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The Title of Master's Thesis:

**Country of Origin Effect and the Impact of Brand
Nationality on Quality Perception in the Luxury
Goods Market**

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DECLARATION OF AUTHENTICITY

I hereby declare that the Master's Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

In Prague, August 24, 2015

Signature

THE TITLE OF THE MASTER'S THESIS

Country of origin effect and the impact of brand nationality on quality perception in the luxury goods market.

ABSTRACT

The purpose of this Master's Thesis is to investigate the attitudes of high net worth individuals toward country of origin information within the luxury goods market with respect to the quality of the products. The primary method used for the research is qualitative research based on in-depth interviews. Based on these in-depth interviews, the thesis demonstrates the synergy between the literature on country of origin and luxury goods and the consumers' quality perception on luxury based on country of origin.

KEY WORDS

Country of Origin Effect, Luxury Goods, Consumers' Quality Perception

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Introduction

Over the past 50 years, there has been a significant growth of international trade. Nowadays, anyone can have a product delivered almost anywhere on the planet in a couple of days without any major problem. Therefore, companies operating in foreign markets have had to develop their international marketing strategies to a quite high level.

With the rapid development of technology and the Internet, consumers are now more educated than ever. That brings new challenges to companies because many consumers have become rather picky with their purchases. The country of origin is a large and important concept that can affect consumers' perception and impression of the products. Country of origin is often an even more important indicator when it comes to luxury goods.

Throughout its first part, this thesis discusses some of the theoretical frameworks that have been studied in the past. To begin, it touches on, for example, Samli's (2013) idea considering that the feelings consumers may experience about the country of origin of the product in question transfer directly to their evaluation of the product as a whole. It also briefly looks at the study by Lampert and Jaffe (1998) that talks about the idea saying the more homogenous the good is, the lower the country of origin effect there is. Another theory to mention is the one by Piron (2000) saying that consumers automatically form a connection of some product categories such as luxury watch segments with the country of origin of the brand. Then in other research made by Wiedmann et. al. (2007), they identify the luxury value dimensions that really add luxury value on the product in consumer's perception to be: financial dimension, functional dimension, individual dimension, and social dimension. The thesis also touches on Quelch's (1987) theory saying that superior quality of luxury goods is understood to be one of the fundamental characteristics of a luxury brand, as well as others.

After going through the research, the author realized that there are just a few studies exploring the Czech market in the matter of country of origin's impact on the luxury goods market. At the same time, the author was not able to come across any in-depth study that would address the attitudes of high net worth individuals living in the Czech Republic toward the country of origin effect and luxury goods. Therefore, the author saw an open opportunity to qualitatively investigate this topic a little further. Consequently, the major goal of this thesis is to investigate the attitudes of high net worth individuals in the Czech Republic toward the country of origin effect, product quality and luxury goods. This will be done using the support of the theoretical frameworks and assumptions used in literature focused on country of origin and luxury goods, while focus is put on one selected segment of the studied markets, luxury watches.

Ever since 2001 and 2002, the Czech and international consumers have been able to buy luxury watches in Prague. At that time, the company Carrollinum started to distribute brands like Cartier, Breitling, Chopard, IWC, Baume & Mercier, Piaget or Omega (Mueller, 2012). In addition to these brands, the company added Rolex in 2012 (Mueller, 2012). Czech consumers along with the tourists mainly coming from the East are slowly learning to become luxury consumers and the revenues of local luxury stores are increasing. According to Global Blue, the revenue of local stores selling luxury products has risen by 35 percent during the years from 2011 to 2012 (Financninoviny.cz, 2012). In 2012, according to Carrollinum, the largest increase in brands demanded were noted by Patek Philippe, Rolex and Lange & Söhne (Financninoviny.cz, 2012). The expansion of the brands offered on the Czech market during the past 15 years suggests that Czech consumers have been becoming fonder of the segment of luxury watches.

This master's thesis will investigate consumers' perception of quality in the luxury goods market through the country of origin effect. All of the respondents come from the Czech Republic. According to Global Wealth Report 2014 done by The Boston Consulting Group, there are about ten thousand Czech households that could be considered "dollar millionaires", which is about 0.2 percent of the whole population of the Czech Republic (Aktuálně.cz, 2015). There are about 200 thousand Czech households whose wealth could be considered above 100 thousand US dollars, which

is about five percent of the Czech population (Aktuálně.cz, 2015). Due to the small number of high net worth individuals residing in the Czech Republic in terms of other used definitions, combined with large difficulties of accessing those individuals for personal in-depth interviews, and because of limited research on this topic, the author adapted the criteria of being a high net worth individual for the purpose of her qualitative research.

The structure of this thesis is divided into two major chapters. The first theoretical chapter comprises two sections. The first of these will briefly elaborate on the importance of country of origin within the luxury goods market. Secondly, the author of this thesis will present a literature review and the theoretical frameworks used for the purpose of conducting this research. In the second part of the thesis the author focuses on the impact of brand nationality on quality perceptions in the luxury goods market. In this section, the research methodology will be introduced. This chapter also clarifies the data collection procedure and introduces the interview questions along with the consumers interviewed for the purpose of this research. The thesis presents an analysis of the interviews and provides the outcome of the research. In the conclusion, the outcome of the research is summarized and put together with some managerial implications.

1. The Concepts of Country of Origin and Luxury Goods

This chapter focuses on the theoretical frameworks of country of origin and luxury goods. Firstly, it looks at different parts of the concept of country of origin. Then, it discusses a couple of various parts of the luxury goods framework.

1.1 Theoretical framework of the country of origin concept

This subchapter will go through the key theoretical concepts of the topic of country of origin. These are namely country of origin, intrinsic and extrinsic products cues, the connection of country of origin to product types and brand recognition, and the link of country of origin to consumer buying behavior and consumer's quality perception.

1.1.1 Country of origin

Ever since the 1960s, the country of origin effect has been a broadly researched topic within the marketing literature. The concept of country of origin effect has been the primary topic of over seven hundred published academic works between 1965 and 2001 and therefore, was intensively tested against different results, i.e. quality perception, consumer's purchase intention, product evaluation, willingness to buy and willingness to pay (Phau and Prendergast, 2000).

With that being said, there are many different definitions of the country of origin concept. For the purpose of this thesis, the author will use the definition of country of origin proposed by Martin and Cerviño (2011, pg. 532), which says that since country of origin is more a permanent characteristic, the authors perceive it as the country where the brand was originated and from which it takes its personality, regardless of where the products were manufactured or where the corporate headquarters of the brand's parent company is located (Martin and Cerviño, 2011). Their definition of country of origin is very much based on the basis of Samiee's definition, which defines country of origin as "the country with which a firm is associated" (Samiee, 1994). Samiee's definition diverges itself a little bit from the more often used

definitions that describe country of origin as the country where the corporate headquarters of the firm marketing the product or the brand is situated (e.g. Ozsomer and Cavusgil, 1991; Balabanis and Diamantopoulos, 2008) or the country where the product is produced or assembled (e.g. Papadopoulos, 1993; Lee and Schaninger, 1996).

In the past couple of decades, there has been an increasing number of authors beginning to claim that there is a range of ways in which to define country of origin information with brand names playing a major role in this respect (Kim and Chung, 1997; Thakor and Lavack, 2003). In the global world, most of the multi-national corporations source and manufacture the products from several locations that change quite often. They also expand their value-added chain further beyond any national boundaries (Martin and Cerviño, 2011). Especially in the last two decades, there have been many mergers and acquisitions that have reformed many industries. In this context, the brand origin is potentially the only stable information about a product, leading some authors to claim that it may be a more appropriate case than the concept of country of origin (Thakor and Kohli, 1996; Lim and O'Cass, 2001; Thakor and Lavack, 2003; Samiee et al., 2005; Kinra, 2006).

The country of brand, in other words brand origin, is widely believed to be the country with which the product is associated by the consumers (Johanson et. al., 1985). It is also assumed that the country of brand information can be utilized as substituting information in a situation when the actual country of manufacture is missing (Chao and Rajendran, 1993; Maronick 1995). With the globalization of international trade, consumers are nowadays presented almost only with hybrid products. Hybrid products use multiple country affiliations for branding, design, manufacture, assembly, and parts sourcing (Funk et. al., 2010). Phau and Prendergast (2000), therefore, suggest that the country where the product was made is no longer the important determinant of the quality of the product or the brand image. They also suggest using the country of origin of the brand as an alternative and more modern evaluation tool. After researching the country of origin of the brand concept and introducing its conceptual and strategic relevance, the researchers conclude that the concept of the country of origin of the brand plays a significant role while examining hybrid products within the luxury industry (Phau and Prendergast, 2000). Most of the

consumers are aware of the fact that the products do not come from one country. The country of origin of the brand is especially important in the luxury industry because the consumers tend to connect the products with the country's image, mainly when it comes to the brand name, origin, personality and country ethnicity. Therefore, the author of the thesis will focus mainly on the country of origin of the brand in her research rather than the country of manufacture or assembly.

While there are many definitions of country of origin, it is also critical to understand the potential effect it has on, for instance, the consumers' purchase decisions or the consumers' perception of the whole brand. One of the many definitions presented in the marketing literature is the one used by Roth and Romeo (1992), which defines the country of origin effect as "the overall perception consumers form on products from such a country, based on their prior perceptions of the country's production and marketing strengths and weaknesses" (Roth & Romeo, 1992). Bilkey states the country of origin effect focuses on buyers' opinions regarding the relative qualities of goods and services produced in various countries (Bilkey, 1992). Maheswaran (1994) identifies the concept of country of origin as the extent to which consumers' product evaluations are influenced by the place of manufacture (Maheswaran, 1994). As it was already discussed above, this approach to the definition of the country of origin effect will not be much employed in this thesis, as it seems not exhaustive enough.

There are other researchers who prefer different definitions of the country of origin effect, for example Hinner (2010) characterizes the country of origin effect as a product related stereotype. A stereotype is identified as an impression of a certain group of people, which influences their perception of particular individuals (DeVito, 2007). Also, many researchers have confirmed the already widely thought fact that a lot of purchase decisions are based on the product's country of origin and not only on the basic factors such as price, brand name, warranty or the store where the products were purchased (Johansson et al., 1985; Keegan and Schlegelmilch, 2001; Samie, 1994). In Han's research, he explains that consumers use country image in product evaluation because they often are unable to detect the true quality of a country's products before the actual purchase (Han, 1989). His view on the country image just confirms the earlier proposed theory of Huber and McCann stating that because of

consumers' inability to detect true quality, the consumers may turn to country image to infer the quality of unknown products (Huber and McCann, 1982).

It is already a common habit, especially in some product categories, of the consumers to search for a specific good coming from a specific country. Everyone thinks highly of German precise engineering skills, French champagnes and perfumes, American services, Czech beer, Italian shoes and fashion in general, and not to forget Swiss watches. All of those countries are widely believed to have certain skills and competences in different product categories and that is the reason for consumers to use the countries as symbols for the products and to form a certain expectations of the products even before having any experience with using the products. However, those country stereotypes are always linked to just one specific product and therefore, it is not possible to shift those stereotypes from one product to another even though both products come from the same country (Keegan and Schlegelmilch, 2001).

Lately, most of the well-known designer brands have been moving their production sites to countries with lower reputations, especially those countries with much cheaper labor costs, mostly due to economic reasons. One may think that the move of production sites will influence the buyers, but researchers have found otherwise. The consumers usually ignore the actual country where the products have been manufactured and focus on the country from which the brand comes from (Johansson et al, 1985; Samie, 1994). Those researchers add on to the previously mentioned definitions showing the country of origin effect could signify a country stereotype related to a product.

Very early Reiersen's (1966, 1967) research found that country of origin effects existed whether it was general products, classes of products or specific products. These single-cue tests, which showed that country of origin of a product could have an effect on a consumer's opinion of the product, were strongly criticized due to the risen inflation of country of origin cues (Phau and Prendergast, 2000). The second phase progressed with multi-cue studies (Schooler, 1971).

In the next phase, during the next 15 years, most published studies concluded that country of origin stereotypes do exist and that they actually do impact product

evaluations and customer's purchase decisions (Bilkey and Nes, 1982; Tse and Gorn, 1993). After that, the next researchers showed a tendency for consumers to prefer products from their own country (Han, 1988; Papadopoulos et al., 1990), which is often referred to as 'ethnocentrism'. Many researchers (Hooley et al. 1988; Lee et al., 1992) describe ethnocentrism as the impact on consumer choice both through product attribute evaluation and through direct affective factors regarding the purchase itself (Yaprak and Baughn, 1991).

It may be interesting to see that most of the country of origin research focuses on consumer products and not on service products. There have been studies on service products made, but not very many and the literature mainly focuses on ethnocentrism (Phau and Prendergast, 2000).

<p style="text-align: center;">PHASE 1 - SINGLE CUE STUDIES</p> <p style="text-align: center;"><i>Schooler (1965), Reiersen (1966, 1967), Gaedeke (1973)</i></p> <p style="text-align: center;">Country of Origin effects inflated ----- called for multi-cue studies</p>
<p style="text-align: center;">PHASE 2 - PROGRESSION TO MULTI-CUE STUDIES</p> <p style="text-align: center;"><i>Bilkey and Nes (1982), Erickson et al. (1984), Johansson et al. (1985), Hong and Wyer (1989), Papadopoulos et al. (1990)</i></p> <p style="text-align: center;">Existence of Country of Origin effects manipulations include:</p> <p style="text-align: center;">Product Type/Country Specificity; Consumer Patriotism/Ethnocentrism; Country Reputation/Level of Economic Development; Hierarchy of effects of Country; Brand familiarity; Caveats: Sampling Procedures, multidimensional cues.</p>
<p style="text-align: center;">PHASE 3 - HYBRID PRODUCTS/BINATIONAL PRODUCTS</p> <p style="text-align: center;"><i>D'Astous and Ahmed (1992), Chao (1993), Ettenson (1993), Ettenson and Gaeth (1991), Ettenson and Mathur (1995), Han and Terpstra (1988), Han (1989)</i> Dimensionalising country of origin - country of assembly, country of parts, country of design etc. Impact of brand names in a rapidly globalizing market.</p> <p style="text-align: center;">Caveats: Complexity of multi-country affiliation, Cross national validity, Level of involvement in purchase decision, Brand familiarity and experience</p>
<p style="text-align: center;">GLOBALIZATION (BORDERLESS WORLD)</p> <p style="text-align: center;">Relevance and significance of the country name</p> <p style="text-align: center;">NEW EVALUATION TOOL?</p>

Table 1: Evolution of Country of Origin Research; Source: Phau and Prendergast (2000, p. 161)

Based on the literature review discussed so far and the model of quality perception process developed by Steenkamp (1989), the master thesis will employ the following conceptual framework (see Figure 1):

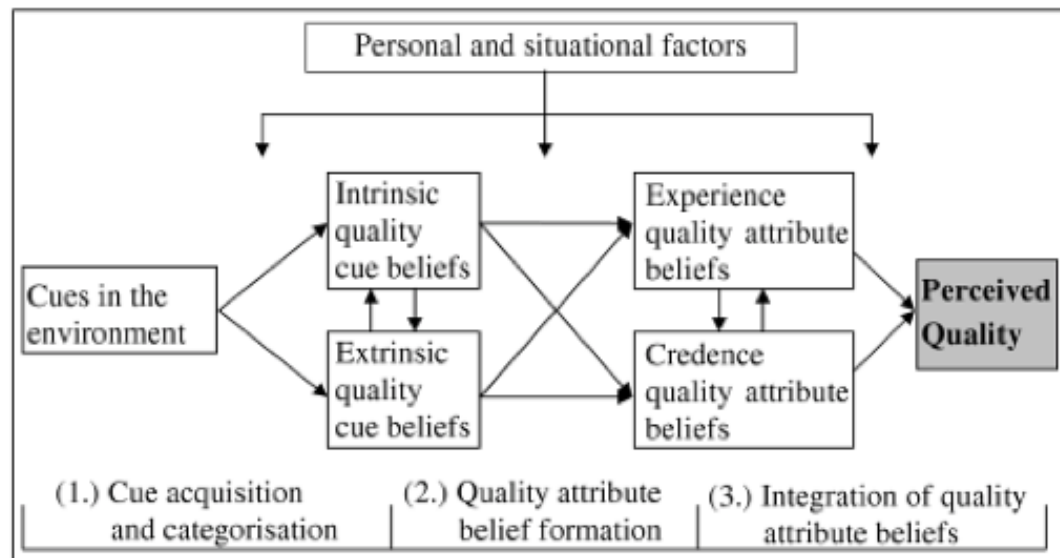


Figure 1: A conceptual Model of the Quality Perception Process; Source: Steenkamp (1989)

Steenkamp's model (see Figure 1) describes the way consumers form perceptions about product quality, for example at the point of sale (Greibitus, 2008). It proposes a helpful framework to expose the effects of quality cues and attributes on perceived quality and on each other (Greibitus, 2008). Steenkamp (1989) believes the quality perception process involves three processes:

1. Cue acquisition and categorization, which refers to descriptive belief formation with respect to quality cues. The consumer will only acquire and categorize a few of the quality cues that were presented to him in the given environment. It is assumed that cues with strong relationship to quality attributes are more likely to be acquired by the consumer (Greibitus, 2008).
2. Quality attribute belief information. Consumers use the quality cues gathered in the previously mentioned part of the quality perception process to form beliefs about experience and credence quality attributes. Quality attribute beliefs can be inferential and informational. Inferential belief in the quality

perception process is based on the perceived relationship between a cue and an attribute. Informational beliefs are shaped by accepting information about quality attributes provided by sources such as friends, retailers, advertisement etc. (Greibitus, 2008).

3. Integration of quality attribute beliefs. The overall quality evaluation is established upon the perceptions of the product with regard to the quality attributes. The three processes are affected by personal and situational variables (Greibitus, 2008).

Steenkamp's (1989) model was used to show the explicit distinction between quality cue beliefs and quality attribute beliefs (Greibitus, 2008). For a better understanding, examples of intrinsic quality cues could be key product components, size of the product, or design of the product. Examples of the extrinsic quality cues could be brand name, price, country of origin, product warranty, or store design.

Also, the framework in Figure 1 implies that the perceived quality of a good is also affected by the personal and situational factors, which could be demographic factors such as age, gender, income, or education, but those also could be cultural and nationality traits such as level of economic development of the market, ethnocentrism and stereotypes.

1.1.2 Extrinsic & Intrinsic Product Cues

One can say that a product is an array of cues (Cox, 1962) that may serve as signals of product quality (Rao & Monroe, 1988; Richardson, Dick & Jain, 1989). According to Eroglu and Machleit (1989), one can define a product cue as an external dimension or an attribute with the help of which a product can be categorized. There are two types of information that a consumer can gather by observing the product. The first type is an intrinsic product cue, which could be described as design, taste, or product performance. The other type is an extrinsic product cue, which could be expressed as price, brand name, packaging, retailer reputation or warranty placed on the product.

Intrinsic cues are characterized as parts of the physical product, which cannot be changed without also changing the physical product itself (Olson, 1977). Intrinsic quality cues are related to technical specifications, which also involve physiological characteristics (Acebrón & Dopico, 2000). Since one can easily experience some difficulties when interpreting the intrinsic cues of the product at the point of sale, the consumer often ends up taking the extrinsic cues into consideration in order for him or her to obtain some additional information about the product. Since the country of origin can be influenced without changing the physical product, it is considered to be an extrinsic cue (Verlegh & Steenkamp, 1999). In this respect, country of origin is not different from other extrinsic cues like price, brand name and retailer reputation (Verlegh & Steenkamp, 1999). According to Maheswaran (1994), consumers are more likely to depend on the extrinsic cues of information in situations when they have to assess present products and their intrinsic cues are either unavailable at that moment or hard to examine.

To add on to Maheswaran's theory, the consumers who rely on the extrinsic cues the most are thought to be the ones, who have a little knowledge about the product prior to its purchase, which happens to be a frequent case with the products produced abroad (Cattin, Jolibert & Lohnes, 1982). Also, there is a difference in how the new customers compared to the experts use the country of origin information (Maheswaran, 1994). According to Maheswaran (1994), the novices (new customers) use the country stereotypes linked to the country of origin to assess the products, no matter whether their attributes are ambiguous or not. On the contrary, experts only incline to use the extrinsic cues in situations when they have to evaluate ambiguous product characteristics (Maheswaran, 1994). Maheswaran's study then also suggests that any negative associations with the country of origin would become significant only for the inexperienced consumers and not for the experts. The author says the same happens with consumers who are not exposed to much cross-cultural contact, they consider the negative associations with country of origin to be very important as, on the other hand, people with a lot of international exposure do not (Maheswaran, 1994).

1.1.3 Country of origin, product types, and brand recognition

Nowadays, more than any time in the past, consumers are becoming quite sensitive to where does the product comes from. If consumers like their purchased product's features, and later on, find out the product comes from a country with a poor reputation of being the producer of good-quality products, they may change their opinion of the product's features and will not repurchase or buy the product in the first place. In such cases, the feelings consumers may experience about the country of origin of the product in question transfer directly to their evaluation of the product as whole (Samli, 2013). Clearly, the name of the country triggers either positive or negative feelings. Therefore, for example, when the German car manufacturers advertise their cars, they focus on repeating the information that the car was made by the precise skills of German engineering. This information serves as a strong positive factor for the consumer since German engineering carries very high reputation. On the same note, Samli's recent research proved that the consumers are not willing to pay less and buy French luxury products that are made in China (Samli, 2013). This positive correlation between the country of origin and the type of the product implies that it will most likely be much harder for a brand to enter a new market if its country of origin will not be associated with high quality products of that particular product type. For example, if there is a French luxury watch producer wanting to enter a new market, it will be much harder for the French company due to the general perception that high quality luxury watch producers only come from Switzerland. This situation can happen mainly because of the fact that watch is not widely perceived as the typical or ethnical product category made by French firms. This type of positive correlation is a prerequisite of a successful purchase decision (Kotler & Armstrong, 2008).

The country of origin effect does not work for all of the product categories the same. The more homogeneous the good is, the lower country of origin effect there is affecting the product's image (Lampert & Jaffe, 1998). Here, an example of gas, electricity or water consumption can be given to strengthen the idea of the study. Since gas or electricity are considered to be homogenous products, consumers do not really care much where do those products come from. On the other hand, the more

differentiated the product is, the more significant role of the country of origin effect plays within its brand's image building.

There is a study made by Piron (2000), which explores the differences between necessity and luxury goods from the country of origin effect's point of view. The study is based on a test in which the author stresses the importance of the country of origin as an additional external cue of the products, which are in this case a luxury sports car and toothpaste. Attaching the country of origin information to the luxury car information changed the rankings of all other product characteristics. On the other hand, attaching the country of origin to the toothpaste information did not produce the same effect as in the example of the luxury sports car. This example suggests the fact that the country of origin effect is much stronger for luxury goods than for necessity goods (Piron, 2000).

Also, the consumers very often perceive an automatic relationship in between the brand name and the country of origin of the brand. The authors of the marketing literature usually talk about two product categories, which are the high involvement product category and the low involvement product category. Famous brands belong to the high involvement product category and the consumers usually associate them with high price (Schiffman & Kanuk, 2007). Examples for the statement could be brands like Prada for clothing (fashion), Omega for watches, Louis Vuitton for handbags, or Aston Martin for cars. Consumers usually only link products of those brands to the country of the origin no matter where the products were actually produced or assembled and their purchase is made in most cases because of the favorable reputation of the country of origin and not of the brand name (Samiee, 1994).

A couple of studies show that country of origin significantly affects consumer's attitude towards a brand (Bilkey & Nes, 1982; Tse & Gorn, 1993). Also, consumer's quality perception of a product tend to be affected by both country of origin and the brand name. To which extend is the consumer's quality perception affected usually depends on the presence of consumer patriotism and on other additional extrinsic cues of that particular product, for example customer service or warranty (Han & Terpstra, 1988).

When a consumer evaluates a product with the help of taking the country of origin into consideration, he or she is influenced both by the brand recognition and his or her previous product knowledge (Schaefer, 1997). Consumers, who are familiar with the particular product and its brand on a moderate level, tend to use the country of origin information less than the users who are either very well familiar or not familiar with the product and its brand at all (Lee & Ganesh, 1999).

1.1.4 Country of origin, consumer buying behavior, consumer's quality perception

There is a study made by Han (2010) that researches the buying behavior of Taiwanese female consumers of luxury goods, handbags in particular. In the study, Han (2010) compares the country of origin effects on luxury handbags. The first group of handbags come from France, in other words they originate in a country with high reputation for luxury goods. The other group of handbags comes from China, which is a country perceived with low reputation for making luxury goods. The study concludes that customers prefer luxury goods that come from countries with high reputations and also do not mind paying higher prices for such luxury goods. There is one more outcome mentioned in the study, which is saying that the country of origin has a stronger effect on the consumer buying behavior than the brand name (Han H. , 2010).

Another study on the topic of the luxury goods category and how the consumer buying behavior is affected by the country of origin effect was conducted by Piron (2000). In his research, Piron (2000) finds out that the country of origin effect affects the luxury goods product category much more than any other product category. Unfortunately, this serves as a rather quite weak determinant of the consumer's purchase intentions since the intrinsic cues (for example, performance or reliability) are usually more important than the extrinsic cues (country of origin for example) even within the luxury goods product category (Piron, 2000). At the end of his research, Piron (2000) states that the consumers automatically form a connection of some product categories such as luxury watch segments with the country of origin of the brand, for example Switzerland and Rolex.

Another research was conducted by Koschate-Fischer et. al. (2012) and this one focuses on the connection of country of origin to the consumer's willingness to pay. According to Koschate-Fischer et. al. (2012), the consumer's willingness to pay is a narrowly defined variable and therefore, it is more suitable way how to test the country of origin effect. The researchers came to a conclusion that the consumers not only assess the products coming from developed countries more favorably than the consumer goods coming from less developed countries, but also that the consumers are willing to pay much higher price for products coming from developed countries. Another outcome of the research tells us that if a consumer finds him- or herself in a high-involvement scenery, meaning that the consumer is more familiar with the brand in question, he or she tends to use the intrinsic cues rather than the extrinsic cues like country of origin in order to make his or her purchase decision (Koschate-Fischer, Diamantopoulos, & Oldenkotte, 2012).

The next question that comes to one's mind is whether the country of origin affects the consumer's quality perception of the good. There are numerous studies that emphasize the significance of brand names and the brand familiarity in consumer perceptions of quality and product evaluations (Jacoby, Olson, & Haddock, 1971; Jacoby, Szybillo, & Busato-Schach, 1977; Shapiro, 1982; Nelson, 1970). The country of origin effect seems to have much stronger impact on the luxury consumer goods than the price when considering the product quality (Wall, Liefeld, & Heslop, 1991). To add onto the previous statement, the impact of geographic origin is realized to be stronger for the consumer product categories, whose manufacturing is associated with those countries that are well known for their production traditions within a given product category, Swiss watch or German cars to give a few examples (Roth & Romeo, 1992; Baumgartner & Jolibert, 1978).

When one thinks of or evaluates the product quality, the country of origin affects the assessing person much more than the product's brand, but when it comes to consumer's purchase intentions, brand has a stronger effect (Ahmed, Johnson, Ling, Fang, & Hui, 2002). In their research, Ahmed et. al. (2002) argue on the basis of the following claims:

1. The “stereotype” effect – country of origin might cause a “stereotype” effect in determining which country offers the best quality products. However, when the time comes to purchase the given product, the country of origin stereotype diminishes and the consumers look for a more reliable way of evaluating their possible choices, one that is provided by a well-known brand (Ahmed, Johnson, Ling, Fang, & Hui, 2002).
2. Consumers assign a great significance to the country of origin effect if it is a well and easily discoverable information at the moment when the consumer assesses the product (Ahmed, Johnson, Ling, Fang, & Hui, 2002).

When it comes to purchase intentions, usually the brand influences the consumer more than the country of origin. Also, consumers often use the brand name as a proxy of the country of origin itself (Ahmed & d'Astous, 2004). Han and Qualls (1985) think of the country of origin effect as product attribute specific. Also, in everyday life the country of manufacture influences the consumer's quality perceptions of the product more than the brand name.

There have been many studies done arguing which attributes do matter when it comes to product evaluations, for example, Thorelli et. al. (1989) examined the significance of country of origin, product warranties, and store images and how do consumers relate them to product assessments. Then there have been authors, for example Hampton (1977), Modic (1990), or Cordell (1985), who thought there was a bias within the consumer's appraisal of products coming from foreign countries clearly favoring the products that were made in the home country. Other research confirmed the already widely believed thought, which says that consumers coming from developed countries incline towards evaluating products from their own country more favorably than the foreigners do (Bilkey & Nes, 1982; Lillis & Narayana, 1974; Nagashima, 1970; Nagashima, 1977; Toyne & Walters, 1989). Overall, there is a positive relationship between the level of economic development of a particular country and the quality perceptions of the country's products (Wang & Lamb, 1983; Gaedeke, 1973; Toyne & Walters, 1989).

1.2 Luxury goods

This second subchapter will focus on the theoretical frameworks of luxury goods. Firstly, it will define the concept of luxury. Then, it will go through some of the important parts of luxury concept, for example luxury value model, segmentation of the luxury goods market, and the connection of luxury goods to consumers' buying behavior or brand recognition. Lastly, it will present the research topics that have been derived from the literature overview.

1.2.1 Defining the luxury concept

The luxury brand market has been expanding steadily for the past 30 years, growing by up to 25 percent in 1989, with a minimum of 10 percent per year, although it grew more slowly during the mid-1990s (Vigneron & Johnson, 2004). There are various reasons why this growth has been maintained, from a growing aspirational affluence (Roux, 2002) and growing population of young upwardly mobile consumers (Roux, 2002) to an ageing wealthier population (Frances, 2002) or a greater relative number of people with high income (Gardyn, 2002).

Looking at the literature written on the concept of luxury, one can be amazed by the recent profusion of concepts: trading-up, new luxury, mass luxury, masstige, opuluxe, hyper-luxury, luxury fashion, and so on (Kapferer & Bastien, 2009). Every single one of those new terms tries to distinguish a new segment, nuance or form of luxury, opposing it to former forms of luxury called 'traditional luxury' (Danziger, 2005; Okongwo, 2007; Silverstein & Fiske, 2003; Tungate, 2004). Actually, it is fairly commonly thought that there is an underlying continuum, which goes from mass consumer goods all the way to luxury goods. In his classic marketing textbook, Doyle (2002) presents a graph with cost on the horizontal axis and quality on the vertical axis, and then he plots economy products, mass market products, premium products and luxury products on the same line, meaning that there is a linear progression from one category of consumer goods to another (Kapferer & Bastien, 2009). This graph (see figure 2) implies that in order for one to come up with a marketing strategy for luxury goods, he or she would not have to follow any strong specifications that usually belong to the luxury goods' marketing. The graph tells us that marketing luxury goods would only experience differences in level and not in

nature; therefore one could use the same marketing strategies used by all fast-moving consumer goods companies. The slight difference would only be that the luxury brand would be the most selective in its distribution, the most image-driven, the most extreme in its products' quality and with the customer service that comes along with purchasing its products etc. Of course, the luxury brand's products would be the most expensive ones on the market (Kapferer & Bastien, 2009).

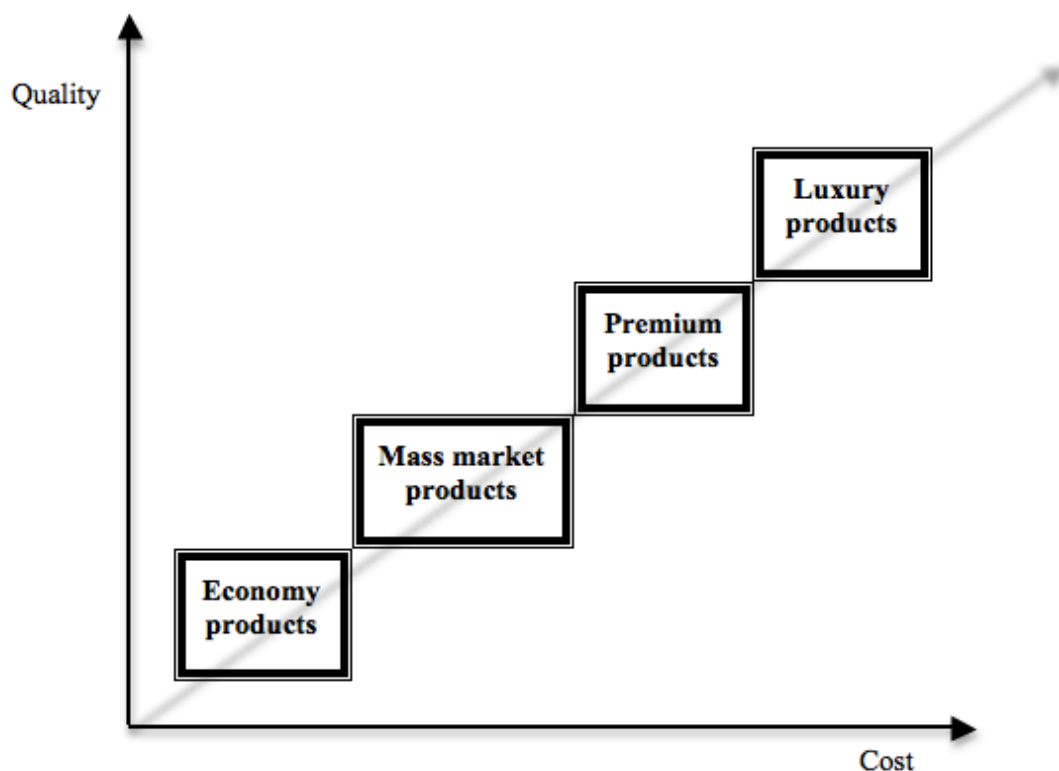


Figure 2: Marketing Strategies; Source: Author

According to Kapferer (2009), the proper way to look at how truly luxury brands are managed reveals that sticking to a luxury strategy implies a very strict set of rules in all parts of the management, including financial and human resources (Kapferer & Bastien, 2009). He also states that one does not launch a luxury brand, but builds it progressively by managing the allocation of resources in a very specific way (Kapferer & Bastien, 2009).

But what is the actual traditional luxury concept that Kapferer talks about in the beginning of his article? Traditionally, luxury goods or status goods are defined as goods for which the mere use or display of a particular branded product brings

prestige on the owner, apart from any functional utility (Grossman & Shapiro, 1988). These goods are very expensive and quite exclusive, such as Rolex or Omega watches, Hermès scarves, Louis Vuitton handbags, Gianni Versaci suits and Bentley cars. Kapferer (1997, pg. 253) presented the word luxury: “Luxury defines beauty; it is art applied to functional items. Like light, luxury is enlightening. [...] They offer more than mere objects: they provide reference of good taste. That is why luxury management should not only depend on customer expectations: luxury brands are animated by their internal program, their global vision, the specific taste which they promote as well as the pursuit of their own standards... Luxury items provide extra pleasure and flatter all senses at once... Luxury is the appendage of the ruling classes” (Kapferer J. N., 1997). Another author, Berry (1994), compares luxury goods with necessary goods and says that necessary goods among with utilitarian objects trigger discomforting and unpleasant emotions, while luxury goods provoke desire and pleasure (Berry, 1994).

Displaying the brand name on the luxury goods in general evokes self-esteem and social status to the owner of the product and therefore helps the consumer to satisfy his or her psychological and functional needs (Arghavan & Zaichkowsky, 2000). That is the main aspect or feature that differentiates luxury goods from non-luxury products and counterfeits.

Nueno and Quelch (p. 61) define luxury brands as those whose ratio of functionality to price is low, while the ratio of intangible and situational utility to price is high (Nueno & Quelch, 1998). This definition is comparable to the definition made by economists or marketing consultants (McKinsey, 1990), who define luxury brands as those whose price and quality ratios are the highest of the market; that is, their price is significantly greater than the price of products with similar tangible (Vigneron & Johnson, 2004).

Obviously, luxury goods serve as a social marker, and therefore, there is such a need for brands. The presence of luxury products on the market recreates some degree of social stratification and people living in democracy are therefore free – within the limit of their financial means – to use any of its components to define themselves socially as they wish. Kapferer and Bastien (2009) describe the above-mentioned

situation as ‘democratic luxury’, which they identify as a situation when “a luxury item that extraordinary people would consider ordinary is at the same time an extraordinary item to ordinary people” (Kapferer & Bastien, 2009). They also state that the DNA of luxury is the symbolic desire to belong to a superior class, which everyone will have chosen according to their dreams, because anything that can be a social signifier can become a luxury (Kapferer & Bastien, 2009). At the same time, anything that ceases to be a social signifier loses its luxury status.

The basics of luxury are cultural, in as much as the luxury band lies at the confluence between culture and social success (Kapferer & Bastien, 2009). Money (due to high prices of the luxurious products) is not enough to define luxury goods: it only measures the wealth of the buyer, and this is why the luxury brands have to first encode social distinction (Bourdieu, 1985). Luxury industry converts the raw material that is money into a culturally sophisticated product that is social stratification (Kapferer & Bastien, 2009).

In addition to the above-described key social function, luxury should include very strong personal and hedonistic components; otherwise it is no longer luxury but just a simple snobbery (it would be allowing others to impose a paradigm for one to follow, instead of letting one making his or her own choices according to his or her personal needs and preferences), and one would quickly fall into the trap of provocation (Kapferer & Bastien, 2009). This provocation could turn into a race among the neighborhood who owns the biggest or fastest car, for example.

As a result, luxury is qualitative not quantitative: the number of diamonds put in a watch or a pair of earrings only indicates the opulence of the wearer, but it does not say anything about his or her taste (Kapferer & Bastien, 2009). Also, when talking about the luxurious industry, hedonism takes precedence over functionality: this is the major fact by which the luxury industry distinguishes itself from the premium brands (Kapferer & Bastien, 2009). Luxury goods come closer to being pieces of art than being greatly functioning and very useful things.

Kapferer and Bastien (2009) also point out that with the luxury industry being a social phenomenon these days, and society being made up of humans, luxury goods and

services have to include a strong human content and absolutely have to come from a human origin. These facts have two major consequences:

1. A luxury object has to be handmade and the service has to be provided by a human being to another human being (Cailleux, Mignot, & Kapferer, 2009).
2. Exclusive services are an absolute essential part of luxury management. It is the most important part of the customer relationship management of luxury goods to make each and every single customer feel like he or she is the prince or princess and there is no one else at that moment. This style of customer approach is what distinguishes luxury brands from premium or mass-market brands (Cailleux, Mignot, & Kapferer, 2009).

1.2.2 Luxury value model

Wiedmann et. al. (2007) think that all relevant present and potential value sources of the consumer's luxury perception should be integrated into one single model. In general, values can be referred to as beliefs that guide the selection or evaluation of desirable behavior or end states (Schultz & Zelezny, 1999). Speaking of consumption values, which directly explain why consumers choose to buy or avoid particular products (Sheth, Newman, & Gross, 1991), there are different types of values that influence consumers' purchase choices: A customer's luxury value perception and the motives for consumption of luxury goods are not purely fixed to a set of social aspects of displaying status, success, distinction and the human desire to impress other people, but also depend on the nature of the financial, functional and individual utilities of the certain luxury brand (Wiedmann, Hennings, & Siebels, 2007). Since Wiedman et al. (2007) claim that luxury value lies in social and individual and also in functional and financial aspects, it is crucial to gather all relevant cognitive and emotional value dimensions into a multidimensional model.

Based on many works on the evaluation of luxury brands, Vigneron and Johnson (2004) came up with a framework describing the brand luxury index by which they suggest that the luxury-seeking consumer's decision-making process can be rationalized by five main factors that form a semantic network. Those five factors are

perceived extended self and perceived hedonism for the personal perceptions, and then, there are perceived conspicuousness, perceived uniqueness, and perceived quality as for the non-personal perceptions (Vigneron & Johnson, 2004). Wiedmann et. al. (2007) took Vigneron and Johnson's research a little further and defined the luxury value dimensions that really add luxury value on the product in the consumer's perception as the following:

- *Financial Dimension of Luxury Value Perception* – the financial dimension addresses direct monetary aspects such as price, resale price, discount, and investment (Wiedmann, Hennings, & Siebels, 2007). It concerns the value of the product, which is expressed by a currency, and it also refers to what does the consumer have to give up or sacrifice in order for him or her to be able to buy the product (Wiedmann, Hennings, & Siebels, 2007).
- *Functional Dimension of Luxury Value Perception* – by the functional dimension, it is meant the primary benefits and basic efficacies that raise the value of the luxury goods in the eyes of the consumer such as the quality, uniqueness, usability, reliability, and durability of the product (Sheth, Newman, & Gross, 1991).
- *Individual Dimension of Luxury Value Perception* – the individual dimension concentrates on the consumer's personal orientation towards luxury goods consumption and addresses individual matters such as materialism (Wiedmann, Hennings, & Siebels, 2007), hedonistic and self-identity value (Vigneron & Johnson, 2004).
- *Social Dimension of Luxury Value Perception* – it seems that the consumption of luxury goods has a solid social function. Therefore, the social dimension is used to talk about the perceived utility the consumers enjoy when consuming products or services, which are understood as very prestige within the consumers' own social group. This approach may considerably affect the consumers' willingness to buy and consume luxury brands' products and services (Vigneron & Johnson, 2004; Kim, 1998).

Those four crucial dimensions of luxury value perception, which consist of the financial, functional, individual, and social aspects, strongly correlate with each other,

but are not completely identical to each other (Wiedmann, Hennings, & Siebels, 2007). This fact is shown in the figure below (please, see Figure 3).

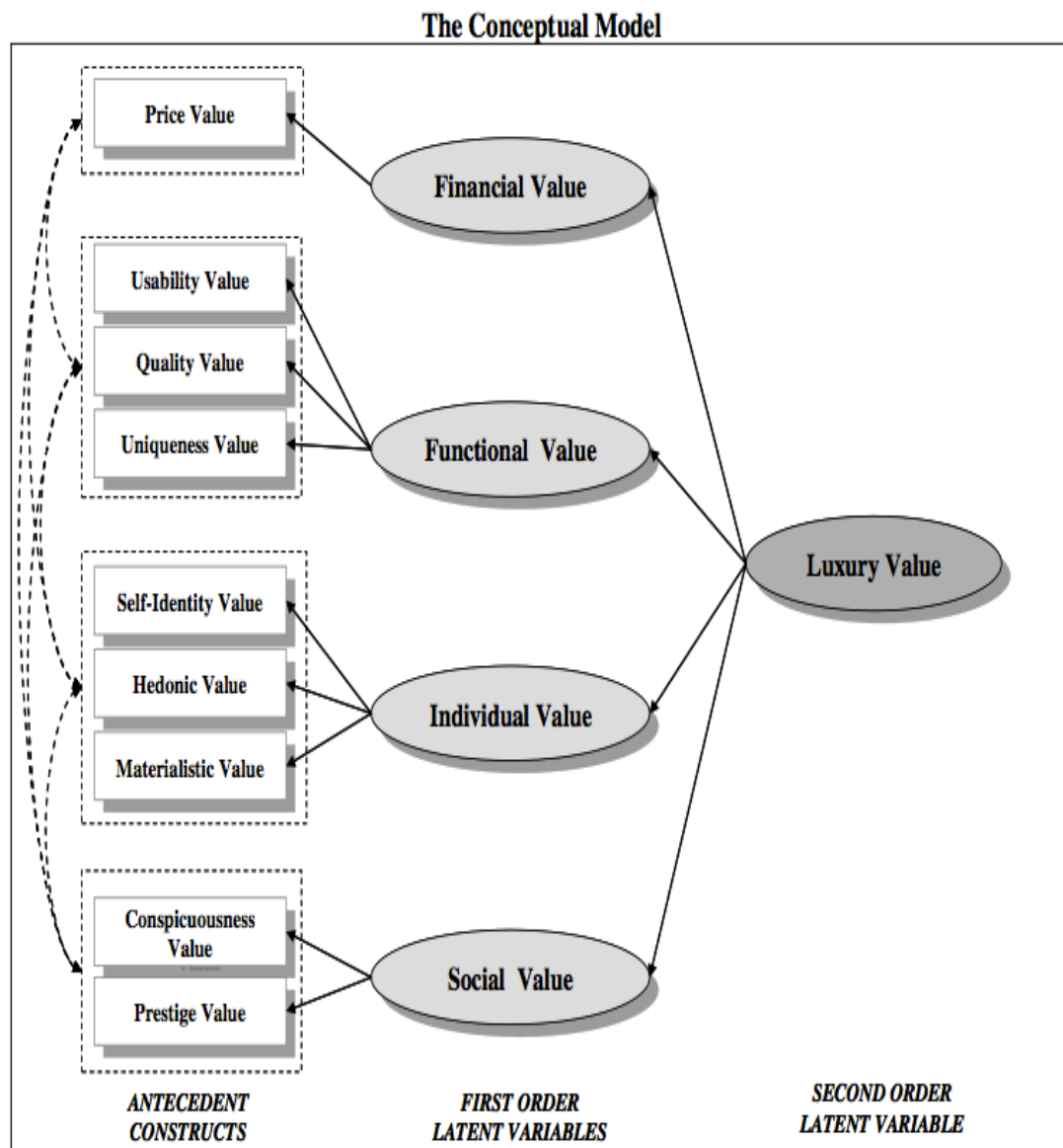


Figure 3: Luxury Value Model; Source: Wiedmann et. al. (2007, pg. 5)

Also, the mentioned value model in figure 3 can be helpful to marketing managers. They can use those developed four variables as the main points for further monitoring with respect to the given luxury brand. What is meant by that statement is that marketing managers of a luxury brand can use the four variables to explore and forgo a potential problem of, for example, the brand losing its perceived value. This way, they will have clearer view of where the brand needs to catch up with the market and

they can develop some strategies to do something about their brand (Wiedmann, Hennings, & Siebels, 2007).

Even though the above-mentioned model is used to better understand the dimensions of the perceived value of luxury goods, one expects that these dimensions are perceived differently in a cross-cultural context. This may happen even if the outcome on the perceived luxury is the same because different cultures may place different emphasis on separate dimensions. The authors believe that by integrating these four perceptions, the overall structure of the model is stable and has to be followed for creating a long-lasting global luxury brand (Wiedmann, Hennings, & Siebels, 2007).

1.2.3 Segmentation of the luxury goods market

In 2009, Wiedmann, Henning, and Siebels conducted a study in which they split the luxury consumers into subgroups based on their luxury value perceptions. The authors distributed their questionnaires that helped them to develop each market segment's profile and then they identified the variables by which they derived the market's segments from (Wiedmann, Hennings, & Siebels, 2009). The four clusters that the authors identified can be described as the following:

- *Cluster 1: The Materialists* – members of this cluster showed the highest ratings for the materialistic and usability value of luxury goods. On the other side, the quality and self-identity value aspects were rather not important. Also, their ratings for quality and prestige value were the lowest among all the groups. The materialists indicated the hedonic value of luxury goods as unimportant for them. They stand out from the other clusters by wishing to have a lot of luxury involved in their lives and they think their lives would get significantly better if they owned certain things they do not have. The materialists showed the most positive attitude toward luxury objects during this study. In conclusion, the materialists satisfy their personal needs and superior quality standards with luxury goods, but do not try to impress others

with their possessions or belong to a special group of individuals (Wiedmann, Hennings, & Siebels, 2009).

- *Cluster 2: The Rational Functionalists* – these consumers showed the highest ratings of all groups for quality value, followed by uniqueness and self-identity value. Their scores for hedonic luxury value factors were lower than those gathered by the other groups, which means that they perceive the hedonic luxury value as unimportant. They are closely attached to functional value items and they do not seem to be greatly excited about the emotional dimensions of luxury consumption. In general, these consumers have superior quality standards and differentiate themselves from others with the purchase of exclusive luxury products. Similar to the Materialists, they consider their individual needs to be more important than the desire to make a good impression on other people (Wiedmann, Hennings, & Siebels, 2009).
- *Cluster 3: The Extravagant Prestige-Seekers* – the members of this cluster are more likely than the members of the other clusters to take social value aspects of luxury consumption into account, as noticed by the highest ratings for prestige value followed by extravagance and usability value during the study. They strongly perceive social aspects as being most important for their perception of luxury value. They also tend to pay attention to what products do the others buy. When thinking about making a luxury purchase, they put more emphasis on prestige over quality assurance and state that they buy a certain luxury brand mainly for impressing others rather than just for themselves. With that being said, extravagant prestige-seekers perceive the quality of life and pleasure aspects of luxury consumption to be uppermost in importance. More individuals within this cluster are concerned about other people's opinions than in the other three clusters (Wiedmann, Hennings, & Siebels, 2009).
- *Cluster 4: The Introvert Hedonist* – these consumers value the self-directed pleasure and life enrichment the most for their perception of luxury value. They see luxury brands as sources of pleasure and by consuming such products, they enhance their quality of life. Their definition of luxury refers to exclusivity and products that are not for

mass consumption. Overall, the introvert hedonists are less likely than consumers in other clusters to be enthusiastic about luxuries, as it could be seen in the study in the lowest scores for a statement “Luxury products make life more beautiful” (Wiedmann, Hennings, & Siebels, 2009).

The four clusters mentioned above are based on their perception of luxury value, which is just one way to divide the consumers of luxury goods into different segments.

The authors Michel Chevalier and Gérald Mazzalovo (2012) discuss in their book whether one should even speak of luxury goods consumers since a consumer consumes the products he or she purchases. They argue that in luxury there are no products, just special objects that clients desire to acquire and keep. For example, someone purchasing a Rolex watch or a Hermès handbag is not going to consume the product, then go back to the store to buy a new one (Chevalier & Mazzalovo, 2012). Chevalier and Mazzalovo (2012) follow the footsteps of Don Ziccardi (2001) in identifying the segments and divide the luxury clients into four segments:

- *Millennium money*: in this category are those who made their fortune around the turn of the century, including all celebrities and sport stars, as well as those who became rich through the rise of Internet businesses (Chevalier & Mazzalovo, 2012).
- *Old money*: those clients have inherited their wealth and do not really work, or they manage their inherited businesses. Some of them perhaps have a professional life with a standard of living unrelated to their salary (Chevalier & Mazzalovo, 2012).
- *New money*: this category includes those who have built their fortune themselves. Opposite of the millennium-money group, they are not inevitably young, and did not usually come by their money easily. These people have worked really hard for most of their lives and still are working really hard. Therefore, they are cautious with their money and seem to know the value of their fortunes (Chevalier & Mazzalovo, 2012).

- *Middle money*: this considers the upper-middle class, which is typically very careful about money. Their main revenues come through salaries or professional income and they are reasonable spenders (Chevalier & Mazzalovo, 2012).

Those four segments divide the luxury consumers according to the size of their wealth. Therefore, it is also needed to say that when the economy runs well, all of those above-mentioned groups buy luxury goods. When the economy is stroked by a recession, most consumers do not have to cope with major drops in their income and there might not be major differences in their dispensable income, but their assets usually drop in value since they are made up by financial investments and real estate most of the time, and then, the consumers do not feel like spending much money and become careful (Chevalier & Mazzalovo, 2012).

The next question in mind when talking about luxury consumers is whether there actually is a thing such as a worldwide consumer, and whether people belonging to different nationalities like to buy the same things. According to Pierre Rainero, manager of market research and communication for Cartier, even Europeans do not share the same opinions on their preferences: “The Italians like watches that are slightly flashy and insist on a mechanical movement. They collect them and may change their watches several times per day. The Germans prefer quartz watches with a very simple design: rigor and effectiveness. The French have a strong preference for the engineer’s watch: sporty and full of several chronometer dials.” (Tissier, 1995). In the study conducted by Bernard Dubois and Gilles Laurent (1996), the authors interviewed 86 consumers in twelve countries: Germany, the United States, Norway, Austria, Denmark, Poland, Australia, the Netherlands, Spain, Belgium, Hong Kong, and France. They tried to find some similarities in preferences among those different nationalities in order to either prove or disprove the possible existence of such thing as a worldwide consumer. Figure 4 shows the major statements used in the above-mentioned study of Dubois and Laurent.

	Elitism	Democratization	Aversion	Detachment
<i>Attitudes toward luxury</i>				
Luxury is pleasant	88	88	7	68
Overall, I like luxury products	84	66	4	27
Luxury is actually unnecessary	7	4	71	20
Luxury does not interest me	4	4	77	30
<i>Vision of luxury</i>				
Few people own luxury products	66	6	51	59
A real luxury product cannot be sold in supermarkets	83	8	43	76
Luxury products are necessarily very expensive	80	43	26	80
Real luxury products cannot be mass manufactured	81	36	34	66
You must be quite a snob to buy luxury products	37	7	74	47
<i>Behavior</i>				
I almost never buy luxury products	17	20	58	56
I don't know much about luxury products	11	9	53	43
Luxury products improve life	78	54	24	33
Luxury is too expensive for what it is	39	29	22	71

Figure 4: Different Typologies of Consumer Perceptions of Luxury (% of respondents agreeing), Source: Dubois and Laurent (1996, pg. 127)

There were four groups that have emerged out of the used study by Dubois and Laurent, even though the questionnaires were answered by students, who are not necessarily the appropriate audience of a study on luxury goods. The four groups of consumers were the following:

- *The elitists – traditional luxury*: the members of this group have very positive attitudes toward luxury; they believe luxury is useful and they very much like luxurious products. They also think that luxury products improve the quality of life. Eighty-three percent of the members of this segment state they purchase luxury goods. They clearly are in favor of this activity and perceive themselves as consumers or at least would-be consumers. The authors call this

group of consumers classical and elitist because these people think that luxury is targeted at a very small group of individuals – the happy few that are actually able to purchase such products – in which they of course include themselves automatically. But they do forget that they are able to buy good champagne, which is a luxury product, in a local supermarket (Chevalier & Mazzalovo, 2012).

- *The democrats – open luxury*: this second segment's attitude and behavior do not change from those in the first segment; they are in favor of luxury goods. The democrats differ from the elitists in their vision of luxury. They believe that luxury is for everyone and the majority of them suppose that a luxury product can be bought in supermarkets. In fact, while the elitists have a Hermès Kelly handbag or a Van Cleef diamond necklace view of luxury, the democrats think about a bottle of perfume or Dom Pérignon when it comes to luxury products. The democrats accept the mass production of luxury products, which is the case for perfumes, cosmetics, and wines, and that is the main difference between these first two groups (Chevalier & Mazzalovo, 2012).
- *The anti – opposed to luxury*: this group is very much against luxury. The study showed that 26 percent think, “luxury products are necessarily very expensive,” and about a half consider that “luxury products are owned by almost everybody.” On the other hand, 74 percent state that “you must be quite a snob to buy luxury products.” Those answers show that these consumers know luxury products are available, can be sold in a supermarket and bought by almost everybody. However, their rejection of the whole category of luxury goods is so strong that it encompasses all those who use such products. It is more of an ideological position they are holding than anything else (Chevalier & Mazzalovo, 2012).
- *The detached – luxury far away*: this category is not so strongly against the world of luxury as the previous group as 68 percent of this group state that “luxury is pleasant,” but they do not buy luxury products. The answer by 71 percent of this group “luxury is too expensive for what it is,” proves their point of view, which tells the world that they like luxurious products, but they are unnecessary and they personally do not need such products. The majority

of this segment almost never buys luxury products (Chevalier & Mazzalovo, 2012).

These four segments provide a typology of attitudes and behavior that can be used to further analyze any group of consumers since those four categories state underlying patterns that can be found in many different groups, even within one country (Chevalier & Mazzalovo, 2012).

1.2.4 Luxury goods and consumer buying behavior

There has been a trend over the few past decades of brands that once targeted only the wealthiest consumers in the world of launching new product lines, new brands or product extensions to market their products to the middle-class consumers. Actually, some authors have called this trend the ‘democratization of luxury’ (Gardyn, 2002; The Economist, 1993). Later on, Rémaury (2002) observed the cultural differences that form this trend and illustrated the effect of a greater democratic process affecting luxury-product marketing in the United States compared to Europe.

Vigneron and Johnson (1999) developed a framework that focuses on a ‘prestige-seeking consumer behavior’ in an earlier review article. Their prestige-seeking framework was initially inspired by the concept developed by Mason, whose framework of status-seeking consumer behavior was supposed to explain consumers’ behavior in relation to luxury brands (Vigneron & Johnson, 2004). Mason’s conceptual framework concentrated on the interpersonal effects associated with this behavior (Vigneron & Johnson, 2004). On the contrary, Vigneron and Johnson’s (1999) framework contained personal aspects such as hedonist and perfectionist motives inspired by the work of Dubois and Laurent (1994), as well as the more used interpersonal aspects like snobbery, conspicuousness and bandwagon motives, which they took over from Leibenstein (1950) and Mason (Vigneron & Johnson, 1999). This concept actually agrees with previous research made on luxury goods, which proved that consumers’ behavior varies between different people depending on their susceptibility to interpersonal influence (Vigneron & Johnson, 1999). In their later

study, Vigneron and Johnson (2004) refer to the ‘luxury-seeking consumer behavior’ as they talk about luxury brands and not premium brands.

Vigneron and Johnson (1999) suggest the luxury-seeking consumer’s decision-making process is explained by five main factors that form a semantic network. Those five crucial factors also are those by which the luxury brands get distinguished from the non-luxury brands. They are the key luxury dimensions that have to be established or followed for creating a lasting luxury brand. Obviously, it is assumed that different groups of consumers will have different perceptions of the level of luxury for the same brands, and that the overall luxury level of a brand will incorporate those perceptions from different perspectives (Vigneron & Johnson, 2004). The five key luxury dimensions are the following:

- *Perceived conspicuousness* – the consumption of luxury brands may be significant to individuals who are seeking social representation and a certain position. This means that social status related to a brand is an important factor in conspicuous consumption. On top of that, consumers who see price as a proxy for quality often point to high price as an indicator of luxury. Therefore, the measure of conspicuousness contains items such as ‘extremely expensive’ or ‘for wealthy’ that touch on perceptions of price and social status associated with the brand (Vigneron & Johnson, 2004).
- *Perceived uniqueness* – research proves that scarcity or very limited supply of products enhances consumers’ preferences for a brand (Lynn, 1991). Individuals show their need for uniqueness as they look for something that is quite difficult to get (for example, a Rolex watch). One searches for uniqueness usually to enhance one’s self-image and one’s social image by holding on to one’s personal taste, breaking the rules and being a rebel, or avoiding mass consumption. The uniqueness aspect is based on the assumption that the perception of exclusivity and rarity increase the desire for a brand, and also that this desirability is intensified when the brand is perceived as expensive. Therefore, a luxury brand, which would not be easy to obtain because of its uniqueness (a handbag of limited edition, for example), and which would be expensive on top of that, compared to mass-market

brands, would be even more valuable (a Maserati car, for example) (Vigneron & Johnson, 2004).

- *Perceived extended self* – some consumers may use luxury brands to classify or differentiate themselves from the other people, whom the consumers find relevant. Also, they may try to add some symbolic meaning of the luxury brand to their own identity (Holt, 1995). Luxury consumption seems to be shaped by one's social referencing and his- or herself. Many researchers point at the problem of being influenced by the demands and expectations from one's own social or membership group, and at the same time leaning toward another standard set by another group. Therefore, people's craving to match the affluent lifestyles and to be different or even separated from non-affluent lifestyles influences their luxury-seeking behavior (Vigneron & Johnson, 2004). There is a concept proposed by Belk (1988) saying that people consider their belongings as part of their self-identity. Some researchers state that the possession of luxury brands may be more valued by consumers who are highly materialistic and susceptible to interpersonal influence (Bearden, Netemeyer, & Teel, 1989). Materialistic consumers may see luxury brands as a way to achieve happiness, and may use these brands to judge others on their personal success. People who worry about being socially accepted by wealthy reference groups may appreciate things that are more socially visible and look expensive (Vigneron & Johnson, 2004).
- *Perceived hedonism* – luxury-seeking consumers are believed to be hedonic consumers when they are seeking personal achievements and fulfillment obtained through the purchase and consumption of things appraised for their particular emotional benefits and intrinsically satisfying properties, rather than functional benefits (Sheth, Newman, & Gross, 1991). 'Hedonic dimension is used to refer to the luxury dimension reflected by sensory gratification and sensory pleasure expected from the consumption' (Vigneron & Johnson, 2004). As a result, consumers who actually depend on their own personal opinion (for example, consumers who do not need to show off their role), and who are not influenced by others' opinions when considering buying luxury brands, may represent the hedonic type of a consumer (Vigneron & Johnson, 2004).

- *Perceived quality* – it is widely expected of luxury brands to present superior product quality and performance in comparison to non-luxury brands. Consumers, who are perfectionists, may value a luxury brand more because they may believe the luxury brand will have a greater brand quality and reassurance (Aaker, 1991). The research being done on luxury consumption stresses the great importance of leadership in quality to ensure the perception of luxury (Quelch, 1987, Garfein, 1989). It seems almost impossible to create a luxury brand image without having a long-term commitment to quality. With that being said, people affected by the quality of luxury products may perceive the luxury brands' products as having exclusive characteristics compared to non-luxury brands. Some of those characteristics may be: engineering, design, technology, sophistication or craftsmanship. For example, a precision for a luxury watch or the stitching on a luxury handbag are components of the product revealing the perceptions of quality (Vigneron & Johnson, 2004).

It is now clear that individuals use luxury brands as symbols by which they express their self-importance to their reference groups. Usually, this type of communication causes a preferred response and impacts the process of interaction, and therefore reinforcing and enhancing one's own self-concept (Arghavan & Zaichkowsky, 2000). Many consumers buy luxury brands mostly because they want to satisfy their hunger for symbolic meanings. Dubois and Duquesne's (1993) research shows that consumers often value the status of a brand name or the image linked to a certain product more than the actual product itself. The luxury brand cannot be just unique, it has to be accepted, appreciated and admired by others. Thus, buying luxury products stands for an extreme form of expressing one's values (Dubois & Duquesne, 1993).

1.2.5 Luxury goods and consumer's quality perception

According to Aaker (1991) perceived quality cannot really be objectively determined since it is a perception and also because the customers' judgments on what is important to them need to be involved. Perceived quality is defined relative to an intended purpose and a set of alternatives (Aaker, 1991). Therefore, it differs very

much from brand to brand. Perceived quality is an intangible, an overall feeling about a brand. But it is usually based on underlying dimensions, which include characteristics of the products to which the brand is attached like reliability or performance (Aaker, 1991).

Consumers usually expect luxury products to be of superior quality by which they perceive higher value from them. For some consumers, as it can be seen in previous references, the superior quality of luxury products is the main and crucial reason of purchasing luxury products. As it was already mentioned in previous chapters, the excellent quality is understood to be one of the fundamental characteristics of a luxury brand.

When a brand presents itself as a luxury brand, it needs to make sure that it will not only present its great design for high prices, but the products are also extremely reliable and therefore have very high quality. The brand also needs to constantly challenge itself and improve this high quality to stay on top of the game. As Quelch (1987) states in his study, plain exclusivity without the quality leadership is a recipe for failure. He then also goes on with describing concrete quality indicators, for example warranty, expensive packaging, or performance of the product (Quelch, 1987).

1.2.6 Luxury goods and brand recognition

Probably the most important aspect out of the brand elements in order for one to recognize the brand is the brand's name. Then comes the brand's logo, which actually goes hand in hand with the brand's name. The brand's name serves as the first sign of recognition of a brand (Chevalier & Mazzalovo, 2012). In the world of luxury brands, the first name, since it usually identifies the creator, stays an indispensable element of the excellence and creativity of the brand. No one ever thinks of Saint Laurent without Yves, or Ferragamo without Salvatore. And yet, there are exceptions to the rule, which have stayed alive in their current form the brand's origins: Gucci, the name of whose founder, Guccio, would almost certainly result in an awkward

alliteration; Coco Chanel always wished to use only her last name (Chevalier & Mazzalovo, 2012).

The second most important brand attribute is its logo. The logo is clearly not the brand, but it defines a particular way of writing the brand. It serves as the heraldic shield of our modern times, since it constitutes of a combination of letters or signs, an image, an ideogram, or a group of graphical elements (Chevalier & Mazzalovo, 2012). Chevalier and Mazzalovo (2012) call the logo to be to the modern communication and consumption activities what numbers are to mathematics or words to language. They form a new typology of conventional signs. In a way, logos are the new alphabet of an over communicating society, the symbols of our time (Chevalier & Mazzalovo, 2012). The logo affects people's social relations in two ways. Firstly, the consumer gathers some information content from seeing the logo before the purchase of the product, and secondly, the logo generates also a certain perception of the purchased product to the same consumer after his purchase (Chevalier & Mazzalovo, 2012).

Consumers do not recognize brands only on the basis of seeing a logo or name of the brand. For example, there are some cult products that have become emblematic of a brand such as the Hermès Kelly bag or Gucci moccasins. A color of a product is another distinctive characteristic such as the phenomena of a red sports car – it has to be a Ferrari. Another element of recognition for the brand could be packaging. Tiffany's light-blue box and the Hermès orange box are quite strong aesthetic characteristics of their individual brand identity, which go along with the product and are an integral part of the gift (Chevalier & Mazzalovo, 2012).

It is clear that especially in the luxury market, a brand's signs must be identifiable, expressive, and easy to remember whether through the brand's name, logo or some other elements. Those have to bring a feeling of closeness, familiarity, and even humanity to its customer. And most importantly, they have to communicate a message of belonging to its consumers, not only to the brand, but also to its universe and its values (Chevalier & Mazzalovo, 2012).

1.2.7 Categories of luxury goods

Typically, there are four main categories within the luxury market; those are fashion, perfumes and cosmetics, wines and spirits, and watches and jewelry (Genier, 2014). Many companies use the same product categories within the luxury industry as Genier (2014) uses on her website. For instance, if we take the largest company selling luxury goods Moët Hennessy • Louis Vuitton, better known as LVMH, it divides its business groups into the following: wines and spirits, fashion and leather goods, perfumes and cosmetics, watches and jewelry, selective retailing, and other activities. The largest revenue within LVMH is brought by the fashion and leather goods business group. The second place is taken by selective retailing and other activities and then wines and spirits share the same percentage of brought revenue with perfumes and cosmetics. Watches and jewelry is the smallest business group by revenue in LVMH (LVMH, 2014). For LVMH, the category of watches and jewelry is the smallest one and it also brings the lowest amount of revenue into the group (LVMH, 2014).

1.2.8 Research topics derived from literature overview

After reviewing a wide range of literature on the topics of the country of origin effect and luxury goods, there have been six topics drawn from the previously mentioned theoretical frameworks. Those six research topics are listed in the table below.

Research Topics	Theoretical Basis	Authors
<i>1. Country of origin and product types</i>	The feelings consumers may experience about the country of origin of the product in question transfer directly to their evaluation of the product as whole.	Samli (2013)
	The more homogenous the good is, the lower country of origin effect there is affecting the product's image.	Lampert & Jaffe (1998)
	The country of origin effect is much stronger for luxury goods than for necessity goods.	Piron (2000)

Research Topics	Theoretical Basis	Authors
2. Country of origin and consumer's quality perception	The country of origin effect seems to have much stronger impact on the luxury consumer goods than the price when considering the product quality.	Wall, Liefeld & Heslop (1991)
	Consumers assign a great significance to the country of origin effect if it is a well and easily discoverable information at the moment when the consumer assesses the product.	Ahmed, Johnson, Ling, Fang & Hui (2000)
3. Country of origin and brand recognition	The consumer is influenced by the brand recognition and his or her previous product knowledge when evaluation a product with the help of taking the country of origin into consideration.	Schaefer (1997)
	Consumers, who are familiar with the particular product and its brand on moderate level, tend to use the country of origin information less than the users who are either very well familiar or not familiar with the product and its brand at all.	Lee & Ganesh (1999)
	Consumers automatically form a connection of some product categories such as luxury watch segments with the country of origin of the brand.	Piron (2000)
4. Luxury value model - perceived value dimensions	A customer's luxury value perception and the motives for consumption of luxury goods are not purely fixed to a set of social aspects of displaying status, success, distinction and the human desire to impress other people, but also depend on the nature of the financial, functional and individual utilities of the certain luxury brand.	Wiedmann, Hennings & Siebels (2007)
	Luxury-seeking consumer's decision-making process can be rationalized by 5 main factors that form a semantic network; those are: perceived extended self, perceived hedonism, perceived conspicuousness, perceived uniqueness, and perceived quality.	Vigneron & Johnson (2004)

Research Topics	Theoretical Basis	Authors
4. <i>Luxury value model - perceived value dimensions</i>	Luxury value dimensions that really add luxury value on the product in consumer's perception are: financial dimension, functional dimension, individual dimension, and social dimension of luxury value perception.	Wiedmann et. al. (2007)
5. <i>Luxury goods and consumer's quality perception</i>	Perceived quality is an intangible, an overall feeling about a brand, but is usually based on underlying dimensions, which include characteristics of the product's to which the brand is attached (like reliability or performance).	Aaker (1991)
	Superior quality of luxury goods is understood to be one of the fundamental characteristics of a luxury brand.	Quelch (1987)
6. <i>Luxury goods and brand recognition</i>	The brand's name serves as the first sign of recognition of a brand.	Chevalier & Mazzalovo (2012)
	Logos are the new alphabet of an overcommunicating society, the symbols of our times.	Chevalier & Mazzalovo (2012)
	Brand's signs must be identifiable, expressive, and easy to remember whether through the brand's name, logo or some other elements (like colors or packaging).	Chevalier & Mazzalovo (2012)

Table 2: Derived topics from literature overview, Source: Author – based on theoretical frameworks mentioned in the literature overview.

2. The Impact of brand nationality on quality perception in the luxury goods market

The first part of this chapter covers mainly the research methodology used to gather the needed information used for this thesis. Then, it continues with descriptions of the sample consumers along with the described process of data collection and interview questions.

The other half of this chapter focuses on the interview analysis. It goes into detail, discussing each research topic alone and then continues with the overall summary of findings and the managerial implications. It finishes with the limitations of the study and areas for future research.

2.1 Research methodology

There has been a lot of material written, about the category of fashion and leather goods within the luxury industry. Therefore, the author wanted to pick a different topic, which has not been yet so broadly discussed. During her research, the author did not come across many studies discussing the attitudes of high net worth individuals in the Czech Republic toward the country of origin effect, quality perception and luxury goods. As previously mentioned, according to Global Blue, the revenue of stores located in Prague selling luxury products has risen by 35 percent during the years 2011 to 2012 (Financninoviny.cz, 2012). In 2012, according to Carollinum, one of the largest luxury brands distributors in the Czech Republic, the largest increase in brands demanded noted Patek Philippe, Rolex and Lange & Söhne (Financninoviny.cz, 2012). The expansion of the brands offered on the Czech market during the past 15 years suggest that the Czech consumers have been becoming fonder of the segment of luxury watches. Also, the author's own interests lie within the luxury watch industry. She finds the topic of country of origin connected to the luxury watches fascinating. With all of that said, the author chose to focus her study on the category of luxury watches.

The author chose to perform qualitative research based on in-depth personal interviews. The group of high net worth individuals in the Czech Republic is a small and very difficult to approach cluster of people on which to perform a quantitative analysis. According to the Czech Statistical Office, there is only 0.5 percent of the Czech population with a net monthly income at least CZK 50,001 (Czech Statistical Office, 2014).

With that being said, the intention of this thesis is to investigate the attitudes of high net worth individuals in the Czech Republic toward the country of origin effect, product quality and luxury goods using the support of the theoretical frameworks and literature focused on country of origin and luxury goods, while focus is put on one selected segment of the studied markets, luxury watches.

2.1.1 Research methods

The specific methods used to meet the objectives of the thesis are as follows:

1. The assortment of an appropriate sample of consumers of luxury goods.
2. Implementation of the qualitative research method based on in-depth consumer interviews.
3. Analysis of the collected interviews and putting the outcomes together.
4. Proposal of managerial implications originating from the interviews.

2.1.2 Sample consumers

The most frequent consumers of luxury watches are high net worth individuals. The well-known Canadian agency PriceMetrix defines a high net worth individual as a person, who has a net worth of at least \$2 million in US dollars (Klausner, 2013). But the most common definition used is someone with investable assets worth over \$1 million in US dollars (Wicker, 2014). Also, on the contrary from net worth, which is typically characterized to consist of one's house, cars, investments, jewelry, and a

yacht minus that person's debt, the high net worth individual definition only contains liquid, investable, financial assets, in other words money that can be moved around fairly easily within a couple of days.

According to Global Wealth Report 2014 done by The Boston Consulting Group, there are about ten thousand Czech households that could be considered “dollar millionaires”, which is about 0.2 percent of the whole population of the Czech Republic (Aktuálně.cz, 2015). This percentage decreases even more if one wants to identify the “dollar millionaires” by individuals and not by whole households. Due to the fact that the research for this thesis was conducted in the Czech Republic and the small number of “dollar millionaires” living in the Czech Republic, the author of the thesis will define a Czech high net worth individual, and thus a potential buyer of a luxury watch on the market, as a person with a yearly gross before tax income of at least CZK 1.5 million.

With these definitions being said and put together with the topic of this thesis, the author of the thesis decided to contact individuals who meet one or more of the following criteria:

1. Already owns at least one luxury watch.
2. Is actively looking into buying a luxury watch within the next three months.
3. Has sufficient means to buy a luxury watch and therefore classifies as a high worth net individual in the Czech Republic.

Through personal referrals, the author was able to identify ten individuals who met the above-mentioned criteria. The identity of each person will stay anonymous due to their request; however, the profiles of each participant are listed below. Of the ten individuals the author reached out to, eight were willing to participate in the interview process.

The first respondent is a male, 57 years old, living with his family and two dogs. He lives in a country house near by a small town in West Bohemia. He is one of the three founders of a civil engineering company, which is his primary source of income. He

enjoys playing golf with his friends and cooking. He belongs to the second point under the criteria when deciding on whom to pick as a respondent. At his age, together with the firm's accomplishments, he feels that he finally can buy himself the luxury watch that he always dreamed of.

The second respondent is a male, 34 years old, living with his family partially in his country house located in Central Bohemia and partially in Prague. Together with his father, he owns a small to mid-sized factory producing gingerbread in Central Bohemia. This gingerbread factory serves as a family business and also his primary source of income. He belongs to the first category under the criteria of whom to pick as a respondent. Also, being a former professional tennis player, he has been living among high net worth individuals for about 20 years now. He regularly shops in stores located in Pařížská street in Prague. He enjoys playing golf and taking care of his little daughter.

The third respondent is a female, 39 years old, living with her family in Prague. She is the owner of a real estate company focusing mainly on luxury properties in Prague and Central Bohemia. Her real estate firm is her primary source of income. She fits the first criteria out of the list and is also currently actively looking into buying herself a luxury watch for her soon upcoming 40th birthday. She enjoys shopping and taking care of her little daughter. She is a regular customer at luxury brands' stores and thinks that luxury products do have higher value added to them.

The fourth respondent is a 33 year old female, who lives in Prague. She inherited her wealth from her father and currently invests on stock exchanges, which acts as her primary source of income. She belongs to the first group of the criteria and is also a regular customer at different luxury brands. She enjoys different kinds of sports, mainly playing golf, cooking and taking care of her household.

The fifth respondent is a 38 year old man, living in Prague with his three cats. He is one of three founders of a waste management company based in Mníšek pod Brdy. His waste management firm serves as his primary source of income. He belongs to the third group out the chosen criteria, but he sees luxury products as unnecessarily

overpriced products, and thus is not a regular customer at luxury brands. He enjoys playing golf and travelling.

The sixth respondent is 62 year old woman, living in Prague with her family. She is one of the founders and also the chief executive officer of one of the biggest and most popular travel agencies in the Czech Republic. This occupation serves as her primary source of income. She belongs to the first group out of the chosen criteria, but mostly is not a frequent customer at luxury brands.

The seventh respondent is 27 year old man, who lives in Pilsen. He is golf professional and teaching golf serves as his primary source of income. He belongs to the third group of respondents out of the chosen criteria, but enjoys consuming products that belong to the sports category more than luxury products. Therefore, he is not a frequent customer of luxury brands.

The eighth respondent is 31 year old male, living in Prague with his wife. He is a successful entrepreneur, as during the past five years he has set up three profitable businesses within the construction and real estate industry. He belongs to the first group of the chosen criteria, but enjoys travelling more than shopping for expensive consumer goods. Therefore, he does not belong to the frequent customers of luxury brands. He likes all kinds of sports, mainly triathlon, scuba diving, skiing and playing golf.

2.1.3 Data collection

Boyce and Neale (2006) define in-depth interviewing as “...a *qualitative research technique that involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program, or situation.*” (Boyce & Neale, 2006). This method of interviews is useful when one needs or wants to obtain detailed information about a person’s thinking and actions. The biggest benefit of this chosen method is the fact that it lets the author to obtain much more detailed information than he or she would otherwise get from different methods, surveys for example. Since this method is carried out in a form of interview,

it allows the conductor of the interview to alter his or her questions according to the interviewee's responses or, if needed, raise follow-up questions to complete the whole meaning of an answer.

The in-depth interview method was suitable to use for the purpose of this thesis because the author wanted to explore the consumers' intentions and thoughts that led to their purchases. The average time of one interview was about 45 minutes and the structure of the interviews was the following:

1. Introduction of the topic of this thesis and explanation of the purpose of this thesis (10 minutes).
2. Conducting of the interview, including the six research topics (30 minutes).
3. Confirmation of the interviewee's personal data aspects relevant to the fit of the sample pool (5 minutes).

Six interviews were carried out in person. Two interviews were conducted in written form due to time and schedule limitations of the participants. Even though the two interviews were conducted via slightly different form, the content addressed was identical.

2.1.4 Interview questions

The interview contained six main questions directed at the six research topics followed by supplemental questions that helped to fully address the research topics. The six research topics addressed were (1) Country of origin and product types, (2) Country of origin and consumer's quality perception, (3) Country of origin and brand recognition, (4) Luxury value model – perceived value dimensions, (5) Luxury goods and consumer's quality perception, (6) Luxury goods and brand recognition. Please see the following table for the interview questions.

Research Topics	Questions	Follow-up Questions
1. Country of origin and product types	1. Do you take into consideration the country of origin of a product that you're buying?	<p>1.a. In case of your every day shopping (groceries etc.) – why so / why not?</p> <p>1.b. In case of buying a luxury watch – why so / why not?</p>
2. Country of origin and consumer's quality perception	2. Do you connect a product's quality (and your expectations coming with it) to the country of origin's reputation when it comes to quality? Why / why not?	<p>2.a. When thinking about the quality of the product, do you form your opinion based on the brand or the country of origin of the product? Why / why not?</p> <p>2.b. In case you decide based on country of origin and not the brand – are you willing to do an extra research on the country of origin of the product if it's not a well-known fact? Why / why not?</p>
3. Country of origin and brand recognition	3. When buying a product originating in a country that you already have previous experience with, do you connect the features of previously bought product to the new one that you're about to purchase? Please, elaborate on that.	<p>3.a. When buying a product from a brand that you already know, do you search for country of origin information? Why / why not?</p> <p>3.b. Do you connect the country's reputation with its product's quality? Why not / why so?</p>
4. Luxury value model - perceived value dimensions	4. Why do you buy luxury products?	4.a. What kind of added value do you see to them? (Higher quality, original design, a certain social status coming with it etc.)

Research Topics	Questions	Follow-up Questions
5. <i>Luxury goods and consumer's quality perception</i>	5. Do you think luxury products are higher quality than the other products?	5.a. Why do you think so? 5.b. Would you buy a luxury product if you didn't think it had a superior quality?
6. <i>Luxury goods and brand recognition</i>	6. How do you recognize a brand? (By a logo, by name, by reputation?)	6.a. Do you remember the logo or the brand name more when first seeing a brand? 6.b. Do you prefer the brand to be seen all over the product or would you rather wear / own a logo/brand-free product? Why?

Table 3: Interview Questions; Source: Author

2.2 Interview analysis

This chapter analyses the outcomes of the interviews with the high net worth individuals. Firstly, the author goes through the discoveries and results of the research topics. Those discoveries are supported by examples of a sample of consumers' answers within each subchapter. Secondly, the findings are put together in the last part of this chapter.

2.2.1 Country of origin and product types

Right at the beginning of the interviews, it has been confirmed that the country of origin really matters to consumers. All eight respondents assured the author that they check for the country of origin when buying a product on regular basis. These statements also support Samli's (2013) theory basically saying that people will connect their feelings toward the country of origin to the product as a whole.

“According to the traditional productions in the countries, I look for that certain tradition in a product. So I do consider the country of origin of the product that I’m buying.”

“Yes, I do connect a certain quality with a certain country of origin. I believe that to a certain point those prejudices for countries of origin hold to be true.”

“I think those sayings about where does the product come from (for example, that French perfumes are the best or that German engineering is the highest quality) are based on years of experience of many buyers, and therefore are not just sayings, but proven facts.”

When going into bigger detail of checking for country of origin of a product and whether that information really matters to the consumer, it has been found that consumers want to know what kind of food they eat, so all of them check for country of origin when grocery shopping. This does not correspond to Lampert and Jaffe’s (1998) theory much, which states that the more homogenous the product is, the lower country of origin effect there is affecting the product’s image. Four of the respondents prefer to buy Czech products when grocery shopping; others choose to buy what they believe are high quality foods.

“Country of origin reveals a certain image of a product to me before I even buy the product. I prefer buying Italian products when it comes to groceries. I think they’re higher quality.”

“I do look for the country of origin of a product when it comes to food a lot. I’m interested in buying high quality food for my family, so I rather pay a higher price for a product that I believe is higher quality. For example, I only buy Italian tomatoes because they actually taste like tomatoes compared to the other tomato kinds on the market.”

“I mainly search and try to buy Czech brands when it comes to groceries. Especially being a producer of a Czech product (gingerbread) myself, I try to

support other Czech producers as much as possible. But of course, their products must be top quality.”

“I buy Czech products if they are not substantially more expensive than those coming from abroad. I think Czech products are higher quality. And there is also one important fact, which is the length of the transport in case of fruits and vegetables. Clearly, it takes shorter time to get Czech products on the market, and therefore they are fresher in the store.”

“I always look at the country where the groceries come from because I prefer them to be raised locally. I like to support our local production.”

When asking about luxury watches and their connection to the country of origin, it became clear that all of the consumers buy and consider buying only Swiss watches. All eight respondents agreed on the importance of Swiss precision and high quality materials used to make Swiss luxury watches. Six respondents also said that at first they look for country of origin when buying a watch and then they consider the brand name. Only one respondent looked for the design and brand name of the watch first. These answers match the theory of Piron (2000), which talks about the country of origin effect being much stronger for luxury goods than for necessity goods.

“I prefer buying Swiss watches due to overall expectation of the highest quality and its tradition.”

“When I was deciding on what kind of watch I wanted to buy myself, I only looked at Swiss brands. To me, those are the only watches that I would wear. The Swiss quality speaks for itself and I wanted my watch to last forever.”

“Even though both of my watches come from Switzerland, I did not take the country of origin into consideration when buying them. I liked their design and at the same time, I knew the brands are very high quality and those watches will last a lifetime. Therefore, I took the purchase of luxury watches partly also as a good investment.”

“I only bought one luxury watch myself, but it was in Switzerland and the watch is a Swiss brand... I guess the country of origin really affected my purchase.”

Overall, the consumers have lately been checking the products and where they originate much more than in the past decades. In general, the buyers want to be educated on the country of origin and they also choose among different products sometimes based on the country of origin.

2.2.2 Country of origin and consumer's quality perception

On the whole, all respondents connect the country of origin to the quality perception of a certain product, but three respondents then said that they rely on that information only up to a certain point or that it depends on what kind of product they are about to buy, and also that this information belongs among common prejudices. Therefore, it shows that the country of origin is an indicator of the quality perception, but clearly is not the only one and is not the definite one. The answers also show that the consumers are willing to pay a higher price for a product of which they think is higher quality than the other products.

“Only up to a certain point. The reputation of the country of origin often isn't an authoritative indicator because the overall image of that country can often be a cliché, which of course can be true, but also doesn't have to be. One would have to dig deeper into this topic to be really able to form an unbiased opinion.”

“Yes, I do. I believe that a German car is much higher quality than a French car, for example. Since I drive a lot, I rely on my car, and therefore I choose quality over anything else.”

“Yes, I think that each country or nation makes things differently and some nations make some things better than the others. Since I can afford to choose which product I'll buy and I prefer quality over anything else, I'll mainly look

for the reputation of the country of origin of that product and then I'll decide whether to purchase that product."

"It depends on the product that I am buying. But in general, I would say that the longer the product should last the more I connect the product to the country of origin."

"I am sure that I connect the country of origin to the product's quality, but only subconsciously. It's part of people's prejudices that we all hear every day."

The next follow-up question revealed that all of the respondents judge the product's quality according to its brand. It is easier for them to remember the brand. Also, the brand indicates more concrete information about the product. The country of origin seems to be a little too broad indicator of the quality of a product.

"I always look at the brand. The brand reveals more concrete information about the product than the country of origin to me. Country of origin seems like a broad topic to me."

"I mainly look for the brand of the product. It's difficult to judge a new product based on the country of origin. For example, most of the people think that Chinese products are very low quality. That is true for a lot of them, but then China can also produce very high quality products. Therefore, I form my opinions mostly based on brands."

"More or less it is about the brand. But of course it depends on what kind of product I am buying. If I am buying something that is supposed to last a long time, then I choose the product according to the brand and also the country of origin – this is true in case of buying a watch, a handbag, etc. But if I'm deciding, for example, which new cell phone I'd like to buy, I only look at the brand. Most of them are made in Asia anyways, so it really does not matter much."

“I cannot think of any kind of consumer goods, which I would like to buy, because of which I would spend extra time searching for its country of origin when I already know the brand.”

Only one respondent elaborated a little further on the topic of which indicator is the main one for him when it comes to judging the quality of the product based on the brand or the country of origin.

“Even though I decide based on the brand, I look for a country of origin of the product before I buy it. It is quite important part of information about the product, which indeed doesn’t decide whether my purchase will go through.”

In general, those answers do not go along with the theory of Ahmed et. al. (2000) saying that the consumers care about the country of origin only if it is an easily discoverable information right at the time of purchase. On the other hand, the answers from the respondents do not directly conflict this theory either.

2.2.3 Country of origin and brand recognition

All respondents connect an existing experience of using a product to all other products that share the same country of origin. Just one respondent answered a little differently, when after thinking a little longer about the subject, he said that he actually connects the reputation of brands to the experience of using a product. The country of origin only serves up to a certain point, according to him.

“I expect the products to live up to the reputation of the previously bought products because I am very conservative and traditional.”

“If I have a bad experience with a product, I will probably hesitate to buy another product originating in that country. But on the contrary, if I like a product then I will try to buy more products from that country because of my previous positive experience.”

“Yes, but only to a certain point. When buying a Swiss product, I expect high quality from the product whether it’s chocolate or a watch. But then in most cases, I actually think it depends more on the brand than the country of origin.”

“I expect the product to perform at least on the similar level as the previous did. If not, I think I would get disappointed and probably hesitate a little before buying another product originating there.”

When asking about the already tried brand and its country of origin, six respondents said that they do not search for any information on the country of origin once they have already gained an experience using a branded product. This supports Lee and Ganesh’s (1999) theory about consumers, who are familiar with a certain brand, tend not to use the country of origin information much.

“No, I assume it is still all the same. I connect brands to the country of origin, which does not change often. If they [countries of origin] changed, I would be very surprised.”

“Not really unless I really want to find out more about the brand, which doesn’t happen often. I’m too busy to look for extra information on a brand. Once I like the brand, I’ll keep buying its products.”

“No, I trust my previous experience with the already used product. Why should the quality rapidly change? If the previous product satisfied my expectations, I don’t need to search for anything else.”

Only two respondents search, on regular basis, for the country of origin even though they like the product and the brand. They like to be fully informed on what they are buying and also, they like the additional information of country of origin to add to their assumptions and feelings about a certain brand. All in all, they like to see the whole picture before they form their opinion of a brand.

“Yes, because I want to know what I’m buying. Also, I like to sort that brand according to my experience and expectations of that brand and form my own opinion on that brand. Once I form my opinion, I put it in a labeled box in my mind along my opinions of other brands.”

“I like to follow the big brands to be more informed about their business activities. It helps me to form my own opinion of that brand.”

The next subquestion shows that consumers connect the country’s reputation to the product’s quality. All of them form their assumptions about the product’s quality also based on the reputation of the country of origin, so even though they do not have a personal experience with a certain product, the country of origin reveals some information about the product. More or less, this corresponds to the theory of Piron (2000) about consumers connecting some product categories to the country of origin automatically.

“Yes, I think conservatively. It has happened to me a few times that I was surprised by the quality of a product. But I continue connecting country’s reputation with its product’s quality even though I am aware of the possibility that my assumptions do not have to be true. When there is a choice present, I go for traditional brands. I do not like to experiment.”

“Once I connect the product to its country of origin, I automatically know what my expectations of that product will be. But this also goes with the price of the product. When I buy an expensive watch, I expect they will last for a long time and vice versa.”

“I think this reputation did not become a reputation for no reason, so yes, I do connect the country of origin to the product. But once in a while I give a chance to new products just to try them out. Maybe some of those products will surprise me and I’ll like it.”

“I do it subconsciously for sure. Again, here come those long time known prejudices.”

Generally, the consumer lets his or her brand recognition skills influence his or her evaluations of a product and most of those, who are already familiar with a certain brand, do not search further for more information.

2.2.4 Luxury value model – perceived value dimension

This topic brings up different and interesting results. The respondents have actually addressed all dimensions of the luxury value model presented by Vigneron and Johnson (2004) in the chapter and then further discussed by Wiedmann et. al. (2007), both presented in the chapter 1.2.2 luxury value model. The functional dimension seems to be more valuable to four respondents, but the rest of the respondents address a different dimension each. The financial dimension is a perception of the third respondent, who feels that buying luxury products is a way of possible saving of money since she uses her luxury products for a long time and while she does, she does not buy many new ones. Also, she sees buying luxury products as a part of her investing tactics. For example, she perceives both of her luxury watches as a good investment.

“I would rather spend more money on one thing that will last for a long time than having to buy the same thing twice even though it could be cheaper. I prefer to own a smaller number of things that I really like and enjoy than having a large number of things, which I find average and they do not bring me such joy.”

The first, sixth, seventh and eighth respondents fall under the functional dimension of luxury value perception. They mostly enjoy the high quality and extreme reliability of luxury products among the timeless and unique design.

“Because they satisfy me and fulfill my expectations for a luxury product. They are high quality goods with timeless design. Luxury goods last longer with the assumptions of minimal breakage.”

“If I decide to spend my money on a luxury product, it’s because of its high quality, visible at first sight.”

The fourth respondent serves as an example of the individualistic dimension of luxury value perception. She likes to stand out from the crowd, she wants to feel unique and mostly she wants to feel as herself, which she shows by wearing luxury clothing, mainly luxury leather goods.

“I feel like I stand out from the crowd when I own luxury products. I do not want to look like or be like everyone else.”

The second respondent qualifies as a person within the social dimension of luxury value perception. He feels the need of wearing and buying luxury products because it is expected of him as a member of a certain income group.

“Because I can afford to buy them and also, it is expected of me due to my social status. You can’t show up at certain places (business meetings, restaurants, etc.) not wearing luxury products.”

The fifth respondent is quite an exception to the rule. He does not buy luxury products at all. To him, the most important attributes of a product are its usability and reliability, which he feels he can get from premium brands.

“I find buying luxury products as a waste of money. I am happy with using mass market products and wearing premium clothes, but that is enough. I would rather invest that money into my apartment or travel. I do not feel the need of having luxury products in my life at all.”

When asked which attributes they find to add the luxury value to the product, the answers were similar. All respondents enjoy the superior quality of luxury products, which is also the common main reason for their purchases. One respondent prefers to show off his social status over the high quality of the products.

“I think the high quality of luxury goods is the most important and then I also like the designs. The fact that I can afford to buy luxury products just adds to my self-esteem, but I do not need to show it.”

“The high quality and design are the most important attributes to me. But I also enjoy the feeling of being original and I also take buying a luxury good as a kind of investing my money.”

“The highest quality combined with timeless design.”

“It shows my social status. It’s natural to me that people who earn more money buy luxury products. Also, I enjoy the high quality of luxury products.”

“The highest quality combined with stand out designs.”

2.2.5 Luxury goods and consumer’s quality perception

Seven respondents gave a similar answer when asked whether they think luxury products are higher quality than other products, which belongs to the common expectations about the luxury products and at the same time agrees with theories presented in the chapter 1.2.5 luxury goods and consumer’s quality perception. They find luxury goods to be high quality and extremely reliable.

“It’s my personal experience with luxury products. They all are superb quality.”

The fifth respondent did not agree with the rest of the group.

“I find spending such high amounts of money on luxury goods unnecessary and quite obscene actually. I do not see a single reason why should I buy such products. At the end of a day, they still are just things.”

When asked why they think luxury goods are superior quality, all of the answers were somewhat similar. The fifth respondent did not answer since he does not buy luxury products at all.

“Luxury goods are much more checked for damages, the quality of the material etc. Due to higher prices of the products, the producers can afford materials of much higher quality and also they control the production fully. Then the products are of course higher quality too.”

“It is obvious. If a product has higher price than another one, I expect more of the higher priced product. There has to be something more to it. If the higher priced product were not higher quality than the others, there would be no reason to buy it.”

“Luxury brands cannot afford to disappoint their customers with lower quality products. There is a saying in the Czech Republic, by which I go and it says “We are not that rich, so we could afford to buy cheap things.” I will rather buy more expensive thing that will last longer than buying three of almost the same thing that is cheaper.”

The next subquestion revealed that all four respondents, who are regular customers at luxury stores, buy luxury products because of their great quality and if the quality would be lower, there would not be any reason for them to buy luxury products. The three respondents who buy luxury products just from time to time, however, agree with the rest of the group. They buy luxury products mainly because of their superior quality and in case of lowering the quality of the products, they would not continue buying luxury products. This type of answer does not really correspond to the four dimensions of luxury value perception, to which all respondents belong. But it proves that superior quality is one of the most important attributes that luxury goods have, which supports Quelch's statement (1987) stating that superior quality of luxury goods is understood to be one of the essential characteristics of a luxury brand. Even if a buyer buys luxury goods to set or reflect his or her social status, he or she would not buy any luxury goods if they were not high quality.

“I would not buy such product. If the products on the market were all the same, why would I then waste my money buying a more expensive product with the same attributes as all the other products?”

“If I’m not convinced that higher price means higher quality of the product then the whole transaction loses its point for me. It does not make sense to me to buy a product for higher price for no reason.”

“It would not be logical to me. Why would anyone willingly buy a product for a higher price with lower quality?”

Surprisingly, the sixth respondent elaborated on this topic a little further saying that quality is important to her, but she would actually buy the product if she thought it had an outstanding design.

“I would buy the product if it was exceptionally beautiful.”

2.2.6 Luxury goods and brand recognition

This research topic showed that people perceive brands and logos fairly differently. One interesting fact is that all women remember only the brand name and then after a longer period of time of exposure to the brand, they start remembering the logo and actually connecting the logo to the brand name. This somewhat supports Chevalier and Mazzalovo (2012) in their theory that the brand’s name serves as the first sign of recognition of a brand.

“I only remember the name of the brand. It takes quite a lot of time and experience with a certain brand, along with a brand exposure, for me to be able to recall the brand’s logo.”

“By the name. I always remember the name of the brand and then I usually google the brand to know more.”

“I remember the name mainly from all of the advertising I am exposed to every day.”

The male respondents have slightly different approaches on how they recognize a brand.

“I recognize a brand according to bold and substantial elements of that product. Sometimes this element is the color of the product, shape or a logo that stands out. It all depends on a product and the brand.”

“I connect the logo to the name of the brand constantly. I see them as one thing, so when someone tells me a brand name, I imagine the logo with it and vice versa. But I only do it with brands, which interest me.”

“I see the logo with the brand name as one element, so yes, I connect them together. Later on, when I am asked about the brand, this whole picture (the logo together with the brand name) comes to my mind.”

When asked whether the respondents remember the logo or just the brand name better when first seeing the brand, the answers again got split between female and male respondents. Female respondents remember just the brand name and eventually can recall the brand's logo.

“I remember just the brand name. There are just a few cases that I have remembered the brand's logo from the first time seeing it.”

“I usually remember the name of the brand. I would have to see the logo more often or more times in order for me to fully remember it.”

The male respondents all have visual memory, so they all remember the logo or the logo together with the brand name.

“I have a visual memory, so I remember the logo much more than the brand name.”

“I have a visual memory, so I mostly remember the both. I remember it as one thing.”

“Most of the time, I remember the logo first. I cannot reflect of a brand that I remembered the name before its logo, now that I think of it.”

“I usually remember the logo together with the brand name as one picture.”

All of the respondents agreed on the smallest possible logo or brand name exposure on the product. All of them share the same opinion that they do not need the brand to be shown off and that they only buy these products for their own satisfaction and joy.

“I like a conservative way of showing the brand of the product. I do not like overexposure. I do not need to show off myself in front of other people. It satisfies myself and my esteem to own luxury products and enjoy them. That is what matters.”

“I only buy products, which do not immediately show the brand name. The smaller the logo, the better. I buy luxury products because of my own interest and because I like them and they satisfy me. I do not need to show them off.”

“I buy luxury products for my own satisfaction and because I like them. I do not like the brand to be seen all over the product because I do not need to show off my success.”

“The smaller the logo the better. Nobody has to know how expensive the certain product was. It is nobody’s business. And at the same time, I do not need to show the world that I can afford buying luxury products. I buy them for my own personal satisfaction.”

“I do not want to become a walking advertisement of anybody; therefore I pick products showing the smallest logos possible.”

The respondents from this sample did not really prove the thought of logos being the new alphabet of today's society (Chevalier & Mazzalovo, 2012). The respondents also did not affirm a statement that brand's signs have to be identifiable and easy to remember whether through the brand's name, logo or some other elements (Chevalier & Mazzalovo, 2012) because none of them wishes their luxury goods to be recognized by others at first sight. In fact, they preferred their luxury goods not to be distinguished at all.

2.2.7 Summary of findings and managerial implications

The results of the in-depth qualitative research can be summarized as the following.

Research Topics	Conclusions
<i>1. Country of origin and product types</i>	<ul style="list-style-type: none"> 1. Consumers check for country of origin data when buying a product. 2. Czech consumers prefer to buy Czech products when it comes to food. 3. Consumers check for country of origin when buying expensive products and the country of origin information influences their purchase decisions.
<i>2. Country of origin and consumer's quality perception</i>	<ul style="list-style-type: none"> 4. Country of origin information serves as one of the indicators of the product's quality. 5. The product's brand reveals more concrete information about the product (especially about its quality) to the consumers than country of origin information.
<i>3. Country of origin and brand recognition</i>	<ul style="list-style-type: none"> 6. Consumers connect one experience of using a branded product to all other products coming from the same brand. 7. Consumers expect to experience similar feelings when using a product with the same country of origin as the other products coming from the same country. 8. Consumers usually do not search for country of origin information on a branded product once they have positive experience using that brand.
<i>4. Luxury value model - perceived value dimensions</i>	<ul style="list-style-type: none"> 9. Different consumers buy luxury goods for different reasons, but all accordingly to the previously mentioned luxury value model. 10. The superb quality of luxury products is the most important attribute of all.

Research Topics	Conclusions
5. <i>Luxury goods and consumer's quality perception</i>	11. The consumers would not buy luxury products if the products did not have such high quality.
6. <i>Luxury goods and brand recognition</i>	12. Male respondents remember the logo and brand name as a whole picture. 13. Female respondents only remember the name of the brand. 14. Czech luxury goods consumers favor products showing the smallest brand exposure possible.

Table 4: Conclusions of the in-depth interviews; Source: Author

Buyers today have larger and easier access to almost any information than ever before. As one of the results of this situation, consumers check and are aware of what products they buy and they can also choose among a huge variety of products. Therefore, the marketing managers should be careful how they present their brands in their marketing campaigns. Many people base their purchase decision on the country of origin information, which could be a strong helpful tool if carried out appropriately.

Nowadays, there seems to be a growing trend, especially in the Czech Republic, showing that Czech consumers will choose to buy a Czech product even for a slightly higher price than the others just to support Czech food production. This trend is not seen only within the food industry, but it helps to be presented as an example. Therefore, the results of this survey suggest that managers of brands, which can be associated with the local market and local production, should exhaust the country of origin effect to the maximal level. They should focus on raising the customers' awareness of their products that originate in the same country.

As for the luxury goods market, the surveyed consumers rely on the goods' superior quality. The highest quality possible is the prerequisite of a successful luxury brand. Managers of the luxury brands should consider the implications of having their production sites in Asian countries, where they face a much stronger threat of counterfeits being made and most importantly, lowering the quality of the brand's

products. Consumers that were a part of this study, have the financial means to buy luxury products and are willing to buy luxury goods, care the most about the superb quality of the products. All of them expect the products to last a long time. Thus, the emphasis needs to be on the excellent quality.

The managers of luxury brands should also focus on promoting the tradition of the brand and also the country of origin of the brand. The more expensive the product is, the more the consumers wish to know about the product, country of origin including. The country of origin can be used to a great advantage if used properly.

Overall, the managers should emphasize the positive awareness of the country of origin of their brand and should stress that positive image to the maximal level. They should not forget that once a brand gets even a slightly negative image, it could be crucial to the business and extremely difficult to reverse.

2.2.8 Limitations to the study and areas for future research

There are particular limitations to this thesis that need to be addressed and taken into consideration when reading through the outcomes. Firstly, the results are founded on qualitative data collected from in-depth interviews with high net worth individuals. With that being said, the intention is not to display statistically representative results, but rather to offer an inside look into the current perception of high net worth individuals and their way of thinking when it comes to their purchasing habits.

Secondly, the next limitation comes in the form of the sample itself. The author came up with her own definition of high net worth individuals in the Czech Republic; this aided in efficient selection of respondents used in the sample. Moreover, this study was carried out in the Czech Republic with only Czech respondents, which might lead to some bias due to the geographical and cultural restriction. It would be quite interesting to find out whether the results of this study are supported by some other regions around the world or whether and where the results would differ.

Conclusion

Over the past couple of decades, international marketing has grown rapidly in its importance to companies that operate on foreign markets. The country of origin concept has increased in its importance mainly due to a rapid boom in technology and Internet and because of that, consumers nowadays have access to any publicly known knowledge they want.

Consumers also look at the country of origin of a product and often automatically experience some feelings toward the product without even trying it first. Thus, country of origin is very important information. Very often, it seems to become even more important when buying a luxury good. Luxury consumers are, most of the time, very conscious about what they buy and even more demanding when it comes to quality of the products.

In its first part, the thesis goes through the theoretical frameworks of, at first, country of origin and then luxury goods. After that, it moves onto the research methodology, which includes the description of sample consumers, data collection and the interview questions. The second part of this chapter focuses on the analysis of the interviews going through each research topic and the answers of the respondents. This chapter continues with the summary of findings and some managerial implications based on the summaries of the findings, and finishes with the limitations to the study. The thesis ends with a concluding chapter.

The objective of this thesis was to investigate the attitudes of high net worth individuals toward the country of origin effect, quality of products and luxury goods, using the support of the theoretical frameworks and assumptions used in literature focused on country of origin and luxury goods.

Qualitative research was conducted for the purposes of this thesis. This research was based on in-depth interviews with high net worth individuals. There were eight Czech high net worth individuals participating in the interviews; their responses were then

assessed. Six of the consumers were interviewed in person and two interviews were carried out in written form. These written interviews obtained all of the same questions as the interviews that happened in person.

The interview questions were clustered into six research topics addressing the main areas, which were focused on during the literature review; they were the following: (1) Country of origin and product types, (2) Country of origin and consumers' quality perception, (3) Country of origin and brand recognition, (4) Luxury value model – perceived value dimensions, (5) Luxury goods and consumers' quality perception, (6) Luxury goods and brand recognition.

The analysis of the interviews confirmed that the actual attitudes and perceptions of luxury goods consumers often match the literature on country of origin and luxury goods. The concrete outcomes obtained from this research can be recapped as the following:

- Consumers check for country of origin data when buying a product.
- Czech consumers prefer to buy Czech products when it comes to food.
- Consumers check for country of origin when buying expensive products and the country of origin information influences their purchase decisions.
- Country of origin information serves as one of the indicators of the product's quality.
- The product's brand reveals more concrete information about the product (especially about its quality) to the consumers than country of origin information.
- Consumers connect one experience of using a branded product to all other products coming from the same brand.
- Consumers expect to experience similar feelings when using a product with the same country of origin as the other products coming from the same country.
- Consumers do not search for country of origin information on a branded product once they have positive experience using that brand.

- Different consumers buy luxury goods for different reasons, but all accordingly to the previously mentioned luxury value model.
- The superb quality of luxury products is the most important attribute of all.
- The customers would not buy luxury products if the products did not have such high quality.
- Male respondents remember the logo and brand name as a whole picture.
- Female respondents only remember the name of the brand.
- Czech luxury goods consumers favor products showing the smallest brand exposure possible.

Summing up the outcomes, the country of origin effect might be very important as the consumers check for data connected to country of origin when buying a product and they also see the country of origin information as an indicator of the product's quality. On the other hand, consumers think the brand of a product reveals more specific information about the product than the country of origin. Also, consumers tend not to search for further information about a branded product when already once satisfied with the brand. And last but not least, the most important attribute of all luxury products is their superior quality.

This thesis looked at the country of origin from the Czech luxury consumers' point of view. It would indeed be interesting for companies to look at the country of origin effect from different stakeholders' point of views as well. Consequently, a topic for future research could be how different stakeholders perceive country of origin effect within the luxury goods market.

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