

# Investigation of the Effects of Dimensions of Luxury Brand Perception and Brand Preference on the Purchase Intention of Luxury Automobiles in Iranian Consumers

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## ABSTRACT

Conspicuous consumption is a fairly universal phenomenon although possibly more pervasive in developed countries. Conspicuous consumption is also more common in some cultures that have a tendency toward materialism. This paper deepened the understanding of why consumers are willing to buy high end luxury automobiles and which of the demographic factors have most influenced the understanding of the luxury brand. The population of this study included owners of Toyota, Hyundai, and Kia Motors automobiles in Tehran. A comparison was made between German-made Mercedes Benz and Japanese-made Lexus luxury automobiles brands. The final sample consisted of 390 participants. Data analysis is used structural equation modeling. The findings indicated that variables of hedonic, uniqueness, and quality value were significantly higher than conspicuous and social values. They played a larger role in forming luxury brand perception among Iranian consumers. This study is useful for marketers to understand their target market and how their customers evaluate products and make buying decisions. The five perceived values of luxury automobiles can be used as guidelines for salesmen to sell to customers successfully.

**KEY WORDS:** Luxury brand perception, brand preference, conspicuous consumption, purchase intention, country of origin, demographic factors.

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## 1 INTRODUCTION

Veblen (1912) states that conspicuous consumption refers to the ostentatious display of wealth for the purpose of acquiring or maintaining status or prestige. Spending money to tout one's success is not a new phenomenon. The desire to conspicuously consume dates back to tribal times, when men possessed women and slaves as trophies of their status. Since that time, although the players and objects of consumption have changed, the game of ostentatious ownership has remained essentially the same, with the winners being awarded status, prestige, and honor. McCracken (1987) notes that, "conspicuous and competitive consumption are especially important to the study of the history of consumption because they play such an important role in the growth of a consumer society" [1].

The luxury brands industry is unique from other industries. The luxury market in Iran has grown quickly in recent years as Iran's young population makes it an attractive market for many foreign companies. For example, the price of luxury cars from companies such as Toyota, Porsche, Hyundai, Kia Motors, or BMW cost two to three times their original factory prices due to tariffs, yet they are still in top demand in Iran. The income gap in Iran is one of the main reasons for consuming luxury products. One of the best criterion highlighting this gap is the Gini coefficient, a number between zero and one, that serves as an important measure of inequality in distribution of income. Zero indicates a society with absolute equality in distribution of income and one indicates a society with inequality in income distribution. Data on this indicator is available for urban areas on an annual basis. One of the measures of income distribution is the ratio of 10th decile expenditures (the richest) to 1st decile expenditures (the poorest). The higher the ratio, the more inequality exists in the society. According to the Central Bank of Iran, the Gini coefficient was reported for 2000-2010m showing an obvious income gap in Iran (see Table 1) [2].

## 2 LITERATURE REVIEW

### *Brand Perception*

During the past 20 years the literature has consistently highlighted the importance of brand perceptions and the components of these perceptions, including brand image and associations. Brand perception is a consumers' ability to identify the brand under different conditions, as reflected by their brand recognition or recall performance. Aaker (1991), in his seminal book *Managing Brand Equity*, identified three key perceptual/cognitive variables: name awareness, brand associations, and perceived quality. All three are seen as key determinants of brand loyalty. Feldwick (1996) and Chernatony and McDonald (2003) defined six types of

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brand attributes: awareness, image, perceived quality, perceived value, personality, and organizational associations [3]. Consumers’ perceptions of brands consist of brand awareness and brand image (e.g., Keller, 1998). Awareness of a brand is not likely to be sufficient to ensure a brand's success, as it is not in itself likely to be a sufficient reason to ensure the purchase a product. Successful brands must offer superior value to consumers and differentiate an offering from those of competitors [4]. Researchers have examined purchase intention frequently and found it to be an important consequence of value perceptions [5, 6].

Table1: The existence of income gap in Iran

	Social Affairs ► Income Distribution ▼	Social Affairs ► Income Distribution ▼
Year	Gini Coefficient ()	Ratio of Richest 10% to Poorest 10% ()
2000	0.3991	15
2001	0.3985	14.4
2002	0.4191	16.9
2003	0.4156	16.2
2004	0.3996	14.6
2005	0.4023	14.5
2006	0.4004	14.9
2007	0.4045	15.2
2008	0.3859	13.5
2009	NA	NA
2010	NA	NA

Source: Iran Central Bank Reports

According to Vigneron and Johnson, (1999) the term *prestige goods* has been more broadly defined as it includes consumer motivations for pursuing uniqueness, technical superiority, and aesthetic appeal as well as signaling status and wealth. McCarthy and Perreault (1987), stated that in marketing, the term *prestige pricing* is used when a higher price is used to indicate high quality or status. Veblen (1899) observed that consumers often use price as a surrogate indicator of prestige, because high prices often have a positive role in determining the perception of product value [7]. For Solomon (1996) luxury items have a degree of exclusivity, and thus are usually more expensive (i.e., higher monetary risk) than necessities. The risk of a bad purchase and the hedonistic value of luxury products are characteristics of a complex task, such as purchasing luxury products [8].

Following the distinction between prestige brands and non-prestige brands (Vigneron and Johnson, 1999), the distinction between luxury brands and non-luxury brands has been operationally defined as the distinction between brands exhibiting five perceived values, contingent on a particular socioeconomic framework [7]. Value is one of the most powerful forces in the marketplace for understanding consumer behavior [5, 9-11]. Value plays an important role in predicting customers’ choice and future repurchase intentions [5, 9,11,12].

**Conspicuous value**

In the early 1980s, a number of researchers carried out studies, based on the original work of Bourne (1957), focusing on the influence of reference groups on luxury brand consumption [13,14]. Findings revealed that the conspicuousness of a product was positively related to its susceptibility to the reference group. Luxury goods consumed in public were more likely to be conspicuous goods than privately consumed luxury goods; indeed conspicuous consumption still plays a significant part in shaping preferences for many products purchased or consumed in public contexts [15-17]. The consumption of luxury brands serves as a signal of status and wealth. The higher price of the brands enhances the value of such a signal [7].

**Unique value**

If virtually everyone owns a particular brand, it is considered to be non-luxury [7]. Uniqueness is based on the assumption, as demonstrated in research, that the perceived exclusivity and rarity of the product enhance a consumer’s desire or preference for it [18,19]. Furthermore, this desire increases when the brand is also perceived to be expensive [20, 21]. Therefore, the more unique a brand is deemed, and the more expensive it is compared to normal standards, the more valuable it becomes [17, 21].

**Social value**

The role-playing aspects and social value of a brand can affect the decision to buy [7]. Thus, luxury brands may be important to individuals in search of social status and representation. In other words, the ranking in a society associated with a brand plays an important factor in conspicuous consumption. The consumption of luxury goods appears to have a strong social function. Therefore, the social dimension refers to the perceived utility individuals acquire by consuming products or services recognized within their own social group(s), such as conspicuousness and prestige value, which may significantly affect the evaluation and the propensity to purchase or consume luxury brands [14,16, 22].

### **Hedonic value**

A product's subjective intangible benefits clearly determine the brand selection [7]. Its value is perceived through fun and pleasure as opposed to goal achievement [11, 23]. Previous studies have identified and included fun, pleasure, recreation, freedom, fantasy, increased arousal, heightened involvement, new information, and escape from reality as hedonic shopping values [11, 23, 24]. As Bloch and Bruce (1984) attest, consumers obtain hedonic value as well as task-related or product acquisition value during the shopping experience [11, 25].

### **Quality value**

Luxury is partly derived from technical superiority [7]. Which is congruent with the assumption in the field of perceived quality that luxury brands offer greater product quality and performance than non-luxury brands [16,17, 26, 27]. Aaker (1991) concluded that consumers may associate luxury products with a superior brand quality and reassurance so that they perceive more value from them. In addition, high quality is seen as a fundamental character of a luxury product in terms of a *sine qua non* [17, 26].

Groth and McDaniel (1993) supported the assumption that an exclusive or unique perception of a brand was also related to its cost. "brand exclusivity is the positioning of a brand such that it can command a high price relative to similar products." They suggested applying a prestige-pricing strategy to support the marketing of luxury or high-quality goods. Bearden and Etzel (1982) concluded that publicly consumed luxury goods were more likely to be conspicuous goods than privately consumed luxury goods. In practice, Groth and McDaniel, (1993) found that "high prices may even make certain products or services more desirable." Rao and Monroe (1989), asserted that people perceive higher prices as evidence of greater quality. Veblen (1899) suggested that conspicuous consumption was used by people to signal wealth and, by inference, power and status. Thus, the utility of luxury products may be to display wealth and power, indicating that one could consider luxury brands to dominate the conspicuous segment of consumers [7].

According to Twitchell (2002), luxury is a sign of status and class in modern societies. The two reasons that consumers buy luxury goods are to show that they belong to the higher class and to differentiate themselves from those of the lower class. In Nia's study (2000), the results also indicated that consumers believe that ownership of original luxury brand products gives them personal satisfaction and helps them be admired, recognized, and accepted by others [7]. Thus, the following hypotheses will be tested in the current study:

**Hypothesis 1.** A direct relationship exists between conspicuous value and consumers' purchase intention of luxury automobiles.

**Hypothesis 2.** A direct relationship exists between unique value and consumers' purchase intention of luxury automobiles.

**Hypothesis 3.** A direct relationship exists between social value and consumers' purchase intention of luxury automobiles.

**Hypothesis 4.** A direct relationship exists between hedonic value and consumers' purchase intention of luxury automobiles.

**Hypothesis 5.** A direct relationship exists between quality value and consumers' purchase intention of luxury automobiles.

**Hypothesis 6.** A direct relationship exists between luxury brand perception and consumers' purchase intention of luxury automobiles.

**Hypothesis 7.** A direct relationship exists between purchase intention and luxury brand perception of consumers' luxury automobiles.

### **Brand preference**

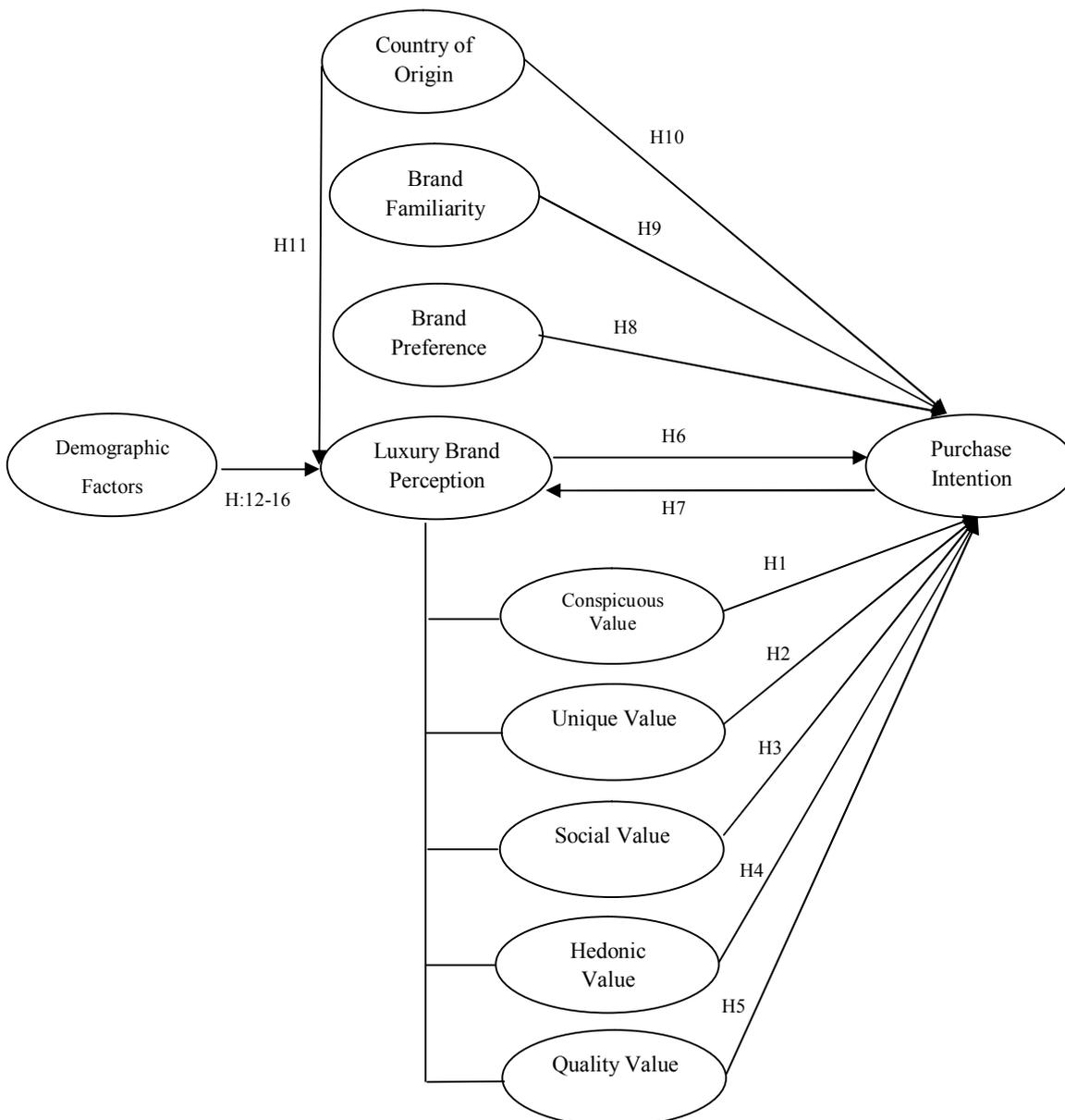
According to Roth and Romeo (1992), the image of a country arises from a series of dimensions that positively qualify a nation in terms of its production profile. Such dimensions include innovative approach (superiority, cutting-edge technology), design (style, elegance, and balance), prestige (exclusiveness and status of the national brands), and workmanship (reliability, durability, and quality of national manufactured). According to Kotler (1980), a product is defined as anything that can be offered to a market for attention, acquisition, use, or consumption that may satisfy a need or want [7]. Therefore, we propose that:

**Hypothesis 8.** A direct relationship exists between brand preference and consumers' purchase intention of luxury automobiles.

### **Familiarity**

Alba and Hutchinson (1987) and Kent and Allen (1994) demonstrated that brand familiarity is generally viewed as a reflection of the extent of a consumer's direct and indirect experience with a brand. Kent and Allen (1994) found that the more consumers are familiar with a brand, the higher the quantity of response and memory towards the brand they have [28]. Han (1989) pointed out that the image from a particular country would indirectly affect consumers' attitudes toward the brand if consumers are not familiar with the country's products [7]. Thus, we predict:

**Hypothesis 9.** A direct relationship exists between brand familiarity and consumers' purchase intention of luxury automobiles.



**Figure 1.** Proposed Structural Model

**Country of origin and purchase intention**

Nagashima defined the country of origin (COO) effect as "the picture, the reputation, and the stereotype that businessmen and consumers attach to products of a specific country." This image is created by such variables such as representative products, national characteristics, economic, and political background, history, and traditions [7]. Wall et al. (1991) noted that, for luxury items, the COO tended to have a stronger effect than price in product quality assessment [8]. Bilkey and Nes (1982) showed that consumers' attitude toward foreign products or foreign brands could be influenced by consumers' image or knowledge about that country. In Lin and Sternquist's study (1994), the results indicated that products from more developed countries usually gain more positive evaluations than products from less developed countries. Johansson, Douglas and Nonaka (1985) provided evidence to support that stereotypes related to a specific COO affect the consumers' perceptions of attributes for certain products. In other words, a country image becomes a bias that influences the purchase decision [7]. It can therefore be hypothesized that:

**Hypothesis 10.** A direct relationship exists between country of origin and consumers' purchase intention of luxury automobiles.

**COO and brand perception**

The objective of Piron's 2000 study was to measure and analyze the impact of COO on consumers' purchasing intention of products consumed conspicuously. Although the results indicated that a product's COO may not be a strong determinant in purchasing products, it appeared that COO would affect consumers' buying decisions more when buying luxuries rather than necessities [7].

**Hypothesis 11.** A direct relationship exists between country of origin and consumers' brand perception of luxury automobiles.

**Demographic factors**

Dubois and Laurent, (1994) and Tidwell and Dubois, (1996) demonstrated that the perception of luxury is influenced by demographics, lifestyle, habits, social environments, and of course purveyors of luxuries and marketers. Thus, drastic cultural influences are reflected in the perception of luxury [7]. Accordingly:

**Hypothesis 12.** A direct relationship exists between age and consumers' brand perception of luxury automobiles.

**Hypothesis 13.** A direct relationship exists between sex and consumers' brand perception of luxury automobiles.

**Hypothesis 14.** A direct relationship exists between marriage status and consumers' brand perception of luxury automobiles.

**Hypothesis 15.** A direct relationship exists between family monthly income and consumers' brand perception of luxury automobiles.

**Hypothesis 16.** A direct relationship exists between household size and consumers' brand perception of luxury automobiles.

**3 MATERIALS AND METHODS**

**Methodology**

Measurement assessments were used to validate our model. The instrument for this study consists of the questionnaire proposed by this paper on demographic factors and brand perception on purchase intention of luxury automobiles among Iranian consumers. We selected Mercedes Benz and Lexus as luxury automobiles because of their presence in the Iranian market, different COOs, and ability to compare the two products.

The questionnaire was first developed in English and then translated into Farsi. Back translation and further testing were conducted to ensure consistency and reliability between the English and Farsi versions. The study utilized proportional stratified sampling. Respondents primarily included Toyota, Hyundai, and Kia Motors owners in Tehran.

**Survey administration**

The survey contained 5 sections totaling 44 questions on 5- point semantic differentials, 5-point Likert scale, 100-point summated scale, 5-point ratings scale, and nominal and ratio scales [5,7,29-34]. Table 2 summarizes variables, items, and scales used in this study.

**Table 2**

Variables, Items, Scale

No	Variables name	Items	Scale Name	References
1	Country of Origin	7	5-point Likert	[31]
2	Familiarity(Brand)	3	5- point Semantic differentials	[29, 30]
3	Brand Preference	3	100-point Summated scale	[33, 34]
4	Luxury Brand Perception	Conspicuous Value	5-point Likert	[7, 32]
		Unique Value		
		Social Value		
		Hedonic Value		
		Quality Value		
5	Purchase intention	5	5-point Ratings scale	[5]
6	Demographic Factors	7	Nominal and Ratio scales	_____

Each questionnaire item was scored on a 5-point Likert scale (1= strongly disagree; 2= disagree; 3= neutral; 4= agree; and 5= strongly agree). The questionnaire contained a few nominally scaled background questions that sought information on demographics (age, gender, marital status, monthly family income, household size, monthly family cost, and savings). The questionnaire included 10 sections: brand familiarity, country of origin, conspicuous value, unique value, social value, hedonic value, quality value, purchase intention, brand preference, and demographic factors. A total of 412 questionnaires were distributed between May 2011 and June 2011. The printed questionnaires were distributed through personal visits to owners of luxury automobiles produced by Toyota, Hyundai, and Kia Motors in different geographical areas of Tehran. After distributing survey questionnaires, we asked the recipients for their email addresses or telephone numbers in order to increase the response rate by making a call and sending an email to the participants who could not complete the survey. To refine the measures and assess their reliability and validity, the survey was conducted with strict guidelines. Each participant was requested to carefully complete the questionnaire. Twenty-two questionnaires were eliminated due to invalid answers or a lack of experience in brand preference, leaving 390 questionnaires for our empirical analysis.

**Reliability and validity tests**

Validity is often assessed along with reliability - the extent to which a measurement gives consistent results. An early definition of test validity identified it with the degree of correlation between the test and a criterion.

According to this definition, one can show that the reliability of the test and the criterion places an upper limit on the possible correlation between them (the so-called validity coefficient). Validity of the structure is another important item in analyzing structural equations and correlations among factors [35]. Face validity indicates that the property of a test measures what it is intended to measure something. Face validity is very closely related to content validity. Face validity describes whether the test "looks valid" to the examinees who take it, the administrative personnel who decide on its use, and other technically-untrained observers [36].

According to Anastasi and Urbina, (1997), Content validity is a non-statistical type of validity that involves "the systematic examination of the test content to determine whether it covers a representative sample of the behavior domain to be measured." For example, does an IQ questionnaire have items covering all areas of intelligence discussed in the scientific literature? Content validity evidence involves the degree to which the content of the test matches a content domain associated with the construct. Content-related evidence typically involves subject matter experts (SMEs) evaluating test items against the test specifications. Content validity requires more rigorous statistical tests than face validity, which only requires an intuitive judgment. Content validity is most often addressed in academic and vocational testing, where test items need to reflect the knowledge actually required for a given topic area (e.g., history) or job skill (e.g., accounting).

One widely used method of measuring content validity was developed by C. H. Lawshe, who focused on a method for gauging agreement among raters or judges regarding how essential a particular item is. Lawshe (1975) proposed that each of the subject matter expert raters SMEs on the judging panel respond to the following question for each item: Is the skill or knowledge measured by this item 'essential,' 'useful, but not essential,' or 'not necessary' to the performance of the construct? According to Lawshe, if more than half the panelists indicate that an item is essential, that item has at least some content validity. Greater levels of content validity exist as larger numbers of panelists agree that a particular item is essential. Using these assumptions, Lawshe developed a formula termed the content validity ratio:  $CVR = (n_e - N / 2) / (N / 2)$ , where  $CVR$  = content validity ratio,  $n_e$  = number of SME panelists indicating "essential", and  $N$  = total number of SME panelists. This formula yields values which ranging from +1 to -1; positive values indicate that at least half the SMEs rated the item as essential. The mean CVR across items may be used as an indicator of overall test content validity [37]. In this research, CVR was more than 0.90 for each item. Thus, the questionnaire has content validity. Meanwhile, reliability is determined by Cronbach's alpha, a popular method for measuring reliability [38]. Nunnally (1978) suggested that, for any research in its early stage, a reliability score or alpha that is 0.60 or above is sufficient. As shown in Table 3, the reliability scores of all the constructs were found to exceed the threshold set by Nunnally; all measures demonstrated good levels of reliability (greater than 0.70). The COO scale achieved the largest reliability: 0.8592 for Mercedes Benz and 0.8205 for Lexus.

**Table 3**  
Cronbach's Alpha

Scales	Alpha
Total of Mercedes Benz	0.8540
Total of Lexus	0.8757

Note: n = 390.

The first pilot study was conducted in the autumn of 2010 to test the instrument among consumers in Esfahan feedback from the pilot study was used to revise and improve the questionnaire. After eliminating the unusable responses, the procedure yielded 53 responses from 73 respondents. The second pilot study was conducted in the spring of 2011 to test the instrument among consumers in Tehran; feedback from the pilot study was once again used to revise and improve the questionnaire. The data collection resulted in 30 usable questionnaires from 31 respondents. Ultimately, after eliminating the unusable responses, the procedure yielded a total of 390 responses from 412 respondents.

#### 4 RESULTS

In this research we surveyed the relationship between demographic factors and luxury brand perception and between brand perception and the purchase intention. The questionnaire analysis uses descriptive and inferential statistics. Descriptive statistics include frequency table and mean, and the inferential level of SEM includes CFA, path analysis, variance analysis, and T-test.

##### **Structural equation modeling**

As suggested in the literature (Bollen and Long 1993, Joreskog and Sorbom 1993, Kline 1998), the model fit is assessed by such indices as the Comparative Fit Index (CFI), the Goodness of Fit Index (GFI; Hair *et al.*, 2003), the Normed Fit Index (NFI), and the Root Mean Square Error of Approximation (RMSEA); [39]. The CFI is an index of overall fit [40]. The GFI measures the fit of a model compared to other models. The NFI measures the proportion by which a model is improved in terms of the fit when compared to the base model [41]. The RMSEA provides information in terms of the discrepancy for the degrees of freedom for a model [39]. The accepted thresholds for GFI, NFI, and CFI are 0.90; RMSEA is recommended to be at most 0.05, but is acceptable up to 0.08 [42].

The correctness of the research model was tested by using structural equation modeling techniques with LISREL 8.54. The chi-square statistic of the Mercedes Benz model was 422.84 with 125 of freedom; for the Lexus model it was 425.54 with 133 of freedom. These data indicate a good fit with the model (a ratio of less than 3). However, since the chi-square test is very sensitive to the sample size, we employed a number of other indices to further test the model fit. As shown in Table 4, all the indices– RMR, SRMR, GFI, NFI, NNFI, IFI, CFI and RMSEA– are at acceptable levels. Overall, the results showed that our model provides a valid framework for the measurement of luxury brand perception on purchase intention.

**Table 4**  
Indices of fit and comments for model analysis.

Indices in SEM analysis	Mercedes Benz	Lexus	Data fitting of the model
RMR (Root Mean Square Residual)	0.12	0.13	Good fit (should be near the zero)
SRMR (Standardized Root Mean Square Residual)	0.04	0.06	Good fit (should be near the zero)
GFI (Goodness of Fit Index)	0.92	0.90	Good fit (should be greater than 0.90)
NFI (Normed Fit Index)	0.97	0.94	Good fit (should be greater than 0.90)
NNFI (Non-Normed Fit Index)	0.97	0.94	Good fit (should be greater than 0.90)
IFI (Incremental Fit Index)	0.97	0.94	Good fit (should be greater than 0.90)
CFI (Comparative Fit Index)	0.97	0.94	Good fit (should be greater than 0.90)
RMSEA (Room Mean Square Error Approximation)	0.075	0.077	Good fit (should be less than 0.08)

In this research SPSS and LISREL software were used for data analysis. The LISREL is mainly used for analysis of measurement and the structural models to assess the goodness-of-fit and explanation of the model. SEM combines the factor analysis model and can explain the relationship among a series of interdependent potential variables. We also verify convergent validity and the goodness-of-fit of our research model.

The modeling of structural equations involves creating a statistical model for the study of linear relations between latent (unviewed) variables and evident (viewed or observed) variables. In other words, structural equation modeling is a powerful statistical tool that combines a measurement model (affirmative factor analysis) and the structural model (regression of path analysis) into one statistical synchronic test [43].

The results indicated that, in the model, for Mercedes Benz,  $\chi^2 (125) = 422.84$ , RMSEA= 0.075, CFI= 0.97, GFI= 0.92; for the Lexus brand,  $\chi^2 (133) = 425.54$ , RMSEA= 0.077, CFI= 0.94, GFI= 0.90.

**Hypothesis-path testing**

This section presents the statistical results of the measurement validation and hypothesis testing. The effects of conspicuous, unique, social, hedonic, quality values, brand perception, brand preference, brand familiarity, and COO on purchase intention were assessed using LISREL 8.54. Our empirical results are shown in Tables 5 (Mercedes Benz) and 6 (Lexus).

As table 5 demonstrates, the effects of conspicuous, unique values on purchase intention were significant ( $\beta=0.50$ ,  $t=7.78$ ,  $\rho<0.01$  and  $\beta=0.78$ ,  $t=10.09$ ,  $\rho<0.01$ ). Hence, Hypothesis 1 (H<sub>1</sub>) and Hypothesis 2 (H<sub>2</sub>) are strongly supported by the results. In contrast, the effect of social value on purchase intention was not significant ( $\beta=0.01$ ,  $t=0.69$ ,  $\rho<0.01$ ), thus, Hypothesis 3 (H<sub>3</sub>) is not supported. Our results indicate that hedonic value ( $\beta=0.44$ ,  $t=6.52$ ,  $\rho<0.01$ ), quality value ( $\beta=0.89$ ,  $t=16.03$ ,  $\rho<0.01$ ), luxury brand perception ( $\beta=0.57$ ,  $t=6.12$ ,  $\rho<0.01$ ), purchase intention ( $\beta=0.62$ ,  $t=8.28$ ,  $\rho<0.01$ ), brand preference ( $\gamma=0.79$ ,  $t=10.15$ ,  $\rho<0.01$ ), brand familiarity ( $\gamma=0.41$ ,  $t=5.19$ ,  $\rho<0.01$ ), and country of origin ( $\gamma=0.51$ ,  $t=7.89$ ,  $\rho<0.01$ ) affect purchase intention. Hence, Hypothesis 4 (H<sub>4</sub>), Hypothesis 5 (H<sub>5</sub>), Hypothesis 6 (H<sub>6</sub>), Hypothesis 7 (H<sub>7</sub>), Hypothesis 8 (H<sub>8</sub>), Hypothesis 9 (H<sub>9</sub>), and Hypothesis 10 (H<sub>10</sub>) are supported. The effect of COO was also significant on luxury brand perception ( $\gamma=0.39$ ,  $t=4.45$ ,  $\rho<0.01$ ); thus, Hypothesis 11 (H<sub>11</sub>) is supported.

**Table 5**  
Hypotheses-testing of the research model.

Hypothesis	Structural path	Path coefficient Mercedes Benz	t-value
H1	Conspicuous value → purchase intention	0.50	7.78
H2	Unique values → purchase intention	0.78	10.09
H3	Social value → purchase intention	0.01	0.69
H4	hedonic value → purchase intention	0.44	6.52
H5	quality value → purchase intention	0.89	16.03
H6	luxury brand perception → purchase intention	0.57	6.12
H7	purchase intention → luxury brand perception	0.62	8.28
H8	brand preference → purchase intention	0.79	10.15
H9	brand familiarity → purchase intention	0.41	5.19
H10	country of origin → purchase intention	0.51	7.89
H11	country of origin → luxury brand perception	0.39	4.45

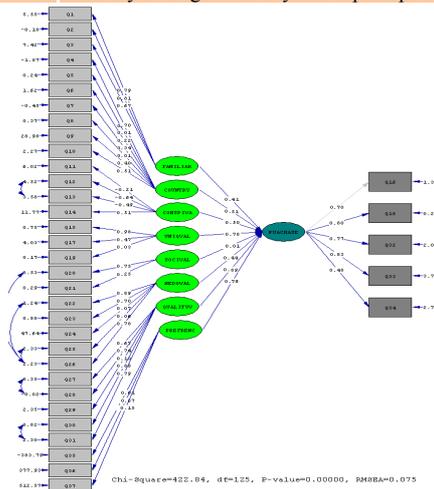
As shown in Table 6, (Lexus) the effects of conspicuous, unique values on purchase intention were

significant ( $\beta=0.41, t=7.06, p<0.01$  and  $\beta=0.48, t=7.65, p<0.01$ ). Hence, Hypothesis 1 ( $H_1$ ) and Hypothesis 2 ( $H_2$ ) are strongly supported by the results. In contrast, the effect of social value on purchase intention was not significant ( $\beta=0.04, t=1.12, p<0.01$ ), thus, Hypothesis 3 ( $H_3$ ) similar to Mercedes Benz brand is not supported. Our results indicate that hedonic value ( $\beta=0.53, t=8.20, p<0.01$ ), quality value ( $\beta=0.87, t=15.67, p<0.01$ ), luxury brand perception ( $\beta=0.63, t=5.12, p<0.01$ ), purchase intention ( $\beta=0.42, t=3.23, p<0.01$ ), brand preference ( $\gamma=0.76, t=9.97, p<0.01$ ), brand familiarity ( $\gamma=0.77, t=9.85, p<0.01$ ), country of origin on purchase intention ( $\gamma=0.57, t=8.78, p<0.01$ ). Hence, Hypothesis 4 ( $H_4$ ), Hypothesis 5 ( $H_5$ ), Hypothesis 6 ( $H_6$ ), Hypothesis 7 ( $H_7$ ), Hypothesis 8 ( $H_8$ ), Hypothesis 9 ( $H_9$ ), Hypothesis 10 ( $H_{10}$ ) are supported. On the other hand, the effect of country of origin on luxury brand perception ( $\gamma=0.54, t=5.05, p<0.01$ ) was significant; Hypothesis 11 ( $H_{11}$ ) is supported. Figure 2 and 3 show a summary of our results for each hypothesis in the research model.

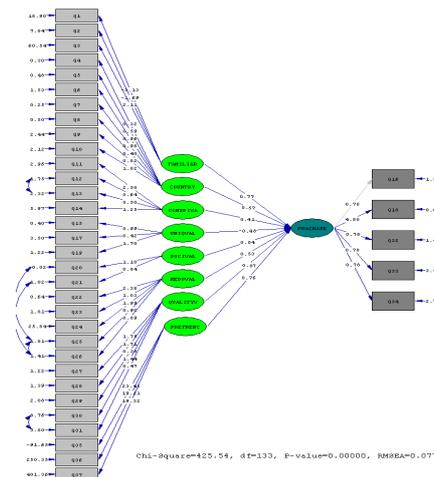
**Table 6**

Hypotheses-testing of the research model.

Hypothesis	Structural path	Path coefficient Lexus	t-value
H1	Conspicuous value → purchase intention	0.41	7.06
H2	Unique values → purchase intention	0.48	7.65
H3	Social value → purchase intention	0.04	1.12
H4	hedonic value → purchase intention	0.53	8.20
H5	quality value → purchase intention	0.87	15.67
H6	luxury brand perception → purchase intention	0.63	5.12
H7	purchase intention → luxury brand perception	0.42	3.23
H8	brand preference → purchase intention	0.76	9.97
H9	brand familiarity → purchase intention	0.77	9.85
H10	country of origin → purchase intention	0.57	8.78
H11	country of origin → luxury brand perception	0.54	5.05



**Figure 2.** SEM Model of Mercedes Benz Brand



**Figure 3.** SEM Model of Lexus Brand

The hypotheses related to demographic factors (age, sex, marital status, monthly family income, and household size)-namely,  $H_{12-16}$  were rejected with the exception that  $H_{15}$  was supported, indicating a significant relationship between monthly family income and purchase intention (for both Mercedes Benz and Lexus). In the marital group (65%), and household size variables, 224 of 390 respondents (58%) came from 3 to 4 person households. In the age variable, 166 respondents (43%) were 29 to 40 years old. Regarding sex, 343 males responded to the questionnaire, and 119 people earned 2-4 milliard riyal (2-4 million Toman) in monthly family income (see Table 7).

**Table 7**

Sample Demographic Factors-ANOVA

Control Variable	Changing source	SS (Sum of squares)	Df	MS (Mean Squares)	F	Sig
Age	between	2.464	4	0.616		
	Within	107.683	384	0.281	2.195	0.069
	Total	110.247	388			
Monthly income	between	2.464	4	0.616		
	Within	107.683	384	0.281	2.192	0.03
	Total	110.247	388			
Household size	between	2.398	4	0.599		
	Within	136.055	384	0.354	1.692	0.151
	Total	138.452	388			

## DISCUSSION AND CONCLUSION

In Usunier's interpretation the perception of the country's image is also influenced by cognitive components (e.g., social, economic, cultural and political characteristics), affective components (feelings toward the country) and stereotypes (ingrained preconceptions) [7]. This current study brings out several interesting results from both a conceptual and an operational perspective, as outlined in the following sections. The main purpose of this study was to Investigate Iranian consumers' perceptions about luxury automobile brands, comparing the German luxury automobile Mercedes Benz and the Japanese luxury automobile Lexus. Most participants were familiar with and liked these two luxury automobile brands. However, the German brand was more preferred while the Japanese brand was more familiar. In addition, in forming brand perception of the Mercedes Benz luxury automobile, variables of hedonic, unique, and quality value were significantly higher than conspicuous and social values. Meanwhile, the Lexus brand showed that variables of unique, hedonic, and quality value were significantly higher than conspicuous and social values. They play a greater role in forming luxury brand perceptions among Iranian consumers.

### Limitations

This research has several limitations. First, social value is measured in two items. Second, generalizing the results reveals the influence of culture and religious factors on Iranian consumers' behavior, especially in the luxury consumption, with varying degrees in different demographics. Another limitation was due to the governing culture of the country, in that some of the responses to questions (e.g., social, hedonic, and conspicuous values) may have come from a defensive posture and thus can be constituted as unrealistic.

Future research should examine other products and countries of origin relating to luxury consumption and replicate the findings in this study. In addition, this kind of luxury consumption should be compared to other demographic characteristics, such as education, location, and rental or private homes. Future research can investigate to relationship between education and luxury brand perception as well as brand familiarity.

### Managerial implications and marketing recommendations

The luxury brands industry is unique from other industries. In order to succeed, it is important for marketers to understand their target market and how their customers evaluate products and make buying decisions. Based on the result of this study, automobile companies can stimulate consumers' purchases of its luxury automobiles through careful management of its marketing communication by addressing specific factors and dimensions relevant for modern Iranians. The five perceived values of luxury automobiles can be used as guidelines for salesmen to sell automobiles successfully to customers in Iran. They can indicate the key selling points of luxury automobiles relevant for consumers. This study also offers practical contributions to management in the luxury industry. In the international market, the expansion of luxury goods not only presents new business opportunities, but also poses enormous challenges for finding effective strategies to maximize purchases from these opportunities. The opportunities differ across countries and regions, partly due to consumers' perceptions. The study provides a deeper understanding of why consumers intend to buy luxury automobiles. Therefore, luxury-brand marketing managers can utilize the results of this study to elicit more purchases from their target consumers.

### Appendix A. Survey questionnaire

#### Luxury brand perception items

Variables	Items
<b>Luxury Brand Perception</b>	
<b>Conspicuous Value</b>	Luxury machines inevitably are very expensive. Owning this luxury machine displays wealth. Owning this luxury Machine displays social class. Owning this luxury machine makes you conspicuous.
<b>Unique Value</b>	This luxury machine is unique. This luxury machine is scarcity. This luxury machine is distinctive.
<b>Social Value</b>	Because others have this luxury machine, hence I would like to own one. Seeking to imitate the rich and stars (celebrities).
<b>Hedonic Value</b>	This luxury machine has aesthetic appeal. This luxury machine is fashionable. This luxury machine has personal history. This luxury machine makes life beautiful. This luxury machine is your dream.
<b>Quality Value</b>	This luxury machine has excellent quality. This luxury machine is functional. This luxury machine is not mass-produced. This luxury machine has perfect shopping service. This luxury machine has a perfect warranty.
<b>Purchase Intention</b>	The likelihood of purchasing this product is: If I were going to buy this product, I would consider buying the model at the price shown. At the price shown, I would consider buying the product The probability that I would consider buying the product is: My willingness to buy the product is:

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