not how others see me	176	3.59		4	1.25		1	5
Materialism	My life would be better if I owned certain things I don't have	176	2.99	2.82	3	1.27	0.98	1	5
	I'd be happier if I could afford to buy more things	176	3.12		3	1.37		1	5
	It sometimes bothers me quite a bit that I can't afford to buy all the things I'd like	176	2.95		3	1.32		1	5
	I have all the things I really need to enjoy my life *r	176	2.22		2	1.16		1	5
Hedonism	Purchasing luxury brands can be seen as giving me gifts to celebrate an occasion that I believe significant to me	176	3.35	2.85	4	1.13	0.87	1	5
	On the whole, I may regard luxury brands as gifts I buy for treating myself	176	3.44		4	1.11		1	5
	I enjoy spending money on things that aren't practical	176	2.29		2	1.19		1	5
	Luxury brands are one of the sources for my own	176	3.04		3	1.31		1	5

	pleasure without regard to the feelings of others								
	Purchasing luxury brands provides deeper meaning in my life	176	2.15		2	1.20		1	5
Individual's luxury value perception	Luxury brands make me want to use it	176	3.16	3.15	3	1.15	1.06	1	5
	Luxury brands are ones that I would feel relaxed about using	176	2.88		3	1.26		1	5
	Luxury brands make me feel good	176	3.38		4	1.18		1	5
	Luxury brands give me pleasure	176	3.16		3	1.27		1	5
Present Bias *r	Are you a person who is generally willing to give up something today in order to benefit in the future?	176	2.09	2.09	2	0.99	0.99	1	5
Numeracy**		176	2.14	2.14	2	0.93	0.93	0	3
Overconfidence ***		176	0.22	0.22	0	0.41	0.41	0	1
Purchase Intention	I am likely to purchase luxury brands	176	3.22	3.22	3	1.18	1.18	1	5
Willingness to pay premium price	I am willing to pay a higher price for luxury brands than for other brands	176	2.81	2.74	3	1.31	1.2	1	5
	Even though the luxury brand seems to be comparable to other brands I am willing to pay more	176	2.66		3	1.25		1	5

\*r: indicates reversed items. These have been reverse coded to align with the rest of the items.

\*\* : Numeracy is calculated based on the number of correct answers to 3 questions.

\*\*\*: Categorical variable that indicates if respondent is overconfident or not.

## Appendix 5: Reliability and Internal consistency of multi-item constructs

Construct	Items	No. of Items	Factor loadings	Cronbach's Alpha	McDonald's Omega	Inter-item Correlation
Financial Value	In my opinion, luxury brands are reasonably priced	3	0.690	0.771	0.766	0.530
	In my opinion, luxury brands offer value for money		0.703			
	In my opinion, luxury brands are good products for the price		0.779			
Functional Value	In my opinion, luxury brands have consistent quality	4	0.818	0.564	0.523	0.248
	In my opinion, luxury brands have poor workmanship *r		0.145			
	In my opinion, luxury brands do not last a long time *r		0.164			
	In my opinion, luxury brands perform consistently		0.709			
Social Value	Luxury brands help me to feel acceptable	4	0.813	0.855	0.855	0.599
	Luxury brands improve the way I am perceived		0.770			
	In my opinion, luxury brands make a good impression on other people		0.728			
	Luxury brands give me social approval		0.771			
Self-identity	I never buy a luxury brand inconsistent with the characteristics with which I describe myself	3	0.419	0.761	0.787	0.515
	The luxury brands I buy must match what and who I really am		0.970			
	My choice of luxury brands depends on whether they reflect how I see myself but not how others see me		0.753			
Materialism	My life would be better if I owned certain things I don't have	4	0.839	0.758	0.799	0.428
	I'd be happier if I could afford to buy more things		0.900			
	It sometimes bothers me quite a bit that I can't afford to buy all the things I'd like		0.704			
	I have all the things I		0.195			

	really need to enjoy my life *r					
Hedonism	Purchasing luxury brands can be seen as giving me gifts to celebrate an occasion that I believe significant to me	5	0.678	0.787	0.777	0.426
	On the whole, I may regard luxury brands as gifts I buy for treating myself		0.658			
	I enjoy spending money on things that aren't practical		0.514			
	Luxury brands are one of the sources for my own pleasure without regard to the feelings of others		0.709			
	Purchasing luxury brands provides deeper meaning in my life		0.634			
Individual's luxury value perception	Luxury brands make me want to use it	4	0.762	0.895	0.896	0.681
	Luxury brands are ones that I would feel relaxed about using		0.805			
	Luxury brands make me feel good		0.852			
	Luxury brands give me pleasure		0.879			
Present Bias	Are you a person who is generally willing to give up something today in order to benefit in the future? *r	1	1.000			
Purchase Intention	I am likely to purchase luxury brands	1	1.000			
Willingness to pay premium price	I am willing to pay a higher price for luxury brands than for other brands	2	0.816	0.865	0.867	0.763
	Even though the luxury brand seems to be comparable to other brands I am willing to pay more		0.935			

\*r: indicates reversed items. These have been reverse coded to align with the rest of the items.

## Appendix 6: Assumptions of Normality of Data

Shapiro-Wilk Normality Test		Skewness
W	p-value	
0.99634	0.9494	-0.03442699

**Appendix 7: Assumptions of multiple linear regression - Model 1**

Independent Variable	Autocorrelation Durbin-Watson	Multicollinearity VIF
Financial Value	2.1547	1.262932
Functional Value		1.104226
Social Value		1.362280
Self-identity		1.166831
Materialism		1.406835
Hedonsim		1.403052

**Appendix 8: Assumptions of linear regression - Model 2a**

Independent Variable	Autocorrelation Durbin-Watson
Luxury Value Perception	1.7617

**Appendix 9: Assumptions of linear regression - Model 2b**

Independent Variable	Autocorrelation Durbin-Watson
Luxury Value Perception	1.9438

**Appendix 10: Assumptions of linear regression - Model 3a**

Independent Variable	Autocorrelation Durbin-Watson
Present Bias	1.7887

**Appendix 11: Assumptions of linear regression - Model 3b**

Independent Variable	Autocorrelation Durbin-Watson
Present Bias	1.997

**Appendix 12: Assumptions of linear regression - Model 4a**

Independent Variable	Autocorrelation Durbin-Watson
Numeracy	1.8609

**Appendix 13: Assumptions of linear regression - Model 4b**

Independent Variable	Autocorrelation Durbin-Watson
Overconfidence Bias	1.7747

## Appendix 14: Assumptions of linear regression - Model 4c

Independent Variable	Autocorrelation Durbin-Watson
Overconfidence Bias	1.9956

## Appendix 15: Assumption of linearity for all models

