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**MOTIVATION FOR PURCHASE OF LUXURY GOODS: THE CASE OF THE  
CZECH REPUBLIC AND ARMENIA**

(Diploma Thesis)

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2019

**Declaration:**

I declare that this thesis was written by me and all the sources used in the thesis are referenced appropriately.

In Prague on .....

.....

Bc. Naděžda Galustjan

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## Introduction

The luxury market is ever growing. With more economies expanding, the number of consumers is increasing and with them the number of those who can afford, and more importantly are motivated to purchase luxury goods.

When it comes to the luxury market many think of China, the USA or the Middle East, and choose to ignore smaller nations, because their market is smaller and less significant on a global scale. However, when it comes to the motivations behind consumption of luxury goods, the market size matters little, cultural differences and demographics have a more significant effect. For this thesis I have chosen to focus on the Czech Republic and Armenia as I believe these countries are more similar than it might seem at first.

Both the Czech Republic and Armenia were under the influence of the Soviet Union, however, since the fall of the Eastern Bloc they have been on different paths. The Czech Republic has entered the European Union, and been experiencing a period of economic prosperity, while Armenia has been in a constant military standoff with its neighbour Azerbaijan and has been experiencing instability caused by its previous administration.

This thesis aims to measure and compare the motivations behind the purchase of luxury goods in the Czech Republic and in Armenia. This means creating a model in which these motivations are defined and made quantifiable for the purposes of creating an analysis. The thesis mainly employs regression analysis of data gained through a survey. The survey measures variables both dependent and independent to find a connection, a relationship between the independent variables and motivations for purchasing luxury goods in both the Czech Republic and Armenia. Besides this a correlation analysis is done between all the variables in both samples.

Before beginning to compare the countries, the thesis first focuses on luxury itself. The first chapter deals with the luxury market. This means the trends in the luxury industry, the definition of luxury in itself and the effect of the economy on the luxury market.

The second chapter delves deeper into the theory behind motivations for purchase of luxury goods. Researchers, starting with Veblen and to this present day have categorised motivations and created frameworks which allow us to understand customer decision-making. These frameworks differ, which is why it is necessary to understand them and draw from them to create a more tailored framework or model which will for a specific paper. The second chapter also examines Armenian and Czech cultures as well as the effect of demographics on the purchase of luxury goods, to create a theoretical background for the empirical research.

The third chapter contains the basis for the motivations model. The independent variables are defined and explained theoretically, as well as demonstrated through empirical findings of research papers from other authors. These allow the construction of hypotheses supported drawn not only from previous research but also from the current situation in both countries.

The third chapter also introduces the details of the survey, its components and explains how each of the variables was measured.

The fourth chapter contains the analysis done from the obtain data. This is divided into the different methods used, such as descriptive statistics, regression analysis and correlation analysis. It examines the main, statistically significant connections between the variables putting them into the context of the research and using them to support the hypotheses. This chapter also talks about the limitations of the research for this thesis and suggests ways in which future research may be improved upon.

The fifth and final chapter summarises the results from the previous chapter in a way that expands on the hypotheses and draws conclusions from the research done. This will hopefully improve any future understanding of motivations, and just as relevantly that of the people in the Czech Republic and Armenia.

# 1 The Luxury Market

The luxury market is growing. With the rise of BRICs countries and the change in perceptions of luxury goods, it can never stay the same. Each generation has its unique view on luxury, each requires a different approach. Fluctuations in the world economy are inevitable and while their effects on the industry are often unpredictable, there are strategies that allow luxury brands to face these difficulties.

## 1.1 Definition of luxury

The definition of luxury is elusive. With the evolution and development of humankind the perception of it has been changing. When once gold and jewels themselves were enough, it developed into giving immense value to things such as paintings, where worth is estimated subjectively, and only the opinion of people will justify a high price.

Today the definition is not much clearer, however those that build luxury brands have an understanding as to how to actually achieve that position. Luxury brands affect the subconscious of the consumer through strategies in marketing and brand building, making sure that the consumer pays attention to some specific characteristics: brand strength, differentiation, exclusivity, innovation, product craftsmanship, premium pricing and high quality.<sup>1</sup>

Brand strength isn't simply recognition of the brand. It isn't necessary for many people to know of it as much as it matters that the right people know of it. It is about reaching the correct customer. A strong luxury brand has an identity, its own charisma that sets it apart, makes it memorable and desirable. All these differentiate a product from its competition.

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<sup>1</sup> Som, Ashok, and Blanckaert, Christian. *The Road to Luxury: The Evolution, Markets, and Strategies of Luxury Brand Management*. Singapore: John Wiley & Sons, Incorporated, 2015. ISBN: 978-0470830031. Retrieved from: ProQuest Ebook Central.

Brands have become about the experience that they create; they serve as symbols to show a certain status or income.

Thorstein Veblen was the economist who first came up with the term “conspicuous consumption”<sup>2</sup> which means, that the appeal of luxury goods isn’t the goods in and of themselves, but rather in the public consumption of these goods to demonstrate one’s wealth.

The goal of a luxury brand isn’t one typical for business, i.e. it’s not about increasing revenue through acquirement of more customers, making a luxury good affordable or widely accessible can hurt the brand, and this, in the long run, will devalue revenues rather than increase them. Scarcity, in basic economic terms, can add value. But for luxury it is essential. Exclusivity of the product or service is what makes a customer wish to have it, it’s about access to something special, if too many people have it, it is no longer special.

Making something regular luxurious is a difficult task, since for it to be considered luxurious it requires a certain level of extraordinariness. Rolls Royce produces a small number of hand-made and fully customisable cars. The quality, the craftsmanship and the aesthetic are objectively recognised and hard to replicate. The price also matches what the company offers, and it is justified in the eyes of its customers. However, having a high price doesn’t make a product luxurious.

It still remains difficult to define luxury as such, due to the fact that it is intangible and constantly changing. However, defining a luxury product is simpler. It is an exclusive, high price and high-quality innovative product, that is presented by a strong brand and can set itself apart from the competition.

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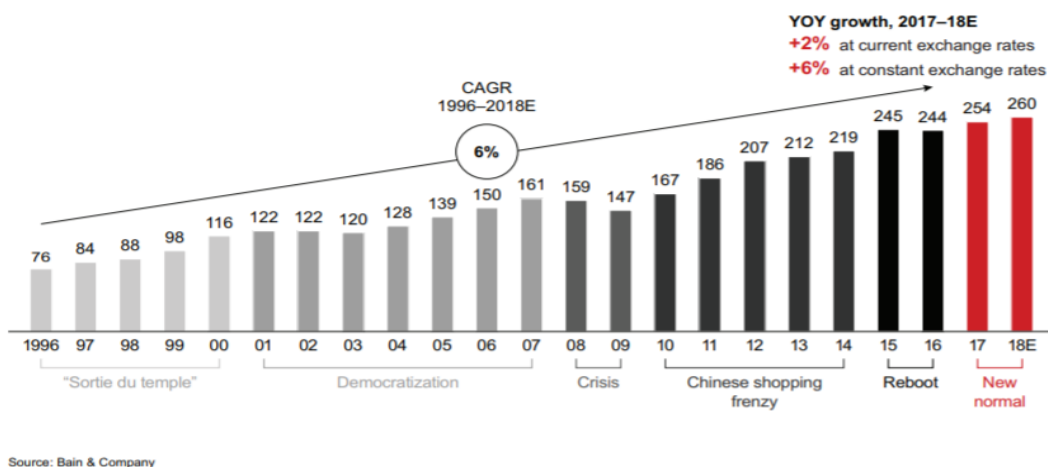
<sup>2</sup> Veblen, T. The Theory of the Leisure Class: An Economic Study of Institutions. New York: Vanguard Press, 1899. Retrieved from: <http://moglen.law.columbia.edu/LCS/theoryleisureclass.pdf>

## 1.2 Impact of the economic cycle on the luxury market

The luxury industry in 2018 is worth over 1.2 trillion EUR.<sup>3</sup> This is one of the largest and fastest growing segments in the world economy. The sale of luxury personal goods has been growing exponentially from 18 billion EUR in 1985<sup>4</sup> (in current exchange rate) to 260 billion USD in 2018<sup>5</sup>.

This growth is contributed to by globalisation, digitalisation and changes in socio-cultural, economic and political conditions of developing economies. The customers are becoming more mobile, young as well as old consumers are turning to luxury, the total number of high net worth individuals is rising.

**Figure 1. Global personal luxury goods market (€ billions)**



Source: Bain & Company. Luxury goods worldwide market study fall–winter 2018.

<sup>3</sup> Bain & Company. Luxury goods worldwide market study fall–winter 2018. Bain & Company. Bain.com [online], 2018. Retrieved from: [https://www.bain.com/contentassets/8df501b9f8d6442eba00040246c6b4f9/bain\\_digest\\_luxury\\_goods\\_worldwide\\_market\\_study\\_fall\\_winter\\_2018.pdf](https://www.bain.com/contentassets/8df501b9f8d6442eba00040246c6b4f9/bain_digest_luxury_goods_worldwide_market_study_fall_winter_2018.pdf)

<sup>4</sup> Jain, S., Khan, M. N., & Mishra, S. Factors affecting luxury purchase intention: A conceptual framework based on an extension of the theory of planned behaviour. South Asian Journal of Management, [online]. 2015, vol. 22, no. 4, p. 136-163. ISSN: 0971-5428 Retrieved from: <https://search-proquest-com.zdroje.vse.cz/docview/1773046871?accountid=17203>

<sup>5</sup> Bain & Company. Luxury goods worldwide market study fall–winter 2018.

Figure 1 shows the development of the personal luxury goods industry in the last two decades. During the economic crisis of 2008 the industry took a hit but had recovered within two years. This is mainly due to the non-cyclical nature of luxury goods.<sup>6</sup> Two factors contributed to that, the fact that the base of customers for luxury products is constantly rising as income in developed economies as well as emerging ones rises. The second factor is the fact that luxury customers are generally those that remain largely unaffected by the crises happening worldwide.<sup>7</sup> By this logic, the luxury industry should be unaffected completely, however in the recent years many of the luxury brands have brought out more affordable alternatives of their products, and these are much more susceptible to an economic downturn.

The figure doesn't include the values for certain luxury products: luxury toys – cars private jets, yachts; at-home luxury – art, furniture, wine and food; and out-of-home luxury – hospitality, cruises, fine dining. Luxury cars contribute to 495 billion EUR of the entire industry and are thus the dominating part of it.

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<sup>6</sup> Kapferer J.N. and Tabatoni, O., Are Luxury Brands Really a Financial Dream? *Journal of Strategic Management Education*, vol. 7, no. 4, 2011. ISSN: 1649-3877

<sup>7</sup> Som, Ashok, and Blanckaert, Christian. The Road to Luxury: The Evolution, Markets, and Strategies of Luxury Brand Management.

### 1.3 Trends in the Luxury market

Historically the luxury industry has seen massive growth in the West. By this it is usually understood the USA and Europe. However, in the recent years with the growth of the Chinese economy, growing demand from the Middle East and Japan's unwavering interest in luxury, the East has become more prominent. In the upcoming years Asia, Africa, the Middle East and Latin America are set to overtake over 50% of the market of luxury clothing and shoe wear.<sup>8</sup>

**Europe** is the top region for sales of personal luxury goods in 2018, reaching around 84 billion EUR.<sup>9</sup> A decrease in tourist spending, caused by strong currencies, has affected the growth rate. West Europe is far more significant in the luxury segment than East Europe. Germany, Spain and France have recovered from the economic crises, and Switzerland has seen an increase in exports of watches, primarily to China, in addition millennials tend to prefer mechanical watches to digital ones. The fate of the UK is uncertain in upcoming years. Certain economic indicators, like rising levels of inflation, depreciation of the pound and rising import prices suggests that the buying power of the British consumer is dropping and will continue to do so, which will likely have a strong effect on the luxury industry. The benefit however has been the fact that tourists have been coming into the UK and those consumers that were spending outside of it have moved their business to the UK.<sup>10</sup>

**United States** is the second biggest personal luxury good market in the world, reaching 80 billion EUR in 2018.<sup>11</sup> The overall luxury spending by local consumers is rising. There's a risk however, due to the ratio of saving to borrowing, that this growth isn't sustainable. The

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<sup>8</sup> Deloitte. Global powers of Luxury Goods 2018. Shaping the future of the Luxury industry. 2018. Deloitte [online]. Retrieved from: <https://www2.deloitte.com/content/dam/Deloitte/mx/Documents/consumer-business/2018/Global-Power-of-Luxury-Goods-2018.pdf>

<sup>9</sup> Bain & Company. Luxury goods worldwide market study fall–winter 2018.

<sup>10</sup> Deloitte. Global powers of Luxury Goods 2018. Shaping the future of the Luxury industry.

<sup>11</sup> Bain & Company. Luxury goods worldwide market study fall–winter 2018.

strong USD has affected spending by foreigners, such as tourists from Asia and Latin America. The political climate in the US could be a risk, as the current government is introducing more protectionist measures, which could hinder trade.<sup>12</sup>

**China** is the second largest economy in the world and in the recent years it has been experiencing a slowing down of the growth rate. In terms of luxury goods consumption China is currently the fastest growing. Worldwide Chinese consumers make biggest portion of all purchases, due to rapid growth of the middle class. Most contributing to this growth are millennials and Generation Z consumers who are tech-savvy and highly mobile.<sup>13</sup>

**Japan** is increasingly growing due to their governmental policies which has led to low unemployment and growth of exports. The luxury market in Japan has been experiencing a steady gain, recovering from a period of stagnation. The growing purchasing power of younger generations as well as the growth of tourist spending has contributed to this gain.<sup>14</sup>

**Asia** has been growing as a luxury consumer, it is projected that the growth there and in the Middle East will be faster than in any other region. India's economy is stabilising after a period of unrest. Most of the risks for India come from within, in the form of a potential crisis. There is rising interest in luxury goods in large Indian cities.<sup>15</sup>

**The Middle East** along with Asia is one of the fastest growing consumers of luxury goods. Middle Eastern millennials are some of the richest in the world, and their willingness to buy is much higher than that of Europeans. Risks within the Middle East are mainly political, conflicts lead to uncertainty and instability in the region. Many local economies are highly dependent on oil prices, and those that aren't, rely on tourism. Dubai is the centre of luxury consumption in the region, for locals as well as foreigners. In United Arab Emirates costs of

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<sup>12</sup> Deloitte. Global powers of Luxury Goods 2018. Shaping the future of the Luxury industry

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

living and education are going up, which could hinder the growth of the luxury market there.<sup>16</sup>

**Latin America** is picking up since its economic troubles in the last years, however there is still political uncertainty, deterioration of institutions and the actions of other states, such as US and their protectionism, that can have a negative effect on the recovery. The region has been growing through private consumption while investments have been falling. Brazilian consumers have adopted a conservative budget, choosing to omit luxury items, so the luxury sales in Brazil have been falling. Mexico has had a rise of high income and middle-income households, which means that the country is attractive to luxury goods producers, in addition the Mexican consumer prefers to purchase brands. Argentina is growing in attractiveness for luxury brands, as there is high demand for luxury products, but they remain scarce.<sup>17</sup>

**Russia** is on the path to recovery from crises and sanctions and is headed towards stability. There is a growth in disposable income and consequently in consumer demand for luxury goods. This could lead to the recovery of the luxury market in the country.<sup>18</sup>

The growth in these regions isn't supported only by the growing demand or growing income, but also by innovation in the retail industry and growing investment. The luxury companies cannot afford to wait for the customer. With the growing mobility of consumers, players find new ways of reaching their desired buyer. Many luxury brands have chosen to begin selling their goods through their own, self-operated e-shops. This industry is one of the last to move their sales to the digital world, as producers had been "notoriously slow in embracing digital

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<sup>16</sup> Deloitte. Global powers of Luxury Goods 2018. Shaping the future of the Luxury industry

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

sales.”<sup>19</sup> Gucci has created a new concept of its store, which combines online and in-store shopping.<sup>20</sup> The new Gucci stores have partially become galleries.

Online marketing is a great tool for luxury producers, it allows them to convey stories, transfer values and attract clientele. Personalising each online shopper’s involvement has become possible and leaves each individual with their own unique personal experience.

Part of the digitalisation trend is the use of the latest technologies to engage the clients. Brands such as Remy Martin, Audi and Gucci have used augmented reality or virtual reality to let their buyers access a part of the manufacturing process, or to better understand the product itself. This new method is driven in part by the fact that the growing demand for luxury goods comes from generation Y, i.e. millennials, and generation Z. These younger generations consider technology an integral part of life and require the online and the offline to be integrated into one experience.

Luxury brands have in the recent decades followed two main roads. Some businesses such as Gucci, YSL were acquired by Kering, giving up their independence and allowing Kering to grow and acquire further competition.<sup>21</sup> Another way for growth has been vertical acquisition, i.e. the purchasing of suppliers and outlets in hopes of gaining more control and oversight over the supply chain.

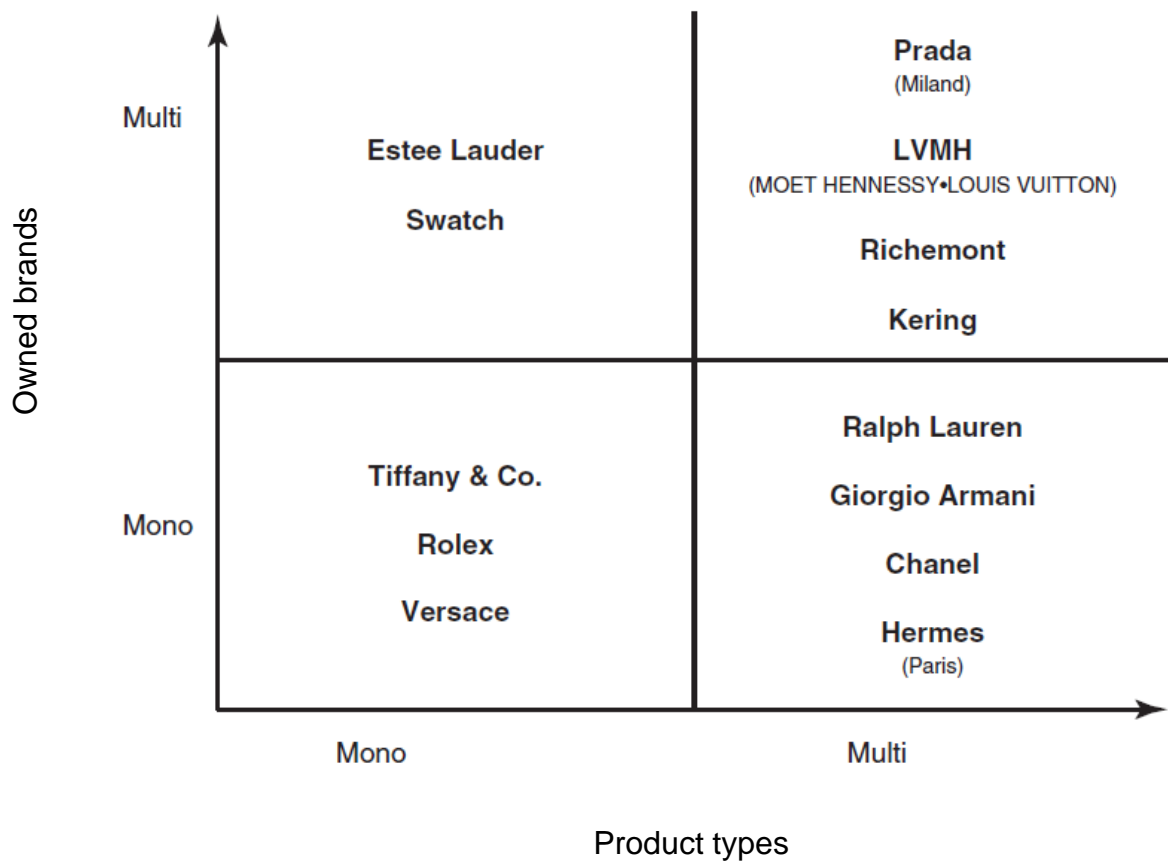
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<sup>19</sup> Bain, M. Luxury labels are going direct-to-consumer. Quartz [online]. [Viewed on May 20, 2019]. Retrieved from: <https://qz.com/1418251/luxury-labels-like-gucci-and-cartier-going-direct-to-consumer/>

<sup>20</sup> Deloitte. Global powers of Luxury Goods 2018. Shaping the future of the Luxury industry.

<sup>21</sup> Kering. Group history. [online]. [Viewed on May 15, 2019]. Retrieved from: <https://www.kering.com/en/group/culture-and-heritage/group-history/>

**Figure 2. Luxury brands according to owned brands and products.**



Source: Som, Ashok, and Blanckaert, Christian. The Road to Luxury: The Evolution, Markets, and Strategies of Luxury Brand Management.

Many brands have abandoned their single specialisation in order to create a wider range of products. This diversification allows them to pursue new customers and increase production, without diluting the brand. This solves another problem created in new clients – lack of loyalty. Expanding the products of luxury brands gives these clients more reason to be interested in the brand.<sup>22</sup>

<sup>22</sup> Kapferer, J. Kapferer on Luxury: How Luxury Brands Can Grow Yet Remain Rare. Kogan Page Publishers, 3 Mar 2015. ISBN: 978-074947437-9

Figure 2 shows how some of the well-known luxury brands and conglomerates place on the scale of product types and owned brands. Those in the right column have rolled out multiple types of product, thus expanding the brand, while the ones in the left remained loyal to their original specialisation. The top row are conglomerates, fashion houses that have acquired other companies thus expanding their product lines. These companies could be their competition, or companies functioning in a different field. The bottom row depicts those that have remained in individual, often family, ownership.

## 2 Motivations for purchase of luxury goods

To understand luxury products, it is necessary to understand who purchases them, and more importantly why. The perception of a luxury good changes with the reasons that each consumer has to purchase the said good. This chapter focuses on the motivations behind consumer behaviour and how these affect the perception of the product.

### 2.1 Frameworks for consumer decision making and their relevance

Few studies have gone into detail and concerned themselves with the motivations behind the purchase of luxury goods and services. There is little research that attempts to unify empirical studies to create a framework for decision making. This thesis will be relying heavily on a study done by Vigneron and Johnson, which encompasses the choice making and purchasing process. This study combines luxury, premium and upmarket brands into one group referred to as 'prestige'. While this does reduce the face value and relevance of the research to this thesis, it still remains one of the first and only to address this issue in detail. In addition, this thesis incorporates Jain, Khan and Mishra's extension of this theory to incorporate more detail into each factor. And finally, it mentions Shukla, Singh and Banerjee's framework that is expanded from Berthon's concept.

#### 2.1.1 Vigneron and Johnson

Vigneron and Johnson's framework suggests that there are five effects that influence the choices that a consumer makes. These are divided into interpersonal and personal effects.

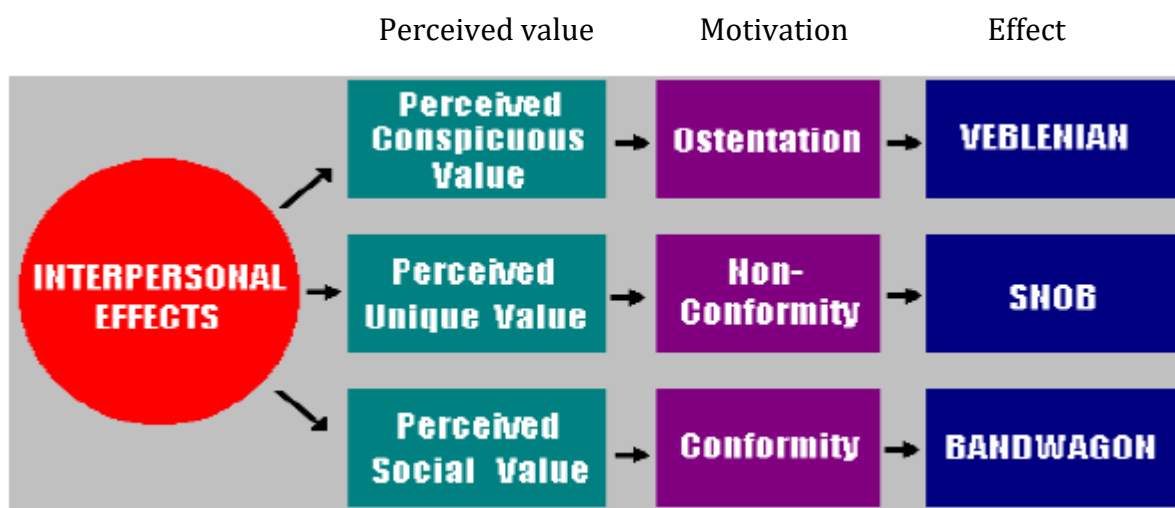
##### ***Interpersonal effects***

Interpersonal effects can be characterised by the fact that the behaviour of a consumer is affected by the behaviour of others around them, meaning that their motivations aren't personal, the decisions either totally or mostly don't stem from individual choice or opinion. Those motivated in this way put a lot of emphasis on how they affect those around them,

what other people's opinions are and how do they fit in, or in some cases don't fit in. Either way they are strongly affected by other people.

The three personal effects are the Veblen, the Snob and the Bandwagon motivations, each of these reflecting reasons for certain behaviours. The motivations are derived from a value that consumers perceive prestige brands to have. Figure 3 shows these values, motivations and effects.

**Figure 3. Interpersonal effects**



Source: Vigneron, F. a. Johnson. L. A review and a conceptual framework of prestige-seeking consumer behaviour. *Academy of Marketing Science Review* [online], 1999, 1. ISSN: 1526-1794. Retrieved from <https://search-proquest-com.zdroje.vse.cz/docview/200920758?accountid=17203>

**The Veblen effect**, referred to so due to the name of aforementioned economist, comes from a product's *Perceived Conspicuous Value*<sup>23</sup>, i.e. that the consumption needs to be visible to be enjoyed. Studies have found that conspicuous goods are more likely to be publicly consumed

<sup>23</sup> Vigneron, F. a. Johnson. L. A review and a conceptual framework of prestige-seeking consumer behaviour.

rather than privately.<sup>24</sup> Just like in Veblen's theory of conspicuous consumption, the goal of a luxury good isn't to simply fulfil needs that a consumer has, but rather display income, status and wealth.<sup>25</sup>

Price has a strong effect on the perception of a conspicuous luxury product. A higher price is connected with a higher quality in the mind of a customer, as the mind tends to justify the price hike. These customers also tend to view a higher price more positively, as it is a sign of prestige.<sup>26</sup>

Despite this, conspicuous consumption isn't the only explanation for luxury consumption, as plenty of goods are consumed in privacy or at home.

**The Snob Effect** is reflected in *Perceived Unique Value*. This behaviour is difficult to pin-point, as it is more complex. The Snob effect is reflected in the need of a consumer to be one of the first to consume a certain product, as it is seen as unique, due to the fact that few people have access to it, but also rejects a product that is seen as mass available.<sup>27</sup> The snob is motivated by personal desire when making a purchase, but also by the behaviour of others they interact with. They will avoid purchasing things that others have, in an effort not to seem like part of that particular group.

In addition, the scarcity of a product increases its value. This increases the desire of a snob to purchase it, as this rarity, combined with popularity and a high price, creates a unique product, that will not be widely owned. An example of such a product would be the brand

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<sup>24</sup> Bearden, W. and Etzel M., Reference Group Influence on Product and Brand Purchase Decisions, *Journal of Consumer Research*, [online] vol. 9, no. 2. September 1982, p. 183-194. ISSN: 1537-5277. Retrieved from: <https://doi.org/10.1086/208911>

<sup>25</sup> Veblen, T. The Theory of the Leisure Class: An Economic Study of Institutions.

<sup>26</sup> Lichtenstein, D., Ridgway, N. and Netemeyer R. Price Perceptions and Consumer Shopping Behaviour: A Field Study, *Journal of Marketing Research*, [online] vol. 30, no. 2, May 1993, p. 234-245. ISSN: 1547-7193. Retrieved from: <https://doi.org/10.1177/002224379303000208>

<sup>27</sup> Vigneron, F. a. Johnson. L. A review and a conceptual framework of prestige-seeking consumer behaviour.

Supreme. This brand is known for releasing only a limited number of products at a time, and despite the fact that the original price is not high, the resale value of each product grows exponentially, as the small quantity of products continues to be resold, increasing in value.

Psychological theory suggests that the combination of this scarcity, price and exclusivity of luxurious goods helps fulfil a human need to feel unique.<sup>28</sup> Individuals experience the necessity to stand out from the crowd and to set themselves apart, which can be achieved through various means, and in a society of conspicuous consumption, the purchase of goods seems like a logical way.

**The Bandwagon Effect** which is reflected in *Perceived Social Value* is the opposite of the snob effect. The motivations here are to fit in. The bandwagon consumer allows society to dictate what they should be purchasing, just like the snob looks to this as a sign of what to avoid. Despite these differences the two share a distinct similarity and that is that they use belonging to a group or standing out as a way to “enhance their self-concept”.<sup>29</sup>

Possession of luxury brands can be viewed as a mark of group membership, but also differentiate from those that do not belong to the said groups, i.e. similarly to how snobs view these brands. Each individual belongs to several groups at once, whether it is at work, or at home, or their friends, each of these has an effect on the choices made by a bandwagon consumer, and they might choose to consume luxury goods in the presence of one group, to fit in, but choose more modest products in the presence of another, precisely for the same reason.

When speaking about the bandwagon effect it is impossible to omit the effect of modern technology. TV and social media have been a great influencer of lifestyle since their

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<sup>28</sup> Snyder, C. and Fromkin, H., Abnormality as a Positive Characteristic: The Development and Validation of a Scale Measuring Need for Uniqueness, *Journal of Abnormal Psychology*, vol. 86, no. 51977, 518-527. ISSN: 1939-1846.

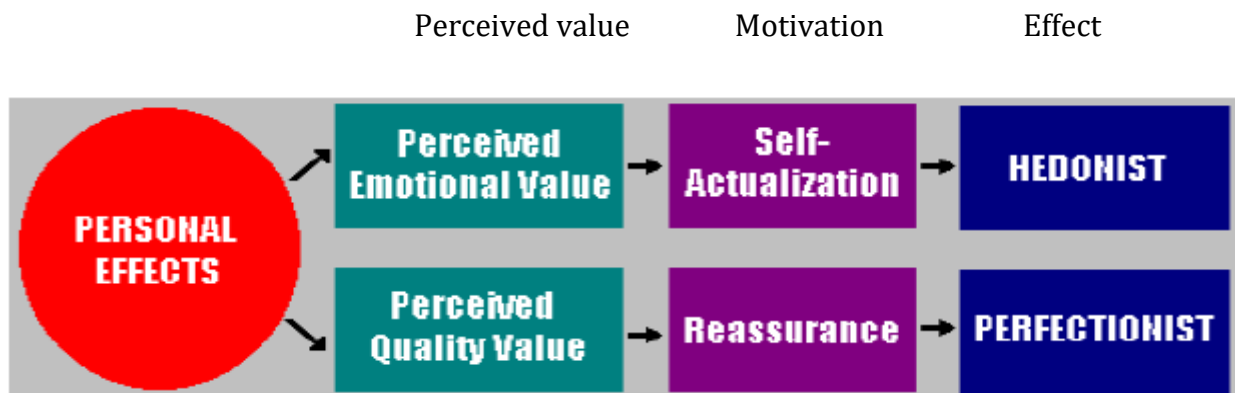
<sup>29</sup> Dubois, B. and Duquesne, P., The Market for Luxury Goods: Income Versus Culture, *European Journal of Marketing*, vol. 27, no. 1, 1993, p. 35-44. ISSN: 0309-0566. Retrieved from: <https://doi.org/10.1108/03090569310024530>

conception. On TV the personas projected by TV show characters and celebrities are meticulously designed to create an image of what one's life could be like. Social media personalities create their own brand, influencing their viewers through manipulated narratives, edited images and advertising.<sup>30</sup> Exposure to television has been found to positively correlate with the prevalence of an affluent lifestyle.<sup>31</sup>

### ***Personal effects***

Personal effects are characterised by the disregard of another person's consumption. The value perceived in a luxury brand is individual to each consumer and remains unaffected by others. This can be emotional value or quality, each leading to a different motivation for consumption, like self-actualisation and reassurance respectively. The personal effects are divided into Hedonist and Perfectionist as shows in figure 4.

**Figure 4. Personal effects**



Source: Vigneron, F. a. Johnson. L. A review and a conceptual framework of prestige-seeking consumer behaviour.

<sup>30</sup> Fastenau, J. Under the Influence: The Power of Social Media Influencers. *Medium*. March 6, 2018. [online]. [Viewed on May 21, 2019] Retrieved from: <https://medium.com/crobox/under-the-influence-the-power-of-social-media-influencers-5192571083c3>

<sup>31</sup> O'Guinn, T. and Shrum, L. The Role of Television in the Construction of Consumer Reality. *Journal of Consumer Research*, 23, March 1997, p. 278-294. ISSN: 1537-5277

**The Hedonist Effect** is reflected in the *Perceived Emotional Value*, and the basis of it is that certain goods possess emotional value that rises above its practical uses. Consumer choice might be driven by non-cognitive and unconscious motives.<sup>32</sup> The customer purchases luxury goods primarily for their own pleasure, for the satisfaction that this gives them.

The hedonist customer may place less emphasis on price, not considering it an indicator of luxury, and not be influenced by interpersonal relationships, i.e. the behaviours of others in their circle, or those that they look up to.

**The Perfectionist Effect** is reflected in the *Perceived Quality Value*, as in the higher quality that all luxury brands are expected to have. As stated before, a higher price can be viewed as a sign of higher quality, and this same way, simply being a luxury brand, leads customers to believe that the quality of this product is higher than that of a standard product. Customers may derive value from a brand's authenticity or its tradition and history, this serving as an assurance to them that the brand will serve their needs.

These customers create their own opinions about the product, based on such characteristics as price, longevity of the brand, perceived craftsmanship and on some level reputation, that they believe will hold up.

These effects may explain the motivations of each individual customer; however, many will fall closer to the middle, partially motivated by each of the reasons stated above. Each of the perceived values in this chapter are connected to the definition of luxury set out in the beginning of the thesis, suggesting that while the definition is hard in itself to place, it is necessary to look externally towards the customer to understand what can be defined as a luxury brand.

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<sup>32</sup> Dichter, E. *The Strategy of Desire*, New York: Doubleday. 1960 ISBN: 978-1614273479

### 2.1.2 Jain, Khan and Mishra

Jain, Khan and Mishra's framework heavily relies on Vigneron and Johnson's which was mentioned earlier, the main difference being the number of categories that the motivations are split into.

**Figure 5. Jain, Khan and Mishra's framework.**

<b>Intrinsic (Personal) and Extrinsic (Social) Factors, Values and Motivations Behind Luxury Goods Consumption</b>		
<b>Factors</b>	<b>Luxury Customer Value</b>	<b>Motivations</b>
<i>Intrinsic (Personal)</i>	Hedonic Value	Self- directed pleasure
	Quality Value	Superior Performance
	Materialistic Value	Acquisition of worldly possessions
	Self- Identity Value	Self- actualization
<i>Extrinsic (Social)</i>	Status Value	Signal power & position
	Conspicuous Value	Buying to impress others
	Susceptibility to Normative Influence	Group- conformity
	Uniqueness Value	Non- conformity
<i>Source: Authors' Analysis</i>		

Source: Jain, S., Khan, M. N., & Mishra, S. Factors affecting luxury purchase intention: A conceptual framework based on an extension of the theory of planned behaviour.

As is clear from figure 5 the framework creates two groups, similar to the original theory, however the values are divided into more categories such as "Materialistic" and "Self-Identity" each of which offers a more niche understanding of motivation than the original framework did. It also separates Veblen motivation into two categories of "Status" and "Conspicuous" value.

### 2.1.3 Shukla, Singh and Banerjee

To contrast the first two conceptual frameworks, it is possible to view things from a different perspective with Luxury value perceptions framework designed by Berthon<sup>33</sup> and expanded by Shukla et al.<sup>34</sup> This framework suggests that there are three distinct dimensions for values – functional, experiential and symbolic. Functional value is necessary for all products to have, these are attributes such as quality reliability and safety, or in other words basic utilitarian characteristics of a product.<sup>35</sup>

Experiential value is defined “as the advantage of acquiring a product that provides sensory pleasure, change or cognitive stimulation.”<sup>36</sup> It is concerned with the appropriate experiences, feelings and emotions for the customer.<sup>37</sup>

Lastly the symbolic value is the brand’s “meaning, myth, stories and consumer’s own wealth, prestige and social status.”<sup>38</sup> Shukla further divided the symbolic value into two main concepts – other-directed symbolism and self-directed symbolism. Other-directed symbolism speaks to the need of an individual to conform, or go out of their way to impress others, to base their decisions on opinions of others, while self-directed directed symbolism

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<sup>33</sup> Berthon, P., Pitt, L., Parent, M., & Berthon, J.-P. Aesthetics and ephemerality: observing and preserving the luxury brand. *California Management Review*, vol. 52, 2009, p. 45–66. ISSN: 2162-8564

<sup>34</sup> Shukla, P., Singh, J. a Banerjee, M. They are not all same: variations in Asian consumers' value perceptions of luxury brands. *Marketing Letters*. 2015, vol. 26, no. 3, s. 265-278. ISSN 0923-0645. DOI:10.1007/s11002-015-9358-x

<sup>35</sup> Lacoëuilhe, J., Ben Mrad, S., Belaïd, S., Petrescu, M. Are brand benefits perceived differently in less developed economies? A scale development and validation. *Journal of Marketing Analytics*, Macmillan Publishers Ltd, 2017, vol. 5, no. 3-4, pp.111-120. ISSN: 2050-3326

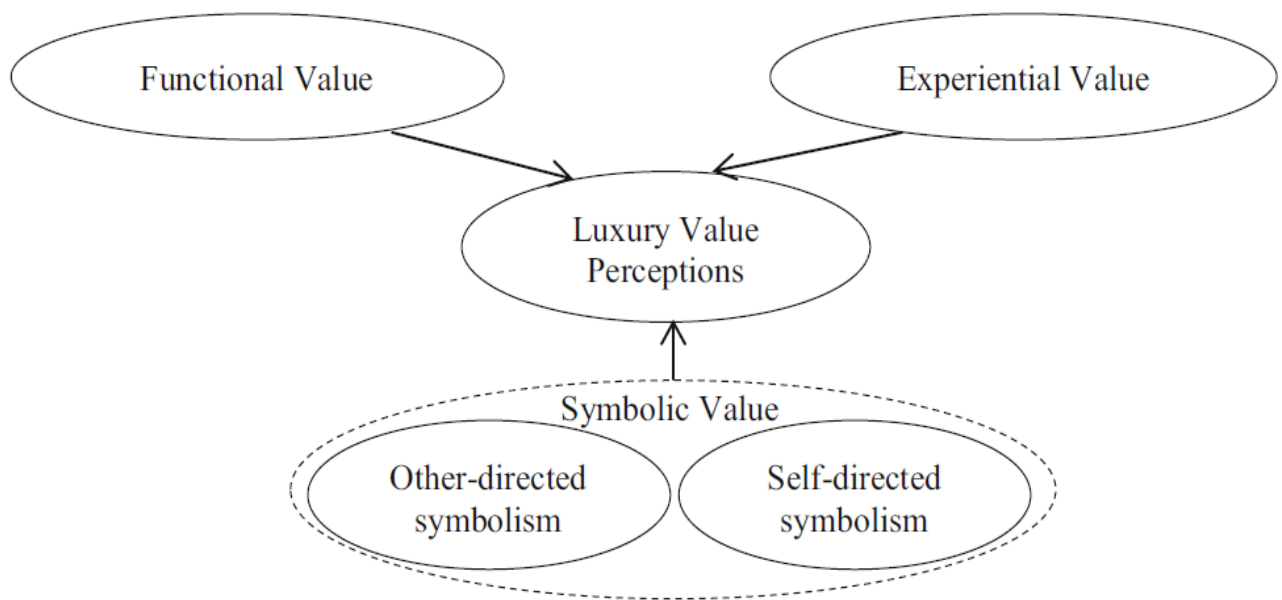
<sup>36</sup> Park, C.W., B.J. Jaworski, and D.J. MacInnis. Strategic brand concept-image management. *Journal of Marketing*, vol. 50, no. 3, 1986, p. 135–145. ISSN: 1547-7185

<sup>37</sup> Smith, J. B., & Colgate, M. Customer value creation: a practical framework. *Journal of Marketing Theory and Practice*, 2007, vol. 15, p. 7–23. ISSN: 1069-6679. doi:10.2753/MTP1069-6679150101.

<sup>38</sup> Shukla, P., Singh, J. a Banerjee, M. They are not all same: variations in Asian consumers' value perceptions of luxury brands.

means that the consumer uses the luxury products to “expand and strengthen their sense of self”.<sup>39</sup>

**Figure 6. Conceptual Framework**



Source: Shukla, P., Singh, J. and Banerjee, M. They are not all same: variations in Asian consumers' value perceptions of luxury brands.

Symbolic value speaks to both the snob and the bandwagon consumer, as well as the Veblen consumer. Figure 6 clearly illustrates this framework.

Having more than one framework to work from allows for a better understanding of the theoretical background and creates a more encompassing concept of luxury good purchase motivation, allowing for the creation of a more accurate model.

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<sup>39</sup> Shukla, P., Singh, J. a Banerjee, M. They are not all same: variations in Asian consumers' value perceptions of luxury brands.

## 2.2 Examination of cultural and demographic differences in motivation

The main effects on motivation examined in this theses can be divided into two main groups – Culture and Demographics.

### 2.2.1 Culture

Culture can have a significant effect on the perceptions and the motivation for purchase of luxury goods. This can be driven by the fact that some cultures are individualistic, while others are collectivist, i.e. some look into themselves, maybe choose non-conformity or rely on personal effects, while others wish to be a part of their chosen group, choosing to behave according to how others in the group do, rather than how they actually wish to be behaving.

Research has suggested that within Asia consumers from different countries behave differently. In India and China great emphasis is placed onto other-directed symbolism, as in, what others think of them.<sup>40</sup> This corresponds with the bandwagon effect, where the main reasons for purchase are to conform to the group standards and achieve “societal acceptance”<sup>41</sup>. This can be explained in part by the hierarchical nature of these countries.

In contrast Indonesian consumers are affected by self-directed symbolism, which means that self-expression is a big part of the consumption of luxury goods. They seek to achieve self-actualisation through the purchase of luxury brands. Indonesia is a collectivist country,<sup>42</sup> and while they view themselves as such, and as being part of a group first, and an individual second, the Indonesian consumer doesn't follow the choices of a group if these choices don't seem tasteful to them.

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<sup>40</sup> Shukla, P., Singh, J. a Banerjee, M. They are not all same: variations in Asian consumers' value perceptions of luxury brands.

<sup>41</sup> Ibid.

<sup>42</sup> Hofstede insights. Comparing Countries. *Hofstede-insights*. [online]. [Viewed on May 22, 2019]. Retrieved from: <https://www.hofstede-insights.com/product/compare-countries/>

Other factors that differ cultures is the level of materialism, and this has been found to have a positive correlation with conformity. American consumers, for example, who are more materialistic than Chinese consumers, tend to purchase luxury goods for their outward symbolic value, that is to say, to show others/to fit in with the people.

Developing economies seem to favour functional performance or the facilitation of self-expression by contributing to comfort and self-confidence in the purchase of luxury goods.<sup>43</sup> These consumers take into account advertising and the highlighting of certain qualities such as performance and durability and other long-lasting or tangible characteristics. Less of an emphasis is placed onto the symbolism behind the luxury good.

A study researching the cultural differences in consumption of luxury goods in Russia and Romania found that while both countries have had a similar history in terms of introduction of foreign luxurious brands, their attitudes differ significantly. Both consumers prefer foreign brands with high awareness and a strong brand name over local brands. However, Romanian consumers don't purchase luxury goods to demonstrate their wealth at nearly the same level at which the Russian consumer does, nor are they willing to save money to purchase them. This suggests that Romanian consumers tend to shop within their means, they show their status, whatever it may be, by purchasing the goods that correspond to it. In the meantime, the Russian consumer is willing to save money to purchase and item primarily to demonstrate wealth they do not actually possess.<sup>44</sup>

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<sup>43</sup> Lacoëuilhe, J., Ben Mrad, S., Belaïd, S., Petrescu, M. Are brand benefits perceived differently in less developed economies? A scale development and validation.

<sup>44</sup> Ochkovskaya, M. Perception and Consumption of Global Luxury Brands in Russia and Romania: Comparative Cross-Cultural Aspects. *Management Dynamics in the Knowledge Economy*, Vol.3, no. 2, 2015, p. 279-299. ISSN 2392-8042.

### 2.2.2 Demographics

Age, race, gender, income all these factors affect the choices people make and how they see the world. In terms of luxury goods this difference is inevitable.

An example of this are Generations X and Y in the UK. Millennials pay more attention to which brands people buy and which make a good impression on others, while this is generally unimportant to Gen X. Millennials put more emphasis on interpersonal factors, considering the impression others have, they wish to own a luxury product because they consider them to be status symbol which is easily accessible. For Gen X luxury goods don't mean quite as much, they consume more inconspicuously and view luxury goods as exclusive. Both generations agree though, that the main value necessary to be perceived when making a decision is the functional value.<sup>45</sup>

Men tend to consume more conspicuously, while for women other attributes of luxury goods are important.<sup>46</sup> Women tend to prefer more exclusive brands than men do, their loyalty depends on the perceived uniqueness of the brand. Women care more about the quality of the product and put more emphasis on social value, i.e. fitting in with the help of luxury goods. Women also tend to identify with brands more, especially those that they consider more exclusive and those that help support their self-image.<sup>47</sup>

Each of these parameters need to be examined to receive a full report on the motivations behind luxury goods consumption.

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<sup>45</sup> Foulkes, A. A comparison of luxury perceptions of Generation X and Y consumers in the United Kingdom. April 2016. DOI: 10.13140/RG.2.2.35857.22888

<sup>46</sup> O'Cass A, McEwen H. Exploring consumer status and conspicuous consumption. *Journal of Consumer Behaviour*. 2004, vol., no. 1, p. 25–39. ISSN: 1479-1838

<sup>47</sup> Stokburger-Sauer, N., Teichmann, K. Is luxury just a female thing? The role of gender in luxury brand consumption. *Journal of Business Research*. July 2013, vol. 66, no. 7, p. 889-896. ISSN: 0148-2963. DOI: 10.1016/j.jbusres.2011.12.007

## **Armenia**

Little research is done on Armenia, many tend to compare the country, the culture and the attitudes to Russia, due to the fact that both were a part of the Soviet Union. This is why the comparison between Russia and Romania is interesting to see, as even given a similar background the results don't necessarily have to correspond in the places where it matters, and so it is important to pay attention to details and gather as much information as possible.

Armenian consumers were largely raised in a communist regime. Only the youngest generation – generation Z, was raised in an independent Armenia, which allowed, after a long time, the development of a cultural identity, in inclusion of religion, which was generally prohibited during the Soviet Union.

This are signs of a huge shift between the older and the younger generations. Those who grew up during the Soviet rule are more fearful of change and accept hierarchical leadership.<sup>48</sup> They also accept their leaders as being distant and authoritative. On the other hand, younger generations see the need for change, they lean towards Western civilisations for examples rather than to Russia. The Velvet relation of 2018 is a sign of that.

The newly elected Prime Minister and his appointed administration, men and women, are nearly half the age of the previous administration, the average age being less than 40 years old.<sup>49</sup> This shows that the Armenian people are getting closer involved with politics, including women, and the younger age makes the politicians seem more approachable and a career in politics more achievable, than when all positions were dominated by men old enough to have retired.

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<sup>48</sup> Malakyan, P. Anthropology of Leadership: An Armenian Perspective. *Journal of Leadership, Accountability and Ethics*. Vol. 10, no. 3, 2013. Retrieved from: [https://www.academia.edu/16342308/Antropology\\_of\\_Leadership\\_An\\_Armenian\\_Perspective](https://www.academia.edu/16342308/Antropology_of_Leadership_An_Armenian_Perspective)

<sup>49</sup> Manukyan, S. Youth in Power: The Fourth Wave of Armenia's Political Elite. *Evnreport.com* [online]. 2018. [Viewed on November 29, 2019]. Retrieved from: <https://www.evnreport.com/politics/youth-in-power-the-fourth-wave-of-armenia-s-political-elite>

To gather the information needed for the research a study on the Czech consumer can be used as a basis to which determinants to measure to receive the best results for comparison.

### ***The Czech Republic***

Rod, Rais and Schwarz did a study on consumption behaviours in the Czech Republic. They attempted to measure what characteristics and attributes made a person more likely to consume luxury goods.

The study concluded that a Czech consumer who buys counterfeit products is 13 times more likely to buy and original, than someone who doesn't buys counterfeits at all.<sup>50</sup> This shows a need to meet demonstrate status and wealth, meet certain societal standards or to fit in. This motivation is the reflection of perceived conspicuous value and other-directed symbolism in general.

The Czech consumer is also influenced by their perception of others who purchase luxury goods. If a friend, or even someone on social media or TV that the person admires, uses or purchases luxury goods the person is four times as likely to buy goods for themselves, as someone who has a neutral attitude to those that consume luxury goods, and even more likely than someone who has a negative attitude towards that someone.

Perceived quality increases the odds of a person purchasing luxury goods by five times as much, as someone who does not think there is a difference.

Similar to the study done in the UK, younger generations in the Czech Republic find luxury goods more accessible and show more interest in them than older generations, having almost a ten times higher chance of purchasing.

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<sup>50</sup> Rod, A., Rais, J. and Schwarz, J. Economics of Luxury - Who Buys Luxury Goods? 1. Ekonomický Časopis [online]. 2015, vol. 63, no. 5, p. 451-464. ISSN: 0013-3035. Retrieved from <https://search-proquest-com.zdroje.vse.cz/docview/1718984461?accountid=17203>

Even the level of education has an effect on the consumer behaviour, with those achieving the highest level of education being more likely to purchase luxury goods.

This study is helpful in painting a portrait of a Czech luxury consumer and understanding the perceived value of the said consumer, however in this thesis it is necessary to not only portray but also draw comparisons between the Czech and the Armenian consumer. To do so this research must be redone with a new set of questions that can reflect both countries.

## 3 Methodology

To achieve the goals set by this thesis first-hand data will be collected. However, to create the correct method of gathering this data, first the model must be created upon which research questions will be based.

### 3.1 Composition of variables to be examined

To examine and measure the motivations behind the purchase of luxury goods, this thesis takes from the model suggested by Danqing Yu in her similarly titled paper from 2004.<sup>51</sup> This is due to the fact that little research measures the motivations behind the purchase of luxury goods, and even fewer compare the motivations between two countries. Yu used a survey composed of statements to which respondents would relate based a scale. This is a way to quantify difficult concepts and putting them into number, which allows a statistical analysis.

A survey is doubly as important when examining two countries on which little such research is done, as Armenia and the Czech Republic undoubtedly are. It allows not only to draw from other people's research but to measure the specific variables myself, in a way that is comparative and relevant to the thesis.

Yu's model compares motivations as suggested by Vigneron and Johnson i.e. Veblen, Snob, Bandwagon (grouped together as Symbolic motivation), Hedonist and Perfectionist, and measures independent variables that lead to these specific motivations.

Based on this the six variables that will be measured in this thesis are Materialism, Collectivism, Social Dominance (split into Egalitarian and Hierarchy in this thesis), as well as Gender and Age.

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<sup>51</sup> Yu, D. *Motivations of Luxury Consumption in America vs. China*. Iowa State University. 2004. Retrieved from: <https://pdfs.semanticscholar.org/52bc/696ef10174274a88642d96757dfa2a037231.pdf>

## **Materialism**

Richins and Dawson defined materialism as a “set of centrally held beliefs about the importance of possessions in one’s life.”<sup>52</sup> In other words, it can be defined as the importance that a person places into the things that they own. Those people, that are materialistic, associate consumption with a heightened level of happiness and success. Materialistic people tend to emphasise items which can be consumed in public i.e. clothing, they derive more satisfaction from showing off the goods than from the actual consumption.<sup>53</sup> The price, the amount or the prestige of items are what allows a materialistic person to measure their own success as well as that of others.

Materialism among Czech people has been best measured in research done by Lemrová et al, which focused on Czech university students and their attitudes towards money and spending. This paper found that there are big differences along gender lines, where men tend to associate possession with achievement, while women don’t have such a strong connection to achievement.<sup>54</sup> However, women do not budget their money correctly, which suggest that unlike men, they tend to shop more impulsively, typically for their own pleasure.

There is little to no research measuring materialism in Armenia. In 2001 Ioannis Kyvelidis measured post-materialism in post socialist states to which both Armenia and the Czech Republic belong. The paper found that in the entire area, after the fall of communism, materialism had increased. It also found that materialism is strongly correlated with the negative expectations of the people. This could be due to the unclear political situation of the

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<sup>52</sup> Richins, M., Dawson, S. A Consumer Values Orientation for Materialism and Its Measurement: Scale Development and Validation. *Journal of Consumer Research*, 19<sup>th</sup> December, 1992, p. 303–316.

<sup>53</sup> Richins, M. Valuing things: The public and private meanings of possessions. *Journal of Consumer Research*. Vol. 21, no. 3, 1994, p. 504-521.

<sup>54</sup> Lemrová, S., Reiterová, E., Fatnová, R., Lemr, K., & Tang, T. L. Money is power: Monetary intelligence-love of money and temptation of materialism among Czech university students. *Journal of Business Ethics*, Vol. 125 no. 2, 2014, p. 329-348. doi: <http://dx.doi.org.zdroje.vse.cz:2048/10.1007/s10551-013-1915-8>

time. In this era the Czech people were measured to be less materialistic than Armenians by nearly half.<sup>55</sup>

Today the Czech Republic is dealing with some amount of political unrest as the situation to do with the Prime Minister escalates leading to mass protest reminiscent of those from the Velvet revolution.<sup>56</sup> On the other hand Armenia has had its own Velvet revolution in 2018, which led to the Prime Minister stepping down and to a new one being appointed by the people.<sup>57</sup> Since then Armenians have shown to be optimistic of their future.

Based on this and the fact that materialism is linked with negative expectations it is possible to extrapolate that Czech consumers will be more materialistic than Armenian ones and by default also more prone to symbolic motivation.

From the research above, there is a clear potential connection between higher levels of materialism and symbolic motivations – Veblen, Snob and Bandwagon. The higher the level of materialism the more is an individual likely to consume publicly rather than privately.

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<sup>55</sup> Kyvelidis, I. Measuring Post-materialism in Post-Socialist Societies. *European Integration online Papers*. Vol. 5, no. 2, 2001. Retrieved from: <http://eiop.or.at/eiop/texte/2001-002a.htm>

<sup>56</sup> Politico. Czechs march in biggest anti-government protest since communism. *Politico.eu* [online] [Viewed on November 27, 2019]. Retrieved from: <https://www.politico.eu/article/czech-republic-czechs-prague-stage-biggest-protest-since-communism-against-prime-minister-andrej-babis/>

<sup>57</sup> Foster, K. Armenia's Velvet Revolution: Lessons from the Caucasus. *Harvard International Review*. [online] [Viewed on November 27, 2019]. Retrieved from: <https://hir.harvard.edu/armenias-velvet-revolution/>

## ***Collectivism***

Another variable measured in this thesis, as well as the original model, is collectivism. Collectivism, most commonly defined through Hofstede's Cultural dimensions theory, is a value characterised by the "preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular ingroup to look after them in exchange for unquestioning loyalty."<sup>58</sup> This means that those living in collectivist societies tend to take into account those around them when making decisions. Society's happiness, opinions and general comfort have a much bigger effect on what is done, than a single person's welfare. The aforementioned framework could be a nation as a whole, but much more often it is a family or a group of friends, any group, to the members of which, an individual feels closely connected.

The opposite of collectivism would be individualism, which is based on the individual, who mostly focuses on their own well-being. Individualism means that personal goals are more important than the goals of the society as a whole. The decisions are made based on personal experiences and values and tend to disregard others' attitudes.<sup>59</sup>

Collectivists tend follow norms that are set by their groups, and are more likely to try to fit in. They are strongly influenced by how other perceive them and it is important for them to be seen as part of the group. This suggest that one of the main motivations for purchase of luxury goods would be the Bandwagon, in which individuals adjust their consumption to match those in a group that they wish to be a part of.

The Czech people place more on the individualistic side of this scale scoring a 58.<sup>60</sup> This means that Czech people expect to only take into account themselves and immediate family

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<sup>58</sup> Hofstede insights. National Culture. *hofstede-insights* [online]. [Viewed on November 22, 2019]. Retrieved from: <https://www.hofstede-insights.com/models/national-culture/>

<sup>59</sup> Triandis, H. C. Cross-cultural studies of individualism and collectivism. *Nebraska Symposium on Motivation*, 1989. p. 41–133. Lincoln: University of Nebraska Press.

<sup>60</sup> Hofstede insights. Country Comparison. *hofstede-insights* [online]. [Viewed on November 22, 2019]. Retrieved from: <https://www.hofstede-insights.com/country-comparison/czech-republic/>

when making decisions. Others, more distant people – such as extended family, acquaintances and co-workers are kept at a somewhat distance, the relationship based more on mutual benefit or merit rather than an innate sense of obligation to the group.

Hofstede himself never conducted research on the Armenian culture, however his model inspired others. In 2013 Petros Malakyan wrote a paper on leadership in Armenia, in which he used Hofstede's model to evaluate Armenian culture. According to him Armenians unlike the Czech people, are a mix of both individualistic and collectivistic.<sup>61</sup> Armenians focus on the achievements of an individual, going as far as to be reflected in their choices of sport – chess and boxing being some of the most popular. Despite this, group identity in Armenia is very strong. Extended family is considered to be just as close to an individual as their immediate family. Armenians rely on relationships and interactions with other people heavily, whether for day-to-day things or even for things like a career. Besides the relationships an individual may have, history has led to Armenians having a very strong national identity, this including those with Armenian roots who are born outside of the country and raised in diasporas.

Based on the above its possible to put forward that Armenians as the more collectivist people will score higher on Bandwagon motivation than their Czech individualistic counterparts.

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<sup>61</sup> Malakyan, P. Anthropology of Leadership: An Armenian Perspective. *Journal of Leadership, Accountability and Ethics*. Vol. 10, no. 3, 2013. Retrieved from: [https://www.academia.edu/16342308/Anthropology\\_of\\_Leadership\\_An\\_Armenian\\_Perspective](https://www.academia.edu/16342308/Anthropology_of_Leadership_An_Armenian_Perspective)

## ***Social Dominance***

The social dominance variable is split into two separate views – egalitarianism and hierarchy. Egalitarians believe that all groups and people are equals, values such as social justice, honesty and helping others are pursued.<sup>62</sup>

On the other side, those with hierarchical views believe that there are certain things such as status that cause inequality and they see that as perfectly acceptable. Things such as power, authority and wealth are important to them. Each person in a hierarchical society has a role to play and a certain set of responsibilities as well as privileges. People are taught from a young age to accept this inequality and to follow the rules of their roles.

According to Schwartz, a social psychologist, who has researched this egalitarian-hierarchy scale, among other things, for the Czech Republic, as well as other countries. The Czech Republic scores higher as egalitarian, with a special focus on “harmony”.<sup>63</sup> This is describes as attempting to fit in with the world, without changing it or exploiting it. People like this care most about peace and the protection of the environment.

No similar study on Armenia was done, which is why it is crucial for this thesis’s survey to include a number of questions that will allow the situation in the country to be better understood.

Yu’s paper doesn’t differentiate between egalitarianism and hierarchy, in the sense that it considers them to be the opposite ends of the same spectrum, however I would argue, that the views aren’t absolutely opposing and that there’s space in a society for both attitudes. For this reason, rather than grouping them in together into social dominance I will treat them as

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<sup>62</sup> Schwartz, S. Mapping and interpreting cultural differences around the world. *Comparing cultures, Dimensions of culture in a comparative perspective*. p. 43-73, 2004. Leiden, The Netherlands: Brill. Leiden, The Netherlands: Brill.

<sup>63</sup> Schwartz, S. Mapping and interpreting cultural differences around the world. *Comparing cultures, Dimensions of culture in a comparative perspective*

separate variables, measuring them separately and doing separate analysis to see how they will relate to each other.

In the context of the purchase of luxury goods, a more egalitarian view could mean a Perfectionist effect, as this motivation is connected with an intrinsic need for quality, history and practicality. This corresponds with the egalitarian view of inconspicuous consumption, taking what each person needs without rising above others by demonstrating wealth or status.

On the other hand, a hierarchical person is more likely to have Symbolic motivation, especially Veblen and Snob, due to the fact that a certain status has its rules. These include determining in which category a person shops. Whether the person already has a high status or wishes to become part of a group like that, they will purchase goods accordingly, especially luxury goods.

High levels of hierarchy draw parallels with collectivism, in which each person has their own space. They follow rules set by society. A difference is the fact that collectivists choose to behave a certain way due to the fact that it benefits their group, when in a hierarchy it doesn't have to benefit their group, it is simply how things are done. So, while these variables seem similar, it is necessary to point out that there is a fundamental difference.

## ***Age***

Age can affect the motivations behind the purchase of luxury goods as different generations have different attitudes towards what is a necessary and what is frivolous purchasing. A study done by Michael Schade et al found that Hedonist and Perfectionist motivations were mostly unaffected by the age group, while the younger generation (16-25) shows the effects of social adjustment i.e. purchasing according to interpersonal relationships, or in other words Symbolic motivation. People aged 40 and up were least affected by this.<sup>64</sup>

## ***Gender***

As stated earlier in the thesis, there are some differences in the purchasing of luxury goods along gender lines. Men are potentially more likely to be motivated by Symbolic consumption, most significantly Veblen. On the other hand, women are more Hedonist in their purchases.<sup>65 66</sup>

On the other hand, as stated earlier, in his paper O'Cass stated that women's loyalty depended on the perceived uniqueness of the brand. Women care more about the quality of the product and put more emphasis on social value, i.e. fitting in with the help of luxury goods.<sup>67</sup>

With this it becomes clear that while men show a strong leaning towards Veblen motivation, women are more likely to be motivated by all other effects.

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<sup>64</sup> Schade, M. et al. The impact of attitude functions on luxury brand consumption: An age-based group comparison. *Journal of Business Research*. Vol, 69, no. 1, January 2016, pages 314-322. Retrieved from: <https://doi.org/10.1016/j.jbusres.2015.08.003>

<sup>65</sup> Lemrová, S., Reiterová, E., Fatnová, R., Lemr, K., & Tang, T. L. Money is power: Monetary intelligence-love of money and temptation of materialism among Czech university students.

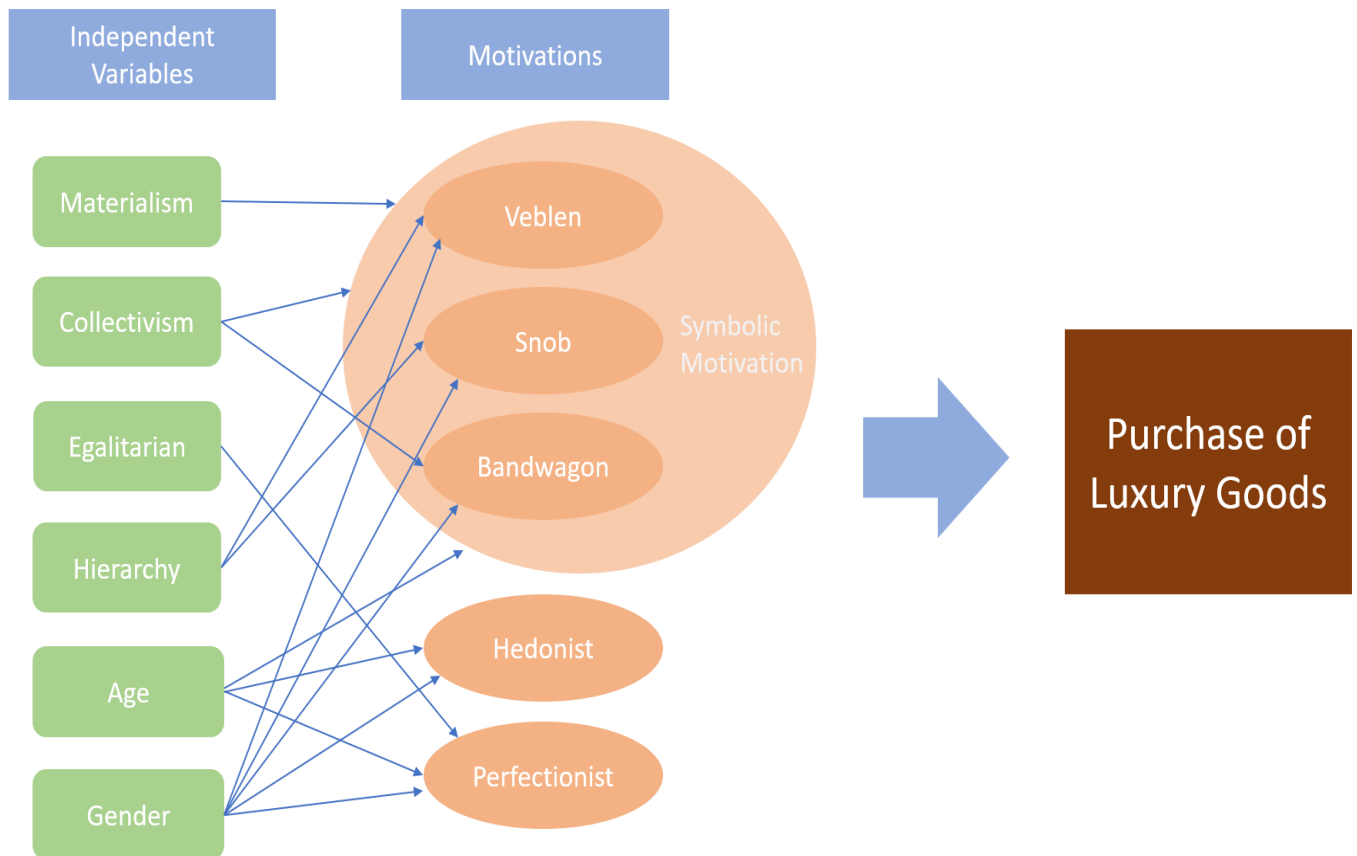
<sup>66</sup> Arnold, M.J. and Reynolds, K.E. Why the devil wears Prada: Consumers' purchase motives for luxuries. Hedonic shopping motivations. *Journal of Retailing*. Vol. 79, no. 2, 2003, pages 77-95. Retrieved from: [http://dx.doi.org/10.1016/S0022-4359\(03\)00007-1](http://dx.doi.org/10.1016/S0022-4359(03)00007-1)

<sup>67</sup> O'Cass A, McEwen H. Exploring consumer status and conspicuous consumption.

### 3.2. Research Hypotheses

From the research into each of the independent variables the following figure was created. Figure 7 shows the Motivations Model which illustrates the relationships between the independent variables on the left and dependent variables, i.e. Motivations on the right, which lead to the purchase of luxury goods.

**Figure 7. Motivations Model**



Source: Author's own work

This model served as the basis for creating research hypotheses for the thesis.

Materialistic people tend to emphasise items which can be consumed in public, they derive more satisfaction from showing off the goods than from the actual consumption. This shows the importance of the reactions and opinions of other people, which means a strong inter-personal effect on motivation, this is otherwise known as Symbolic motivation.

*H1: The greater the materialism, the greater the Symbolic motivation.*

The Czech Republic is currently dealing with some amount of political unrest, on the other hand, Armenia has had a Velvet revolution which to Armenians showing themselves to be optimistic of their future.

Based on this and the fact that materialism is linked with negative expectations it is possible to extrapolate that Czech consumers will be more materialistic than Armenian ones and by default also more prone to symbolic motivation.

Rod, Rais and Schwarz's study concluded that a Czech consumer has a need to meet demonstrate status and wealth. This is the reflection of Veblen motivation that is likely higher in Czech consumers.

*H2a: Czech consumers have higher Symbolic Motivation than Armenians.*

*H2b: Armenian consumers are less materialistic than Czech ones.*

*H2c: Czech consumers are more Veblen motivated than Armenians*

Collectivists tend follow norms that are set by their groups, and are more likely to try to fit in. They are strongly influenced by how other perceive them and it is important for them to be seen as part of the group. This suggest that one of the main motivations for purchase of luxury goods would be the Bandwagon, in which individuals adjust their consumption to match those in a group that they wish to be a part of.

Previous research also suggested that Czech people place more on the individualistic side of this scale while Armenians are more collectivist. This is why it is reasonable to suggest that Armenians are more Bandwagon motivated than Czech people.

*H3a: The higher the collectivism, the higher the Bandwagon motivation*

*H3b: Armenian consumers have higher Bandwagon motivation than the Czech ones.*

Yu's paper doesn't differentiate between egalitarianism and hierarchy, in the sense that it considers them to be the opposite ends of the same spectrum, however I would argue, that the views aren't absolutely opposing and that there's space in a society for both attitudes.

*H4: Egalitarianism and hierarchy are not opposites of each other and have overlap.*

A more egalitarian view could mean a Perfectionist effect, as this motivation is connected with an intrinsic need for quality, history and practicality. This corresponds with the egalitarian view of inconspicuous consumption, taking what each person needs without rising above others by demonstrating wealth or status.

On the other hand, a hierarchical person is more likely to have Symbolic motivation, especially Veblen and Snob, due to the fact that a certain status has its rules. These include determining in which category a person shops. Whether the person already has a high status or wishes to become part of a group like that, they will purchase goods accordingly, especially luxury goods.

*H5a: The higher egalitarianism, the higher the Perfectionist motivation*

*H5b: The higher hierarchy, the higher the Snob and Veblen motivations.*

Previous studies found that Hedonist and Perfectionist motivations were mostly unaffected by the age group, while the younger generation shows the effects of purchasing according to interpersonal relationships, or in other words Symbolic motivation. People aged 40 and up were least affected by this.

*H6a: The age group 19-25 will have the highest symbolic motivation of all the age groups.*

*H6b: The age group of 40+ will be least affected by symbolic motivation.*

*H6c: Hedonist and Perfectionist motivations are unaffected by age.*

Men are more likely to be motivated by Symbolic consumption, most significantly Veblen. On the other hand, women are more Hedonist in their purchases.

On the other hand, women's loyalty depended on the perceived uniqueness of the brand. Women care more about the quality of the product and put more emphasis on social value.

With this it becomes clear that while men show a strong leaning towards Veblen motivation, women are more likely to be motivated by all other effects.

*H7a: Men have higher Veblen motivation, but are much less affected by other motivations than women.*

*H7b: Women are Hedonist motivated.*

*H7c: Women are more affected than men by all motivations except Veblen.*

### 3.3 Survey

The survey for the thesis was composed of three sections. The first one collected basic information such as gender, location, age and most importantly whether or not the respondent has purchased luxury goods in the past year. The second section measured the dependent variables, while the third section measured the rest of the independent variables.

During the composition of the survey I drew from the research done by Yu. Figure 8 shows the list of statements that were given to the respondents, each of which relates to a specific motivation – Veblen, Snob, Bandwagon, Hedonist and Perfectionist. The respondents were asked to rate how they relate to each of the following statements on a scale 1 to 7, 1 being not at all and 7 agreeing completely. The order of these statements on the survey was randomised, to avoid the respondents grouping them together.

Unlike Yu's original research, certain statements were added, such as statement BW4 – “I follow influencers and celebrities to help me decide which goods to purchase.” – to account for the effect that social media has had on consumption and purchase of goods, including luxury goods, on the society.

Figure 9 shows statements that measure the independent variables, which are, according to the model, the main contributors to the motivations. The statements pertain to a level of materialism, collectivism and social dominance, as described earlier in the work. For the purposes of the research, social dominance is split into two sections – egalitarianism and hierarchy, as these represent different ideals.

Figure 9 doesn't include all of the independent variables, as Age and Gender were gathered in the first section of the survey. For measurement purposes the ages of participants were placed in five categories – “Under 18”, “18-25”, “25-40”, “40-65” and “65+”, each assigned a number from 1 to 5. For the same purpose the gender of respondents was codified as “0” for female and “1” for male.

The survey was translated into both Czech and Armenian to make it more accessible and lower the chance of misunderstanding the statements.

**Figure 8. Dependent Variables**

Variable		Number	Question
Symbolic Motivation	Veblen	VL1	I buy luxury goods to show my status.
		VL2	I buy luxury goods to show people that I can afford it
		VL3	I buy luxury goods because it helps me get attention.
	Snob	SB1	I enjoy luxury goods because not everyone can afford them.
		SB2	I feel proud to be able to afford luxury goods.
		SB3	I buy luxury goods because the help me feel unique.
	Bandwagon	BW1	I buy expensive things to help me be more liked by others.
		BW2	I believe that more expensive clothes are more socially acceptable to others.
		BW3	I buy luxury goods from brands that are well recognised by others.
		BW4	I follow influencers and celebrities to help me decide which goods to purchase.
Hedonist		HN1	Luxury goods fulfil my needs better than their cheaper alternatives.
		HN2	Luxury goods give me confidence.
		HN3	Luxury goods allow me to better express myself.
Perfectionist		PN1	I buy expensive goods because they have better quality.
		PN2	I buy expensive goods because they last longer.
		PN3	I buy expensive goods because they are a good value for money.

**Figure 9. Independent Variables**

Variable		Number	Question
Materialism		MM1	I would be happier if I could afford to buy more things.
		MM2	It sometimes bothers me quite a bit that I cannot afford to buy all the things I would like
		MM3	Some of the most important achievements in life include material possessions.
		MM4	Material objects are sign of success.
Collectivism		CV1	When making decisions, it is important for me to concern the feelings from others who are close to me.
		CV2	When making decisions, it is important for me to consider the effects on others who are close to me.
Social Dominance	Egalitarianism	SD1	It would be good if all groups could be equal
		SD2	All groups should be given equal opportunities in life
		SD3	We should do what we can to equalize conditions for different groups
		SD4	No one group should dominate society
	Hierarchical	SD5	Some groups are just more worthy than others
		SD6	To get ahead in life, it is sometimes necessary to step on other groups
		SD7	It is probably a good thing that certain groups are at the top and other groups are at the bottom
		SD8	Sometimes other groups must be kept in their place

## 4 Results

The survey was distributed via the internet. The total number of respondents was 209, out of which 103 were from the Czech Republic and 106 from Armenia. After filtering out the respondents that weren't viable the final numbers were 84 for the Czech Republic and 88 for Armenia. The non-viable respondents were those that didn't purchase any luxury goods, those that lived outside of the Czech Republic or Armenia and those who submitted incomplete surveys.

### 4.1 Findings

#### *Descriptive statistics*

Figure 10 shows the comparison between the scores on both dependent and independent variables from the Czech Republic and Armenia. There are clear differences, such as the fact that Czech people are clearly more Veblen motivated than Armenians, this could be, like theory suggests, due to the fact that they are also more materialistic, however such a connection isn't clear from descriptive statistics.

On the other motivations Snob, Bandwagon, Hedonist and Perfections, while being there, the difference is insignificant and isn't a sign of a bigger trend.

Czech people are shown to be more collectivist than Armenians which goes against the research discussed in the previous chapter.

On egalitarianism Czech people scored lower than Armenians, while simultaneously scoring higher on hierarchy, which while unexpected, does seem sensible since the Czech Republic is more collectivistic.

In terms of age we can see that the mean age in the Armenian sample is higher than the mean age in the Czech Republic, it is unclear though what effect this will have on the results.

It is also important that the sample is skewed towards female participants, in a relatively minor way for the Czech Republic and in a very significant way for Armenia.

**Figure 10. Descriptive Statistics**

		Czech Republic		Armenia	
		M	SD	M	SD
Symbolic Motivation	Veblen	2.55	1.30	1.85	1.21
	Snob	2.85	1.32	2.78	1.53
	Bandwagon	2.60	1.00	2.31	1.19
		2.67	1.06	2.31	1.12
Social Dominance	Hedonist	3.72	1.24	3.32	1.30
	Perfectionist	4.99	1.11	5.02	1.33
	Materialism	3.26	1.08	3.13	1.29
	Collectivism	4.11	1.65	3.87	1.77
	Egalitarianism	5.27	1.62	5.73	1.46
	Hierarchy	3.08	1.42	2.66	1.50
	Age	2.51	0.90	2.99	0.47
	Sex	0.36	0.48	0.07	0.25

Source: Author's own calculations

### ***Regression Analysis***

To better understand the relationships between the dependent and independent variables a regression analysis has been done and a model created for each country.

Figure 11 shows this model for the Czech Republic. As the numbers clearly shows, there is a relationship between high levels of materialism and Veblen motivation, however the effect of materialism on Snob motivation is significantly higher, same going for Bandwagon motivation, all of which has led to materialism being the strongest determinant for Symbolic Motivation.

Collectivism has had the strongest effect on Bandwagon motivation, however even in this case the relationship is relatively weak.

**Figure 11. Regression Model for the Czech Republic**

	Veblen	Snob	Bandwagon	Symbolic Motivation	Hedonist	Perfectionist
Materialism	0.304	0.588	0.472	0.454	0.180	0.339
Collectivism	0.075	0.089	0.143	0.102	0.131	-0.021
Egalitarianism	-0.160	-0.092	-0.072	-0.108	0.003	0.072
Hierarchy	-0.186	-0.195	-0.061	-0.147	0.009	0.034
Gender	-0.502	-0.337	-0.224	-0.353	-0.607	0.219
Age	-0.529	-0.368	-0.274	-0.390	-0.239	0.344
R <sup>2</sup>	0.216	0.322	0.427	0.374	0.136	0.164

Source: Author's own calculations

Egalitarianism has a negative influence on Veblen motivation, this being its most significant negative contribution, while Perfectionism is its most significant positive contribution. This means that those showing high levels of egalitarianism have shown to be more likely Perfectionist motivated and least likely to be Veblen motivated.

Hierarchy is a negative determinant for all of the Symbolic motivations, similarly to egalitarianism.

Since for the codification of gender this thesis uses a “0” for women and a “1” for men, the attitudes of women and men are clear from the analysis. Women are significantly more likely to be symbolically motivated than men. However, the female gender has been the most significant determinant for Hedonist motivation above all else. Men are shown more likely to be Perfectionist motivated.

Age is tricky to examine in a regression model. The model shows that the older the respondent the less likely they are to be Veblen motivated and more likely to be Perfectionist motivated. To examine this more closely, I have compiled an age group analysis.

**Figure 12. Age and Motivations for the Czech Republic**

Age	Veblen	Snob	Bandwagon	Symbolic Motivation	Hedonist	Perfectionist
Under 18	3.409	3.186	3.222	3.272	3.890	4.667
18-25	2.676	3.028	2.564	2.756	3.781	4.885
26-40	2.356	2.777	2.617	2.583	3.678	5.022
40+	1.901	2.133	2.125	2.053	3.467	5.567

Source: Author's own calculations

The figure above shows the descriptive statistics for each age group. The age groups “40-65” and “65+” have been combined, as here was no significant difference in their results and the total number of respondents from group “65+” was very low.

As stated earlier, younger generations, especially those in the “under 18” age group have scored highest Veblen motivation. The age group “40+” shows to be the least significant for Symbolic motivation.

It is also important that Hedonist and Perfectionist motivations have shown no significant value difference between the age groups.

**Figure 13. Regression Model for Armenia**

	Veblen	Snob	Bandwagon	Symbolic Motivation	Hedonist	Perfectionist
Materialism	0.379	0.463	0.310	0.384	0.457	0.083
Collectivism	0.114	0.131	0.169	0.138	0.152	0.141
Egalitarianism	-0.254	-0.243	-0.146	-0.214	-0.174	0.305
Hierarchy	-0.069	0.081	0.047	0.020	0.118	0.222
Gender	0.715	-0.452	-0.173	0.031	-0.172	0.300
Age	0.571	0.427	0.607	0.535	0.379	0.392
R <sup>2</sup>	0.260	0.224	0.227	0.294	0.319	0.281

Source: Author’s own calculations

Figure 13 shows the same regression model done for Armenia. It is clear, that similarly to the Czech Republic materialism has had the strongest influence on Snob motivation, which has led to it being a positive determinant for Symbolic motivation as a whole. It is important to

point out that materialism is shown to be a strong determinant for Hedonist motivation, which wasn't previously anticipated.

Collectivism has little influence over the motivations, but out of them all it has most affected Bandwagon motivation.

Egalitarianism has negatively affected all three Symbolic motivations, most significant being Veblen motivation, while at the same time, having a positive relationship with Perfectionist motivation.

Hierarchy is an insignificant determinant for most motivations except for Perfectionist motivation.

Gender is the greatest determinant for Veblen motivation, men are significantly more likely to be Veblen motivated, and more likely to be Symbolic motivated in general. On the other hand, women are much more likely to be Snob motivated and Hedonic motivated. Men are more Perfectionist motivated than women.

**Figure 14. Age and Motivation for Armenia**

Age	Veblen	Snob	Bandwagon	Symbolic Motivation	Hedonist	Perfectionist
Under 18	1.000	1.330	1.000	1.110	1.000	4.670
18-25	1.381	2.239	1.714	1.779	3.093	4.383
26-40	1.884	2.889	2.365	2.379	3.403	5.032
40+	2.000	2.458	2.500	2.319	3.000	5.500

Source: Author's own calculations

With age we can see a clear connection with Veblen motivation, and age is the most significant determinant for Bandwagon motivation. To more closely examine the motivations per each group I have once again compiled an age specific analysis in figure 14.

Exactly like in the Czech Republic age analysis, the age groups “40-65” and “65+” have been combined for the same reasons.

Veblen motivation in each of these age groups is quite low, similarly to Symbolic motivation in general, however the scores are much higher for the age group “40+” than the age group “under 18”. Hedonic motivation is highest in the age group “26-40” and only in the case of Perfectionist motivation did all of the age groups score in a similar region.

### ***Correlation analysis***

The correlation analysis compares the variables to each other. Figure 15 shows this analysis done for the Czech Republic. The figure shows a clear correlation between the Symbolic motivation and its components, especially Snob motivation. It also strongly correlated with Hedonist motivation, while having an insignificant negative correlation with Perfectionist motivation.

Materialism is strongest correlated with Snob motivation. This could imply causation; however, it is difficult to judge a cause-effect relationship from a correlation analysis. Collectivism doesn’t have a statistically significant correlation with any of the other variables. Same goes for egalitarianism and hierarchy, except for an important negative correlation between the two variables. This shows that while the variables do increase and decrease in opposing direction, they are not contradicting of each other, and do in fact overlap.

**Figure 15. Correlation Matrix for the Czech Republic**

**Pearson Correlations**

	1	2	3	4	5	6	7	8	9	10	11	12
1. Veblen	—											
2. Snob	0.755	—										
3. Bandwagon	0.549	0.603	—									
4. Symbolic Motivation	0.898	0.916	0.791	—								
5. Hedonist	0.603	0.694	0.526	0.702	—							
6. Perfectionist	-0.269	-0.105	-0.068	-0.175	-0.071	—						
7. Materialism	0.260	0.476	0.578	0.487	0.210	0.308	—					
8. Collectivism	0.115	0.219	0.356	0.251	0.238	0.104	0.304	—				
9. Egalitarianism	-0.029	0.001	-0.049	-0.028	0.116	-0.017	-0.135	0.174	—			
10. Hierarchy	-0.084	-0.051	0.093	-0.026	-0.003	0.108	0.276	0.053	-0.459	—		
11. Age	-0.297	-0.215	-0.206	-0.277	-0.089	0.227	-0.045	0.097	-0.043	-0.013	—	
12. Gender	-0.047	-0.053	-0.020	-0.047	-0.199	-0.010	0.035	-0.140	-0.426	0.280	-0.316	—

Source: Author's own calculations

**Figure 16. Correlation Matrix for Armenia**

**Pearson Correlations**

	1	2	3	4	5	6	7	8	9	10	11	12
1. Veblen	—											
2. Snob	0.575	—										
3. Bandwagon	0.552	0.650	—									
4. Symbolic Motivation	0.818	0.891	0.848	—								
5. Hedonist	0.464	0.680	0.660	0.710	—							
6. Perfectionist	0.124	0.164	0.288	0.221	0.416	—						
7. Materialism	0.343	0.383	0.331	0.414	0.474	0.197	—					
8. Collectivism	0.076	0.129	0.223	0.165	0.198	0.287	0.139	—				
9. Egalitarianism	-0.208	-0.120	-0.039	-0.144	-0.072	0.373	0.124	0.331	—			
10. Hierarchy	0.105	0.217	0.198	0.206	0.292	0.261	0.259	0.002	-0.110	—		
11. Age Groups	0.124	0.066	0.172	0.136	0.070	0.166	-0.127	-0.092	0.055	0.151	—	
12. Gender	0.195	-0.020	-0.014	0.057	0.015	-0.004	0.051	-0.160	-0.206	0.131	0.007	—

Source: Author's own calculations

Age for the Czech Republic negatively correlated with Veblen motivation, meaning that the younger age groups showed to be thusly motivated. Women are shown to be more egalitarian, while men more hierarchical.

Figure 16 shows this analysis for Armenia. Similar to the Czech Republic, Armenia has a strong correlation between Symbolic motivation and its components, as well as Hedonist motivation. Perfectionist motivation is correlated with Hedonist motivation too, but not quite as strongly as Hedonist is with Symbolic motivation.

Materialism has the strongest relationship with Hedonist motivation. Collectivism isn't significantly correlated with any of the other variables.

Egalitarianism shows a strong positive correlation with Perfectionist motivation. Egalitarianism and hierarchy are once again negatively correlated to each other, for Armenia substantially lower than for the Czech Republic. This even further proves that the two variables aren't polar opposites, instead showing a practically insignificant relationship.

Both age and gender were insignificantly correlated to any other variable, but just like in the Czech Republic, women are more egalitarian than men, while men are more hierarchical.

## 4.2 Support for the Hypotheses

The research from the previous chapter had led to the construction of the hypotheses, and in the previous subchapter the data gathered from a survey was analysed to provide a support for these hypotheses.

*H1: The greater the materialism, the greater the Symbolic motivation.*

Supported. Materialism was the biggest determinant for Symbolic motivation in the Czech Republic and was very significant for Armenia. In addition, materialism and Symbolic motivation were strongly correlated with one another. Most significant one being Bandwagon in the Czech Republic and Snob in Armenia.

*H2a: Czech consumers have higher Symbolic motivation than Armenians.*

Supported. Czech people have shown to be more Symbolic motivated than Armenians, however this difference is only slight and could be disputed.

*H2b: Armenian consumers are less materialistic than Czech ones.*

Supported. Armenians have shown a lower level of materialism, however once again the difference is low in significance.

*H2c: Czech consumers are more Veblen motivated than Armenians*

Supported. Czech consumers clearly scored higher on the scale provided for Veblen motivation than Armenians did.

*H3a: The higher the Collectivism, the higher the Bandwagon motivation*

Supported. For both the Czech Republic and Armenia, collectivism most affected the Bandwagon motivations.

*H3b: Armenian consumers have higher Bandwagon motivation than the Czech ones.*

Rejected. Armenians have slightly lower Bandwagon motivation than Czech people. This difference is low in significance; however, it is enough to reject the hypothesis.

*H4: Egalitarianism and hierarchy are not opposites of each other and have overlap.*

Supported. Egalitarianism and hierarchy, while negatively correlated to each other, scored quite low, which means that they don't have a strong relationship and thus cannot be opposites of one another. In addition, the regression analysis shows that hierarchy and egalitarianism were both negative determinants to Symbolic motivation, which suggests that they cannot be opposites as they have the same effect.

*H5a: The higher egalitarianism, the higher the Perfectionist motivation*

Supported. This is supported in a significant manner in the Armenia sample and on a much lower level in the Czech Republic sample. In the correlation analysis for Armenia we can also see, that these variables are correlated with one another.

*H5b: The higher Hierarchy, the higher the Snob and Veblen motivations.*

Rejected in both samples. All the analyses have shown that hierarchy has little to no effect on Snob or Veblen motivations

*H6a: The age group 19-25 will have the highest symbolic motivation of all the age groups.*

Rejected in both samples. In Armenia it was age group "26-40" while in the Czech Republic it was age group "under 18".

*H6b: The age group of 40+ will be least affected by symbolic motivation.*

Supported for the Czech Republic and rejected in Armenia. For Armenia the age group "under 18" had the lowest Symbolic motivation.

*H6c: Hedonist and Perfectionist motivations are unaffected by age.*

Supported fully in the Czech Republic and partially supported in Armenia, except for Hedonist motivation.

*H7a: Men have higher Veblen motivation, but are much less affected by other motivations than women.*

Rejected for the Czech Republic and mostly supported for Armenia. Men in Armenia are also more Perfectionist motivated than women. In the Czech Republic women are more Veblen motivated than men.

*H7b: Women are Hedonist motivated.*

Supported in the Czech Republic, partially supported in Armenia. Armenian women are more Hedonist motivated than Armenian men, however their biggest motivator is Snob motivation, not Hedonist.

*H7c: Women are more affected than men by all motivations except Veblen.*

Rejected in both samples. Czech women are significantly Veblen motivated, while Armenian women are less Perfectionist motivated than men.

### 4.3 Limitations of Research

One the big limitations of the thesis are the skewed results from the fact that there were significantly fewer male respondents from Armenia, than there were females. This could be prevented in the future by instilling a quota on female respondents or upholding some sort of ratio between the two genders when collecting the results.

The same could be done for age groups. While the age of the respondents between the two samples wasn't significantly different, there were few respondents from the age group of 65+ in both. This could be due to the fact that the survey was done online, which could mean it was less accessible to older generations.

Income wasn't measured in this thesis, due to the fact that previous literature, especially Yu's paper found that income had little influence on motivations behind the purchase of luxury goods. However, since there was much in that paper that this thesis changed or disproved, it is possible that income could have a certain amount of effect, which is why I believe it could benefit future studies to include a way to measure it.

## 5 Discussion of Results

The hypotheses provided a good way to evaluate the model created from research, however there were some things that it didn't take into account. In addition, some of the hypotheses were rejected, so it is necessary to look into the reasons why that happened.

Descriptive statistics supported H2b which suggests, that Czech people are more materialistic than Armenians. This was drawn from positive expectations people have in any given political climate. Based on the political situation in both countries I hypothesised that Czech people have more pessimistic expectations and are by extension more materialistic. Czech consumers are also significantly more Veblen motivated than their Armenian counterparts.

Materialism also led to a higher level of Symbolic motivation, supporting H1, most significantly Snob motivation in both of the samples. This was not anticipated by any of the previous research. The relationship between Snob motivation and materialism was further supported in the correlation analysis, where in the Armenian sample materialism was most correlated with Snob motivation out of all the Symbolic motivations.

It is important to point out that in Armenia materialism is shown to be a strong determinant for Hedonist motivation, which wasn't previously anticipated by anyone except for Jain, Khan and Mishra's framework, which places materialism into the personal effects rather than social.

The thesis found that Czech Republic was more collectivist than Armenia, which went against what the previous research was suggesting are led to the rejection of H3b. However, the positive relationship between collectivism and Bandwagon motivation showed support for H3a in both samples.

Collectivism had no effect on any of the other motivations and correlated practically with only the Bandwagon variable.

On egalitarianism Czech people scored lower than Armenians, while simultaneously scoring higher on hierarchy, which while unexpected, does seem sensible since the Czech Republic is more collectivistic.

Egalitarianism has a negative influence Symbolic motivation in both samples, most significantly Veblen, while Perfectionism is its most significant positive contribution.

Hierarchy is a negative determinant for all of the Symbolic motivations for the Czech Republic samples similarly to egalitarianism. This furthers the concept that hierarchy and egalitarianism cannot be opposites, as they have a similar influence on the motivations. For Armenia hierarchy is an insignificant determinant for most motivations except for Perfectionist motivation.

In the correlation analysis egalitarianism and hierarchy didn't have a significant relationship with any of the variables, except for an important negative correlation between each other. This shows that while the variables do increase and decrease in opposing direction, they are not contradicting of each other, and do in fact overlap, thus supporting H4.

In terms of gender H7a was supported in Armenia but simultaneously rejected in the Czech Republic. At the same time in both the Czech Republic and in Armenia women were more Hedonist motivated which contributed support to hypothesis H7b.

In both countries, men were shown to be more Perfectionist motivated despite research claiming that women were more likely to care about the quality, history and longevity of luxury goods.

Correlation analysis didn't show much of a significant relationship between the gender variable and any of the other variables. In the Czech Republic women are more egalitarian and men are more hierarchical, and the same applies for Armenia.

Age was a divisive variable in this thesis. Both countries showed different results for different age groups.

In the Czech Republic age negatively correlated with Veblen motivation, meaning that the younger age groups showed to be thusly motivated. At the same time the opposite is shown in Armenia, where older generations are more likely to be Veblen motivated.

In the Czech Republic older generations are more Perfectionist motivated, while in Armenia this relationship is unclear. For the Czech sample H6c was supported, while for the Armenian one this was obscured by the fact that generation “under 18” scored very low on Hedonist motivation.

## Conclusion

This thesis's aim was to measure and compared the motivations behind the purchase of luxury goods in the Czech Republic and in Armenia. It has found that the country in which the motivations were measured has not had much impact on the motivations themselves.

The thesis showed that across both samples, materialism has had a strong effect on Symbolic motivation in both samples. Collectivism affected the Bandwagon motivation. Higher identification with egalitarianism leads to more Perfectionist motivations. This strengthens the model suggested by previous research.

There were some differences between the Czech Republic and Armenia. Armenia is less materialistic than the Czech Republic, however it is also less collectivist, which went against what research of other papers showed. Demographics in each country also had a strong effect. In the Czech Republic, the younger generation, measured in age group "under 18" was more Veblen motivated while the exact opposite was true for Armenia, where the age group of "under 18" scored the lowest on Veblen motivation, and older generations scored higher on it.

Gender also showed different results in each country. In the Czech Republic women were significantly more Veblen motivated than men, which went against previous studies, while in Armenia these studies were confirmed, and men were more Veblen motivated than women. For both countries it was found that women were not most significantly Hedonist motivated, which went against what previous research had suggested.

To reach the earlier mentioned conclusions research has been conducted to understand the means of measuring motivations already available. Danqing Yu's 2014 paper had a similar goal, except it examined Chinese and American students. This thesis is based on her on research, but expanded to accommodate all age groups, rather than only students, and also any profession, as this thesis doesn't focus on jobs.

To create a model to construct the hypotheses, it was first necessary to establish the variables. The dependent variables came from the theoretical background of the thesis, from Vigneron and Johnson's conceptual framework, which establish five different motivations – Veblen, Snob, Bandwagon, also known as inter-personal motivations, and Hedonist and Perfectionist, grouped together as personal motivations. This framework was further expanded by Shukla, Singh and Banerjee's framework, which refers to Veblen, Snob and Bandwagon motivation under the umbrella term Symbolic motivation.

Independent variables were chosen according to Yu's paper. Her paper measured materialism, collectivism, social dominance, gender and income. It also heavily focused on acculturation of Chinese students in the USA. For this thesis, materialism, collectivism and gender were measured similarly to Yu's paper. Social dominance was split into egalitarian and hierarchy as further research suggested that those two concepts are not opposing to each other and as such cannot be measured as one variable. Income wasn't measured at all, as research and Yu's paper concluded that while income does have an effect on the amount of luxury goods purchased, it has little to no effect on the motivations behind the purchase.

From research done specifically on these independent variables as well as Czech and Armenian cultures, I was able to construct hypotheses that were supported by already existing data. To find support for these hypotheses a survey was conducted, which was divided into three sections. The first collected general information, such as age, gender, location. The second section measured the dependent variables, or motivations, with statements asking to be assessed on a 7-point scale, from strongly agree to strongly disagree, according to how much the respondent relates to them. The third section was similar to the second, except it measured the independent variables. The survey was translated into Czech and Armenian to make them more accessible.

To study the results, I have used descriptive statistics, a regression model and a correlation analysis for each of the two samples. The descriptive statistics allowed the total values of the variables to be compared between the two countries, however they do not show a

relationship. This is why a regression model was necessary as it allows to measure the effects of each independent variable on the motivations.

I believe that because this thesis draws from previous research, it has strong face validity which is further supported by the statistical analysis. The thesis draws from and combines various sources to avoid flaws in the previous methodology. Age is an important variable which strongly affects motivation, was not included in Yu's research. In addition, social dominance was changed into two separate variables. And symbolic motivation was viewed as a whole as well as its individual motivations. This approach was validated by the analysis, and I believe this provides support for my thesis, and so I consider the objective of the thesis fulfilled.

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## Appendix – Survey

### Section 1.

1. What is your Gender?

2. What is your Age?

3. Where do you live?

– Armenia

– Czech Republic

– Other

4. How many Luxury Goods have you purchased in the last year?

- 0

- 1-5

- 6-10

- More than 10

### Section 2.

PN1. I buy expensive goods because they have better quality.

PN3. I buy expensive goods because they are a good value for money.

VL1. I buy luxury goods to show my status.

HN1. Luxury goods fulfil my needs better than their cheaper alternatives.

SB4. I buy luxury goods because they help me feel unique.

VL2. I buy luxury goods to show people that I can afford it.

SB1. I enjoy luxury goods because not everyone can afford them.

VL3. I buy luxury goods because it helps me get attention.

BW1. I buy expensive things to help me be more liked by others.

HN3. Luxury goods allow me to better express myself.

SB2. I feel proud to be able to afford luxury goods.

BW2. I believe that more expensive clothes are more socially acceptable to others.

BW3. I buy luxury goods from brands that are well recognised by others.

BW4. I follow influencers and celebrities to help me decide which goods to purchase.

HN2. Luxury goods give me confidence.

PN2. I buy expensive goods because they last longer.

### **Section 3.**

MM1. I would be happier if I could afford to buy more things.

MM2. It sometimes bothers me quite a bit that I cannot afford to buy all the things I would like.

MM3. Some of the most important achievements in life include material possessions.

MM4. Material objects are sign of success.

CV1. When making decisions, it is important for me to concern the feelings from others who are close to me.

CV2. When making decisions, it is important for me to consider the effects on others who are close to me.

SD1. It would be good if all groups could be equal

SD2. All groups should be given equal opportunities in life

SD3. We should do what we can to equalize conditions for different groups

SD4. No one group should dominate society

SD5. Some groups are just more worthy than others

SD6. To get ahead in life, it is sometimes necessary to step on other groups

SD7. It is probably a good thing that certain groups are at the top and other groups are at the bottom

SD8. Sometimes other groups must be kept in their place