

Mobile Commerce: An Empirical Study on Luxury Consumers Buying Intentions

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Abstract

Luxury brands were late for the world of ecommerce. There's no excuse for being late for the arrival of the mobile era. Luxury shoppers are now turning towards mobile devices to research and purchase products, the mobile platform has a much larger influence on the luxury industry than marketers may realize. The aim of the study is to analyze the impact of mobile commerce towards luxury products. The collected data is analyzed using SPSS and various statistical tests were applied based on hypotheses.

Keywords

Luxury Brands, Mobile Ecommerce, Mobile Devices, Luxury Shoppers

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1. Introduction

Purchasing a luxury item is an emotional experience for many luxury consumers the appeal of buying luxury goods goes beyond owning the actual item it's the personal approach rather than mass experience, luxury is more likely to be related mainly to distinctive experiences with an authentic emotional aspect (Cronin, 2011), and Okonkwo (2010) argues that this can be assisted by employing luxemosphere.

Rapid increases in the number of mobile phones and their technological development has transformed consumers' behavior towards mobile as a communication channel and advertising tool (Parreño, Sanz - Blas, Ruiz-Mafé, & Aldás - Manzano, 2013), as well as their shopping experiences (Persaud & Azhar, 2012). The luxury consumers are extensively using their mobile devices to shop luxury products. Today, three out of four luxury shoppers carry digital devices 76% of luxury shoppers own a Smartphone, and more than 55 % use their mobile devices to research brands.

Luxury brands have been slower to acknowledge or adapt to the rapid growth of mobile technology. Further, Smartphone applications have revolutionized the way luxury brands engage their consumers and it has created enormous challenges for luxury brands in terms of their communication and branding strategies (Mahyari, Drennan, & Kerr, 2012). Marketing through these handheld devices is a powerful way to engage consumer's right from the very devices they use to buy products. Many luxury brands are incorporating mobile tools into their sales service strategy through a custom mobile

Table 1. Top 10 Most valuable global luxury brands 2013.

Rank	Luxury Brand	Brand value (\$ Billions)
1	Louis Vuitton	22.7
2	Hermes	19.1
3	Gucci	12.7
4	Prada	9.4
5	Rolex	7.9
6	Chanel	7
7	Cartier	6.3
8	Burberry	4.1
9	Fendi	3.6
10	Coach	3.2

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application customers can feel more connected to a brand, and this can help the company build a strong brand identity. Mobile applications are even more popular than mobile web and in 2012 about 40 billion of them were downloaded from App Store (Walsh, 2012). Mobile digital technology such as the iPhone application is being used increasingly by luxury brands for marketing. The 2013 Foresee E-Retail Satisfaction Index compares the use of mobile devices among luxury consumers and “ordinary shoppers”, and finds that the former group is more likely to use their mobile phone to engage with brands, research products, and make purchases, as the table below illustrates.

Table 2. The use of mobile devices among luxury consumers and ordinary shoppers.

BEHAVIORS	LUXURY SHOPPERS	ORDINARY SHOPPERS
Have used mobile to interact with a company	59%	45%
Made a purchase on mobile	25%	16%
Researched products on mobile	56%	40%

Source: E-Retail Satisfaction Index 2013

2. Luxury Goods and Its Characteristics

Price: The brand offers products which belong to the most expensive products of their category.

Quality: The brand offers everlasting top-of-the-line products, which won't be disposed of even after long utilization or defect, but rather repaired and which often even gain in value over time.

Aesthetics: The brand behaves like a chic and vain dandy, who would never leave the house in less than perfect style. Whenever and wherever the brand is seen, it embodies a world of beauty and elegance.

Rarity: In contrast to mass-market brands, the brand needs to limit its production and tries not to disclose its (high) sales numbers. The brand plays hard to get and is not available at all times or places.

Extraordinariness: The brand has a mind and style of its own and its products offer a “kick” and surprise with the “expected unexpected.”

Symbolism: The brand stands for “the best from the best for the best”; its charisma fills the room, and regardless of whether it is of a conspicuous or understated nature, deep inside, it is swollen with pride.

2.1. Defining the Luxury Concept

The term luxury is routinely used in our everyday life to refer to products, services or a certain lifestyle, however, often

without a clear understanding of the luxury concept as it takes on many different forms for different people and is dependent on the mood and experience of the consumer: “Luxury is related to pleasure and indulgence of the senses through objects of experience that are more ostentatious than necessary. It may be expressed through objects that are rare, original, expensive and of the best quality or through services that are refined, exceptional and offer the best in comfort” (Okonkwo, 2010, p. 13).

Luxury is particularly slippery to define. A strong element of human involvement, very limited supply and the recognition of value by others are key components | (Cornell 2002, p. 47). The word luxury defines beauty; it is art applied to functional items. Like light, luxury is enlightening. [. . .] Luxury items provide extra pleasure and flatter all senses at once. Luxury is the appendage of the ruling classes| (Kapferer 1997, p. 253).

Whereas necessities are utilitarian objects that relieve an unpleasant state of discomfort, luxuries are characterized as objects of desire that provide pleasure (Berry 1994), and as non-essential items or services that contribute to luxurious living; an indulgence or convenience beyond the indispensable minimum (Webster’s Third New International Dictionary 2002). Defined as goods for which the simple use or display of a particular branded product brings esteem for the owner, luxury goods enable consumers to satisfy psychological and functional needs.

Above all these psychological benefits can be regarded as the main factor distinguishing luxury from non-luxury products or counterfeits (Arghavan and Zaichkowsky 2000). On the other hand, according to Dr. Yuwa Hedrick-Wong, Economic Advisor, Asia/Pacific MasterCard Worldwide (2007), luxury is “a brand of goods/service with exclusive/selective distribution; usually higher than the average price of goods/service in the same category; typically have higher quality/design; while commanding a strong appeal to the desire and aspirations of its potential customers...” (Wong, 2007), other definitions of luxury such as “*masstige, premium, ultra-premium, opuluxe, and hyperluxe*”. (Kapferer and Bastien, 2009) At this point, the luxury could also mean the emotional feeling of each person after experiencing the brand. (Chevalier and Mazzalovo, 2008).

2.2. Global Luxury Goods: Market Environment

Luxury goods industry is responding to the challenge of widening its distribution within a changing global market at the same time as retaining exclusivity and rarity, key luxury attributes which allow brands to charge premium prices. Global luxury goods sales have already begun to recover from the impact of the economic downturn, but its effects are still evident. Focus has shifted to the more resilient emerging

markets, particularly in Asia, bringing a younger consumer base into greater prominence. In 2014-15, the market is expected to have a steady growth, with emerging markets accounting for one fifth of global sales. In 2014-15, the market is expected to have a steady growth, with emerging markets accounting for one fifth of global sales. In developed markets, customers -their confidence knocked by the global downturn and the subsequent slow recovery of many developed markets - are expected to favour “classic” goods which will hold their value.

As per the CII-IMRB report, the impact of the economic slowdown in 2013 has impacted the luxury market to a certain extent but by mid-2014 the market is expected to revive and continue its growth trajectory and grow at nearly 17 per cent in the year 2014. From about \$3.66 billion in 2007, the luxury market has more than doubled to \$7.58 billion in 2012.

As of now, India's luxury market is much smaller compared with \$318 billion globally but the 1.2 billion populations, which con trains affluent consumers, makes it very appealing.

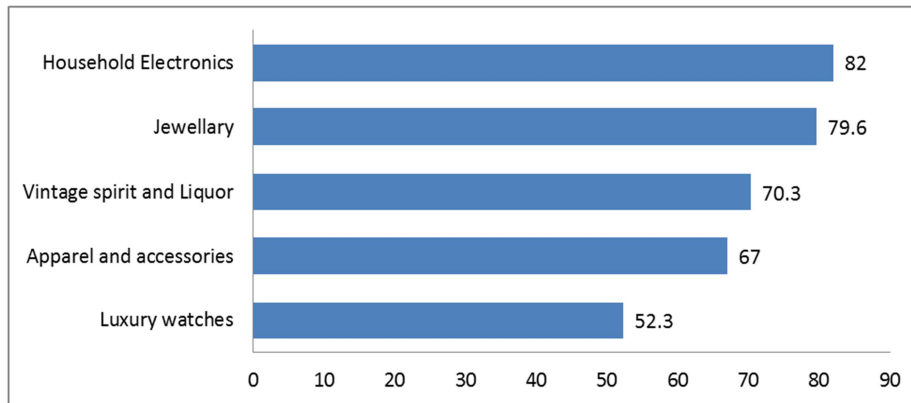


Figure 1. Luxury consumers preferring to shop in India.

Source: Kotak Wealth Management Report

According to industry experts, India could emerge as an important luxury market in the next decade but pricing will continue to play a key role in expanding the market. The Indian luxury market grew at a healthy rate of 30% to reach US\$ 8.5 billion in 2013 and is expected to continue to grow at about 20% to reach US\$ 14 billion by 2016 owing to rising number of wealthy people, growing middle class, affluent young consumers and other related factors.

community, has led to global luxury brands vying to find a space in the Indian market. The number of high net worth Households (HNH’s) – (Fig 3) Estimataed was 128 Trillion rupees and the projected value of the total HNH’s in Inda by the 2019-20 will be 415 Trillion rupees with massive growth rate of 224%.

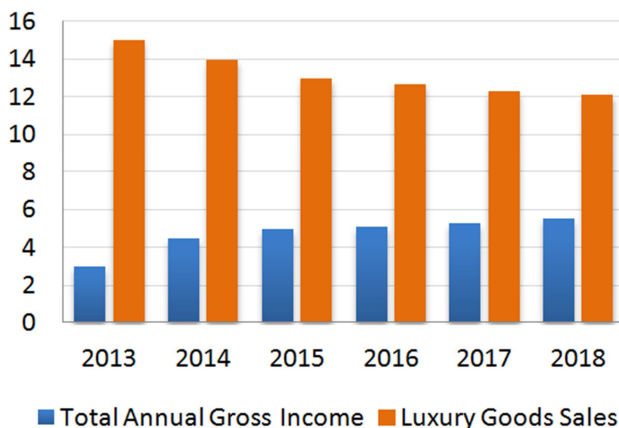


Figure 2. Growth of Indian Luxury Market.

Source: Euromonitor International

The exponential growth of the luxury market in India, coupled with the increase of the rich upper-middle class and HNH

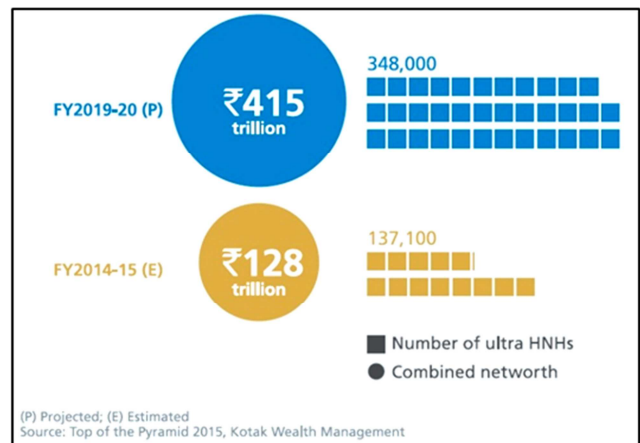


Figure 3. Total net worth of Ultra HNH's in India.

2.3. Literature Review

Internet users connect to the Internet through their mobile phones more than personal computers and as a result mobile users have become the major target for businesses (Dunlap,

2012). Also, the number of affluent consumers using smart phones is growing (Shop Igniter, 2013). In 2011 alone, 85 percent of them used mobile applications (Frank, 2011). Moreover, to build a better relationship with customers through digital media, businesses need to know their customers and their needs better (Bishop, 1998).

2.4. Data and Methodology

The study employed descriptive survey design. Descriptive survey according to Kothari (2011) is concerned with describing, recording, analyzing and interpreting conditions that either exist or existed. The techniques allow the researchers to describe the impact of mobile devices of luxury consumers shopping and. In addition to this, the study also described common characteristics among the study population of the research. The population of the study comprises of luxury consumers purchasing various luxury products in Bangalore. Samples of 142 respondents are selected for the study through a purposive sampling method.

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{222}{1 + 222(0.05)^2} \approx 142.76$$

Testing of Hypothesis

In order to test the hypothesis, the non-parametric test method (chi-square) is used. Steps required for testing chi-square

1. State the null hypothesis and alternative hypothesis
2. Determine the level of significance
3. Calculate the chi-square test.

$$X^2 = \frac{(o - E)^2}{E}$$

Where O is the observed value and

Table 3. Frequency distribution of sales representatives and consumers.

Respondent Frequency	Absolute frequency	Cumulative frequency	Frequency percentile
Luxury watches	48	34	23.94%
Apparel and Accessories	44	76	29.57%
Jewellery	52	112	25.35%
Luxury Electronic Gadgets	42	142	21.12%

Table 4. Summary of Chi-square test of significance of responses from the respondents in rating the use of mobile devices.

Hypothesis	Sample Size	Degree of Freedom	Level of Significance	Chi-Square Values		Decision
				Calculated	Tabulated	
H ₀₁	142	24	0.05	96.28	36.42	Reject

Luxury consumers do not desire exceptional experiences through digital touch points.

The results as presented in the above table shows that χ^2

E is the expected value

4. Determine the degree of freedom (df), depending on the number of rows and columns.

$$Df = (r - 1) (c - 1)$$

Where

R = number of rows

C = numbers of columns

5. Result: After calculating the chi-square value, the obtained value is referred to as calculated value chi-square. This value is then compared against the tabulated value of chi-square.

3. Research Objective

The purpose of the research is to evaluate the sales promotion in non-alcoholic beverage industry in India. The research aims to answer the following research questions:

- What is the characteristics luxury Industry?
- Luxury consumers interest in shopping on mobile devices.
- Impact of luxury consumers buying intention and satisfaction

4. Hypothesis

H1: Luxury consumers desire exceptional experiences through digital touch points.

H2 Shopping through mobile devices has a significant positive impact on luxury consumers buying intention.

H3: Shopping through mobile devices has a significant positive impact on luxury consumer satisfaction.

5. Analysis & Discussion

calculated (96.28) is greater than χ^2 tabulated (36.42) at 0.05 (5%) significance level. Therefore, the null hypothesis that Luxury consumers do not desire exceptional experiences through digital touch points significantly was rejected while

the alternative hypothesis was accepted which suggests that Luxury consumers desire exceptional experiences through

mobile devices for purchases, and they are in the forefront of shopping on mobile devices.

Table 5. Summary of Chi-square test of significance of responses from the respondents in rating that Shopping through mobile devices has no significant positive impact on luxury consumers buying intention.

Hypothesis	Sample	Degree of	Level of	Chi-Square Values		Decision
	Size	Freedom	Significance	Calculated	Tabulated	
H ₀₂	142	24	0.05	78.29	36.42	Reject

Shopping through mobile devices has no significant positive impact on luxury consumers buying intention.

The results as presented in the above table shows that χ^2 calculated (78.29) is greater than χ^2 tabulated (36.42) at 0.05 (5%) significance level. Therefore, the null hypothesis that the

mobile devices has no significant positive impact on luxury consumers buying intention was rejected while the alternative hypothesis was accepted which suggests that the use of mobile devices has a significant positive impact on luxury consumers buying intention.

Table 6. Summary of Chi-square test of significance of responses from the respondents in rating that shopping through mobile devices has no significant positive impact on luxury consumer satisfaction.

Hypothesis	Sample	Degree of	Level of	Chi-Square Values		Decision
	Size	Freedom	Significance	Calculated	Tabulated	
H ₀₃	142	24	0.05	121.51	36.42	Reject

Shopping through mobile devices has no significant positive impact on luxury consumer satisfaction. The results as presented in the above table shows that χ^2 calculated (121.51) is greater than χ^2 tabulated (36.42) at 0.05 (5%) significance level. Therefore, the null hypothesis that shopping through mobile devices has no significant positive impact on luxury consumer satisfaction was rejected while the alternative hypothesis was accepted which suggests that shopping through mobile devices has a significant positive impact on luxury consumer satisfaction.

6. Conclusion

The main purpose of this study is to evaluate the luxury consumers buying Intentions of m-commerce industry in particular. From the study we can conclude that mobile devices have a significant positive impact on luxury consumer satisfaction and their buying intentions. Use of M-commerce applications has a long way to go in Indian luxury market. It's important for luxury brands to enable optimized mobile experience to the user and provide consumers a sense of control in their mobile commerce experience at the press of a button. Luxury brands with poor mobile experiences may miss potential sales but mastering mobile technology and serving with right motto will create beautiful experiences that the consumer will adore.

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