

Incorporating Customers Perceived Value of Luxury Natural Consumption

Wilawan Jansri

Thaksin University, Faculty of Economics and Business Administration
Muang, Songkhla 90000, Thailand
wilawan@scholar.tsu.ac.th

Abstract: *The growth of luxury natural market has been showing contrasting trends with what has been mentioned in previous literature related to luxury consumer behaviour in the last decade. Although previous studies on luxury consumption have focused on perceived values, lack of study has been conducted in luxury natural consumption. A luxury natural cosmetic, which is a niche market with unique products, is a product category suitable for consumers with specific needs. This market is reflected by consumers are becoming more concerned about the hazardous impacts of their health. The main purpose of this paper to integrated luxury natural customers perceived value, their perceived of price, product safety, and prestige value of product and repurchase intention of luxury natural skin care products. All the relationship among independent variables and dependent variable were examined via an empirical investigation of 302 consumers of luxury natural skin care products in Thailand. A structural equation modeling using the partial least squares (PLS) was employed to test the measurement and structural models. The results show that price value, product safety value, and prestige value had significant positive relations with repurchase intention. Thus, this study provides useful evidence for marketers to better understand the dynamic of price value, product safety value and prestige value in relation to consumer repurchase intention luxury natural skin care products. Additionally, the results provide special insight into evaluating Thai consumers' perception of value and developing successful marketing strategies.*

Keywords: *luxury natural, customer perceived value, price value, product safety value, prestige value, repurchase intention*

1. INTRODUCTION

The market for natural products have continually grown in recent years with the consumption of natural product is now spreading into many products categories, such as food supplements, herbal medicine, personal care product, and cosmetic [1, 2]. Cosmetic is one of the industries which engaged itself in natural market, and the growth of this market is reflected by the consumers' expression of new concerns giving rise to the consumption of products which are related to health issue [3].

Beside the natural cosmetic products, not only does grow in low-priced and medium-priced market, but also in the luxury market [2]. Although natural and luxury concepts have been considered in marketing research for quite a long time, the synthesized concept of luxury and natural are still considered novel. A recent study proposed that consumers do not regard natural and luxury as compatible [4], but there are few published studies of consumers' viewpoints in luxury purchasing behaviour [5], and even fewer that have investigated the two concepts, natural and luxury, simultaneously [e.g., 6, 7]. Moreover, it seems there is scant empirical investigation of the relationship between the natural–luxury concept and consumer purchasing behaviour, specifically, in the context of cosmetic products. It is unclear whether previous studies on natural conventional consumption and luxury consumption would be applicable in the luxury–natural context. The studies that have integrated these two concepts together, are limited. Luxury products are a profitable and fast-growing market segment [8]. In situations in which the market is growing, the competition is high and consumer has freedom of choice to choose the product.

A luxury natural cosmetic, which is a niche market with unique products, is a product category suitable for consumers with specific needs. Therefore, retaining existing consumers is one of the important strategies that businesses should consider, and research should be extended into repurchase behaviours in various settings and contexts. Evaluation of the value of luxury natural product consumption might be a different process because of the nature of the product. Therefore, the aims of the study are to identify luxury natural customer perceived value (LNCPV) dimensions and develop measurement's

item of some dimension of perceived value, to develop a conceptual model for LNCPV, and their consequences on customer repurchase intention toward luxury natural products.

2.LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Perceived value has been widely applied to explain consumer purchasing behavior [9], and has been accepted as one of the key finding sustainable competitive advantage [10]. Numerous definitions have been established to the marketing literature [11-13]. For example, perceived value is conceptualized as the consumer trade-off between what they give and what they get related to consumers' perception of products' offering [13]. Even though perceived value has been recognized for long decade, the concept of perceive value is still vague [14], due to the changing customer values over the time. Thus, the scholars have incessantly tried to improve the concept of perceived value for the better understanding of consumer behaviour. Perceived value has been applied in several studies of luxury consumption [15-17]. In this study, perceived value is formed by three dimensions, price, value, product safety value, and prestige value. Furthermore, current study contributes to a new dimension of perceived value, namely product safety value which is related to the nature of the luxury natural consumption. All dimensions were discussed next.

2.1.Price Value Effecting Repurchase Intention

Price value is a critical factor of consumer purchasing behavior. Price value in the current study represents the high price of the product as an incentive of their intention to repurchase. Previous studies have confirmed the relationship between price value and consumer purchasing behavior [18, 19]. In luxury consumption, high price is the main concept which represents the perception of its quality [20]. Thus, high price makes certain luxury products more desirable [21]. [21]. In the context of natural consumption, previous studies show that consumer of organic food are willing to pay for high price [22, 23]. Therefore, current study assumes that price value has a positive effect on consumer intention to repurchase luxury natural skin care product. This study therefore brings with the following hypothesis.

H1. Price value has a positive influence on repurchase intention

2.2.Product Safety Value Effecting Repurchases Intention

Product safety value is one of the key factors considering consumer purchasing healthy products. Consumer selects a natural product due to health and safety concern [24, 25]. Previous studied found that product safety concern plays an important role on consumer purchasing behavior regarding organic and natural products [25, 26]. In the context of cosmetic products, product safety concern is expected to be part of the consumer decision-making process [27]. [27]. Ainunnazlee and Aini [28] stated that consumers may avoid purchasing natural cosmetics because of a lack of labelling standards which confirms the safety is verified. Therefore, this study believes that product safety value has a positive impact on consumer intention to repurchase luxury natural products. This study therefore brings the following hypothesis.

H2. Product safety value has a positive influence repurchase intention.

2.3.Prestige Value Effecting Repurchase Intention

Prestige values are a symbolic signs of being a member of luxury consumers [16].The luxury consumers believe that if they want to be admired, recognized, and accepted from their group, purchasing and holding the luxury products is important [29]. Thus, if the luxury natural skin care products display the prestige value, it might attract the consumers and lead them to the purchasing behaviour. Several studies have found the significant effect of prestige value on purchasing [30, 31]. Thus:

H6. Prestige value has a positive influence on repurchase intention

3.METHODOLOGY

Purposive judgment sampling method was employed to collect data at a busy and high street mall in Bangkok, Thailand through self-administered questionnaire survey. The sampling frame consisted of the luxury natural skin care's consumers who had purchased and used the particular products during the last 3 years. The survey was distributed to the participants personally (face-to-face) which took around 10-15 minutes to complete the questionnaire. The instruments used to collect data for this study were adapted from the previous studies. This study measured price value using Shukla and Purani [32] and Lichtenstein, et al. [33]'s scale, which includes four items. Product safety value was captured by a scale

developed by Michaelidou and Hassan [34], Kim and Seock [25], and Chen [24], which includes six items. Prestige value was entails three items based on Shukla [35]. Four items of Tsai and Huang [36] and Sondoh Jr, et al. [37] intention to repurchase scale was used to measure repurchase intention.

4. RESULTS AND DISCUSSION

4.1. Measurement Model Assessment

This study analyzed the data using partial least squares (PLS). To test reliability and validity, PLS algorithms were employed, where appreciate, to test the results of the measure that were determined by groups of variables. This study includes three exogenous variables and one endogenous variable, which all are reflective measurement. Reflective measurement model assessment in the PLS is required composite reliability (CR) to evaluate internal consistency among the indicator for each construct, loading, and average extracted variance (AVE) to assess convergent validity. It also involves cross-loading and Fornell-Larcker criterion to evaluate discriminant validity among constructs of the research model of the study [38, 39].

Table I. *Measurement model assessment*

Construct	Item	Loading	*CR	**AVE
Price value	PrV2	0.756	0.814	0.593
	PrV3	0.793		
	PrV4	0.760		
Safety value	SV1	0.724	0.907	0.620
	SV2	0.834		
	SV3	0.797		
	SV4	0.788		
	SV5	0.802		
	SV6	0.775		
Prestige value	PV1	0.888	0.905	0.761
	PV2	0.866		
	PV3	0.867		
Repurchase intention	RPI1	0.867	0.936	0.785
	RPI2	0.905		
	RPI3	0.874		
	RPI4	0.897		

Note: *CR = composite reliability; **AVE = average variance extracted

Table I shows the results of the assessment model including the loading for each indicator, composite reliability (CR), and average variance extracted (AVE). The results show that 17 of the items had a main loading of more than 0.708, except for the first item price value (PrV1), which had loading 0.635. However, a factor loading of less than 0.7 but greater than 0.5 can be accepted if other items in the same construct present high scores, which is the case in this study (Chin, 1998). Nonetheless, to assess the main loading 0.7 and AVE 0.5, the first item of price value (PrV1) was removed from the model since this item had a low loading and its removal led to the increase in value of AVE (price value) to above 0.50[38].

The results of the second testing run show that 16 items had a loading value above 0. The composite reliability (CR) for all constructs ranged satisfactory as their values were above 0.70. This result confirms internal consistency among the items for all constructs. Convergent validity assessment builds on the AVE values as the evaluation criterion. The results shows that all constructs have AVE above 0.50, which mean AVE, were satisfactory in terms of convergent validity. Therefore, internal consistency and convergent validity of all measurement models are confirmed.

Table II. *Fornell-larcker Criterion Analysis*

	PrV	PV	RPI	SV
PrV	0.770			
PV	0.549	0.873		
RPI	0.410	0.367	0.886	
SV	0.300	0.161	0.384	0.787

Note: N=325. Diagonals (in bold) represent the square root of the average variance extracted and off-diagonals represent the correlation.

Discriminant validity is tested to see the level to which a construct is really dissimilar from other construct by empirical standards. Two methods are tested, which is cross loading and Fornell-Larcker criterion to assess discriminant validity. Table II illustrates the cross-loading for individual constructs which shows that the main loading under each construct is higher than the cross-loading for other constructs.

The final step involved testing for discriminant validity of the reflective constructs is Fornell-Larcker criterion. As shown in Table II, the correlations between the constructs should be lower than the square root of AVE [40]. According to the results, discriminant validity met for all constructs. Therefore, discriminant validity is met for all first-order constructs with reflective indicators.

5. STRUCTURAL MODEL RESULTS

Structural model analysis was employed to test the hypotheses with repurchase intention as the dependent variable and the proposed determinants- price value, product safety value, and prestige value. The results of the structural models are provided in Table III

According to Table III, from three hypotheses drawn on the relationship between perceived value and repurchase intention, all of hypotheses had found to be significant. Price value had a positive significant impact on repurchase intention ($\beta = 0.212, p = 0.01$). It shows that the consumer perceived high price value is toward the intention to repurchase LNSC products (supporting H1). Then, this study found that product safety value had a positive significant impact on repurchase intention ($\beta = 0.288, p = 0.01$) (supporting H2). Lastly, the study also found that prestige value is positively significant related to repurchase intention ($\beta = 0.204, p = 0.01$). Perceived high prestige value leads consumer to repurchase intention (supporting H3).

Table III. Fornell-larcker Criterion Analysis

Hypo.	Relationship	Beta	SE	t-value	Decision
H1	PrV-> RPI	0.212	0.056	3.811**	Supported
H2	SV -> RPI	0.288	0.058	4.967**	Supported
H3	PV -> RPI	0.204	0.059	3.470**	Supported

Note: * $p < .05$, ** $p < .01$

In addition to path coefficient results, the study also reports the complementary evaluation tools for structural model results. Based on the results, 27.2% of variations in repurchase intention can be explained by three constructs of perceived value, namely price value, product safety value, and prestige value. Stone-Geisser's Q^2 for endogenous construct is 0.21 for repurchase intention, indicating acceptable predictive relevance as the values are above zero.

6. DISCUSSION

The aims of this article is (1) to offer useful information as the practical guidelines for luxury cosmetic firms and other types of businesses wishing to successfully understand customer perceived value (CPV) and (2) to improve our understanding of its impact on consumer repurchase intention. There is scant empirical research that examines customer perceived value in the context of luxury natural consumption. In luxury cosmetic industry, like luxury natural cosmetic, the formula behind their purchasing behavior might be different from common product, and therefore it is not acceptable to assume that the dimensions of value are applicable to the context of luxury natural consumption.

The results show that Thais consumers assess the luxury natural skin care products by considering the safety of the product as the first priority followed by high price, and the social image (prestige) that they receive when they purchase the products. Previous studies found that product safety value is one of the important factor on consumer purchasing organic and natural products [25, 26]. This finding was consistent with the prior study by Shukla and Purani [32], who posited that consumer perceived high price had a positive effect on their behavior of purchasing luxury products. The results also correlated with several studies which found that consumers are willing to purchase high prices of natural products [22, 23]. Lastly, the finding are also in line with Hwang and Han [30] who found that prestige value influence consumer purchasing behaviour towards luxury products.

REFERENCES

- [1] V. Dimitrova, M. Kaneva, and T. Gallucci, "Customer knowledge management in the natural cosmetics industry," *Industrial Management & Data Systems*, vol. 109, pp. 1155-1165, 2009.
- [2] S. Y. Nagasawa and Y. Kizu. (2013, January 5). *Green action as a luxury strategy in the field of cosmetics*. Available: <http://www.marketing-trends-congress.com/archives/2012/Materials/Papers/Brand%20Management/KizuNagasawa.pdf>
- [3] G. Giroto, "Sustainability and green strategies in the cosmetic Industry: Analysis of natural and organic cosmetic products from the value chain to final certification," 2013.
- [4] C. Janssen, J. Vanhamme, A. Lindgreen, and C. Lefebvre, "The catch-22 of responsible luxury: Effects of luxury product characteristics on consumers' perception of fit with corporate social responsibility," *Journal of Business Ethics*, vol. 119, pp. 45-57, 2014.
- [5] I. A. Davies, Z. Lee, and I. Ahonkhai, "Do consumers care about ethical-luxury?," *Journal of Business Ethics*, pp. 1-15, 2012.
- [6] T. Low, "Sustainable luxury: A case of strange bedfellows?," 2010, pp. 1-15.
- [7] C. W. Tsai and C. P. Tsai, "Impacts of consumer environmental ethics on consumer behaviors in green hotels," *Journal of Hospitality & Leisure Marketing*, vol. 17, pp. 284-313, 2008/10/16 2008.
- [8] P. R. Berthon, L. Pitt, M. Parent, and J.-P. Berthon, *Aesthetics and ephemerality : observing and preserving the luxury brand* vol. 52: California Management Review, 2009.
- [9] J. S. Ksinth and H. V. Verma, "Consumer perceived value: Construct apprehension and its evolution," *Journal of Advanced Social Research* vol. 1, pp. 20-57, 2011.
- [10] A. Ravald and C. Grönroos, "The value concept and relationship marketing," *European Journal of Marketing*, vol. 30, pp. 19-30, 1996.
- [11] V. A. Zeithaml, "Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence," *The Journal of Marketing*, vol. 52, pp. 2-22, 1988.
- [12] M. B. Holbrook, "Customer value-a framework for analysis and research," *Advances in Consumer Research*, vol. 23, pp. 138-42, 1996.
- [13] R. Woodruff, "Customer value: The next source for competitive advantage," *Journal of the Academy of Marketing Science*, vol. 25, pp. 139-153, 1997.
- [14] R. Sánchez-Fernández and M. Iniesta-Bonillo, "The concept of perceived value: a systematic review of the research," *Marketing Theory*, vol. 7, pp. 427-451, 2007.
- [15] F. Vigneron and L. W. Johnson, "Measuring perceptions of brand luxury," *Journal of Brand Management*, vol. 11, pp. 484-506, 2004.
- [16] K. P. Wiedmann, N. Hennigs, and A. Siebels, "Measuring consumers' luxury value perception: a cross-cultural framework," *Academy of Marketing Science Review*, vol. 2007, pp. 1-21, 2007.
- [17] P. Shukla, "Impact of interpersonal influences, brand origin and brand image on luxury purchase intentions: Measuring interfunctional interactions and a cross-national comparison," *Journal of World Business*, vol. 46, pp. 242-252, 2011.
- [18] C. A. Roheim, F. Asche, and J. I. Santos, "The elusive price premium for ecolabelled products: Evidence from seafood in the UK market," *Journal of Agricultural Economics*, vol. 62, pp. 655-668, 2011.
- [19] L. Wądołowska, E. Babicz-Zielińska, and J. Czarnocińska, "Food choice models and their relation with food preferences and eating frequency in the Polish population: POFPRES study," *Food Policy*, vol. 33, pp. 122-134, 2008.
- [20] Q. Ye, H. Li, Z. Wang, and R. Law, "The Influence of Hotel Price on Perceived Service Quality and Value in E-Tourism An Empirical Investigation Based on Online Traveler Reviews," *Journal of Hospitality & Tourism Research*, vol. 38, pp. 23-39, 2014.
- [21] J. C. Groth and S. W. McDaniel, "The exclusive value principle: the basis for prestige pricing," *Journal of Consumer Marketing*, vol. 10, pp. 10-16, 1993.
- [22] M. T. Batte, N. H. Hooker, T. C. Haab, and J. Beaverson, "Putting their money where their mouths are: Consumer willingness to pay for multi-ingredient, processed organic food products," *Food Policy*, vol. 32, pp. 145-159, 2007.

- [23] P. O'Donovan and M. McCarthy, "Irish consumer preference for organic meat," *British Food Journal*, vol. 104, pp. 353-370, 2002.
- [24] M. F. Chen, "The joint moderating effect of health consciousness and healthy lifestyle on consumers' willingness to use functional foods in Taiwan," *Appetite*, vol. 57, pp. 253-262, 2011.
- [25] S. Kim and Y. K. Seock, "Impacts of health and environmental consciousness on young female consumers' attitude towards and purchase of natural beauty products," *International Journal of Consumer Studies*, vol. 33, pp. 627-638, 2009.
- [26] M. Canavari, G. M. Bazzani, R. Spadoni, and D. Regazzi, "Food safety and organic fruit demand in Italy: a survey," *British Food Journal*, vol. 104, pp. 220-232, 2002.
- [27] N. Y. M. Siu and H. Y. Wong, "The impact of product-related factors on perceived product safety," *Marketing Intelligence & Planning*, vol. 20, pp. 185-194, 2002.
- [28] M. A. Ainunnazlee and M. S. Aini, "Socio economic background and purchasing pattern of natural cosmetic products," presented at the UMT 11 th International Annual Symposium on Sustainability Science and Management, Terengganu, Malaysia, 2012.
- [29] A. Nia and J. L. Zaichkowsky, "Do counterfeits devalue the ownership of luxury brands?," *Journal of Product & Brand Management*, vol. 9, pp. 485-497, 2000.
- [30] J. Hwang and H. Han, "Examining strategies for maximizing and utilizing brand prestige in the luxury cruise industry," *Tourism Management*, vol. 40, pp. 244-259, 2// 2014.
- [31] S. Moteshakereh, M. Abtahi, and A. Rahchamani, "An investigation on Iranian consumer behavior towards famous luxury brands," *Management Science Letters*, vol. 3, pp. 2245-2250, 2013.
- [32] P. Shukla and K. Purani, "Comparing the importance of luxury value perceptions in cross-national contexts," *Journal of Business Research*, vol. 65, pp. 1417-1424, 2011.
- [33] D. R. Lichtenstein, N. M. Ridgway, and R. G. Netemeyer, "Price perceptions and consumer shopping behavior: A field study," *Journal of Marketing Research*, vol. 30, pp. 234-245, 1993.
- [34] N. Michaelidou and L. M. Hassan, "Modeling the factors affecting rural consumers' purchase of organic and free-range produce: A case study of consumers' from the Island of Arran in Scotland, UK," *Food Policy*, vol. 35, pp. 130-139, 2010.
- [35] P. Shukla, "The influence of value perceptions on luxury purchase intentions in developed and emerging markets," *International Marketing Review*, vol. 29, pp. 1-1, 2012.
- [36] H. T. Tsai and H. C. Huang, "Determinants of e-repurchase intentions: An integrative model of quadruple retention drivers," *Information & Management*, vol. 44, pp. 231-239, 2007.
- [37] S. L. Sondoh Jr, M. W. Omar, N. A. Wahid, I. Ismail, and A. Harun, "The effect of brand image on overall satisfaction and loyalty intention in the context of color cosmetic," *Asian Academy of Management Journal*, vol. 12, pp. 83-107, 2007.
- [38] J. F. Hair, G. T. M. Hult, C. Ringle, and M. Sarstedt, *A primer on partial least squares structural equation modeling (PLS-SEM)*: SAGE Publications, Incorporated, 2014.
- [39] J. Henseler, C. M. Ringle, and R. R. Sinkovics, "The use of partial least squares path modeling in international marketing," *Advances in international marketing*, vol. 20, pp. 277-319, 2009.
- [40] C. Fornell and D. Larcker, "Evaluation structural equation models with unobservable variables and measurement error," *Journal of marketing research*, vol. 18, pp. 39-50, 1981

AUTHOR'S BIOGRAPHY



Wilawan Jansri, received her B.S. degree in general management from Rajabhat University, Songkhla, Thailand, in 2000 and M.S. degree in business administration from Bangkok University, Thailand, in 2006. She received Ph.D in Marketing from University Sains Malaysia. From 2011-2015, she was a Research Assistant with the School of Management, Universiti Sains Malaysia, Malaysia. Her research interest includes marketing, consumer behavior, retailing, logistic.

She has working experiences in retail business with the major focus on marketing, advertising and procurement. She teaches retail marketing, logistic and supply chain management, operation management, consumer behavior, product management and so forth.