CHAPTER 2

LITERATURE REVIEW

In this chapter, the researcher talk about the literature review, develop the hypothesis and theoretical framework model. This section points out the dependent and independent variables based on the hypothesis and define each variable with previous supported studies as well as defining other relevant theoretical models that supports the hypothesis.

2.1 Luxury goods definition

Phau and Prendergast (2000) stated that the meaning of luxury goods is subjective. Therefore, individuals create the meaning of luxury goods based on their relationship with others. According to William & Nancy (2007), some certain goods may become luxury for one person but a not for others. In other words, luxury goods have various meaning from community to community that makes it difficult to state the real definition of luxury goods in the literature.

Even though it is difficult to define luxury goods, the concept is very important for the marketing research and other practice, some researchers give a lot of effort in this case. According to Phau & Prendergast (2000), there are five important factors that completed the idea of luxury goods, which are evoking exclusivity; having a well-known brand identity; enjoying high brand awareness and perceived quality; and retaining sales levels and customer loyalty. Seringhaus (2005) give an opinion that luxury brands combine a blend of emotion, which are image and personality, congruity with self-concept, and communication of these concepts symbolically in brand identity. These ideas may provide a viewpoint to understand the meaning of

luxury goods, however, a solid foundation for empirical measurement of luxury goods was not given. Some particular ideas "appear to only scratch the surface" for formulating a meaning of luxury goods

2.2 Country image

Country image points to the totality of the descriptive, inferential, and informational trust about a certain country. Nagashima (1970) defined country image as the total of feelings and beliefs that an individual has about the overall product from a certain country. Nagashima (1970) added that the image of a country gained by some dimensions such as national characteristic, historical background, political background, and economic condition.

Roth & Romeo (1993) argue that country image is the overall idea about a product from a given country based on the prior idea of a country's productions and its strengths and weaknesses in marketing. Kotler et al.,(2002) stated that country image is the combination about people's ideas, beliefs, and impressions about some particular country.

Due to a lot of definition of Country Image by different authors, we may think that some concepts tend to be mixed up. Basically, there are three concepts that have to be differentiated, which are, Product Image (PI), Country of Origin Image (COO) and Country image (CI) as well. As we see, these three concepts are tightly connected and slightly overlapping, also affect each other both directly and indirectly. The confusions begin when there are several authors that define country of origin are the same with country image. For example, Roth and Romeo (1993) define country image to be the same as country of origin image.

According to Jenes (2005), country images covers many elements such as national symbols, colors, clothing, typical building, objects, etc. however, based on the previous study by Jung et al. (2014), after analyzing the literature on the country image effects and the luxury fashion phenomena, researches figured three constructs of the country image: Cultural assets, fashion equity and technological advance.

2.2.1 Cultural assets

According to Mossberg and Kleppe (2005), there are a typical culture specialty in each country and main cultural symbols that are related with the products. For example is cultural products and services such as travel destination in consumer's mind. Roth & Romeo (1992) give a statement that there is a connection among consumer choices for a country's products and their choices of a country's culture and that consumer's judgement of a specific products made in a country are based on the match between products and cultural aspects. For example that given on the previous study by Jung et al. (2014), the prominent brands of luxury fashion brands such as Hermes from France and Loewe from Spain were able to increase the relevant country image based on their wealthy cultural assets and the authenticity of the royal house in those countries.

2.2.2 Fashion equity

Luxury fashion brands made and projected in a particular country. Well-known fashion designer or famous celebrities from that certain country are effective in attracting fashion consumers internationally (Jung et al., 2014). According to Breward & Gilbert (2006) famous fashion cities and their suitable countries such as Paris in France, Milan in Italy, and London in the UK are having major fashion equity. As far as a country attracts

fashion attention from all around the world, it is growing stronger than countries of competitor and achieves more beneficial equity.

2.2.3 Technology advancement

With the tradition and the industrialization, images of a country are created, according to Bannister & Saunders (1978). Roth and Romeo (1992) added that country image is created by the superiority and advancement of technology. People get and use their knowledge about country image from the destination and the country's capability of technology level can directly lead to positive touristic intentions to the place (Nadeau et al., 2008). Consumers would have negative evaluation of the countries and their products if the levels of technology, industrial advancement and innovativeness are low.

2.3 Brand awareness

Awareness is the crucial factors in almost all brand-equity models (Kapferer, 1992). According to Keller (2003), awareness is the customer's capability to recall and acknowledge the brand as painted by their capability to define the brand under distinct conditions and to connect the brand name, logo, symbol, etc. to certain association in mind. Aaker (1996) mentioned other higher levels of awareness besides recognition and recall such as top-of-mind, brand dominance, brand knowledge and brand opinion as well. For new launch or start-up brand, recognition might be crucial. However, for reputable brand, recall and top-of mind are more important (Aaker, 1996). Meanwhile, brand knowledge and brand opinion can be used to increase the measurement of brand recall (Aaker, 1996). Therefore, Aaker (1996) create a concept that brand awareness has to go before brand association. Keller and Lehmann (2003) added that consumer could gain awareness for the brand through effective marketing communication channel such as

television, email, hand phone and online advertising. It has to give guarantee of product quality and has credibility, which helps to minimize risk in selecting products.

2.4 Perceived quality

Perceived quality assumed not to be a part of the overall brand association, but as a dimension of brand equity (Aaker, 1991). According to Zeithaml (1988), perceived quality is defined as a customer's evaluation about overall product superiority that is distinct from objective quality such as technical, measurable and verifiable nature of products/services, processes and quality controls. Anselmsson et al. (2007) also mentioned that high objective quality does not need to contribute for brand equity. Due to the difficulty for customer to make the right opinion for the objective quality, they use quality attributes that they correlate with the quality (Zeithaml, 1998). Therefore, perceived quality used to evaluate the overall performance of a products or services. Boulding et al. (1993) give an opinion that perceptions of a consumers affects the quality of products or services directly. Consumers use the quality attributes to decide the quality of the products they are not familiar with. Hence, it is important to know more about the pertinent quality attributes regarding to brand equity.

Zeithaml (1998) distinguish in her study the idea of perceived quality into two groups, which are intrinsic attributes and extrinsic attributes. The physical aspects of the products such as size, form, color, appearance, etc. included in intrinsic attributes. Meanwhile, extrinsic attributes include all things that are related to the product, but not physical such as price, packaging, brand name, quality, etc. (Bernue's et al., 2003)

2.5 Brand loyalty

According to Sheth & Park (1974), brand loyalty is when consumers buy a product repeatedly with a positive feedback towards the brand choice. In brand loyalty, integrated marketing communications are the main role in convincing consumers to buy or select the products. Consumers that rebuying or subscribing a chosen product continually has initiated repetitive purchasing of the same brand. Therefore, Tolba (2011) stated that brand loyalty affects consumer's buying behavior to the same products. Namely, they get loyal with their chosen product brands and become attached to well-known brand names (Sun et al., 2004). Vogel et al. (2008) mentioned in their journal that consumers expanded brand loyalty through creating a positive outcome of brand equity, which create brand preference compare to other brands positively. According to Sheth & Park (1974), brand loyalty is when consumers buy a product repeatedly with a positive feedback towards the brand choice. The indication is mainly visible in markets with heavy competition and low product distinction.

2.6 Generational cohorts

Cohort explained by Ryder (1965) as individuals who are born during the same time period and have similar external events that described as the "defining moments", during their late juvenile and early maturity years. This is also the definition of generation according to Smola & Sutton (2002). Edmunds and Turner (2005) also stated that generational cohort is a group of individual who are born at the same time period and have historical experience at the same time period in their growth. Gursoy et al. (2008) underline that the person in the same generation have different mindset and behavior

compare to those who born in other time frame. Hence, it goes through age to reveil individual's behavior in the long term period.

Based on the generational cohorts in the United States, Strauss & Howe (1991) indicated a reputable framework, which stated that the population of the country consisted of four cohorts as following:

1. Silent generation: born between 1925 and 1942

2. Baby boomer: born between 1943 and 1960

3. Generation X: born between 1961 and 1981

4. Generation Y: born between 1982 and 2003

Silent generation

Strauss and Howe (1991) stated that silent generation grew up during the crash of stock market, the Great Depression and World War II. Because of the world events and hard economic times that faced by the silent generation, it created the characteristic of this generation, which are traditional, conservative, respect for rule, hard worker and loyal to the country. Added by Kupperschmidt (2000), this generation aware of the importance of savings. They are willing to sacrifice themselves to provide for their Baby Boomer children. Usually, people in this generation get married and had a children in their young age. As a result, Strauss and Howe (1991) stated that people in this generation did not finish their high school and only few people go to college. Those who went to college are mostly gentlemen because woman in this generation has no power in educational achievement. Silent generation has experienced the huge change of the world from the industrial time to the informatics time (Strauss and Howe, 1991). Although

silent generation basically struggle with technology, a lot of supports from literature that mostly people in this generation was eager to learn and able to use it.

Baby Boomer Generation

According to Strauss and Howe (1991), Baby Boomer generation is the largest generation of their time. The generation's characteristic and value were shaped by events such as the Civil Rights Movement, the appearance of the birth control pill, Woodstock, the murder of President John F. Kennedy, and the war between Korean and Vietnam. Baby boomer grew up in economic prosperity and educational extension. Therefore, a lot of people in this generation went to college. This generation is obsessed with work and very competitive. In result, Baby Boomer judged as work-a-holic person, self-centered, judgmental, over confident and strong-willed person who are concerned with material issue (Kupperschmidt, 2000). Baby Boomers' adjustment to technology is faster due to their encouragement to be more productive and have more free time.

Generation X

Generation X is the smallest generational cohorst in the history (Strauss and Howe, 1991). Their beliefs and values were shaped by world events such as the Challenger disaster, the fall of the Berlin Wall and Operation Desert Storm. According to Coates (2007), people in this generation become the most independent and resourceful group because individuals in this generation grew up in time period in which half of all marriages ended in divorce and numbers of kids that raised by single parents are huge. Weston (2001) stated that this generation adapts well to change and is firm and self-

directed. Individuals in this generation are very technologically educated and very good at multi-tasking since they grown up with technology since their early age.

Generation Y

Generation Y, also known as a Millenial, which refers to a rising force or Net Generation (Strauss and Howe, 1991). Generation Y are the most culturally diverse and internationally mobile generation in this nation's history. Individuals in this generation are either in college or entering the workforce. According to Sherman (2006), people in this generation were raised during a period of time when violence, drugs and terrorism were realities in their lives. Sherman (2006) also stated that Millenials have a close relationship with their parents. Among four current generations, Millenials are the most intelligence about technology. They have grown up with many kinds of technological devices such as personal computers, laptops, mobile phones, ipod and video games. Compared to another generations, people in generation Y cannot live without technology (Coates, 2007).

2.7 Hypothesis Development

H1: CIs (H1a, cultural assets; H1b, fashion equity; H1c technological advancement) positively affect luxury brand awareness.

Customer used country images as main information while screening new products (Maheswaran, 2006). According to Hong & Wyer (1989), when consumers know a lot of information about the country, Country of origin is very influencing at the related products. Ravi and Pappu (2007) stated that consumers have positives and negatives perceptions about the country and its perceptions of the country affects on the images of the brands from the country as well.
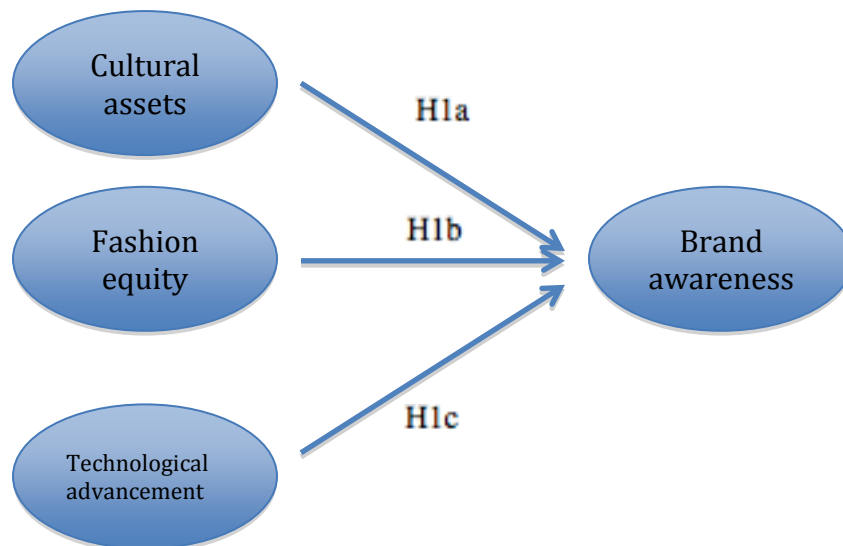
Source: Jung et al. (2014)

H2: Luxury brand awareness positively affects luxury brand perceived quality.

McDougall and Levisque (2000) stated that perceived quality is one of the key aspect for gaining customer satisfaction and brand loyalty as well. According to Dodds & Grewal (1991), if consumers have high brand awareness towards a brand of a product, automatically the product will have the higher market share and better quality evaluation as well. Hence, the relationship between brand awareness and perceived quality will be tested.
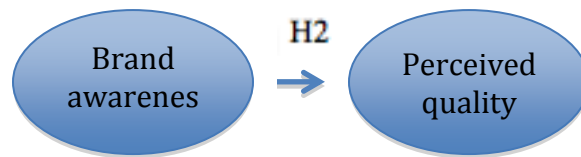
Figure 2.2 hypothesis 2

Source: Jung et al. (2014)

H3: Luxury brand perceived quality positively affects luxury brand loyalty.

According to Parasuraman & Grewal (2000), high loyalty of consumers towards a product is affected by the positive reaction of customer transaction. Wu (2007) also stated that the perceptions of consumer would either raise or lower brand loyalty. Further research by Judith & Richard (2002) indicated that there is strong relationship between perceived quality and brand loyalty.
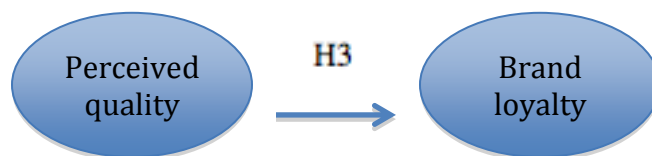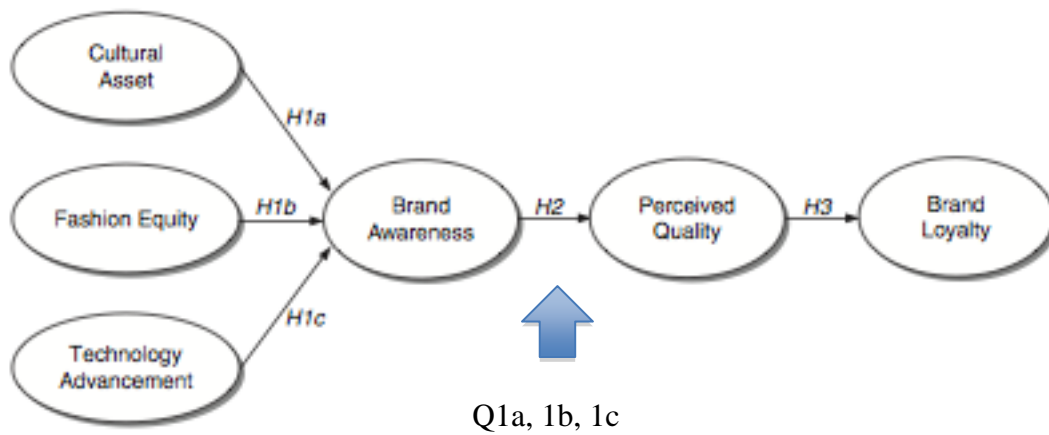
Figure 2.3 hypothesis 3

Source: Jung et al. (2014)

2.8 Hypothesis Model

Q1a, 1b, 1c

Generation X vs Generation Y

Figure 2.4 Research Frameworks

Source: Jung et al. (2014)

The researcher adopt this frameworks based on the previous study conducted by Jung et al. in 2014. The researchers was interested in covering the effect of country images (cultural assets, fashion equity and technology advancement) variables towards brand awareness along with the perceived quality and brand loyalty. The previous study was similar with the current study, however the unit of analysis is different. The previous study was using different group of samples, which are respondents from Korea and US to see if there is a different value for country image between two groups that leads to brand awareness. The current study also using two group of samples to see if there is a differences in value for country image that leads to brand awareness, however, since the research is conducted in only 1 country, the researcher want to compare the results between 2 segments of customers based on generational cohorts. The researcher was using the samples between two generational cohorts, which are Generation X and Generation Y.