Deciphering Luxury Consumption Behavior from Knowledge Perspectives

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Abstract

Purpose – *The purpose of this paper is to explain the psychological processes from brand knowledge to behavioral outcomes in luxury consumption.*

Method – *Structural Equation Modeling (SEM) method is applied to test the structural relations of the psychological processes, mediated through brand trust and brand desirability, and explain how brand knowledge can result in consumer behavior. This study focuses on three distinctive dimensions of brand knowledge: brand familiarity, luxury involvement, brand country-of- origin identification, and their intermediating paths through brand trust and brand desirability to affect purchase intention and result in purchase action or verbal recommendation.*

Findings –*Brand knowledge in general does strongly associate with the psychological processes involving with trust and desirability that increase purchase intention and promote behavioral outcomes. The meditation effects are much stronger via the perception of desirability than that of trust, and this finding is consistent for both luxury involvement and brand country-of- origin identification.*

Limitations – *The dataset used in this study is not adequately representative, and the sample size could be expanded. Further studies may include cross-cultural comparison, and survey or interview of business practitioners to provide in-depth understanding of luxury consumer behavior and customer long-term relationship management.*

Implications – *Practitioners of luxury goods marketing should invest in marketing strategies that address certain social peer groups to significantly influence their target market.*

Originality – *This paper extends consumer brand knowledge research to luxury field. Besides, this paper provided novel routes for both academia and business sector research.*

Keywords: luxury goods marketing, luxury retail strategy, consumer brand knowledge perspective, luxury in the digital era.

JEL classification: M19, M31

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Introduction

With the rapid global expansion of luxury brands over recent decades, luxury consumer behavior has changed at an equal pace through their brand knowledge learning process. While the global luxury market is ultra-competitive, it has flourished over the past few decades and will reach a value of €320–350 billion by 2025 (Bain & Company, 2018). However, according to Deloitte (2017), an increasing number of luxury brands are struggling due to sudden changes in competitive marketplaces. For example, some brands hesitate to embrace e-commerce, while others are unaware of how they can manage a digital brand or of the impact that their marketing strategy has on different cultures around the world. Specifically, China plays a vital role in global luxury consumption, with its population having spent 770 billion RMB (USD 115 billion) on luxury items in 2018— a third of the entire global spend (McKinsey,2018).

Among the luxury consumer groups worldwide, it is estimated that two most prominent purchase groups of luxury goods: Millennials (those born between the early 1980s and the mid-1990s) and Generation Z (those born after the mid-1990s), will account for 45% of luxury-market consumption by 2025 (Bain & Company, 2017). Younger consumers in the digital age mainly receive brand information and brand knowledge from digital platforms, such as social media. They have expanded their brand knowledge specifically via online and offline channels and may internalize it (Keller, 2003). Millennials grew up with the Internet, and Generation Z cannot imagine a world without it (Forbes, 2017). They have values that contrast with those of their parents' generation and no longer buy luxury brands as status symbols. This behavior has disrupted the established luxury paradigm (Bain & Company, 2018).

Previous generations such as the Baby Boomers and Generation X experienced "Luxury" as something close to what has been defined by Goody (2004) "refined enjoyment, of elegance, of things desirable but not essential". This definition describes luxury as representing the recognition of financial success and wealth. Typically, this kind of luxury plays a vital role in shaping self-presentation in public and business environments. On the other hand, Millennials and Generation Z purchase luxury brands "to feel different rather than fit in with society" (McKinsey, 2018). However, with the changing luxury paradigm, a question arises regarding what motivates modern consumers to buy luxury brands.

Academically, some attention has focused on consumer (psychological) perceptions of luxury brands (Christodoulides et al., 2009; Vigneron and Johnson, 1999; Vickers and Renand, 2003). Others have discussed the effects of country-of-origin (COO) on consumer decisions when they are purchasing luxury goods (Lampert and Jaffe, 1998; Ahmed et al., 2004; Koschate-Fischer et al., 2012). However, until now, there has been minimal research on the effect of knowledge

of luxury brands on the behavior of digitally integrated consumers.

Owing to advanced Internet technologies and platforms, consumer consumption in the luxury business industry has been prevalent in the form of online or offline shopping. For example, by 2018, global digital sales of women's luxury fashion were expected to grow from 3% of the total market to 17%, making a total market size of USD 12 billion (McKinsey, 2018). At the same time, consumers are gaining brand knowledge from multichannel social media and from their purchasing experiences. Furthermore, recent innovative technologies have enabled consumers to obtain extensive information about luxury brands, such as through 3D tours on online storefronts and "stories" function on Instagram or Facebook.

Although luxury consumption behavior has received attention from both the business world and academia in recent years, there is yet minimal research on luxury consumer behavior based on perspectives of knowledge, attitude, and behavior. To understand the relationship between consumers' knowledge of luxury brands and how this influences their attitude and behavior, researchers have proposed a framework based on Fishbein and Ajzen (1975) the theory of reasoned action (TRA) and a consumer luxury-brand knowledge perspective to understand consumer purchase behavior. In this study, we employed the 4 stages of behavioral process described by TRA to explain consumer behavior of luxury consumption. Among the various consumer brand knowledge components, we selected and integrated brand familiarity, luxury involvement, and brand COO identification with luxury shopping experiences to test the proposed framework in this study. The empirical data comes from Chinese consumers of luxury consumption (primarily Millennials and members of Generation Z) and the results may provide business insights for practitioners to conduct future research.

Literature Review

Theoretical underpinning

Fishbein and Ajzen (1975) proposed TRA and postulating that behavior can be predicted by intention and that intention is dependent on attitude, subjective norms. In addition to the theoretical grounding of TRA, the two-factor theory (Berlyne, 1970) identifies both novelty and complexity as drivers of hedonic value. Novelty plays an essential part in motivation theory in areas of research such as exploratory behavior when it comes to luxury purchasing behaviors. For individual experiences, evaluating the novelty of a product provides an impetus for absorbing luxury brand knowledge through a range of exploratory behaviors, such as surfing the Internet, viewing mass media, or actual shopping experiences. The result of this evaluative activity is eventually encapsulated as a consumer's attitudinal inclination to the brand. As for complexity, it is a negative function of hedonic value and shall be kept as simple as possible. In this field, attitude is a

favorable or unfavorable feeling toward a product (Ajzen, 1991). If individuals believe that gaining brand knowledge will engender excitement about the quality, reputation, or effectiveness of a brand, then they are more likely to view the brand marketing activity as worthwhile, which often leads to positive purchase decisions.

The above psychological processes, specifically mediated through brand trust and desirability, have long been understood as explaining how brand knowledge can result in consumer behavior. They play a significant role in driving attitudinal responses and behavioral engagement in luxury purchasing experiences, as well as in recommending luxury brands to others. In addition, subjective norms are the attitudes or behaviors that may stem from cultural norms, group beliefs, or an individual's family and social network. Given its subjective features, this concept is associated with personal involvement in luxury products or brands, and hence, may be captured in the research questionnaire measurement items that reflect consumers' positive feelings in the course of their luxury involvement. The result of an attitudinal disposition toward a luxury brand is also a critical factor that impacts on the perceptual process that shapes behavioral intention and actual actions.

Brand Knowledge

Consumer brand knowledge concerns the cognitive representation of a brand (Peter and Olson, 1999). It defines how consumers gain personal meaning from a brand and commit it to memory, for example, all descriptive and evaluative brand-related information. There are two critical aspects to using this concept of consumer memory in the brand-leveraging process. First, the level of existing consumer brand knowledge that affects how in-depth consumers' knowledge of a brand is. Second, leveraging entails linking the brand to other processes in consumers' lives, such as knowing how brand knowledge functions as a purchasing trigger and the antecedent of consumption is an effective way to decipher consumer behavior (Keller, 2003; Kuo and Nagasawa, 2018).

According to Keller (2003), brand knowledge is the source of brand equity and is composed of multiple factors (awareness, attributes, benefits, image, thoughts, feelings, attitudes, and experiences), which include individual cognitive and affective responses to brand-related information. Brand knowledge is usually incorporated into consumers' overall brand evaluation and becomes a part of their memory, leading to some consumption behaviors in the future. The above conceptualization shapes the central research hypothesis proposed in this paper: If consumers were more knowledgeable about luxury brand, their trust in and desire for the brand increases, and this leads to a stronger purchase intention, which is later substantiated by actual purchase behavior or the word-of-mouth effect.

While brand knowledge generally refers to comprehensive information relating to a brand, there are many specific concepts that have been developed to capture essential aspects of brand knowledge. In this paper, the researcher focuses on three specific dimensions: brand familiarity, luxury involvement, and brand COO identification, all of which are essential sources of brand knowledge for consumers.

1. Brand Familiarity

Brand familiarity signifies the extent—both direct and indirect—of a consumer's experience with a brand (Alba and Hutchinson, 1987; Kent and Allen, 1994). Examples of this include consumer in-store purchasing experiences, searches for brand products, and visits to online platforms that display information about brand items, their features, or their history.

Luxury brands may invest in marketing strategies that collaborate with online platforms to showcase their brand story or heritage. Similarly, luxury brands propose international fairs, cross-promote with celebrities, and leverage relationships with technology companies to increase both conscious and unconscious brand familiarity among potential customers and to capture the structure of consumer knowledge of a brand (Campbell and Keller, 2003).

2. Luxury Involvement

Luxury involvement represents the degree to which a consumer considers a specific purchase decision and perceives this action as important to them (Schiffman and Kanuk, 1983). It is particularly relevant for consumers who are willing to invest time and money in purchasing decisions more often than do ordinary customers, or who regularly check contemporary seasonal products. These individuals usually belong to a peer group or social network that shares an approach to and perception of luxury involvement. Such consumers may join e-forums or brand communities to share and discuss brand personalities, designs, and other pertinent topics.

Consumers with higher degree of luxury involvement tend to be early adopters of fashion trends and demonstrate greater awareness of fashion. Such consumers are much more willing to try fashionable or novel products (Zhang and Kim, 2013).

3. Brand Country-of-origin Identification

Brand COO can be defined as the place, region, or country from which a brand is perceived to belong to the brand's target consumers (Thakor and Kohli, 1996). The brand COO identification also refers to the strength of the brand node in consumer's memory. For example, the luxury brand Hermes is famous for its craftsmanship and extraordinary leather goods. Customers expect Hermes bags to be handmade in France rather than in some other country. Some prior studies

have argued that the COO significantly affects evaluations of product quality and perceptions and that it positively affects consumers' willingness to pay higher prices for luxury brands (Dinnie, 2004). For example, Chinese businessmen build factories in rural Italy in order to label their product "Made in Italy." These "Italian" products sell well at a premium price on Chinese platforms such as Taobao or T-Mall. Thus, brand COO identifiability is a crucial factor that contributes to consumer brand knowledge.

Brand Trust

The impact of consumers' prior knowledge on their learning and perceptual processes is profound because they process new information and stimuli in terms of their current cognitive scheme and re-evaluate the brand. Despite the varying degree of experience or knowledge consumers might possess, they tend to have higher standards and criteria when they are required to make a perceptual judgment that shapes their behavioral responses, mainly when the prior knowledge and the new information are not congruent with each other (Kuo & Nagasawa, 2018). Conversely, if they feel that the information is not novel to their existing knowledge, they might immediately act reflexively due to brand loyalty. Therefore, the learning-to-trust route proposition may take one of two causal paths: either consumers will re-evaluate the brands or products within their cognitive scheme and subsequently adopt specific behavioral responses, or they will respond based on their prior knowledge because their existing cognitive scheme is not subject to new knowledge.

Reichheld and Schefter (2000) developed a long-term loyalty program with customers that required business practitioners first to gain their trust. When consumers are aware of and can comprehend the knowledge of a luxury brand and hold positive associations with the brand in their minds, they place more trust in the brand and perceive it as more desirable. Behavioral evidence has also shown that an increasing level of consumer trust in luxury brands leads to consistent consumer brand loyalty (Gassenheimer et al., 1998; Kuo and Nagasawa, 2015). For example, when someone praises a specific brand, that person is communicating a desire to be connected to the people who consume that brand (Husic and Cicic, 2009).

Mayer et al. (1995) argue that brand loyalty enables consumers to be more confident in predicting the future performance of a luxury brand, which is essential because consumers are willing to pay more for those brands and will support a company's new and innovative products over time. Highly recognizable brands can generate positive attitudinal responses resulting in an increased number of repurchases. This explains why long-term brand trust, or brand loyalty, can reinforce behavioral outcomes—although re-evaluation might reduce brand trust if new experiences and information contradict what consumers are accustomed to.

Brand Desirability

Desire is the strong feeling that people experience of wanting something; it is one of the most fundamental aspects of human nature, an inner force that instinctively drives human behavior. Psychologist (Lewis, 1996) usually view desire as a bodily function, though some regard it as a mental state that may contribute to in-depth and multifaceted emotions and actions. Smith (1987) points out that desire is the driving force that motivates all human actions and that the ultimate source of people's values lies in desire.

In marketing practice, managers often create advertisements that arouse basic human desires and aim to create greater brand awareness and business success. A commonly observed strategy is to use celebrity endorsements to attract one's attention to crucial attributes of a brand that one may desire. Another approach is to use human desire, such as by creating a sense of scarcity. Luxury brands are good examples of the strategy of using human desire in order to perpetuate the dream of luxury (Kapferer, 2012). As business practitioner of the famous Italian automobile company-- Ferrari, Enrico Galliera, stated, "People love to have something that you have to desire, you have to dream for—that is not available immediately to anybody just because you have money."(Davis, 2019) According to commodity theory (Brock, 1968) scarcity (or rarity) enhances the level of desirability of any objects that can be possessed. Studies have shown that scarcity may increase the level of desirability of particular brands or products, especially those goods that can satisfy consumers' social needs or allow them to communicate with friends or peers (Verhallen, 1982). In research on luxury brands, however, prior research on desire or brand desirability is quite limited. Much current work focuses on an intuitive assumption regarding the rarity of goods and its effect on brand desirability (Hwang, Ko, and Megehee, 2013; Kapferer and Falette-Florence, 2016). In the US and France, a study (Dubois & Patermault, 1995) has shown that a decrease in rarity (i.e., an increase in market penetration) significantly reduces the desirability of luxury brands. This conclusion has been partially supported by a recent study (Kapferer and Falette-Florence, 2018) in Asian markets. However, rarity promotes the level of desirability, the market penetration rate continues to grow, which suggests that the rarity is merely an artificial sense created by various marketing strategies rather than a genuine scarcity.

Research Model and Hypothesis

Hypotheses Development

"Brand familiarity" is defined as the store of favorable knowledge about a particular luxury brand that is accumulated in the course of consumers' previous direct or indirect purchasing experiences (Campbell and Keller, 2003). Searching relation information for a specific luxury brand product and knowing more about

a certain brand may lead to greater familiarity with that brand and may produce feelings of a greater level of satisfaction, trust, and desirability. Thus, brand familiarity positively influences consumer trust and increases the level of desirability (Ha and Perk, 2005). Lane and Jacobson (1995) have also found that brand familiarity influences a brand's value on the stock market and that stock market performance indirectly reflects consumer trust and human desire.

H1a: Brand familiarity has a positive effect on consumers' trust.
H1b: Brand familiarity has a positive effect on consumers' desire for a brand.

In addition to brand familiarity, previous studies have shown that consumers' knowledge is reflected in other characteristics, such as luxury involvement. Involvement is defined as one's willingness to be exposed to another based on the confidence that the other is benevolent, honest, open, credible, and well-qualified. Karakuş and Savaş (2012) demonstrate that a willingness to engage in something has a positive relationship with trust. Therefore, involvement in an experience associated with luxury brands or related information from multiple channels, such as physical stores and online resources, is likely to increase consumers' trust and desire for luxury brands. For example, using cross-cultural case studies, Ind and Iglesias (2016) explain how companies create brand desire and engage customers to act as their champions. Their suggestions for companies are for them to increase customers' involvement and to offer security (a sense of trust) and surprise (Ind and Iglesias, 2016). This study extends the concept of consumer involvement and hypothesizes its positive effects on the perceptual process, including consumers' brand trust and desire for a brand.

H2a: Luxury involvement has a positive effect on consumers' trust.
H2b: Luxury involvement has a positive effect on consumers' desire for a brand.

While few studies have investigated the effect of COO on services or products (Ahmed et al., 2002), it has been found that, alongside a brand's corporate reputation, COO can significantly influence trust and product desirability (Chéron and Propeck, 1997; Zaheer, 2006). One way of understanding trust is through categorization theory (Rosch, 1978), which argues that individuals make use of various categories to describe the characteristics of objects in order to reduce cognitive effort. The object that possesses most of the characteristics pertaining to a category is defined as a prototype. When confronted with a new stimulus, individuals categorize it by comparing it to the prototype. Prior knowledge associated with a prototype is applied to the new stimulus. Following this rationale, countries can be viewed as categories. Based on the positive or negative experiences associated with a prototype within such a category, a consumer's initial level of trust increases or decreases accordingly. Therefore, such prototypical associations will vary for different countries (Balabanis et al., 2002). For example, Germany is famous for its automobile industry (e.g. BMW and Porsche) and consumers trust the mechanics of the cars themselves as well as the long history of the prestigious German automobile brands. Similarly, Chéron and

Propeck (1997) found that the effect of COO image significantly affects product evaluation and its level of desirability.

H3a: Brand COO identification has a positive effect on consumers' trust.
H3b: Brand COO identification has a positive effect on consumers' desire for a brand.

The hypotheses above cover all the knowledge-driven effects on the perceptual process in which the mechanism of cognitive mediation is assumed to center on consumers' trust and desirability. This study aims to test the learning-to-trust causal paths by investigating the perceptual mediation process, which argues that perception influences behavioral intention and consequently results in an actual purchase or brand recommendation. The hypotheses that follow state all the necessary causal links throughout the entire mediation process. Hypotheses 4a and 4b state the positive relationship between cognitive perception and behavioral intention. Hypotheses 5a and 5b state the positive relationship between behavioral intention and real action.

H4a: Consumers' trust is positively related to their purchase intention.
H4b: Consumers' desire for a brand is positively related to their purchase intention.

H5a: Consumers' purchase intention is positively related to their actual purchase.
H5b: Consumers' purchase intention is positively related to brand recommendation.

Model Specification

The overall model, based on Hypotheses 1a. to 5b, is illustrated in Figure 1. It delineates a knowledge-driven model of consumer behavior in which consumers react to new information or stimuli using their cognitive scheme by initiating another perceptual process or directly making reflexive behavioral decisions. Figure 1. presents the overall scheme of the path model as a structural equation model.

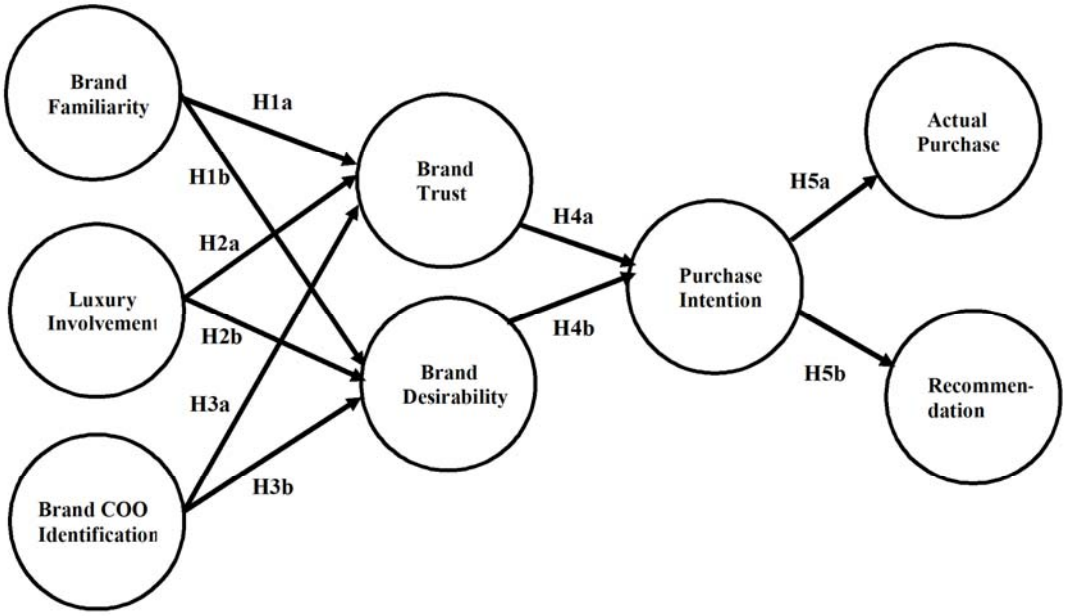


Figure 1: Overall path model of knowledge-driven consumer behavior

Method

Data and Measurement

The data used in this paper is derived from a dataset the researcher collected in 2015–2016 using SurveyMonkey. The sample size is 379 and includes experienced Taiwanese and Chinese customers. The demographic information is reported in Table 1. As can be seen, there are more female respondents than male respondents (72.8% vs. 27.2%), most of the respondents are between age 26 and 45 (74.3%), most have the college level of education (68.1%), and the income fits the normal distribution with a slightly heavy left tail because the younger people under age 30 might still in school or underemployed.

Table 1: Demographic information (n=379)

Measure	Item	Frequency	Percent
Gender	Male	103	27.2
	Female	276	72.8
Age	≤ 20	6	1.6
	21-25	33	8.7
	26-30	90	23.7
	31-35	82	21.6
	36-40	49	12.9
	41-45	61	16.1
	46-50	30	7.9
	51-55	19	5.0

	≥ 56	9	2.4
Education	High School or Less	33	8.7
	Undergraduate	258	68.1
	Graduate/Post-graduate	88	23.2
Income (NTD/per month)	≤ $10000	21	5.5
	$10001-$30000	72	19.0
	$30001-$60000	157	41.4
	$60001-$90000	63	16.6
	$90001-$120000	28	7.4
	$120001-$150000	14	3.7
	≥ $150001	24	6.3

Regarding the measurement of theoretical constructs, the focus is on consumers' brand knowledge, which is measured using indicators of brand familiarity (BF), luxury involvement (LI), and brand COO identification (CO). For the variables relating to cognitive mediation, including brand trust (BT), brand desirability (BD), purchase intention (PI), actual purchase (AP), and brand recommendation (RC), three to four indicators are employed to capture the latent constructs. The design of the measurement instruments is based on the previous literature. Table 2 lists all the constructs, their measurement items, and sources of literature.

Table 2: Information of the measurement model

Scale	Item Description	Source
Brand Familiarity (BF)	BF1. I am familiar with this brand	Koschate-Fischer et al. (2012)
	BF2. How much knowledge I have in the history of this brand?	
	BF3. How much experience I have in purchasing the product of this bran?	Campbell and Keller (2003)
	BF4. I know all the information of this brand.	
	BF5. I am an expert in buying the product of this brand.	
Luxury Involvement (LI)	LI1. It is important to me to have the information of fashionable products.	Kim et al. (2012)
	LI2. My friend around me will recommendation some fashionable products.	
	LI3. I usually own one or more fashionable products.	
	LI4. I am fond of purchasing fashionable products.	Zhang and Kim (2013)
	LI5. It is important to me to own luxury bags.	
	CO1. I know the country of origin of this brand.	

Brand COO Identification (CO)	CO2. I buy this product because I know it was made in the country of origin.	Vigneron et al. (2004)
	CO3. I would not consider buying it if this product was not made in the country of origin.	
Brand Trust (BT)	BT1. This brand delivers what it promises	Erdem et al. (2006)
	BT2. This brand's claim is believable.	
	BT3. This brand keeps showing what it promises.	
	BT4. This brand has ability to deliver what it promises.	
Brand Desirability (BD)	BD1. This brand provides complete information about its craftmanship.	Kapferer (2012)
	BD2. This brand offers customers to try many times to know what it likes.	
	BD3. This brand is alluring.	Vigneron et al. (2004)
Purchase Intention (PI)	PI1. I will seriously consider to buy the product of this brand.	Bian and Forsythe (2012)
	PI2. If I need to buy a luxury product, I will consider to buy this brand.	
	PI3. If I need to buy a luxury product, there is great chance I will buy this brand.	
	PI4. I am very likely to purchase this brand.	
Actual Purchase (AP)	AP1. Luxury purchase frequency.	This study
	AP2. Number of luxury items purchased in the past six months.	
	AP3. Time of the most recent purchase of luxury brand.	
Recommendation (RC)	RC1. I will recommend the product of this brand when someone have similar needs.	Erdem et al. (2006)
	RC2. I will actively recommend the product of this brand to others.	
	RC3. I will share my experience of purchasing the product of this brand actively.	

Statistical Methods and Model Specification

The main methods applied in the analysis that follows are structural equation modeling and path analysis. The statistical package Mplus 8.0 was used for all analyses. The validity of the measurement model will be tested by conducting reliability analysis and confirmatory factor analysis, with the examination of the correlations among all latent constructs. Then the result of the path analysis will be reported to see whether the structural relations corroborate with the research model as illustrated in Figure 1 by Hypotheses 1a to 5b.

Statistic Findings

The Measurement Model

The validity of the measurement model can be evaluated with the reliability analysis. The usual standard for a valid construct is that composite reliability (Cronbach's alpha) should be at least greater than 0.7. As Table 3 presents, all the latent constructs have a composite reliability between 0.72 and 0.95, and mostly above 0.87. This indicates excellent measurement validity for most constructs. In addition, the average variance extracted is all between 0.57 and 0.89, showing a decent explained variance (larger than 0.5) by the measurement items. (Bagozzi and Yi, 1988)

Table 3: Descriptive statistics of constructs

Construct	No. of Items	Composite reliability	Mean(SD)	AVE	VIF
Brand Familiarity (BF)	5	0.90	4.04(1.60)	0.71	1.82
Luxury Involvement (LI)	5	0.87	4.55(1.40)	0.63	1.34
Brand COO Identification (CO)	3	0.74	4.81(1.70)	0.63	1.46
Brand Trust (BT)	4	0.95	5.22(1.12)	0.89	1.49
Brand Desirability (BD)	3	0.87	5.02(1.30)	0.75	1.67
Purchase Intention (PI)	4	0.88	5.31(1.11)	0.76	1.07
Actual Purchase (AP)	3	0.72	2.77(1.51)	0.57	n/a
Recommendation (RC)	3	0.88	4.77(1.25)	0.76	n/a

Note: n/a, "not applicable" because "AP" and "RC" are dependent variables. All the items apply a 7-point likert scale.

Confirmatory factor analysis is applied to check each measurement item's internal validity. Each item should exhibit high factor loading (at least ≥0.5) with its designated constructs (italic numbers) and much lower cross-loadings with other non-designated constructs. As Table 4 shows, all of the items except CO1 shows a high loading on its designated construct, and mostly above 0.7. And the exception item CO1 only slightly fall short the standard (0.48), which is a borderline case and could be acceptable. For all the cross-loadings, none of them is above 0.5, and mostly have a trivial number smaller than 0.2. All above evidence indicates that the measurement model is nicely corroborated and it well explains the factor structure presented in Table 4.

Table 4: Confirmatory factor analysis and cross-loadings

	BF	LI	CO	BT	BD	PI	AP	RC
BF1	*0.72*	0.09	0.07	0.17	0.07	0.08	0.05	0.07
BF2	*0.85*	0.10	0.14	0.12	0.12	0.04	0.07	0.09
BF3	*0.78*	0.12	-0.01	0.05	0.01	0.11	0.23	0.02
BF4	*0.81*	0.24	0.15	0.09	0.09	0.15	0.16	0.02
BF5	*0.83*	0.15	0.10	0.04	0.02	0.10	0.19	0.11
LI1	0.22	*0.72*	-0.02	0.12	0.08	0.06	0.09	0.12
LI2	0.07	*0.71*	-0.03	0.12	0.06	0.10	0.12	0.18
LI3	0.18	*0.84*	0.09	0.04	0.04	0.04	0.14	0.10

LI4	0.04	*0.88*	0.04	-0.01	0.05	0.03	0.06	0.06
LI5	0.14	*0.69*	0.09	0.04	0.19	0.25	0.07	0.11
CO1	0.42	0.02	*0.48*	0.17	0.00	0.10	0.13	0.21
CO2	0.20	0.05	*0.86*	0.15	0.15	0.13	0.05	0.03
CO3	0.07	0.06	*0.86*	0.07	0.12	0.11	-0.05	-0.04
BT1	0.15	0.09	0.10	*0.85*	0.15	0.21	0.02	0.10
BT2	0.11	0.09	0.05	*0.90*	0.16	0.14	0.04	0.10
BT3	0.12	0.07	0.12	*0.87*	0.19	0.17	0.02	0.18
BT4	0.11	0.07	0.10	*0.87*	0.17	0.19	0.02	0.16
BD1	0.13	0.13	0.05	0.19	*0.77*	0.19	-0.09	0.03
BD2	0.07	0.12	0.13	0.22	*0.83*	0.26	0.11	0.14
BD3	0.06	0.16	0.16	0.28	*0.80*	0.23	0.09	0.17
PI1	0.14	0.14	0.11	0.17	0.19	*0.74*	-0.01	0.22
PI2	0.10	0.13	0.12	0.19	0.24	*0.84*	0.02	0.17
PI3	0.11	0.15	0.11	0.23	0.20	*0.79*	0.06	0.20
PI4	0.26	0.07	0.07	0.32	0.15	*0.59*	0.33	0.14
AP1	0.17	0.18	0.10	-0.02	0.04	0.06	*0.80*	0.08
AP2	0.27	0.18	0.09	-0.03	0.06	0.00	*0.71*	0.02
AP3	0.14	0.04	-0.11	0.11	-0.03	0.08	*0.74*	0.03
RC1	0.13	0.15	0.11	0.23	0.05	0.32	0.05	*0.72*
RC2	0.09	0.23	-0.01	0.17	0.11	0.16	0.04	*0.84*
RC3	0.10	0.21	-0.01	0.13	0.15	0.17	0.08	*0.85*

Note: Italic numbers indicate item loadings on the assigned constructs.

At last, all the correlation coefficients among the latent constructs are reported in Table 5. As can be seen, the diagonal elements are all significantly higher than others, indicating that those constructs are distinctive conceptually as well as empirically. Notice that the inter-correlations between some constructs are higher than others, for instance, Purchase Intention with both of Brand Trust and Brand Desirability, and Recommendation with Purchase Intention. Those high inter-correlations shows that these constructs are strongly associated and might have greater path effects in the structural equation analysis when the overall path model is evaluated with control demographic variables included.

Table 5: Correlation among constructs and the square root of the AVE

	BF	LI	CO	BT	BD	PI	AP	RC
BF	0.84							
LI	0.48	0.79						
CO	0.54	0.24	0.79					
BT	0.38	0.33	0.50	0.94				
BD	0.52	0.59	0.61	0.56	0.87			
PI	0.48	0.52	0.54	0.67	0.65	0.87		

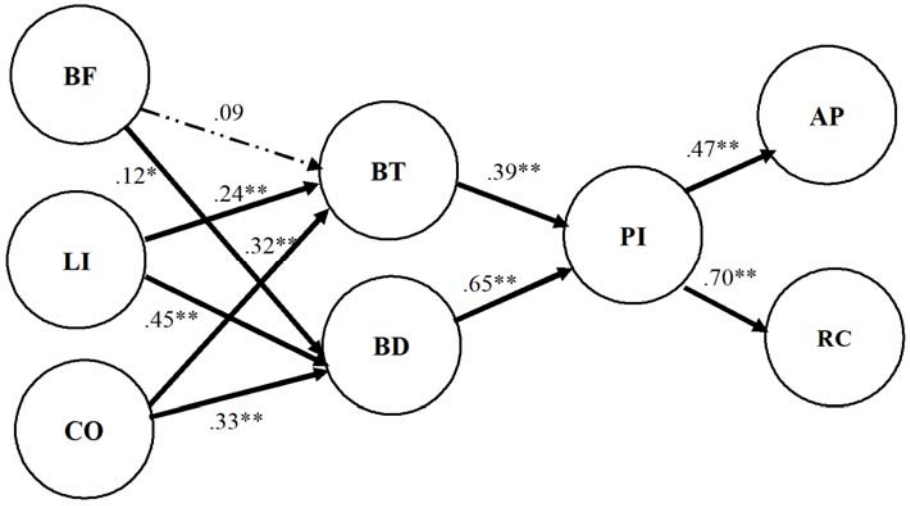
AP	0.49	0.44	0.29	0.25	0.44	0.47	0.76	
RC	0.39	0.49	0.36	0.55	0.63	0.75	0.32	0.87

Note: Diagonal elements (in italics) are the square root values of the average variance extracted (AVE)

Structure Equation Model

The structural question model is evaluated by adding the four demographic variables (gender, age, education, income) as control variables in assessing all the structural relations. Mplus reports three fit statistics, CFI, TLI and RMSEA, to test the model fit. According to Hooper, Coughlan, and Mullen (2008), an excellent model fit is defined by CFI>0.95, TLI>0.95, and RMSEA<0.06, and the cut-off acceptable criteria should be at least CFI>0.9, TLI>0.9, and RMSEA<0.1.

As shown in Figure 2, the results offer strong evidence of corroboration to the overall model because nearly all of the path effects are significant (asterisks show significant p-values) in accord with what Figure 1 illustrated. Among all the hypothesis from Hypothesis 1a to 5b, only Hypothesis 1a is not supported (p=0.134, non-significant as shown in the dashed line), suggesting that familiarity with luxury brands does not merely result in more brand trust because consumers already have prior knowledge and therefore become fatigued in their perceptions.



Note: Level of Significance: *p≦0.05, **p≦0.01. Solid lines show significant results,
and the dashed line show a non-significant one.

Figure 2: The overall result of the knowledge-driven path model

Examining the magnitude of the path effects shows that meditation effects are much stronger via the perception of desirability than that of trust. This finding is consistent for both luxury involvement and brand COO identification. The finding reflects two important empirical facts: first, different kinds of knowledge determine whether a perceptual process is needed to reach a behavioral decision. Although luxury involvement and brand COO identification did require further cognitive

mediation, this finding did not apply in the case of brand familiarity. Second, desirability and trust are found to be two distinct perceptual characteristics. The former is the stronger mediator for the effects of verbal actions, such as the word-of-mouth effect. Overall, the purchasing of luxury products is found to be more of a reflexive action than one based on cognitive evaluation. However, it is also found that reputation may change as a result of a knowledge-driven cognitive process initiated by exposure to luxury brands and gaining more COO information.

Conclusion

Historically, published papers in this field have typically focused on the issue of consumer perceptions and the COO of luxury brands. In this article, the researchers employed a consumer-knowledge perspective to explain consumer purchasing behavior in luxury markets based on the theory of planned behavior. Consumer trust and brand desirability have been used as mediators between consumer knowledge and behavioral intentions, empirically testing the construction of actual luxury consumers.

Since consumer knowledge positively influences trust and brand desirability, practitioners can enhance the depth of their brand culture through marketing strategies. For example, knowledge-based information may be broadcast through marketing activities. Such differential processing and the manifestation of the brand story to a digitally integrated cohort may convey brand knowledge to consumers with a high level of luxury involvement.

Another suggestion is differentiation and specialization. Marketing the difference between production methods allows consumers to obtain products with unique attributes through their brand knowledge. Some luxury brands emphasize that their products are made solely by hand from natural materials. Differentiating their manufacturing process allows them to charge a substantially higher price than do other brands. By engaging in such consumer brand knowledge activities, luxury brands can develop intrinsic and extrinsic connections with existing customers while also attracting new customers.

Our research shows that brand familiarity, luxury involvement, and brand COO identification all play an integral part in establishing consumer trust, which leads to consumer purchase intention, and actual purchase behavior. A greater degree of consumer trust accelerates consumers' intention to purchase brand products and generates a stronger intention to practice word-of-mouth behavior.

In order to increase brand awareness and engagement with brand familiarity, luxury involvement, and brand COO identification in a luxury goods marketing strategy, it is essential to identify how the luxury market is evolving and how the current generation has different needs from those of previous generations. This is

especially true for the younger generations in the Chinese market, which is the growth engine for the luxury market.

Managerial Implications

Marketing strategies should focus on customers who may have a different set of needs and reasons for investing in luxury goods relative to the previous generation of consumers. Additionally, both physical and online branding should be streamlined for the sale of authenticity using a multichannel approach that focuses on building brand trust, increasing brand awareness, and engaging customers in the brand story.

Increased customer engagement will lead to a higher volume of sales and significant customer retention. In the future, a heightened awareness of the geographical location of luxury goods consumers, where and how they buy and sell, will continue to play a pivotal role in how and where to implement marketing strategies.

The aforementioned advices are applicable for brands to expand their customer segmentation toward the increasingly young consumers of luxury goods markets.

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