School of Management and Marketing

The Role of Rarity and Exclusivity in Luxury

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Declaration

To the best of my knowledge and belief, this thesis contains no material previously published by any other person except where due acknowledgement has been made.

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

Human Ethics (For projects involving human participants/tissue, etc) The research presented and reported in this thesis was conducted in accordance with the National Health and Medical Research Council National Statement on Ethical Conduct in Human Research (2007) – updated March 2014. The proposed research study received human research ethics approval from the Curtin University Human Research Ethics Committee (EC00262), Approval Number # HRE2018-0202.

Abstract

Purpose: The purpose of this research is to investigate the current roles of exclusivity and rarity (natural versus virtual) in luxury when facing the fast-changing market environment and the increased complexity of consumption behaviour. Taken from a consumer-focused approach, the current research seeks to understand (1) whether contemporary consumers still perceive exclusivity and rarity as important concepts that shape luxury meanings and perceived values, (2) whether natural rarity (e.g., limited availability of valuable raw materials) and sustainability can co-exist to influence consumers' desire for luxury and their willingness to pay more.

Design/Methodology/Approach: The research objectives were addressed in three studies. The first study examined the roles of perceived exclusivity and perceived rarity in influencing consumers' perception of luxury. The second study examined the roles of perceived exclusivity and perceived rarity in influencing consumers' perceived value. The third study focused on understanding the roles of perceived natural rarity, perceived sustainability and their relationships with consumers' desire for luxury and willingness to pay more. This research adopted a quantitative empirical research design using well-establish measurements and self-administered online questionnaires for data collection (N=1,138). Research stimuli were chosen from a variety of luxury categories including (1) bags, wines and cruises (Study One); (2) bags, wines, shoes and jewellery (Study Two); and (3) luxury wallets (Study Three). Pre-testings and focused group interviews were conducted prior to the selection of stimuli. Confirmatory factor analysis, multiple regressions and structural equation modelling were used to test the hypotheses.

Findings: Firstly, Study One results confirmed that perceived exclusivity, natural rarity and virtual rarity were perceived as relatively distinct constructs among our sample. It also revealed that perceived natural rarity (PNR) has consistently emerged as a positive and significant contributor to consumers' perceptions of luxury across all three luxury categories. The influence of perceived exclusivity (PE) on perceptions of luxury has also shown to be significant for two product categories

(luxury bag and luxury wine), whereas perceived virtual rarity (PVR) did not show any significant effects across all three categories.

Secondly, Study Two found that perceived natural rarity (PNR) was a positive and significant predictor for all three types of consumers' perceived value (functional, emotional, and social) across all four product categories. Further, perceived virtual rarity (PVR) has consistently emerged as a positive and significant predictor for perceived functional value, while its relationships with emotional value and social value appeared to be negative and significant. On the other hand, perceived exclusivity (PE) did not show any significant effects on value across all categories.

Thirdly, Study Three suggested that perceived natural rarity and perceived sustainability were positively related but distinct constructs. Perceived natural rarity is found to have a significant and positive influence on consumers' willingness to pay more through the mediating role of consumer desire for luxury. Similarly, consumer desire for luxury was also found to be a significant mediator for the relationship between perceived sustainability and willingness to pay more among consumers.

Findings & Implications: Overall, this thesis makes three key contributions. Theoretically, this research confirms that exclusivity and rarity function as distinct constructs influencing consumers' luxury perceptions and perceived value. Methodologically, this research adopts consumer-centric approach and provides empirical evidence showing on the effectiveness of natural rarity on different outcome variables such as consumer desires for luxury and willingness to pay more, which has not been previously examined in luxury research. Managerially, this research provides insights on the effectiveness of exclusivity and rarity tactics in luxury market application, as well as demonstrating the potential benefits of using 'naturally rare but sustainable materials' in luxury, which can be meaningful for designing product advertisements and marketing campaigns catering consumers' desires and value perceptions.

Originality/Value: This research, to the best of the author's knowledge, is the first examining the distinctive roles of exclusivity and rarity facing the luxury paradox of growing product availability and a decrease in luxury desires. It tackles the delicate relationships between "new luxury" and the use of traditional tactics for achieving exclusivity and rarity, indicating the dynamics of luxury consumption and the evolving nature of luxury meanings.

Key words: Perceived Exclusivity, Perceived Natural Rarity, Perceived Virtual Rarity, Perception of Luxury, Consumers' Perceived Value, Sustainability in Luxury

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Attribution Statement

This thesis contains co-authored paper:

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Chapter 1 INTRODUCTION

Introduction

Luxury rests on a paradox. Successful luxury brands must be high in awareness yet at the same time, hold the stature of being rare and exclusive (Kapferer, 2012; Phau & Prendergast, 2000). Exclusivity and Rarity have always been perceived as the key factors constituting the meaning of luxury, reflecting upon the inherently unattainable and unreachable nature of luxury consumption to fuel consumer desires (e.g., Dubois, Czellar & Laurent, 2005; Phau & Prendergast, 2000; Vigneron & Johnson, 2004).

In recent years, the global luxury market has witnessed an ever-growing demand for luxury goods, represented by the emergence of younger generations and middle-class consumers (Agapie & Sirbu, 2020). The ease of Covid restrictions in Asian market and the financial recovering of Europe also contribute positively to the growth of luxury market (D' Arpizio & Levato, 2023). In 2022, the personal luxury sector has achieved a market value of €345 billion, with an estimation of further 9-11% growth in 2023 (D' Arpizio & Levato, 2023). Top performing categories, including watches and jewellery, demonstrate promising market growth, contributing to approximately €12 billion market value in 2022 (D' Arpizio & Levato, 2023).

With the increased level of popularity in luxury consumption, many luxury brands decided to target the expanded clientele by engaging in large-scale productions and downward extensions in order to make their product more available (Radón, 2012; Truong & McColl, 2011). Although the short-term financial results may seem promising, it has been a growing concern that the emergence of 'mass luxury' might lead a brand losing its rarity value and perceived exclusivity among consumers, both of which are thought to be the key motivations for luxury purchases (Godey et al., 2013; Kapferer & Valette-Florence, 2016). Further, the wide availability and excess accessibility of luxury products may also exert a negative impact on consumers' perceptions of luxury, causing a decrease in desire for luxury purchases (Deval, Mantel, Kardes, & Posavac, 2013; Kapferer & Valette-Florence, 2016). This phenomenon has been further captured as the 'luxury paradox' in marketing literature, as it illustrates the difficulty of retaining consumers' desires and perceived luxuriousness of a brand, while at the same time increasing profitability and market share (Chailan, 2015; Högström, Gustafsson, & Tronvoll, 2015).

Hence, it is of great interest and importance to understand how luxury brands could regain consumers' desire for luxury in todays' competitive market environment. Furthermore, it is also important to understand whether rarity and exclusivity are still being valued by consumers as the essence features of luxury. This can provide meaningful insights for luxury industries in terms of balancing sale volume and a desired prestigious brand image.

From a brand perspective, exclusivity has always been portrayed as the central meaning of luxury, and it is what distinguishes luxury from normal goods (Radón, 2012; Yeoman & McMahon-Beattie, 2014). Exclusivity refers to a brand characteristic or capacity "to differentiate, rather than affiliate oneself from the rest of others" (Le Monkhouse, Barnes & Stephan, 2012). Luxury exclusivity can be achieved by restricting accessibility and elevating consumers' desire for luxury experiences (e.g., special VIP programs and 'invitation' only events), that only a few could access and enjoy the "golden segregation" (Balachander & Stock, 2009; Gierl & Huettl, 2010; Tynan, McKechnie, & Chhuon, 2010; Kim, 2018; Schultz & Jain, 2018).

From consumers' perspective, the possession of exclusive products and services is not only a way to differentiate oneself from the 'outsiders', but also functions as means to symbolise individual's status as a luxury 'insider' (Amaldoss & Jain, 2005; Jang, Ko., Morris, & Chang, 2015). The concept of exclusivity is important for understanding consumer desires (Kim, 2018), purchase intentions (Hung et al., 2011), and consumers perceptions for luxury brands (Chen & Lamberti, 2015).It is also suggested that consumers' desire for exclusivity is more salient when luxury purchase is used to affirm belongingness and obtain social approvals from their aspirational groups (Kim, 2018; Perez, Castaño, & Quintanilla, 2010). In the current thesis, we particularly focused on understanding how exclusivity is perceived by contemporary consumers.

The concept of rarity originally stemmed from the use of valuable materials such as diamonds or gold, which are naturally scarce to increase brand desirability (Catry, 2003). Until more recently, luxury companies have largely incorporated other means such as creating artificial shortages (e.g., waitlist, limited series) to form an illusion of rarity and scarcity.

In marketing literature, there are also different classifications of luxury rarity. According to Catry (2003), "Natural Rarity" refers to natural shortages of raw material, limited product capacity or the use of valuable materials (e.g., exotic crocodile skin, diamonds, truffles), which are naturally scarce and likely to increase brand desirability. "Virtual Rarity" or 'artificial rarity' refers to the deliberate manipulation of product availability (e.g., limited editions), that is controlling supply to evoke perceived luxuriousness and perceived value of the product (Kapferer, 2012). Both types of rarity are

assumed to have positive impacts on creating desires for luxury goods through addressing consumers' need for uniqueness (Carty, 2003; Kapferer, 2012).

Classic luxury brands such as Hermès and Louis Vuitton have been known to use a conjunction of tactics such as VIP programs and limited editions to enhance exclusivity and rarity perceptions among consumers (Fionda & Moore, 2009; Radón, 2012; Shin, Eastman, & Mothersbaugh, 2017). For example, Hermès handbags are handmade by expertise craftsmen with high quality raw materials, including cow, lizard, ostrich and various types of crocodile skin to add authenticity and luxuriousness to the design (Hermes International, 2012). In particular, the natural rarity aspect of Hermès Crocodile Birkin has made it highly desirable due to low supply of raw material and high levels of precisions in craftmanship (Karen Tee, 2012; **Figure 1.1**). Further, Hermès also implemented virtual rarity tactics such as releasing only a limited quantities of its special edition Birkin bags every few years, which results in at least a one-year wait list, making this handbag collection incredibly rare to own (Sherman, 2018; **Figure 1.2**).

Figure 1.1 Hermès Himalayan Crocodile skin Birkin (Vogue, 2014). | Source:

https://www.vogue.com/article/most-expensive-hermes-birkin

Figure 1.2. A limited-edition Sunrise Rainbow Sellier Birkin 35 with palladium hardware (Hermès, 2020). Estimate: $15,000-20,000. | Source: The New York Edit
https://onlineonly.christies.com/s/handbags-online-new-york-edit/limited-edition-lime-sesame-rose-confetti-terre-battue-epsom-leather-69/187250

Further, Hermès handbags are also exclusive, meaning that they are available to a small group of loyal clients who have the right connections and can afford to purchase a luxury bag. Hermès club members are rewarded by giving access to exclusive brand events and new launches, as well as enjoying superior and individualised customer services for fitting and customisation (**Figure 1.3**). Through the use of exclusivity and rarity tactics, luxury businesses aim to maintain luxury images and evoke consumers' desire for luxury (Riot, Chamaret, & Rigaud, 2013).

Figure 1.3 Hermès Carré Club pop-up in New York (Sherman, 2018). |Source:
https://www.businessoffashion.com/articles/luxury/hermes-anti-marketing-marketing/

Despite the wide applications of exclusivity and rarity tactics in luxury, it is currently unclear how exclusivity and rarity exert different impacts on consumers' selection of luxury products. In fact, very few studies have attempted to properly define and differentiate between the two concepts. For example, there are studies suggesting that the desire for exclusivity functions as a prevailing driver for supply-based rarity (Jang et al., 2015; Roy & Sharma, 2015). Others have viewed the two as inter-related concepts underlying perceived uniqueness (e.g., Vigneron & Johnson, 2004; Wiedmann et al., 2009).

In luxury marketing research, the investigations of exclusivity and rarity have been largely conducted surrounding the concepts of "limited quantities" and "limited supply" (e.g., Christodoulides et al., 2009; Jang et al., 2015; Dörnyei, 2020). For instance, Jang et al. (2015) have suggested that scarcity and rarity can be created through exclusive limited edition products. Although exclusivity and rarity are related concepts, the manipulation of scarcity messages (e.g., 'limited quantity" or "limited supply") is not sufficient to elicit both of them among luxury consumers. Results of these studies can be confusing as they only captured the overlapping and co-occurring aspects of exclusivity and rarity in terms of manipulating supplies.

Theoretically, both naturally and virtually rare products can appeal to individuals' need for uniqueness and evoke consumers' urgency to own items that may later become unavailable (Aggarwal et al., 2011; Eisend, 2008). Preferences for exclusive products can be explained by the influence of group orientations (Le Monkouse et al., 2012) and the conformity effect to exclusive social groups (Gierl & Huettl, 2010; Hwang, & Lyn, 2018). Luxury rarity is largely related to the limited availability and perceived shortages of products (Kapferer &Valette-Florence, 2016)

Past research also frequently used the terms "exclusivity", "rarity" and "scarcity" interchangeably to illustrate distribution restraints (e.g., Kapferer, 2012; Upshaw et al., 2017), or to depict the influence of limited supply (e.g., D€ornyei, 2020; Jang et al., 2015). Overall, there is currently lacking clear comparisons and differentiations between exclusivity and rarity in luxury research (**GAP1**).

Hence, in the current research, we specifically assessed the distinctiveness of exclusivity and rarity (virtual and natural) from consumers' perspective, which could be meaningful for understanding the functions of each of them in luxury market application (**RO1).**

The Subjectivity of Luxury Meanings and Luxury Values

Contemporary luxury presents an extensive and highly contrasted landscape. In the past decade, the global luxury market has witnessed an ever-growing demand for luxury goods with 8% to 10% above 2019 level, reaching a total retail value of €1.38 trillion in 2022 (Bain & Co, 2021). With an ever-

growing number gaining access to luxury in various forms, it has made it extremely difficult for luxury brands to maintain its original sense of exclusivity and rarity (Radón, 2012; Kapferer & Laurent, 2016). The new luxury is no longer too exclusive or rare, neither is it inaccessible or unavailable (Kapferer & Laurent, 2016). This evolving market for luxury goods also raises the paradox of how to manage the tension between growth and consumers' desire for luxury (Kapferer & Valette-Florence, 2018).

It has also been recognised that consumers' perception for luxury is becoming increasingly complex and subjective (e.g., Atwal & Williams, 2017; Kapferer & Laurent, 2016; Roper et al., 2013). Traditionally, the meaning of luxury has always been associated with exclusivity and limited availability (Jain et al., 2015). In recent years, individuals' consumption for luxury is found to be influenced by multiple factors such as the pursuit of luxurious lifestyle (e.g., Sharda & Bhat, 2019), consumers' perceived value (e.g., Kautish et al., 2020) and brands' awareness of sustainability practices (e.g., Kunz, May & Schmidt, 2020). In particular, the emergence of experiential marketing (e.g., multisensory luxury experience) has captured changes in meanings and consumers' perception of luxury among contemporary consumers (Atwal & Williams, 2017; Gupta, 2019; Kautish et al., 2021). Hence, the displays of conspicuousness, symbolised by rarity and exclusivity, may no longer be the main reasons for luxury purchases (Wang et al., 2022).

Given the diversity in luxury consumption and the increased subjectivity of luxury meanings, there is a growing need to understand the current roles of exclusivity and rarity in contemporary luxury market from a consumer perspective (**GAP 2**). Specifically, the diversity of luxury concepts bears the questions of whether exclusivity and rarity are still perceived as important attributes defining meaning of luxury, which will be discussed in the current study (**RO2**).

Further, contemporary consumers are much more focused on the brands they choose and the values they represent (Muniz & Guzmán, 2021; Wong & Dhanesh, 2017). Recent studies indicated that consumers' value perceptions about luxury brands are also becoming increasingly personalised (e.g., Roper et al., 2013; Kapferer, 2016; Atwal & Williams, 2017; Forbes, 2019). Middle-class and affluent consumers demonstrate greater demands for individualised, aspirational and indulgence experiences in luxury consumption, as in comparison to the traditional idea of material possessions of luxury goods (Zhang & Cude, 2018).

Previous research also emphasised the importance of understanding consumers' value perceptions for luxury to ensure successful marketing communication (Zhang & Bloemer, 2008; Zhang & Xhao, 2019). In comparison to their generic counterparts, luxury goods typically have a lower functionality/price ratio (Wiedmann, Hennigs, & Siebels, 2007). Hence, the strategic mission of

luxury brands is to provide sufficient value to compensate for the high product price (Choo, Moon, Kim, & Yoon, 2012).

However, existing literature exploring rarity and exclusivity has only focused on the social and symbolic aspects of value (e.g., Kim, 2018), leaving their specific influences on other types of value (e.g., emotional value, functional value) largely unexplored. As such, there is currently lacking comparisons on the effectiveness of exclusivity and rarity tactics in influencing specific types of perceived values among contemporary consumers.

Based on the discussion, the present research will assess the impacts of perceived exclusivity and perceived rarity on (1) consumers' perception of luxury (Study One; **RO2**); (2) different types of consumers perceived value (e.g., Functional, Social and Emotional; Sweeney & Soutar, 2001; Study Two; **RO3**) to better understand their functions in marketing applications.

Natural Rarity and Sustainability in Luxury

Sustainable consumption refers to "the consumption of goods and services that meet basic needs and quality of life without jeopardising the needs of future generations' (OECD, 2002). Sustainability has become a mainstream issue within marketing and consumer research, addressing the extensive environmental damage caused by manufacturing, discarding, and polluting (Carrington, Zwick, and Neville, 2016). Luxury products, on the other hand, are known to be rare and exclusive, with uncompromising extravagance and workmanship in the selection of raw material (Athwal, Wells, Carrigan, & Henninger, 2019).

The conflicts between luxury and sustainability are evident when considering the close association of luxury and over-production, over-consumption and personal pleasure (Kapferer, 2017). In particular, the exploitation of natural resources and the use of valuable raw materials in production raise the questions of whether sustainability is compatible with the pursuit of natural rarity in luxury consumption.

Further, the broadening of the consumer base, and particularly its more youthful nature, is not only impacting consumers' perceptions and perceived value for luxury, but also providing new challenges for luxury brands. In particular, the emergence of ethical consumerism and environmental sustainability are evolving beyond the traditional concept of luxury. Compared with non-luxury, ethical scandals are more detrimental for the luxury sector as it could potentially damage brand reputation and brand image (Bendell & Kleanthous, 2007).

Studies reveal that the new generation of consumers are more concerned with the environment (Bianchi & Birtwistle, 2012), and they display greater desires for purchasing environmentally friendly products (Quach et al., 2022). Luxury brands such as LVMH and Gucci, have incorporated sustainable development and eco-friendly product lines to address consumers' need for sustainable luxury (Adams et al., 2018; Hendriksz, 2018). However, for many other luxury firms that are heavily resource-dependent (e.g., diamonds), sustainability has not been able to form a key strategic priority (Adams et al. 2018; Hendriksz 2018).

The adoption of naturally rare and non-renewable materials such as exotic animal skins has received much attention and criticism from social media and international press. luxury values are often coupled with personal pleasure, while sustainable consumption is linked to moderation and ethics (Naderi and Strutton 2015). The growing public interest in sustainability also creates a dilemma for luxury businesses: finding a balance between implementing sustainable practices while maintaining the rarity of natural materials to preserve the luxury allure for consumers (Kapferer & Michaut-Denizeau, 2017; Phau, 2023).

In particular, the use of exotic animal skins and rare raw materials is a common measure to evoke consumers desires and willingness to pay more for luxury. At the same time, the adoption of naturally rare and non-renewable materials also receives numerous criticisms from social media and international press (e.g., PETA, 2013; **Figure 1.4**).

Figure 1. 4. PETA anti-fur campaigns: "Avoid Fashion that makes your skin crawl, choose only mock croc" (PETA, 2013) | Source: https://www.peta.org/blog/peta-hermes-leather-isnt-luxury/

In luxury research, there are authors believe luxury rarity and sustainability represent different universes (e.g., Dekhili & Achabou, 2016; Janssen et al., 2013).In particular, natural rarity has been found to be positively associated with luxury brand desirability through enhancing quality and uniqueness perceptions (Parguel, Delécolle &Valette-Florence, 2016), while sustainability information seems to negatively impact the perceived quality of luxury products (Dekhili & Achabou, 2016; Dekhili, Achabou,& Alharbi, 2019). In previous studies focusing on sustainable luxury products, authors (Dekhili and Achabou, 2016) have indicated that consumers could associate sustainable luxury products with lower quality. Beckham and Voyer (2014) suggest that sustainable luxury products do not reflect high status, social power and prestige. Similarly, Cervellon and Shammas (2013) argue that sustainable luxury products lessen the consumers' feeling of pleasure. The exploratory studies tend to confirm the risk of sustainable attributes reducing the perceived quality of luxury products, as mentioned in previous literature.

The use of exotic animal skins and raw materials is perceived to be significantly more valuable as it adds a natural rarity aspect to the brand (Kapferer & Valette-Florence, 2018). However, the emergence of 'sustainable' luxury, particularly the use of sustainable materials, exert uncertainties for luxury businesses as contemporary consumers may seek sustainable alternatives (Dekhili, et al., 2019). Moreover, there is currently lacking consistent evidence supporting compatibility between natural rarity and sustainability in luxury (**GAP 3**). For example, Hennigs et al. (2013) and Nash, Ginger, & Cartier (2016) found that the two concepts complement each other as they both symbolise product durability and provide higher value. In contrast, others believe luxury rarity and sustainability represent different universes (e.g., Dekhili & Achabou, 2016; Kapferer & Michaut, 2015). Particularly, natural rarity has been found to be positively associated with luxury brand desirability by enhancing perceptions of quality and uniqueness (Parguel, Delécolle, & Valette-Florence, 2015; Wang, Sung, & Phau, 2021), while sustainability information appears to negatively influence the perceived quality of luxury products (Dekhili & Achabou, 2016; Dekhili, Achabou, & Alharbi, 2019).

In this thesis, we would like to understand whether natural rarity and sustainability can co-exist in the luxury industries, or whether they are perceived as mutually exclusive concepts from consumers' perspective. It is hence important for the current study to further clarify the relationships between natural rarity and sustainability to understand the compatibility of the two concepts (**RO4**).

Further, contradictory results have been found between natural rarity and sustainability in terms of eliciting luxury desires and actual purchasing intentions such as willingness to pay more for luxury. Some authors suggested naturally rare and luxurious materials initiate consumer desires and justify the premium price for luxury products (Kapferer &Valette-Florence, 2016). For younger and affluent

population, the "unconventional luxury" also involves sustainable practices and ecological factors to further enhance desires for luxury (e.g., enjoying clean air and water, experiencing a moment of silence in nature; Mundel, Huddleston, & Vodermeier, 2017).

Consumers' desire for luxury product is an important contributor for willingness to pay premium (Kapferer & Michaut-Denizeau, 2014; Kapferer & Valette-Florence, 2021). Hence, the potential impacts of natural rarity and sustainability on consumer desires also open a pathway for the current study to understand consumers' willingness to pay more for luxury. The above comparison between natural rarity and sustainability raises the theoretical questions: what keeps fuelling consumers' desire for luxury? Are sustainability and rarity equally effective in evoking consumers' desire and willingness to pay more for luxury (**GAP 4**)? As such, the last two objectives of this research are to understand (1) whether natural rarity and sustainability are compatible concepts in luxury (**RO4**); (2) whether consumers' desire could have a positive mediating effect on the relationships between natural rarity, sustainability, and willingness to pay more (**RO5**).

Research Gaps & Objectives

This research aims to understand the roles of exclusivity and rarity from consumers' perspective. Facing the fast-changing luxury market environment and the complexity of consumers' purchasing behaviour, a review of relevant literature on exclusivity and rarity reveals five research gaps that will be addressed in three separate studies. An overview of research structure and research design has been included in Figure **1.5**.

Gap 1: There is currently lacking clear comparisons and differentiations between exclusivity and rarity in luxury research.

Gap 2: There is a growing need to understand the current roles of exclusivity and rarity in luxury consumption.

Gap 3: There is currently lacking consistent evidence supporting the compatibility between perceived natural rarity and perceived sustainability in luxury.

Gap 4: There is a lack of empirical research comparing functional differences between perceived natural rarity and perceived sustainability in evoking consumers' desire and purchase intentions.

Based on the identified research gaps, the following research objectives are developed:

RO1: To investigate the distinctiveness of perceived exclusivity and perceived rarity (virtual and natural) in luxury market application (**Gap 1, Study One**).

RO2: To evaluate the effectiveness of perceived exclusivity and perceived rarity on influencing consumers' perception for luxury (**Gap 2, Study One**).

RO3: To evaluate the effectiveness of perceived exclusivity and perceived rarity on influencing consumers' perceived value for luxury (**Gap 2, Study Two**).

RO4: To clarify the relationships between perceived natural rarity and perceived sustainability to understand whether natural rarity and sustainability are perceived as compatible concepts in luxury (**Gap 3; Study Three**).

RO5: To compare the impacts of perceived natural rarity and perceived sustainability on consumers' willingness to pay more through the mediating effect of consumers' desire for luxury (**Gap 4; Study Three**).

Study One
- Research Model Pretesting
- Exclusivity, Natural Rarity and Virtual Rarity ⟶ Consumers' Perception of Luxury
- Luxury Stimuli: Hermès Crocodile Birkin bag, Château Margaux wine and the Regent Seven Seas Explorer cruise

Research Objectives RO1 & RO2

Study Two
- Research Model Pretesting
- Exclusivity, Natural Rarity and Virtual Rarity ⟶ Consumers' Perceived Value for Luxury
- Luxury Stimuli: Hermès Crocodile Birkin bag, Château Margaux wine, Prada-Adidas collaboration sneakers, and Moussaieff red diamonds

Research Objectives RO2 & RO3

Study Three
- Natural Rarity and Sustainability ⟶ Consumers' Desire for Luxury ⟶ Consumers' Willingness to Pay More
- Luxury Stimuli: Ettinger luxury Wallet

Research Objectives RO4 & RO5

Figure 1.5. An overview of research structure and research design

Purpose, Delimitations & Scope

The purpose of the thesis is to examine the current roles of exclusivity and rarity on influencing consumers' perceptions, perceived value, consumers' desire for luxury and willingness to pay more for luxury goods. Specifically, this research consists of three studies, each of which emphasises a different aspect on understanding how contemporary consumers perceive exclusivity and rarity in luxury. The outcome variables of the three studies are carefully selected to fit the purpose of the study, which included (1) consumers' perception of luxury (Study One) and consumers' perceived value (Study Two). Extending on the findings of Study One and Study Two, Study Three investigated the impacts of perceived natural rarity and perceived sustainability on consumers' willingness to pay more through the mediation variable of consumers' desire for luxury.

Delimitations and scopes are listed below:

1. The current study examines the effectiveness of exclusivity and rarity tactics from consumers' perspective, that is, we would like to how contemporary consumers perceive the impact of exclusivity and rarity, and whether they still perceive exclusivity and rarity as important means underlying luxury meanings and luxury values in today's luxury market, when luxury become massively available and accessible worldwide. Understanding the effectiveness of marketing tactics from consumer perspective is crucial, as it provides valuable information for luxury practitioners to set up efficient strategic plans and brand campaigns.

2. The current study focuses on two types of rarity (natural versus virtual) derived from Catry (2003) that are closely related to the luxury concept and are frequently implemented by luxury businesses. Other types of rarity such as technology rarity (e.g., the use of specific and more advanced technology) are excluded in the current study as it taps a different area of marketing research.

3. Study Two investigated the impacts of exclusivity and rarity on three different types of consumers 'perceived emotional value, social value and functional value (Performance/ Quality). The Functional value (Price/ value for money) has been excluded as we are considering luxury brands which are known to have substantially higher price tag in comparison to everyday purchases.

4. Study Three only emphasises on a specific aspect of sustainability practices, focusing on the use of exotic animal leathers (e.g., crocodile skins) and valuable raw materials to fit the purpose of establishing comparison between natural rarity and sustainability in luxury. Other ethical and sustainability issues such as worker exploitation, the destruction of unsold stock, and water usage are out of scope for the current study.

Overarching Theories Underpinning Research

Commodity Theory and Uniqueness theory provide the theoretical foundation for this research, accompanied by several other theories such as the conformity theory, snob effect, cognitive appraisal theory and consistency theory used to support the hypothesis development in each study. These theories are briefly explained here, and will be discussed in greater details in chapter 3.

Commodity Theory

Brock's commodity theory (1968) argues individuals prefer rare and exclusive commodities over comparable available commodities because the possession of scarce commodities would enhance the possessor's self-concept and perceived uniqueness. In particular, scarcity messages addressing "limited quantities" are more appealing to customers because they evoke individuals' sense of urgency to purchase the rare products based on the perceptions that such product is unique and has good quality (Aggarwal, Jun, & Huh, 2011; Eisend, 2008). In this situation, the decrease in product availability would also increase consumers' perceived value and desirability of the product (Aggarwal et al., 2011; Lynn, 1991).

Limited availability of goods amplifies the value of a commodity based on the fear of missing out (Aggarwal & Vaidyanathan, 2003). The strategies of limiting production quantity either due to natural rarity or virtual rarity are found in various product categories such as automobiles, collectables such as coins, watches and jewellery to trigger perceived luxuriousness among consumers (Amaldoss & Jain, 2005; Jang et al., 2015).

Uniqueness Theory

According to uniqueness theory (Snyder & Fromkin, 1980), humans are motivated to maintain a sense of specialness to distinguish themselves from others. Consumers' need for uniqueness originated from uniqueness theory, which reflect people's desires to maintain self-distinctiveness through the possession of unique and scarce items.

Socio-economically, the purchase of rare and unusual commodities consolidates consumers' distinctive social image to differentiate themselves from the rest of society (Das & Mukherjee, 2020). Psychologically, consumers' need for unique products (e.g., limited editions) is associated with the avoidance of unpleasant effect coming from extreme similarity (Pasricha, Jain, & Singh, 2020), which in turn provides feelings of control and distinctiveness. In luxury purchases, self-distinctiveness and uniqueness can be demonstrated through the purchase of customised items, or items with unconventional design that are available in limited quantities (Kapferer, 2014).

Snob Effect

The snob effect refers to the extent to which the demand of certain commodity decreases when the popularity of goods increases (Leibensten, 1950). The snob effect reflects consumers' individuality, uniqueness and desire to be special and to differentiate oneself from the group (Uzgoren & Guney, 2012). The Snob effects are closely related to luxury consumption and it occurs when individuals seek uncommon luxury consumptions to disassociate oneself with the masses, and to establish unique self-image (Tsai, Yang, & Liu, 2013). Consumers' choice for rare luxury products can be explained by the snob effect to symbolise social status and perceived uniqueness in the society. The snob effect can also be viewed in the traditional sense that consumers perceive a positive relationship between price and expected quality (Niankara,2009).

Bandwagon effect

The bandwagon refers to an increase in demand for certain commodity due to the fact that others are also consuming the same products (Leibenstein, 1950). The Bandwagon effect is associated with the tendency to conform to social norm and others' expectations regarding purchase decisions. Prior research shows that individual's pursuit for exclusive products and services reflects the need for assimilation and permission from their reference groups (Kastanakis & Balabanis, 2014). The concept of luxury is inherently connected with exclusivity, which implies a premium price and superior quality (e.g., Vigneron & Johnson 2004).

Social Signalling Theory

Luxury means different things to different people and consumers are motivated to buy luxury goods for different reasons. According to social signalling theory (Berger, 2017; Nelissen & Meijers, 2011), luxury purchasers seek rare and exclusive properties in consumption to symbolise wealth, power and high social status (Corneo & Jeanne, 1997; Vigneron & Johnson, 2004). Specifically, social signalling theory suggested that brand prestige and expensiveness of luxury goods can be regarded as social cues to indicate status, identity and social stratification (Vigneron & Johnson, 2004). For example, traditional luxury consumers selected jewelry and clothes made from rare and exotic materials to enhance uniqueness perceptions and social status (Amaldoss & Jain, 2005). Conspicuous consumptions of rare or uncommon goods are also used as means to enhance distinctive self-image among others, and thus signalling effect provides an essential explanation for the main motivations of luxury purchases (Berger, 2017; Nelissen & Meijers, 2011).

Conformity Theory

According to Bumkrant and Cousineau (1975), conformity theory is defined as: a) tendency of opinions to establish a group norm (i.e., a set of expectations on how group members should behave, and b) the tendency of individuals to comply with the group norms (i.e., social pressure to fit in with others). Conformity theory in luxury consumption is related to a change in consumers' purchase intentions or product evaluations as a result of exposure to other people's opinions and behaviours. It is a well-established observation in social psychology that people tend to incorporate beliefs and mimic behaviours from whom they interact with (Bernheim, 1994; Kuran, 1995).

Based on Conformity theory, individuals who interact frequently are likely to share similar interest, behave similarly (Axelrod, 1997), and react similarly to novel situations (Simon, 1982). People are naturally motivated to build and maintain relationships with others (Baumeister, 2012). People who feel very unique and different from others within their social group may increase their interactions within the group to maintain relevance and self-identification with the group (Brewer & Pickett, 1999). However, people who perceive that they have highly similar to others tend to behave in ways that enable them to feel different and unique (Tian et al., 2001).

Cognitive Consistency Theory

Build on balance theory (Heider, 1946) and congruity theory (Osgood & Tannenbaum, 1955), the Cognitive Consistency Theory posits that individuals are naturally inclined to establish cognitive and affective consistency in their beliefs, attitudes and behaviours (Stumpf & Baum, 2016). According to the consistency theory (Festinger, 1957), when there is inconsistency and perceived divergence between two pieces of information (e.g., luxury versus sustainability), people can either rationalise their behaviour to reduce psychological discomfort (e.g., ignore sustainability issues), or they can change and act consistently with their beliefs, values and perceptions (e.g., abandon unsustainable luxury purchases).

The Cognitive Appraisal Theory of Emotions

It has been proposed that conscious cognitions or evaluations (e.g., value perceptions upon purchasing) could be an important antecedent to elicit specific emotions (Ruth, Brunel, & Otnes, 2002; Smith & Ellsworth, 1985), which could in turn affect subsequent behaviour. Based on this, the cognitive appraisal theory of emotions further explains how emotional responses, such as desire, can be evoked by individuals' interpretations of a given situation within a specific context (Johnson & Stewart, 2005). For example, in Psychology literature, the overall emotional evaluation of whether an outcome

is desirable or not can be largely context-based, and closely related to individuals' interpretations of the current situational cues (Watson, Mark, & Spence, 2007).

In marketing literature, the application of Appraisal theory of Emotions can be observed in various advertisements. For example, the content of cosmetic advertisements aims to trigger desire by means of generating feelings of indulgence and hope, whereas cigarette advertising aims to evoke fear and aversive emotions using strong content cues to influence people's attitude and cognitions (Watson & Spence, 2006). Therefore, this study focuses on understanding whether individuals' conscious evaluations (e.g., "This is an exclusive and rare product") will trigger consumers' across different contexts (e.g., purchasing jewellery, consuming expensive food and joining an exclusive trip). Further, it will also investigate whether consumers' cognitive evaluations of product/brand value will impact on their emotional longing and desire for luxury.

Research Methodology

Research Design

This research is comprised of three studies that aimed to investigate the current roles of perceived exclusivity and rarity (natural versus virtual), as well as their impacts on important outcome variables including consumers' perceptions of luxury (Study One), perceived value (Study Two) and consumers' willingness to pay more (Study Three).

Product stimuli including luxury bags, luxury wines, luxury footwear, luxury jewelleries and luxury cruises are selected to capture the effects of exclusivity and rarity from a wide range of product and service categories.

Specifically, Study One includes three set of stimuli from luxury bags, luxury wines and luxury cruises to capture a wide range of product categories (e.g., personal luxuries, food and drinks, & luxury services). Among these three product categories, Hermès Crocodile Birkin bag, Château Margaux wine and the Regent Seven Seas Explorer cruise were specifically chosen for their relevance and capacities to evoke both exclusivity and rarity. Stimuli descriptions for each category have been provided in **Appendix I**.

Study Two is comprised of four product categories including luxury handbag (Hermès Crocodile Birkin bag), luxury jewellery (Moussaieff red diamonds), luxury wine (Château Margaux wine), and luxury shoes (Prada-Adidas collaboration sneakers). Product stimuli were selected based on their

relevance on evoking both exclusivity and rarity among consumers. Focus group interview questions are listed in **Appendix II**.

Study Three consists of luxury wallet from British luxury brand Ettinger as the product stimulus to test the model. Luxury wallet from less well-known luxury brand was chosen for its relevance and capacity to evoke both sustainability and natural rarity while minimising the influence of brand familiarity. Stimuli descriptions for each category are provided in **Appendix III**.

This research will be using advertising descriptions from non-fictional brands. All stimuli are assessed for the appropriateness of luxury categories by incorporating the perceived luxuriousness index (Hagtvedt & Patrick, 2008), which confirms that product manipulations are successfully recognised as luxury categories by participants.

Sample Size, Sampling Method, and Data Collection

The target demographic for this research was young adults residing in Australia. Sample selection focused on affluent consumers with an annual income above AUD $60,000. Data collection was through an online panel Qualtrics with participants completing a self-administered survey form. The overall sample size was 1138 responses for statistical analysis.

The data was analysed using SPSS 23 and AMOS version 22. Confirmatory factor analysis, Structural equation modelling, and regression analysis were employed in Study One and Study Two. Mediation effect was analysed in Study Three to determine the indirect effect of exclusivity and rarity on the outcome variable of willingness to pay more through the mediator of consumers' desire for luxury.

Research Significance

Theoretical and Methodological Significance

1. Findings of this study adds to existing theories on understanding the current roles and relationships between rarity and exclusivity in luxury literature. Specifically, this thesis confirms the theoretical differentiation between natural rarity, virtual rarity and exclusivity, suggesting that each tactic is perceived as relatively distinctive concepts among consumers.

2. This thesis fills the gap on lacking existing luxury research comparing the impacts of exclusivity, natural rarity and virtual rarity on key outcome variables such as perceptions for luxury and consumers' perceived value.

3. Taken from consumers' perspective, this thesis contributes to the existing literature on clarifying the important functions of natural rarity on consumers' perception of luxury and consumers' perceived value, and willingness to pay more. This research provides empirical evidence on the importance of natural rarity, which has not been previously tested in luxury literature.

    Specifically, natural rarity due to shortages of natural resources was clearly perceived as more luxurious by consumers. This finding is consistent with previous research by Chen and Lamberti (2015), suggesting that consumers have a strong tendency to favour the use of natural and scarce material over synthetic ones in luxury purchases and further confirms Hwang et. al., (2014) finding on the important role of natural rarity in enhancing consumers' value perception of luxury brands.

4. This thesis is the first study examining the compatibility of natural rarity and sustainability, demonstrating the overlapping and differentiating characteristics of the two through quantitative method and theoretical design.

    Given the complexity found in the literature regarding how environmental and social sustainable behaviour and rarity affect consumer desires, and the ambiguity underlying the phenomenon of luxury purchases involving prosocial behaviours (Luomala et al., 2020), results of the current paper unveil the needs for a more complex model to further test how luxury desires are affected by sustainability (Kunz et al., 2020). It provides an insight to further understand the converging meanings of rarity and sustainability and how to utilise them in luxury practice.

Managerial Significance

1. This thesis has presented new knowledge on understanding contemporary consumers' luxury perceptions, desire, and purchase intentions, which provides valuable tools to navigate the complex realities of current luxury markets.

2. Our findings suggest that exclusivity and rarity should be considered as independent marketing concepts and they are not equally effective to evoke consumer desires for luxury. Therefore, depending on the nature of luxury product/service categories, it is possible for marketers to use rarity and exclusivity strategies independently for achieving better marketing outcomes in an efficient way.

3. This research is the first to address the important role of natural rarity in luxury consumption, which can be beneficial to assist luxury brands designing marketing campaigns and advertisement catering consumers' desires and value perceptions.

   Specifically, contemporary consumers tend to favour products with a 'naturally rare' aspect attached to them. This finding indicates that for some luxury categories that are intrinsically rare (e.g., diamonds, truffles), marketing campaigns should be focused on emphasizing their unique aspects and rare properties. On the other hand, our research shows that perceived virtual rarity did not seem to significantly evoke the sense of luxuriousness among consumers, indicating that the marketers should be more cautious when advertising on 'artificially induced' rarity in today's market.

4. The current research provides meaningful managerial contributions on understanding the impact of natural rarity and sustainability from consumer perspectives to warrant luxury practice.

   Our findings support the conjunctive use of natural but sustainable materials to evoke desires and purchase intentions. This opens the possibility of treating sustainability as a path to introduce innovations into luxury brands and products, foreseeing the additional values provided by sustainability for luxury brands and products, and uncovering the perception of green products among luxury consumers.

Thesis Structure and Chapter Conclusion

This thesis is organised into eight chapters with the aim to investigate the current roles exclusivity and rarity tactics in luxury and the impacts they exert on consumers' perceptions, perceived values, luxury desires and purchasing patterns.

Chapter 1 of the current thesis provides a general overview of the topic, which then lead to a discussion of research gaps and research objectives. Following a brief discussion of research methodological and key concepts, research significance was presented at the end.

Chapter 2 provides a comprehensive review of previous literature that is closely related to the development of current research. Starting off with a brief introduction of the topic, chapter 2 then investigated the similarities and differences between the applications of exclusivity and rarity tactics in luxury. This is followed by the presentation of luxury paradox, which explains the difficulties in reality for luxury brands to maintain traditional concepts of exclusivity and rarity in luxury, while keep growing sales and fueling dreams. The luxury paradox leads to the urgency and importance of understanding how luxury is perceived among contemporary consumers. This chapter will then

discuss the changes and challenges in relation to sustainability and natural rarity in luxury. This is followed by presenting research gaps and research objectives to conclude chapter 2.

Chapter 3 presents the theoretical underpinnings for the three studies. The chapter begins with a review of research objectives, followed by an introduction of theoretical underpinnings and research frameworks. Hypotheses development will also be discussed at the end of chapter 3.

Chapter 4 provides an overview of research methods adopted in the current study. Begins with research design, chapter 3 will then go into details on stimuli selection and measurements used in three studies. Pre-testing, sampling frame and ethical considerations are also included.

Chapter 5, 6, 7 includes three studies that were written for the publication of journal articles prior to thesis completion. Each chapter has an abstract highlighting the results findings and significance of the research.

Finally, chapter 8 synthesise findings from three studies and provides a review of research findings with a reflection on research gaps and research objectives. This is followed by a general discussion of results. Chapter 8 concludes with research contributions, limitations and future directions.

CHAPTER 2 LITERATURE REVIEW

Introduction

The aim of chapter 2 is to provide a comprehensive review of key relevant literature on the status and functions of Exclusivity and Rarity in luxury. Firstly, this chapter starts with an overview of exclusivity and rarity in luxury, addressing the similarities and differences of the two key constructs. It will then discuss the luxury paradox, followed by the current confusions of exclusivity and rarity in market application. Next, this chapter will discuss the current changes in consumers' perspectives on luxury consumption, specifically investigating the relationships between perceived exclusivity, perceived rarity and consumers' perceived value for luxury goods. Lastly, this chapter will assess the compatibility of natural rarity and sustainability in luxury, as well as analysing their impacts on consumers' desire for luxury and willingness to pay more. Drawing from the review of relevant literature, this chapter will conclude with the identification of research gaps and research objectives that need to be addressed in the current research.

Exclusivity and Rarity in Luxury

This section of chapter 2 provides a literature review on the key concepts of this study. Specifically, it will discuss the previous research associated with the meanings and functions of Exclusivity and Rarity in luxury, as well as reviewing the relationships between the two concepts. Confusions between exclusivity and rarity are also presented to pertain the development of Gap 1 in the current study.

Perceived Exclusivity of Luxury

The concept of exclusivity has long been perceived as the essential characteristic of luxury, and it is what distinguishes luxury from everyday consumptions (Berry, 1994; Kapferer, 1997). In marketing literature, exclusivity has been defined as a brand characteristic or capacity "to differentiate, rather than affiliate oneself from the rest of others" (Le Monkhouse et al., 2012). Luxury exclusivity can be regarded as a brand's capacity to manipulate the accessibility of their products and services (Balachander & Stock, 2009), and ensure only the selected few can enjoy the "golden segregation" of owing luxury products and enjoying luxurious services (Godey et al. 2009; Tynan et al. 2010).

In terms of marketing application, exclusivity can be achieved by elevating consumers' desire to be one of the privileged members who can enjoy products and services that are not widely accessible by

the mass (e.g., Brock, 1968; Gierl & Huettl, 2010). To evoke the sense of exclusivity, luxury brands set up special VIP programs and 'invitation' only events to provide luxurious and unique brand experiences. Access to exclusive products and services are perceived to be highly desirable for affluent consumers because of its signalling effects for status superiority and social identity (Dommer et al., 2013; Gierl & Huettl, 2010; Sundie et al., 2011).

It is also believed that consumers' desire for exclusivity is more salient when luxury purchase is used as a way to affirm belongingness and obtain social approvals from their aspirational groups (Wiedmann et al., 2007; Perez et al., 2010). In other words, the possession of exclusive products and services is not only a way to differentiate themselves from the 'outsiders', but also functions as means to symbolise their status as an 'insider' (Amaldoss & Jain, 2005; Betts, 2002; Jang et al., 2015). In previous marketing research, perceived exclusivity is proposed to be important for understanding consumer purchase intentions (Hung et al., 2011), and consumers perceptions for luxury brands (Chen & Lucio, 2015). This study aims to revisit the relationships between exclusivity and consumers' perceptions of luxury in order to understand the effectiveness of exclusivity-based marketing tactics in the contemporary luxury market environment.

Perceived Rarity of Luxury

Traditionally, luxuries were often handmade, which required great precision and patience (Mortelmans, 2005). Luxury brands are thus perceived as rare pieces of craftsmanship using only high-quality raw materials, with sophisticated designs and detailed workmanship (Caniato et al., 2009; Chevalier & Mazzalovo, 2008).

The idea of luxury rarity was originally stemmed from the use of valuable materials such as diamonds or golds, which are naturally scarce to increase product desirability (Catry, 2003). Until more recently, luxury companies have largely incorporated other means such as creating artificial shortages (e.g., waitlist, limited series) to form an illusion of rareness and scarcity (Kapferer & Valette-Flornce, 2016). For instance, luxury chocolate can be naturally scarce when referring to a specific variety of cocoa only grown in parts of the world, making it limited in quantity (Sevilla & Redden, 2014). Conversely, chocolate can be artificially scarce when marketers limit the chocolate's availability to a brief window of time (Jang, Ko, Morris, & Chang, 2015).

In marketing literature, the term "natural rarity" is used to indicate natural shortages of raw material or limited product capacity, whereas "virtual rarity" implies that luxury manufacturers offer an impression of rarity by intentionally limiting production to create temporary shortages (Kapferer,

2016). Both types of rarity are assumed to have positive impacts on creating desires for luxury goods as they address consumers' need for uniqueness (Carty, 2003; Kapferer, 2012).

The strategies of limiting production quantity either due to natural or virtual rarity are found in various product categories such as cars, coins, watches, and jewellery to trigger perceived luxuriousness among consumers (Amaldoss & Jain, 2005b; Betts, 2002; Jang et al., 2015). For example, Hermès produces only a limited number of Birkin Bags per year, whereby some of them made with extremely rare materials such as crocodile skin. This often results in at least a one-year wait list and some consumers do not hesitate to pay a premium to receive the bag earlier than others because they want to enjoy the feeling of owning luxury rare bags that are unique and high in collection value (Kim, 2011).

Comparing the different functions of exclusivity and rarity in luxury

Although exclusivity and rarity are frequently emerged as essential features of luxury brands, there is currently lacking clear comparison and differentiation between the two. One of the issues is that exclusivity and rarity have not been well-defined in luxury marketing literature. Many studies used the term 'exclusive' and 'rare' interchangeably to represent the pursuit of uniqueness behind luxury purchasing (e.g., Christodoulides et al., 2009;Vigneron & Johnson, 2004; Jang et al., 2015; Kim, 2018). For example, early studies conducted by Vigneron and Johnson (2004) have incorporated items such as "this product is rare and exclusive" to assess the perceptions of uniqueness among consumers. However, no further explanations were given in regard to the validities of assessing the impacts of exclusivity and rarity using one-item scale. Similarly, Kim (2018) claimed that perceived exclusivity can be evoked by promoting rarity, which could subsequently lead to higher levels of perceived uniqueness of the brand. Results from Kim (2018) provided support for the association between exclusivity and rarity, however the conceptual differences between the two were not well-establish to warrant the replication of current results. Overall, the concepts of exclusivity and rarity have not been properly defined and well differentiated in past research, hence further specifications are required in order to understand the underlying mechanism of the two concepts.

In luxury marketing research, the investigations of exclusivity and rarity have been primarily conducted surrounding the concepts of "limited quantities" and "limited supply" (e.g., Christodoulides e09; Jang et al., 2015; Kim, 2018). Results of these studies can be confusing as they only capture the overlapping characteristics of exclusivity and rarity in terms of manipulating supplies. For example, Jang et al. (2015) suggested that supply-based scarcity (e.g., limited edition products)

has a positive impact on perceived value because of its capacity to generate both sense of rareness and perceived exclusivity for luxury goods.

However, it should be noted that the manipulation of scarcity messages itself (e.g., 'limited quantity" or "limited supply") may not be sufficient to elicit both exclusivity and rarity among luxury consumers. Consumers' preferences for rare products can be in line with the "snob effect," a claim that the demand of a product increases because others do not purchase the same product (e.g., Leibenstein, 1950). Scarce messages addressing "limited quantities" evokes consumers' urgency to purchase and subsequently enhance products' value perceptions (Aggarwal et al., 2011; Eisend, 2008). The scarcity tactics are more appealing to customers who pursue product uniqueness and rare features from their purchases (Shin, eastman, & Mothersbaugh, 2017).

On the other hand, preferences for exclusive products can be explained by the conformity effect to exclusive social groups. For example, a conspicuous product with exclusive features (e.g., customised engravings) is highly desirable because it functions as status symbol for confirming one's belongingness to an elite class (Gierl & Huettl, 2010). In other words, the feeling of owning an exclusive product or enjoying an exclusive service not only demonstrates a person's purchasing power (Wiedmann, Hennigs, & Siebels, 2009; Aggarwal et al., 2011), but also conveys their social identities of belonging to a highly regarded social group (Zhang et al., 2015). The pursuit of exclusivity is associated with individuals' motivation to acquire a collective identity and a sense of security in society (Haglund, 1984; Chung, 1996). Therefore, purchasing exclusive products signals individual's social status while confirming their membership to the prestigious social groups (Gierl & Huettl, 2010).

Taken together, the desire for exclusivity involves one's pursuit of differentiation through superiority over others, whereas luxury rarity is largely related to the limited availability and perceived shortages of products (Kapferer, and Valette-Florence, 2016). Both concepts are considered as important factors influencing perceived uniqueness and perceived luxuriousness, however each of which is not a sufficient condition of another. Based on the extensive reviews of previous research, we propose that exclusivity and rarity should function differently both theoretically and in practice. It has also created a need for the current study to further assess the potential impacts of exclusivity and rarity in luxury to warrant the design of marketing strategies in the future. Hence, Study One of this thesis will investigate the distinctiveness of exclusivity and rarity in luxury market application (**RO1**). The conceptual differences between exclusivity and rarity are presented in **Figure 2.1.**

Key Constructs	Definitions		Overlapping characteristics	Distinctive characteristics
Perceived Exclusivity	A brand characteristic or capacity "to differentiate, rather than affiliate oneself from the rest of others" (Monkhouse, Barnes & Stephan, 2012).		Key factors underlying luxury meanings (e.g., Vigneron and Johnson, 2004; Wiedemann et al., 2009)	• Limited Accessibility of products and services (e.g., VIP clubs; invitation-only events) • Emphasise on consumers' privilege, rights and superiority
Perceived Rarity	**Natural rarity (Catry, 2003)** • Limited availability for the raw ingredients • Limited production capacity	**Virtual Rarity (Catry, 2003)** • Brands manipulating the availability of products	• Associated with consumers' limited capacity to acquire certain products (Radon, 2012; Kapferer & Valette-Florence, 2016). • Imply high prices in Luxury (e.g., Kim, 2018)	• Limited Availability of products due to demand or supply(e.g., Jang et al., 2015; Kapferer, 2012)

Figure 2.1 Definitions, overlapping and distinctive characteristics between perceived exclusivity and perceived rarity of luxury.

The Luxury Paradox

Luxury implies rarity and exclusivity, which is often associated with its leverages on premium pricing and its capacity to evoke desires among the mass (Kapferer, 2016; Phau & Prendergast, 2000). Traditionally, marketers use the term "luxury" to communicate a particular tier of products with premium pricing; products that are widely desired but can only be afforded by the rich and privileged minorities (Wong & Ahuvia, 1998)

In the contemporary society, the idea of 'luxury' has been greatly challenged by the increased accessibility of luxury goods associated with product line extension and diverse pricing (Vodermeier, 2017; Paul, 2019). With the increasing demand from younger consumers and rising consumption power of the middle class, luxury industry has become an industry featuring an ever-growing number of new products and the need for short-term financial results (Brun & Castelli, 2013; Sicard, 2010).

Although the short-term financial results may seem promising, it should be admitted that the luxury sector, once was only accessible by the "happy few", has now been facing the fears of brand losing its unique appeals due to wide availability of products (Kapferer & Laurent, 2016). It is a growing concern that the emergence of 'mass luxury' might eventually lead to luxury brands losing their status of rarity and exclusivity, both of which are found to be key motivations for luxury purchases (Kapferer & Valette-Florence, 2016; Larraufie & Lui, 2018).

As the luxury market is changing, so too are the meaning of luxury and the consumers' consumption patterns (Kapferer & Laurent, 2016; Seo & Buchanan-Oliver, 2015). Geographically, luxury has

begun to attract young affluent consumers in emerging markets such as China and India (Zhang and Kim, 2013; Wu et al., 2015). Psychologically, contemporary consumers' understandings of luxury are increasingly influenced by their values, interests, and personalities, demonstrating diverse preferences for luxury consumption (Kim et al., 2011).

At the same time, the new wave of luxury also brought diversities in consumers' luxury perceptions, perceived value and purchasing motivations. Young and affluent middle-class have expressed greater interest to gain access to the luxury market (Hudders, Pandelaere & Vyncke, 2013; Roy, Jain, & Matta, 2018). This 'democratisation of luxury' (Dubois et al, 2005; Lipovetsky & Roux, 2003) has fuelled demand for prestige branded items (e.g., Ishihara & Zhang, 2017; Perry, Barnes, & Ye, 2020; Rovai, 2018).

It has also been recognised that consumers' perception for luxury is becoming increasingly complex and subjective (e.g., Atwal & Williams, 2017; Kapferer & Laurent, 2016; Roper, Caruana, Medway, & Murphy, 2013). Traditionally, the meaning of luxury has always been associated with exclusivity and limited availability (Jain, Khan, & Mishra, 2015). In recent years, individuals' consumption for luxury is found to be influenced by multiple factors such as the pursuit of luxurious lifestyle (e.g., Sharda & Bhat, 2019), brand awareness (e.g., Roy, Rabbanee, Chaudhuri, & Menon, 2019) and perceived value (e.g., Kautish, Khare, &Sharma, 2020). In particular, the emergence of experiential marketing (e.g., multisensory luxury experience) has captured changes in meanings and consumers' perception of luxury among contemporary consumers (Atwal & Williams, 2017; Gupta, 2019; Kautish, Paul, & Sharma, 2021). Hence, it is critical to understand how exclusivity and rarity contribute to consumers' perception of luxury in contemporary luxury market (**RO2**). Knowing how the influence of different marketing tactics on the perception of luxury can provide strategic insights for developing marketing programs and designing advertisements. The research objective 2 will be addressed in Study One.

Further, the recent integration of sustainable practices into luxury marketing has also been controversial. Luxury is synonymous with superior quality and refinement, symbolised by its uncompromising extravagance in the scope of workmanship and material (Athwal et al., 2019). Traditional luxury is also known to be rare and exclusive, which rested on conventual luxury value of being unique and resource dependent (Kapferer, 2012).

In recent years, the emergence of mindful, sustainability-oriented consumers has greatly changed the luxury market dynamics (Moraes, Carrigan, Bosangit, Ferreira, & McGrath, 2017). With the increasing public concerns about the current environmental issues, luxury brands have also been criticised by some of their unethical practices including excessive consumption of natural resources

and animal cruelty issues (George-Parkin, 2018; Rolling, Seifert, Chattaraman, & Sadachar, 2021). Compared with non-luxury, ethical scandals are more detrimental for luxury sector as it could potentially damage brand reputation and brand image (Bendell & Kleanthous, 2007). Under such circumstances, luxury industries must form a balance between the conventional luxury value (rarity, exclusivity, uniqueness) and sustainability.

This also creates a dilemma for luxury business to find a balance between conducting sustainability practice while maintaining natural material rarity to keep luxury dreams in consumers (Kapferer & Michaut-Denizeau, 2017). There are luxury businesses releasing eco-friendly limited editions using superior raw materials to capture both sustainability and natural rarity (e.g., Dekhili, Achabou, & Alharbi, 2019; Larraufie & Lui, 2018).

Exclusivity, Rarity, and Consumers' Perceived Value of Luxury

Previous research also emphasised the importance of understanding consumers' value perceptions for luxury has become one of the priorities for luxury businesses to ensure successful marketing communication (Zhang & Bloemer, 2008; Zhang & Zhao, 2019).

In comparison to their generic counterparts, luxury goods typically have a lower functionality/price ratio (Wiedmann, Hennigs, & Siebels, 2007). Hence, the strategic mission of luxury brands is to provide sufficient value to compensate for the high product price (Choo, Moon, Kim, & Yoon, 2012).

It is also important to note that existing literature exploring rarity and exclusivity has only focused on the social and symbolic aspects of value (e.g., Kim, 2018), leaving their specific influences on other types of value (e.g., emotional value, functional value) largely unexplored. As such, there is currently lacking comparison on the effectiveness of exclusivity and rarity tactics in influencing perceived values among contemporary consumers.

Further, modern manufacturing methods made it more difficult to claim intrinsic or natural rarity. As such, the current luxury industries are known to incorporate strategies to create artificial shortages or "virtual rarity" through releasing limited editions and waitlisting to enhance perceptions of rareness and evoke consumer desire for luxury goods. However, many luxury studies (e.g., Jang et al., 2015; Kapferer & Valette-Florence, 2016; Kim, 2011) have largely focused on understanding the impacts of rarity through communicating artificial product scarcity (e.g., limited editions), which are primarily manipulated by luxury businesses. It has not been very clear about how natural rarity would potentially create value for contemporary consumers. Further, there is currently lacking specifications

on how rarity influences different aspects of consumer value. Functional value, social value and emotional value have different theoretical roots and managerial implications, and therefore it is essential to assess the role of rarity on different types of value so that more specific marketing strategies can be pinpointed based on different consumer needs.

Hence, the present research will assess the impacts of perceived exclusivity and perceived rarity on (1) consumers' perception of luxury (Study One; **RO2**); (2) different types of consumers perceived value (e.g., Functional, Social and Emotional; Sweeney & Soutar, 2001; Study Two; **RO3**) to better understand their functions in marketing applications.

Natural Rarity and Sustainability in Luxury

In the recent years, the use of natural rarity tactics in luxury has received criticism from social medias and international press, who highlighted a number of ethical scandals mainly related to cruelty to animals and damage to natural resources (Caixiong, 2011). These examples include top brands such as Tiffany and Co., Cartier, Hermès, and LVMH who were accused of unsustainable raw material sourcing, and the use of rare animal skins (Chan, Wei, Guo, & Leung, 2020).

In particular, Hermès has been in the spotlight of ethic scandal of killing crocodiles and young ostriches to obtain exotic animal skin for making limited-edition Birkin bags (Munro, 2021). PETA (People for the Ethical Treatment of Animals) media releases also revealed the cruelty of exotic-skins industry, calling for stop to Hermès iconic crocodile bags (Douglass, 2023; **Figure 2.2 & Figure 2.3**).

Figure 2.2. PETA anti-fur campaigns: "Avoid Fashion that makes your skin crawl, choose only mock croc" (PETA, 2013) | Source: https://www.peta.org/blog/peta-hermes-leather-isnt-luxury/
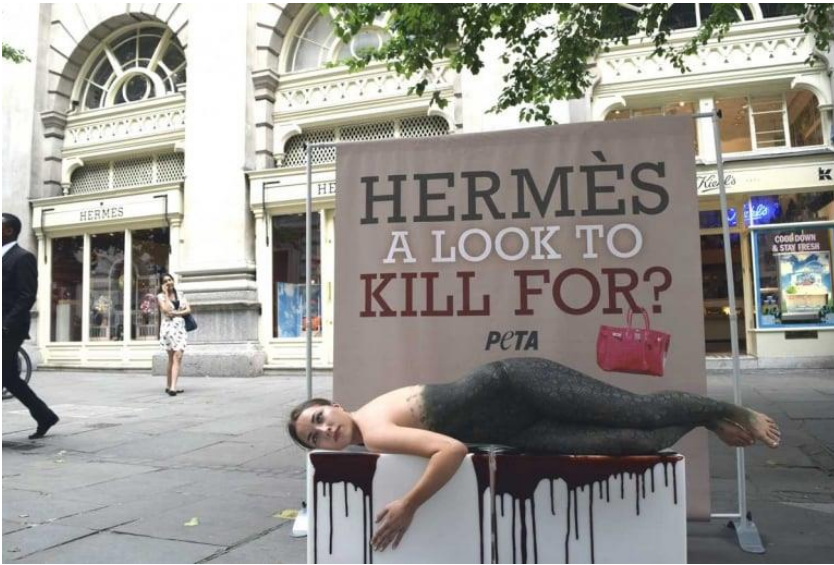
Figure 2.3. A PETA supporter protested against the use of animal skin outside the Hermès store at the Royal Exchange in London (PETA, 2021). | Source: investigations.peta.org/crocodile-alligator-slaughter-hermes/

In response to increased awareness of sustainable practices, several luxury brand such as Burberry, Gucci and Yves Saint Laurent have actively participated in fur-free initiatives, using ecofriendly raw materials such as organic cotton and natural dyes, instead of animal furs and other endangered natural resources (Chua, 2018; Larraufie & Lui, 2018; **Figure 2.4**).

Figure 2.4. Burberry ready to wear garments and accessories all crafted using recycled nylon – made from regenerated fishing nets, fabric scraps and industrial plastic (Hammond, 2020). Source: Courtesy

https://www.theglassmagazine.com/burberry-share-new-initiatives-promoting-sustainable-thinking/

However, the current situation creates a dilemma for luxury businesses to find a balance between sustainability practice and natural rarity to keep fuelling luxury dreams in consumers (Kapferer & Michaut-Denizeau, 2017). The use of valuable raw materials adds natural rarity aspect to the purchases and it is an important way to evoke consumers' desire for luxury (Kapferer & Michaut-Denizeau, 2019). Sustainability advocates, on the other, criticise the environmental and social consequences of using scarce resources and nonreusable material for conspicuous consumption (Jain, 2019). Although luxury rarity and sustainability seem to represent conflict interests, there are similarities between the two that worth exploring in the current research. Firstly, naturally rare materials are not necessarily unsustainable. The emergence of new sustainable technology and the use of biodegradable natural fibre have received attention from both luxury businesses and luxury consumers (Subash & Muthiah, 2021). Secondly, sustainability and natural rarity are both important means to achieve positive brand image, sharing similar impacts such as enhancing perceived uniqueness and perceived value of luxury goods (Nash et al., 2016).

In luxury market research, there has also been investigations examining the impacts of sustainability practices and luxury rarity on consumers' perceptions of luxury. The overall conclusions, however, are inconsistent. Hennigs et al. (2013) and Nash, Ginger, & Cartier (2016) suggest that the two concepts complement each other as they both symbolise product durability and thus provide higher value for luxury consumers. There is also research arguing that luxury rarity and sustainability represent different universes (e.g., Dekhili & Achabou, 2016; Janssen et al., 2013). Specifically, natural rarity was found to be positively associated with perceived quality of luxury products (Parguel, Delécolle, &Valette-Florence, 2015), while sustainability information (e.g., the use of recycled material) was found to exert negative impact on the perceived luxuriousness of the products (Dekhili & Achabou, 2016; Dekhili, Achabou, & Alharbi, 2019). Given the contradictory findings from previous research, it is worth exploring the impacts of natural rarity and sustainability in one research design to empirically testing the compatibility of the two concepts.

Based on the previous discussion, Research Gap 3 and Research Objective 4 have been identified. Specifically, there is currently lacking empirical evidence investigating the compatibility between natural rarity and sustainability in luxury (**GAP 3**). It is hence important for the current study to clarify the relationships between natural rarity and sustainability to understand whether natural rarity and sustainability are compatible concepts in luxury (**RO4**).

Further, there has also been debate upon natural rarity and sustainability in terms of eliciting luxury desires and actual purchasing intentions such as willingness to pay more for luxury. Extant literature emphasises the status of rarity in luxury, suggesting that naturally rare and valuable materials positively influence consumer desires and justify the premium price for luxury products (Catry, 2003; Vigneron & Johnson; 2004).

Other authors asserted that rarity and material expensiveness no longer define luxury (Mundel, Huddleston, & Vodermeier, 2017; Thomsen, Holmquist, Von Wallpach, Hemetsberger, & Belk, 2020). For many consumers, the "unconventional luxury" involves ecological factors and sustainable practices to evoke luxury experiences and desires among contemporary consumers (Mundel et al., 2017). The broaden luxury experiences such as enjoying clean air and water, and experiencing a moment of silence in nature also brought new meanings for luxury (Mundel et al., 2017). Hence, it is important to investigate the current status of natural rarity and exclusivity in evoking desires and purchase intentions.

Further, consumers' desire for luxury is also found to be an important contributor for willingness to pay for luxury products (Kapferer & Michaut-Denizeau, 2014; Kapferer & Valette-Florence, 2021). Hence, the potential impacts of natural rarity and sustainability on consumer desires also open a pathway for the current study to understand consumers' willingness to pay for luxury. The above comparison between natural rarity and sustainability raises the theoretical questions: what keeps fuelling consumers' desire for luxury? Are sustainability and rarity equally effective in evoking consumers' desire and willingness to pay more for luxury (**GAP 4**)?

As such, the aim of Study Three is to understand (1) whether natural rarity and sustainability are compatible concepts in luxury (**RO4**); (2) whether consumers' desire could have a positive mediating effect on the relationships between natural rarity, sustainability and willingness to pay more (**RO5**).

Key Concepts and Definitions

Exclusivity in Luxury

Perceived exclusivity is an important factor constituting the meaning of luxury (Kapferer & Laurent, 2016; Truong, 2010; Wiedmann et al., 2007. Exclusivity has been defined as a brand characteristic or capacity "to differentiate, rather than affiliate oneself from the rest of others" (Le Monkhouse et al., 2012). Luxury exclusivity can be regarded as a brand's capacity to manipulate the accessibility of their products and services (Balachander & Stock, 2009), and ensure only a few selected customers have the privilege to join this "golden segregation" of owing luxury products and enjoying luxurious services (Kapferer, 2012; Tynan et al. 2010).

Rarity in Luxury

The idea of luxury rarity was originally stemmed from the use of valuable materials such as diamonds or golds, which are naturally scarce to increase product desirability (Catry, 2003). In recent years, luxury companies have largely incorporated other means such as creating artificial shortages (e.g., waitlist, limited series) to form an illusion of rareness and scarcity. Specifically, this study will focus on two types of rarity classification: (a) "Natural Rarity" refers to the natural shortages of raw material or limited product capacity, (b) "Virtual Rarity" refers to the deliberate manipulation of product availability such as limited editions.

Consumers' Perceived Value (CPV) for Luxury

Consumers' value is a complex and subjective concept that is personal and situationally dependent (Holbrook, 1999). Early definitions of CPV suggest that perceived value is consumers' overall assessment of the utility of a product or service based on their perceptions of what is received versus what is given up (Zeithaml, 1988). The early definitions are mainly focused on the trade-off decision between two primary dimensions, namely quality and price (Monroe, 1990). More recently, CPV definitions involve other constructs such as personal sacrifice, social and emotional benefits, indicating the need for a more dynamic understanding of consumer value (Gallarza et al., 2011).

Starting from the 1990s, multi-dimensional conceptualization and operationalization of CPV have been gaining popularity. More dimensions have been discussed and added to enhance the understanding of CPV, since a trade-off between only quality and price was generally considered too simplistic and incomplete (Woodruff, 1997). In the meantime, the measures and scales for quantifying CPV in distinct dimensions have been proposed and tested by an increasing number of studies. In particular, Sweeney and Soutar (2001) identified four distinct dimensions of CPV and specially

termed them as PERVAL. They are emotional value, social value, quality/performance value, and price/ value for money, all of which were found to have a significant explanatory power for consumer attitudes and purchase behaviour.

For the purpose of the current study, only social and emotional dimensions will be assessed for two reasons. Firstly, luxury items, by definition, are those who have the highest price and quality ratios in the market (McKinsey, 1990; Wiedmann et al., 2009). Unlike everyday necessity consumptions that aim to satisfy utilitarian needs (e.g, hunger, coldness), Luxury purchasing typically focusing more on providing extra pleasure and indulgence to satisfy personal and social needs (Kapferer, 1997; De Barnier, Falcy, & Valette-Florebnce, 2011). Secondly, there has been evidence showing that the phenomenon of pursuing sense of exclusiveness and rareness embedded in luxury are more related to human's desire to "impress others" and fulfil the emotional state that is "psychologically satisfying and comforting" (Li et al., 2012; Herpen, Pieters, & Zeelenberg, 2014). Therefore, personally oriented motivations associated with the fulfilment of social and emotional needs are more relevant for the aim of current study.

CPV is considered as a central concept in luxury marketing because of its significant relationships with consumer satisfaction, brand loyalty and purchase intentions (Gallarza et al., 2011). Perceived social and emotional value in luxury has been widely explored in many marketing studies (e.g., Christodoulides, Michaelidou, &Li, 2009; Doss & Robinson, 2013). For example, recent studies on experiential marketing found that luxury products are not only expected to have excellent quality and evoke sense of scarcity, it is also expected to provide symbolic value for social status as well as offering emotional value in relation to creating exclusive memory and evoking aspirations and among target consumers (Tynan et al., 2010).In particular, The "social" benefits derived from luxury have been found to be an important factor triggering luxury purchasing (Vigneron & Johnson, 1999, 2004). Further, consumers' perceived emotional value has also been significantly associated with the desire to possess luxury fashion brand (Kim et al., 2010), consumer purchasing intentions (Keller, 1993), and willingness to pay premium prices (Li, Li & Kambele, 2011). Therefore, it is also useful to understand the function of perceived emotional value in triggering consumers' desire for luxury.

Hence, the current research will incorporate both social and emotional dimensions from Sweeny and Soutar (2001)'s Perceived Value scale in order to provide a more comprehensive view in regard to how value perception may influence the relationships among perceived exclusivity, perceived rarity and consumers' desire for luxury. The definitions of different values and scale items used in study Two are provided in **Table 2.1**.

Emotional Value is one that I would enjoy would make me want to use it is one that I would feel relaxed about using would make me feel good would give me pleasure	the utility derived from the feelings or affective states that a product generates
Social Value (enhancement of social self-concept) would help me to feel acceptable would improve the way I am perceived would make a good impression on other people would give its owner social approval	the utility derived from the product's ability to enhance social self-concept
Functional value (performance/ Quality has consistent quality is well made has an acceptable standard of quality has poor workmanship would not last a long time would perform consistently	the utility derived from the perceived quality and expected performance of the product

Table 2.1. Consumers' perceived value scales and items (Sweeney &Sauter, 2001)

Sustainability

The concept of sustainability was developed in the 1970s mainly to combat various problems including climate change, energy shortage, damage to the environment, and exploitation of natural resources (Guercini & Ranfagni, 2013). Sustainable production means production of a product by using the least resources without harming the environment and also by following social and ethical practices. Although sustainability is an environmental issue, it is also studied in its social, organisational and economic dimensions (Closs, Speier & Meacham, 2011). Sustainability practices in luxury involves minimising reliance on natural resources, using alternative energy resources and erecting barriers to contamination (Sharma, 2017). Specifically, the promotion of using sustainable materials enhance the durability of luxury goods, which is fundamental to preserve brand prestige and aesthetic craftsmanship (Carcano, 2013).

Consumers' Desire for Luxury

One of the key features of luxury sits in its capacity to sell dreams and trigger consumption desires among target population (Kapferer & Valette-Florence, 2016b). Consumers' desire is considered as a relatively enduring emotion that is shaped by biological, sociopsychological and structural factors.

Surprisingly, there are currently very limited studies focusing on understanding consumers' desire for luxury, or even the concept of consumption desires in general. In psychology literature, the concept of desire is defined as an involuntary affective state arises from a series of mental events (Frijda, 1986). Specifically, the emergence of desires is frequently accompanied by intense emotional arousals to motivate a person to act (Frijda, 1986; Anderson, Hildreth, & Howland, 2015). In particular, Kavanagh, Andrade, & May (2005) suggested that the desiring process often involves mental conflicts striving to balance different needs. That is, dreaming of owning a desirable object is typically perceived as a pleasurable activity, however fulfilling consumption desire often involves a battle between emotion (e.g., uncontrollable longingness) and cognition (e.g., rational evaluation; Kavanagh et al., 2005).

In marketing literature, Belk, Ger, and Askegaard (2003) were among the first to conduct research on consumers' consumption desire. They conceptualise desire as "a powerful cyclic emotion that is both discomforting and pleasurable" (p. 326). It has also been suggested that the process of desire has its root in social interactions which can be fuelled by perceptions of scarcity and the inaccessible nature of certain products (Belk et al., 2003; Simmel, 1978). In other words, consumers' desire for luxury may be related to the process of longingness and cravings for exclusive and rare products. It can function as an "active goal" that direct processing of further information and influence subsequent action (Goukens, Dewitte, Pandelaere, &Warlop, 2007). Further, it has found that consumers' enduring desire for luxury is also associated the need for status, that is, individuals are motivated to be respected, admired and socially accepted by others (Anderson, Hildreth & Howland, 2015).

However, in today's luxury market environment, there is a great concern that luxury has started losing its ability to evoke consumers' desires due to the increased levels of popularity and market penetration (Bjørn-Andersen, & Hansen, 2011). Therefore, marketers and brand managers have been actively seeking means to keep evoking consumers' desire for luxury, while at the same time, keep increasing in sales and market revenue (Bjørn-Andersen, & Hansen, 2011).

Previous research in luxury branding also suggest that consumers' desire provides a nourishing basis for the growth of dream-related consumption, and that luxury brands constantly compete on their ability to trigger consumers' desire for luxury (e.g., Dubois & Paternault, 1995; Phau & Prendergast,

2000; Kapferer and Valette-Florence, 2016a). As such, it is critical to understand how consumers' desire for luxury is formed and shaped by different factors.

Consumers' Willingness to Pay More (WTPM)

Consumers' willingness to pay more (WTPM) reflects consumers' actual purchasing intentions to make the necessary (monetary) sacrifice to acquire certain products or services (Koschate-Fischer, Diamantopoulos, & Oldenkotte, 2012). A consumer's willingness to pay a higher price is found to be a strong indicator of overall brand equity and brand loyalty (Naeini, Azali, & Tamaddoni, 2015). Consumers' WTPM is also a significant predictor for brand purchasing behaviour (Siew, Minor, & Felix, 2018).

Hudders and Pandelaerer (2013) and Lee et al. (2015) suggest that product uniqueness, brand value and perceived quality are important and direct antecedents of a consumer's WTPM for a brand. In particular, researchers support the view that unique brand characteristics influence both consumers' brand preferences and their willingness to pay a higher price (Siew et al., 2018). WTPM is also an important indicator for brand love, brand credibility and brand luxuriousness in luxury consumers (Dwivedi, Nayeem, & Murshed, 2018). Specifically, luxury purchasers show more positive emotions and desires to pay for a premium price than those who have never purchased luxury brands for the benefits of status (Kim, Park, & Dubois, 2018), rarity and exclusivity (Kim, 2018).

Although research findings are still very limited, recent studies have shown that consumers' attitudes, values and norms for sustainability can function as significant contributors to sustainable luxury purchase behaviours (e.g., Athwal, Wells, Carrigan, & Henninger, 2019; Eastman & Iyer, 2021). Other factors such as consumers' self-expression of sustainable perceptions may also influence luxury consumptions (Dekhili et al., 2019). Sustainable practices may enhance consumers' perceived value through the increased positive perception on durability and exclusivity and may subsequently exert an influence on willingness to pay more for luxury brands (Larraufie & Lui, 2018).

Research Gaps & Objectives

Based on the review of relevant literature in Chapter 2, four research gaps and five research objectives have been identified:

Gap 1: There is currently lacking clear comparisons and differentiations between exclusivity and rarity in luxury research.

Gap 2: There is a growing need to understand the current roles of exclusivity and rarity in luxury consumption.

Gap 3: There is currently lacking consistent evidence supporting compatibility between natural rarity and sustainability in luxury.

Gap 4: There is a lack of empirical research comparing functional differences between natural rarity and sustainability in evoking consumers' desire and purchase intentions.

Based on the identified research gaps, the following research objectives are developed:

RO1: To investigate the distinctiveness of exclusivity and rarity (virtual and natural) in luxury market application (**Gap 1**).

● Study One addresses Research Objective 1 (RO1) and Research Gap 1, which is based on the current need to distinguish exclusivity and rarity and to deepen our understanding of the current application of exclusivity and rarity tactics in market luxury market.

RO2: To evaluate the effectiveness of exclusivity and rarity on influencing consumers' perception for luxury (**Gap 2**).

● Study One also addresses RO2 and Gaps2, which explores the impact of exclusivity and rarity on consumers' perception of luxury.

Exclusivity and rarity have been previously perceived as closely related factors underlying individuals' luxury perceptions (e.g., Wiedmann, Hennigs, & Siebels, 2007). However, exclusivity and rarity tactics tend to address different aspects of luxury (e.g., limited availability of products versus limited accessible of consumers). Therefore, it is important to assess their distinct roles in influencing consumers' perceptions for luxury in today's fast-changing marketing environment closing an inherent gap in the luxury literature.

RO3: To evaluate the effectiveness of exclusivity and rarity on influencing consumers' perceived value for luxury (**Gap 2**).

● Study Two addresses RO3 and RO2 to examine whether traditional marketing tactics addressing exclusivity and rarity still receive positive functional, social, and emotional evaluations among contemporary consumers.

RO4: To clarify the relationships between perceived natural rarity and perceived sustainability to understand whether natural rarity and sustainability are compatible concepts in luxury (**Gap 3**).

- Study Three addresses RO4 and Gap 3 by assessing the relatedness of natural rarity and sustainability in luxury consumption. Specifically, study 3 investigates whether natural rarity and sustainability are perceived as relatively distinct constructs among current consumer sample.

RO5: To compare the impacts of perceived natural rarity and perceived sustainability on consumers' willingness to pay more through the mediating effect of consumers' desire for luxury (**Gap 4**).

- Study Three also addresses RO4 and Gap 3 by comparing the effects of perceived natural rarity and perceived rarity on willingness to pay more. A clear comparison of natural rarity and sustainability is critical for understanding consumers' motivations for luxury purchases.

Chapter Conclusion

In chapter 2, the key concepts of this research were discussed in relation to relevant literature. The main contribution of this chapter was to communicate the background research and identify research gaps that warrant the design of the thesis. Specifically, it has addressed the previous research associated with the meanings and functions of Exclusivity and Rarity in luxury, as well as reviewing the complexity of the luxury paradox. The relationship between natural rarity and sustainability were also discussed to elicit the study interest of comparing their impacts on consumer' desires and willingness to pay more for luxury. Research gaps were identified and presented in conjunction with research objectives at the end.

CHAPTER 3

MODEL AND HYPOTHESES DEVELOPMENT

Introduction

As discussed in previous chapter, there is currently lacking a comprehensive understanding of perceived exclusivity and perceived rarity in luxury. In order to fulfil this need in research, this thesis will address four research gaps and five research objectives in three separate studies, each of which focuses on investigating specific outcome variables and exploring their associations with exclusivity and rarity concepts. In addition, Study three will also assess the compatibility of natural rarity and sustainability in luxury, with a specific focus on the mediating role of consumers' desires on explaining the relationships between natural rarity, sustainability and willingness to pay more.

Chapter 3 will present the theoretical underpinnings and research frameworks for three studies. The chapter begins with a review of research objectives, followed by an introduction of theoretical underpinnings and research frameworks. Hypotheses development will also be discussed at the end of chapter 3.

Overarching Research and Theoretical Underpinning

The Commodity Theory and Uniqueness theory provide the theoretical foundation for this research, which will be discussed in this section. Support theories such as the conformity theory, snob effect, cognitive appraisal theory and consistency theory are also discussed in relation to the development of hypotheses in each study.

Commodity Theory

According to the Commodity Theory, the value of a commodity amplifies when availability of products is limited (Brock, 1968). The Commodity Theory was first proposed by Brock (1968) to explain the presence of scarcity principle. That is, consumers have an increased interest and preference for possessing somethings that is rare and hard to obtain. Consumers often use scarcity signals as heuristics cues to simplify their assessment of a product's quality (Gierl & Huettl, 2010; Stock & Balachander, 2005), and price information (Surin et al., 2007).

In luxury literature, the commodity theory and scarcity principle are thought to be closely related to how consumers perceive rarity and exclusivity, which suggested that unavailable and inaccessible

products or services generally have more value than common goods (Cialdini, 1987). Product scarcity is often manipulated and advertised by marketers to increase the subjective desirability of products (Jung & Kellaris, 2004). In social psychology, the scarcity of luxury commodities conveys feelings of distinctiveness (Lynn, 1991) and enhance perceived value of purchases (Kastanakis & Balabanis, 2014).

The strategies of limiting production quantity either due to natural rarity or virtual rarity are found in various product categories such as automobiles, collectables such as coins, watches, and jewellery to trigger perceived luxuriousness among consumers (Amaldoss & Jain, 2005; Jang et al., 2015).

In particular, scarce messages addressing "limited quantities" are more appealing to customers because they evoke individuals' sense of urgency to purchase the rare products while increasing the product's value perceptions and perceived uniqueness (Aggarwal, Jun, & Huh, 2011; Eisend, 2008). In this situation, the decrease in product availability would increase consumers' perceived value and desirability of the product (Aggarwal, Jun, & Huh, 2011; Lynn, 1991).

The commodity theory provides a foundation for Study One and study Two on explaining the potential impact of perceived rarity on consumers' perceptions of luxury. Specifically, rare products are perceived to be more valuable because they have limited availability and are harder to obtain (Jang et al., 2015).

Uniqueness Theory

The uniqueness theory posits that people strive for a certain level of distinctiveness in comparison to their peers (Snyder &Fromkin, 1980). Socio-economically, the purchase of rare and unusual commodities consolidates consumers' distinctive social image to differentiate themselves from the rest of society (Das & Mukherjee, 2020). Psychologically, consumers' need for unique products (e.g., limited editions) is associated with the avoidance of unpleasant effect coming from extreme similarity (Pasricha, Jain & Singh, 2020), which in turn provides feelings of control and distinctiveness.

In luxury purchases, self-distinctiveness and uniqueness can be demonstrated through the purchase of customised items, or items with unconventional design that are available in limited quantities. People might prefer rare commodities over comparable available commodities because the possession of scarce commodities enhance the possessor's self-concept and distinctiveness in the society (Snyder & Fromkin, 1980). Lynn (1992) addressed individual's preference of scare goods and found a positive correlation between rarity enhancement of value and people's need for uniqueness. However, previous studies primarily focused on artificially created rarity such as limited-edition goods (e.g., Cialdini,

2001; Lindsey-Mullikin & Petty, 2011). Therefore, it is important to differentiate the impacts of different types of rarity to understand how they may impact on consumers' value differently.

Consumers' need for uniqueness in luxury consumption is also associated with personal motivation to enhance social status when conducting social comparison (Corcoran et al., 2011; Lynn & Snyder, 2002). Since luxury items communicate exclusivity and rarity (Das & Jebarajakirthy, 2020) through its design and craftsmanship (Becker et al., 2018), possession of rare, new and unusual products enhances consumers' perception of uniqueness through acquiring symbolic benefit from the products they purchase (Lynn & Snyder, 2002).

In luxury consumption, status-seeking consumers aspire to elevate themselves to a unique position among group norms, and the pursuit of uniqueness provide motivations to engage in uncommon purchases and exclusive activities to maintain interpersonal differences (Pasricha et al., 2020).

Rarity messages are more appealing to luxury customers because they address individuals' need for uniqueness, which can stimulate a desire to be one of the happy few to own it (Aggarwal, Jun, & Huh, 2011; Narauskaitė, 2020). Maintaining rarity is also viewed as a critical success factor for luxury businesses. Luxury products containing precious materials are highly sought by luxury consumers as they symbolise authenticity, craftsmanship, and status (Brun & Castelli, 2013; Narauskaitė, 2020).

Theoretically, both naturally and virtually rare products can appeal to individuals' need for uniqueness and evoke consumers' urgency to own items that may later become unavailable (Aggarwal et al., 2011; Eisend, 2008). The uniqueness theory also addresses consumers' need to be distinctive and the pursuit of social status, which provide theoretical foundation for understanding consumers' luxury perceptions and perceived value in Study One and Study Two.

Further, unique and exclusive material possessions also allow consumers to differentiate themselves from others, demonstrating superiority in social status and social identity without creating social deviation (Ruvio, 2008; Zhang & He, 2012). In attempt to examine consumers' willingness to pay more for luxury, the uniqueness theory could be particularly relevant to explain consumers' desire for luxury and value perceptions in Study Two and Study Three.

Snob Effect

The snob effect refers to the extent to which the demand of certain commodity decreases when the popularity of goods increases (Leibensten, 1950). The snob effect reflects consumers' individuality, uniqueness and desire to be special and to differentiate oneself from the group. The Snob effects are closely related to luxury consumption and it occurs when individuals seek uncommon luxury consumptions to disassociate oneself with the masses, and to establish unique self-image (Tsai, Yang,

& Liu, 2013). Consumers' choice for rare luxury products can be explained by the snob effect to symbolise social status and enhance perceived uniqueness in the society. The snob effect can also be viewed in the traditional sense that consumers perceive a positive relationship between price and expected quality (Niankara, 2009). The snob effect in conspicuous consumption also explains luxury firms' intention to control rarity and exclusivity of their products by suppressing sales volumes relative to demand (Sogo & Matsubayashi, 2021). In an attempt to explore the impacts of rarity and exclusivity on perceived value, the snob effect is incorporated in Study Two to examine the relationship among key constructs.

Bandwagon effect

The bandwagon effect refers to an increase in demand for certain commodity due to the fact that others are also consuming the same products (Leibenstein, 1950). The Bandwagon effect is associated with the tendency to conform to social norm and others' expectations regarding purchase decisions. Prior research shows that individual's pursuit for exclusive products and services reflects the need for assimilation and permission from their reference groups (Kastanakis & Balabanis, 2014). The Bandwagon effect is used to explain the popularity of limited-edition and exclusive luxury goods due to consumers' need to display social status (e.g., Kang & Ma, 2020), seeking social approval (Kastanakis & Balabanis, 2014) and group recognition (Uzgoren & Guney, 2012).

According to Bandwagon effects, consumers follow the behaviour of others within their social groups because they believe that the choice behaviour of relevant others reveals product excellence and quality (Van Herpen et al., 2009). Bandwagon effects offer a theoretical foundation for explaining people' preferences for luxury exclusivity when they purchase from luxury categories due to product popularity among their aspirational and status reference groups (Amaldoss & Jain, 2005, Kastanakis & Balabanis, 2014). Kastanakis and Balabanis (2014) found that individuals with a stronger dependent self, tend to emphasise their similarities within their exclusive status group to signify success, fame and membership. Actions and opinions from their aspirational reference groups are highly regarded which provide motivation to follow in-group member choices and gain access to exclusive goods and services (Niesiobędzka, 2018). Hence, the Bandwagon effect is adopted to examine whether exclusivity is essential for evoking perceived luxuriousness (Study One) and perceived value (Study Two) among consumers.

Social Signalling Theory

Luxury means different things to different people and consumers are motivated to buy luxury goods for different reasons. According to social signalling theory (Berger, 2017; Nelissen & Meijers, 2011), some consumers buying luxury because of its rare and exclusive properties to symbolise wealth,

power and high social status (Corneo & Jeanne, 1997; Vigneron & Johnson, 2004). Social signalling theory suggested that brand prestige and expensiveness of luxury goods can be regarded as social cues to indicate status, identity and social stratification (Vigneron &Johnson, 2004). For example, the upper classes "decorated" themselves with jewelry and clothes made from rare and exotic material to signal uniqueness and status (Amaldoss & Jain, 2005). Conspicuous consumptions of rare or uncommon goods are used as means to enhance unique self-image among others, and signalling effect provides an essential explanation for the main motivations of luxury purchases (Berger, 2017; Nelissen & Meijers, 2011). Since an individual's social status is invisible in many cases, status signalling brands can be used as an indicator of one's social standing over others (Ordabayeva & Chandon, 2011). Consumers may infer the social status of other people from the prices of the products these people own (Leigh & Gabel, 1992; Sengupta, Dahl & Gorn, 2002).

In luxury consumption, social signalling theory provides an explanation for consumers' desire to signal high social status in luxury consumption (Berger, 2017; Nelissen & Meijers, 2011), which can be particularly helpful for understanding consumers' perceived exclusivity and value perception in study Two. Individuals with high needs for social approval and social status typically perceive higher-priced commodities as means to communicate social image and brand prestige to others (Jin & Sternquist, 2003).

Further, signalling theory captures the underlying mechanism in Study Three on how rarity effect evokes desires and willingness to pay for luxury (Gierl & Huettl, 2010). Specifically, product rarity signals brand commitment of producing limited product quantities, which enhances quality and value perceptions to potential consumers (Goldsmith, Griskevicius, & Hamilton, 2020; Gupta &Gentry, 2019). Rarity messages addressing naturally scarce aspect of luxury goods appeal to individuals' desire for uniqueness, which can stimulate consumers' desire to own it due to limited supply (Aggarwal et al., 2011, Hamilton et al., 2019).

Conformity Theory

In marketing, Bumkrant and Cousineau (1975) define conformity as: a) tendency of opinions to establish a group norm (I.e., a set of group expectations on how members should behave), and b) the tendency of individuals to comply with the group norms. Conformity theory in luxury consumption can be defined as a change in consumers' purchase intentions or product evaluations as a result of exposure to other people's opinions and behaviours. It is a well-established observation in social psychology that people tend to mimic the behaviors, beliefs, and attributes of those with whom they interact. Social pressure can also impart desire to fit in with others (Bernheim, 1994; Kuran, 1995). People who interact frequently act similarly, dress similarly, reveal similar preferences (Axelrod

1997), and react similarly to novel situations (Simon, 1982). People are naturally motivated to build and maintain relationships with others (Baumeister, 2012). People who feel very unique and different from others within their social group may increase their interaction within the group to maintain relevance and self-identification with the group (Brewer & Pickett, 1999). However, people who perceive that they have highly similar to others tend to behave in ways that enable them to feel different and unique (Tian et al., 2001).

The impact of Conformity is closely related to the concept of reference groups. Membership reference groups are groups to which an individual currently belongs (e.g., a family, a peer group, one's gender group). This is a type of positive reference group that the individual belongs to, identifies with, is attracted to, and feels psychologically involved with (Turner, 1991). Aspirational reference groups are also positive groups that the individual identifies with and is attracted to, but also that the individual aspires to be member of (e.g., celebrities, a desired social group membership, etc.; Englis & Solomon, 1995). People are motivated to choose products that gains social approval and enhance sense of belongingness in their social groups. Extent evidence shows that people pursuing activities and purchases that are rare in nature, tend to demonstrate an "independent self" that strive to establish self-distinctiveness by dissociating from others. In contrast, individuals seeking group belongingness for the aspirational group tend to demonstrate "inter-dependent self" which strive to establish association with others in same social groups (Kastanakis, & Balabanis, 2014). In luxury, an exclusive purchase can be explained as group activities where in-group members acknowledge the norms within groups while excluding "outsiders" from dissociative groups. Preferences for exclusive products can be explained by the influence of group orientations (Le Monkouse et al., 2012) and the conformity effect to exclusive social groups (Gierl & Huettl, 2010; Hwang & Lyn, 2018).

Cognitive Consistency Theory

Build on balance theory (Heider, 1946) and congruity theory (Osgood & Tannenbaum, 1955), the Cognitive Consistency Theory posits that individuals are naturally inclined to establish cognitive and affective consistency in their beliefs, attitudes and behaviours (Stumpf and Baum, 2016). According to the consistency theory (Festinger, 1957), when there is inconsistency and perceived divergence between two pieces of information (e.g., luxury versus sustainability), people can either rationalise their behaviour to reduce psychological discomfort (e.g., ignore sustainability issues), or they can change and act consistently with their beliefs, values and perceptions (e.g., abandon unsustainable luxury purchases). In terms of sustainable consumptions in luxury, the current situation requires luxury managers to find a balance between sustainability practice and maintaining natural rarity to evoke consumer desires for luxury. Consumers have the tendency to remain congruent with what they

believe and how they act, and therefore it is important to understand their cognitions towards sustainability practices in luxury to predict their consumption patterns.

Luxury firms incorporating sustainable elements reinforce the perception of durability of natural perceived product quality, which affect consumers' purchase motivation and thus affects consumer's purchasing decisions (Sandra & Alessandro, 2021; Tan et al., 2022). Hence, the Cognitive Consistency Theory provides an important theoretical foundation on understanding consumers' motivations for sustainable luxury purchases and luxury desires in Study Three.

The Cognitive Appraisal Theory of Emotions

It has been proposed that conscious cognitions or evaluations (e.g., value perceptions upon purchasing) could be an important antecedent to elicit specific emotions (Ruth, Brunel, & Otnes, 2002; Smith & Ellsworth, 1985), which could in turn affect subsequent behaviour. Based on this, the cognitive appraisal theory of emotions further explains how emotional responses, such as desire, can be evoked by individuals' interpretations of a given situation within a specific context (Johnson & Stewart, 2005). For example, in Psychology literature, the overall emotional evaluation of whether an outcome is desirable or not can be largely context-based, and closely related to individuals' interpretations of the current situational cues (Watson, Mark, & Spence, 2007).

In marketing literature, the application of Appraisal theory of Emotions can be observed in various advertisements. For example, the content of cosmetic advertisements aims to trigger desire by means of generating feelings of indulgence and hope, whereas cigarette advertising aims to evoke fear and aversive emotions using strong content cues to influence people's attitude and cognitions (Watson & Spence, 2006).

For example, Cialdini (2009, p.267) suggests that when something that people like is less available, consumers become physically agitated, such that their focus narrows, emotion rises, and cognitive processes are often supressed by 'brain-clouding arousal'. Based on this proposition, the three separate studies attempt to assess whether contemporary consumers are conscious of the exclusivity and rarity techniques of persuasion employed by marketers, as well as whether these marketing tactics still elicit positive cognitions and emotions towards the luxury brand.

The Cognitive Appraisal Theory can be particularly important for understanding whether individuals' conscious evaluations (e.g., "This is an exclusive and rare product") will trigger consumers' desires for luxury purchases across different contexts (e.g., purchasing jewellery, consuming expensive food

and joining an exclusive cruise trip). Further, it will also investigate whether consumers' cognitive evaluations of product/brand will impact on willingness to pay more for luxury.

Theoretical Framework and Hypotheses Development

This thesis addresses three key dependent variables in three separate studies, which includes Consumers' Perception of Luxury (Study One), Consumers' Perceived Value (Study Two) and Willingness to Pay More (Study Three). The dependent variables are chosen based on their relevance to the Luxury Paradox, which illustrates the difficulty of retaining consumers' perceived luxuriousness and perceived value of a brand, while at the same time increasing profitability and market share (Högström, Gustafsson, & Tronvoll, 2015; Wetlaufer, 2001; Chailan, 2015).Further, previous research suggest that product uniqueness and perceived value are direct antecedents of consumers' willingness to pay more (Hudders & Pandelaerer, 2013; Lee et al., 2015). Luxury brand characteristics such as exclusivity and rarity influence both consumers' brand desires and their willingness to pay a higher price (Sandra & Alessandro, 2012).

Compared to their generic counterparts, luxury items are typically associated with lower functionality-price and quality-price ratios (Wiedmann et al., 2007). Therefore, there are other values which play a more important and complicated role in differentiating luxury brands and their generic counterparts. Hence, the strategic mission of luxury brands is to provide sufficient value to compensate for the high product price (Choo, Moon, Kim, & Yoon, 2012).

In contemporary luxury market, consumers are much more focused on the brands they choose and the values they represent (Muniz & Guzmán, 2021; Wong & Dhanesh, 2017). Geographically, the pursuit of luxury is becoming increasingly prevalent among consumers in emerging markets (Jain, Mishra, & Mukhopadhyay, 2021). Psychologically, individuals' consumption for luxury is found to be influenced by multiple factors such as the pursuit of luxurious lifestyle (e.g., Sharda & Bhat, 2019), hedonic value (e.g., Holmqvist et al., 2020) and brands' awareness of sustainability practices (e.g., Kunz, May & Schmidt, 2020). For example, middle-class and affluent consumers are demonstrating greater demands for individualised, aspirational and indulgence experiences in luxury consumption, as in comparison to the traditional idea of material possessions of luxury goods (Zhang & Cude, 2018).

The global expansion of luxury implies that, luxury once restricted to the privileged minorities, is now readily attainable by global consumers. While luxury firms enjoy the growth of market revenue, less restrictions on luxury purchases may lead to over-diffusion which cause brand losing its distinctive value and unique appeals (Rosendo-Rios & Shukla, 2023; Wang & John, 2019).

Given the wide implementations of rarity and exclusivity strategies and the increased popularity of luxury goods, it is therefore essential to understand the current roles of exclusivity and rarity, as well as how they may affect consumers' luxury value perceptions and purchase intentions in today's fast-changing and competitive market environment.

Study One: The Influences of Exclusivity and Rarity on Consumers' Perception of Luxury

This section demonstrates the theoretical underpinnings and hypotheses development for study One. The key variables are perceived exclusivity, perceived natural rarity, perceived virtual rarity and consumers' perception of luxury. The proposed research model for Study One is presented in **Figure 3.1**.

The purpose of this study is to investigate how exclusivity and rarity (natural versus virtual) influence consumers' perceptions of luxury. Further, it examines whether exclusivity and rarity can function as distinct marketing strategies in today's luxury market environment.

Past research has not been clearly differentiating the use of exclusivity and rarity marketing strategies, leaving the functions of the two remain unclear. For example, the term 'exclusivity', 'rarity' and 'scarcity' have been frequently used interchangeably to illustrate distribution restraints (e.g., Kapferer, 2012; Upshaw, Amyc & Hardy, 2017), or the influence of limited supply (e.g., Jang, Ko., Morris, & Chang, 2015; Dörnyei, 2020). The perception of luxury, too, often accompanied by perceived uniqueness, has not been well understood in terms of exploring the contributions of exclusivity and rarity respectively. Although there are specific strategies tailoring for enhancing luxury perceptions and maintaining brand exclusivity and rarity in marketing practice, there is currently lacking of existing research showing empirical support for the effectiveness of these measures. Given the wide implementations of rarity and exclusivity strategies and the increased popularity of luxury goods, it is therefore essential to understand the current roles of exclusivity and rarity, as well as how they may affect consumers' perceptions for luxury in today's fast-changing and competitive market environment.

Preferences for exclusive products can be explained by the influence of group orientations (Byun et al., 2020; Monkouse et al., 2012) and the conformity effect to exclusive social groups (Gierl and Huettl, 2010; Hwang and Lyu, 2018). Consumers' desire for exclusivity is found to be more salient when luxury purchase is used as a way to affirm belongingness and obtain social approvals from their aspirational groups (Wiedmann et al., 2007; Perez et al., 2010). In other words, the possession of exclusive products and services is not only a way to differentiate themselves from the 'outsiders', but also functions as means to symbolize their status as an 'insider' (Amaldoss & Jain, 2005; Betts, 2002;

Jang et al., 2015). In previous marketing research, the concept of exclusivity is proposed to be important for understanding consumer purchase intentions (Hung et al., 2011), and consumers perceptions for luxury brands (Chen & Lucio, 2015). This study aims to revisit the relationships between exclusivity and consumers' perceptions of luxury in order to understand the effectiveness of exclusivity-based marketing tactics in the contemporary luxury market environment. Hence, it is proposed that

H1a: Perceived Exclusivity have a significant and positive impact on Consumers' Perceptions of Luxury.

According to Uniqueness Theory (Snyder & Fromkin, 1980), humans are motivated to maintain a sense of specialness to differentiate from others. The purchase of rare and scarce products provides a greater sense of control and self-distinctiveness to avoidance similarity among the mass. Both naturally and virtually rare products can appeal to individuals' need for uniqueness and evoke consumers' urgency to own items that may later become unavailable (Aggarwal et al., 2011; Eisend, 2008).

In previous research, the concept of rarity has been regarded as a key factor underlying individuals' luxury perceptions (e.g., Wiedmann, Hennigs, & Siebels, 2007), which can subsequently influence their purchasing decisions for luxury goods (e.g., Inman, Peter and Raghubir, 1997; Lynn, 1989; Han, Nunes, & Drèze, 2010; Nelissen & Meijers, 2011). Possession of rare products are considered highly valuable and desirable due to the difficulty to obtain such commodity. Hence, it is proposed that:

H1b: Perceived natural rarity has a significant and positive influence on consumers' perception of luxury.

H1c: Perceived virtual rarity has a significant and positive influence on consumers' perception of luxury.

Both naturally and virtually rare products can appeal to individuals' need for uniqueness and evoke consumers' urgency to own items that may later become unavailable (Aggarwal et al., 2011; Eisend, 2008). Preferences for exclusive products can be explained by the influence of group orientations (Byun, Long, & Mann, 2020; Monkouse et al., 2012) and the conformity effect to exclusive social groups (Gierl & Huettl, 2010; Hwang, & Lyu, 2018). Taken together, the desire for exclusivity involves one's pursuit of differentiation through superiority over others, whereas luxury rarity is largely related to the limited availability and perceived shortages of products (Kapferer &Valette-Florence, 2016).

Both concepts are considered as important factors influencing perceived uniqueness and perceived luxuriousness, however each is not a sufficient condition of another. Previous research investigating exclusivity and rarity has rarely examined the two as independent constructs, but rather considered them as sub-constructs constituting perceived uniqueness (e.g., Dubois et al., 2001; Vigneron& Johnson, 2004), or mere means to achieve prestige pricing (e.g., Hwang, Ko, & Megehee, 2014) and exclusive distributions (e.g., Kapferer, 2012; Upshaw et al., 2017). The desire for exclusivity involves one's pursuit of differentiation through superiority over others, whereas luxury rarity is largely related to the limited availability and perceived shortages of products (Kapferer &Valette-Florence, 2016).

Hence, this study aims to understand the potential differences between exclusivity and rarity to warrant the design of future marketing strategies. Based on the extensive review of previous research, we propose that exclusivity and rarity should function as distinct concepts. As such, it is proposed that:

H1d: Perceived exclusivity, perceived natural rarity and perceived virtual rarity are distinct but positively correlated constructs.
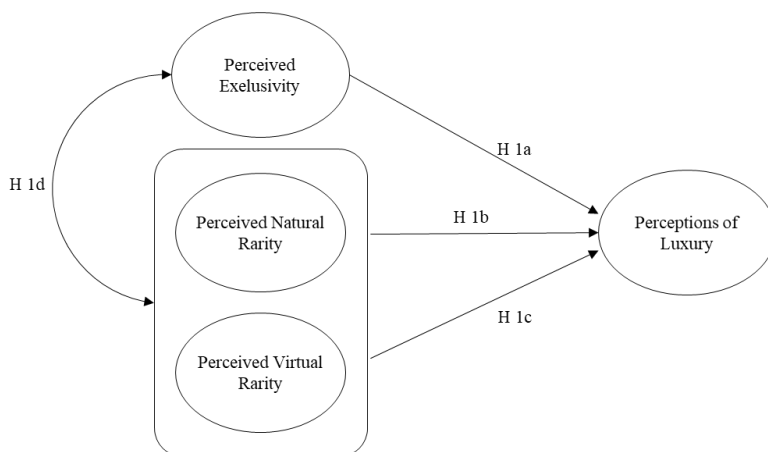
Figure 3.1. The proposed research model for study one.

Study Two: The Influences of Exclusivity and Rarity on Consumers' Perceived Value

This section demonstrates the theoretical underpinnings hypotheses development for study Two. The proposed research model for Study Two is presented in **Figure 3.2.**

The purpose of this study is to investigate how exclusivity and rarity (natural versus virtual) influence consumers' perceived value (functional, social and emotional) for luxury.It was found that consumers

place higher value on rarity as it satisfies their need for distinctiveness (Park & Park, 2014), whereas exclusivity is highly valued because it signals consumers' social status (e.g., Septianto, Seo, Sung & Zhao, 2020). The differentiation of rarity and exclusivity has been demonstrated in Wang et al. (2021)'s paper, suggesting that luxury rarity emphasises the scarcity and "limited availability" of products as shown in limited-edition releases, whereas luxury exclusivity strategy focuses on restricting accessibility by setting higher barriers as indicated in VIP invitation-only events. However, very limited literature has specified their distinctive effects on important luxury concepts such as consumers' perceived value.

It is also important to note that existing literature exploring rarity and exclusivity has only focused on the social and symbolic aspects of value (e.g., Kim, 2018), leaving their specific influences on other types of value (e.g., emotional value, functional value) largely unexplored. In this study, we will assess the impacts of exclusivity and rarity on three different types of consumer value (functional, social, and emotional; Sweeney &Soutar, 2001) to gain a better understanding of their functions in marketing applications.

Luxury is a relatively sophisticated and multi-dimensional concept that embedded various traits such as rarity, exclusivity, timelessness, authenticity, prestige, aesthetics (Beverland 2006; Okonkwo, 2007; Keller 2009). With the increased level of popularity of luxury goods, many luxury brands decided to target the expanded clientele by engaging in large-scale productions and downward extensions in order to make their product more available (Truong & McColl, 2011; Radon, 2012). Although the short-term financial results may seem promising, it has been a growing concern that the emergence of 'mass luxury' might lead a brand losing its rarity and exclusivity value among consumers, both of which are thought to be the key motivations for luxury purchases (Godey et al., 2013; Kapferer & Valette-Florence, 2016).

Although the short-term financial results may seem promising, it has been a growing concern that the emergence of 'mass luxury' might eventually lead a brand losing its rarity value and perceived exclusivity among consumers, both of which are thought to be the key motivations for luxury purchases (Larraufie& Lui, 2018; Kapferer & Valette-Florence, 2016).Further, when luxury products become too readily available and accessible, it may have to compromise on perceived uniqueness among target consumers, which subsequently deteriorates brand image and luxury value perceptions (Wiedmann, Hennings, & Siebels, 2009; Hung et al., 2011; Kapferer & Valette-Florence, 2018a). The wide availability and excess accessibility of luxury products may also exert a negative impact on consumers' perceptions of luxury, causing a decrease in desire for luxury purchases (Deval, Mantel, Kardes, & Posavac, 2013; Kapferer & Valette-Florence, 2016).

Effects of Perceived Natural Rarity, Perceived Virtual Rarity, and Perceived Exclusivity on

Perceived Functional Value

According to commodity theory, consumers infer rare products to be more valuable (Brock, 1968). Value refers to a product's perceived utility for satisfying consumer needs (Lynn, 1991). From this association between rare products and value, consumers also infer such products as more expensive, which refers to the perceived monetary price required to get the product (Cialdini, 2009; Lynn, 1991). Scarcity messages addressing "limited quantities" are more appealing to customers because they evoke individuals' sense of urgency to purchase the rare products based on the perceptions that such product is unique and has good quality (Aggarwal et al., 2011; Eisend, 2008). Consumers also seek a scarce product due to popularity because it offers a quality heuristic: Many people buy the product, so it must be of good quality (Caminal & Vives, 1996; Kardes, Posavac, & Cronley, 2004). Hence, the following is proposed:

H2a: Perceived natural rarity has a significant and positive influence on consumers' perceived functional value.

H2b: Perceived virtual rarity has a significant and positive influence on consumers' perceived functional value.

Further, according to Bandwagon effects, consumers follow the behaviour of others within their social groups because they believe that the choice behaviour of relevant others reveals product excellence and quality (Van Herpen et al., 2009). Luxury exclusivity not only signals high social status by limiting common access, but also enhances signalling quality by increasing its distinctiveness, uniqueness and salience from being small of adopters (Lynn, 1992; Kim, 2018). In the luxury setting, price-luxuriousness inferences reflect consumers' tendency to use price as a cue to infer the quality of luxury products. When consumers perceive price as a favorable means to acquire higher status, they will be more likely to buy products as status signals (Lichtenstein, et al., 1988). Hence, the following is proposed:

H2c: Perceived exclusivity has a significant and positive influence on consumers' perceived functional value

Effects of Perceived Natural Rarity, Perceived Virtual Rarity, and Perceived Exclusivity on

Perceived Emotional Value

Brock (1968)'s commodity theory proposed that the possession of a scarce or rare object can produce feelings of distinctiveness among consumers. when scarcity is caused by limited supply, consumers infer that the product is exclusive and unique and unique, which can stimulate a desire to be one of the happy few to own it (Fromkin, 1970) Evidence shows that limited supply can induce emotional arousal and therefore, positively influence attractiveness (Aggarwal et al., 2011; Lynn, 1991; Zhu & Ratner, 2015).

Further, the Cognitive Appraisal Theory of Emotion states that the cognitive evaluation of the current situation (e.g., shortages of materials in manufacturing) may elicit different emotions (e.g., feelings of uneasiness, desire to own the commodity). The uncertainty of whether products are still available in the future may generate positive or negative emotional arousals (Watson, & Spence, 2007). Hence, the following is proposed:

H2d: Perceived natural rarity has a significant and positive influence on consumers' perceived emotional value.

One of the major applications of perceived virtual rarity is through the launch of limited-edition products. Virtually rare products such as limited-edition collections are often perceived as aesthetically appealing and psychologically pleasing, as they are portrayed with differentiated designs and added sophistication in workmanship (Prestini & Sebastiani, 2021). However, Yeo and Park (2004) suggested that consumers receiving repetitive rarity messages from marketers may develop the negative feelings and beliefs, perceiving LEP marketing as a sales gimmick for products that are not in fact rare. In other words, if LEP is frequently released, it is expected to have a negative effect on consumers' cognitions and emotions, not only for the launched product but also the brand. Hence, the following is proposed:

H2e: Perceived virtual rarity has a significant and negative influence on consumers' perceived emotional value.

According to the conformity theory and reference group effect, the strategy of exclusivity appeals, such as first-class cabins, VIP memberships and invitation-only events, provides reassurance that the services or products are highly regarded by members from their reference or aspirational groups (Kiatkawsin & Han, 2019). Consumers would attempt to comply with reference group expectations often associate exclusivity with the sense of reassurance, the feelings of attachment and belongingness within the group (Shin, Eastman, & Mothersbaugh, 2017). At the same time,

exclusivity embedded in luxury purchasing also distinguishes clients from the non-prestige group members at both physical and psychological level, which provides a positive enhancement for security needs, as well as a sense of fulfilment (Kiatkawsin & Han, 2017). Recent studies conducted by Septianto et al. (2020) suggest that exclusivity appeals are associated with achieving positive emotional outcomes (e.g., feeling proud after gaining something valuable). Hence, it is plausible that exclusivity has its unique status in eliciting different emotions among consumers. Hence, the following is proposed:

H2f: Perceived exclusivity has a significant and positive influence on perceived emotional value.

Effects of Perceived Natural Rarity, Perceived Virtual Rarity, and Perceived Exclusivity on Perceived Social Value

According to the commodity theory, it is hypothesised that consumers might prefer rare commodities because the possession of scarce commodities would enhance the possessor's self-concept and a sense of personal uniqueness. Lynn (1992) addressed this issue and further confirmed the positive relationship between rarity enhancement of value and consumer's need for uniqueness but also cautioned that not all rare commodities can convey uniqueness. In luxury consumption, more value is placed on rare products with superior materials and aesthetic craftsmanship, as it demonstrates self-distinctiveness in a social context that reinforces social status and a positive self-image (Thompson & Haytko, 1997).

It is worth noticing that natural rarity adds unique aspect to craftsmanship and aesthetics, conveying both symbolic and social value (Caniato et al. 2013). However, since virtual rarity strategies (e.g., artificially manipulating supply) have become a dominant tactic to achieve perceptions of scarcity, the following hypothesis is proposed:

H2g: Perceived natural rarity has a significant and positive influence on consumers' perceived social value.

Similarly, products with high rarity value can improve the social visibility, and in turn increase the utility of consumers. The artificial value placed on rare products provide a major motivation for status-seeking consumers, which reflects their interpersonal motivations of feeling superior and unique (e.g., Amatulli, Guido, & Nataraajan, 2015). For instance, consumers can use luxury limited-edition products to signal to others their uniqueness, high social status, and wealth (Eisend, 2008). Hence, the following is proposed:

H2h: Perceived virtual rarity has a significant and positive influence on consumers' perceived social value.

According to the signalling theory, luxury has become a source of social signifiers not only for the wealthy but also to signalling membership within and between a broad range of social groups, as consumers integrate luxury into their lives (Hemetsberger, von Wallpach, & Bauer, 2012). The desire for exclusivity drives consumers to look for luxury experiences that only a few could access and enjoy, and to symbolise social identity, status as well as superiority (Kim, 2018). In other words, the possession of exclusive products and services is not only a way to differentiate themselves from the 'outsiders', but also functions as means to symbolise their status as an 'insider' (Jang et al., 2015). Subsequently, the join of an exclusive group or events symbolises group confirmation of membership for group members who shares similar characteristics (in-group), there is also the recognition of and emphasis on differences between the self and others with characteristics that are different (outgroup) (Stets & Burke 2000).

Striving for uniqueness may also function as an exclusivity motivation, however, it is constrained by the need for social affiliation and social approval, so that consumers tend to demonstrate their specialness in ways that do not lead to social isolation or disapproval (Snyder, 1992). Hence, the following is proposed:

H2i: Perceived exclusivity has a significant and positive influence on perceived social value.
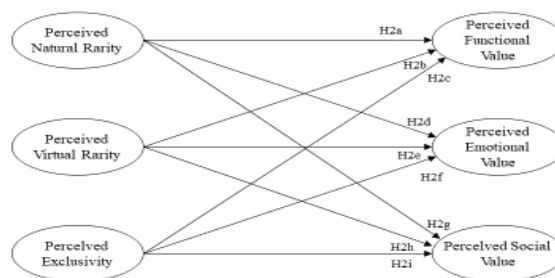
Figure 3.2. The proposed research model for study two.

Study Three: The Influences of Natural Rarity and Sustainability on Consumers' Desires for Luxury and Willingness to Pay More

This section in chapter 3 demonstrates the theoretical underpinnings hypotheses development for study Three. The proposed research model for Study Three is presented in **Figure 3.3.**

The purpose of this study is to investigate how perceived sustainability and perceived natural rarity influence the willingness to pay more for luxury. The mediating role of consumer desire for luxury was also examined. There have also been investigations into the compatibility between the concepts of sustainability and luxury rarity, but with inconsistencies in findings. Hennigs et al. (2013) and Nash, Ginger, & Cartier (2016) found that the two concepts complement each other as they both symbolise product durability and provide higher value. In contrast, others believe luxury rarity and sustainability represent different universes (e.g., Dekhili & Achabou, 2016; Kapferer & Michaut, 2015). Particularly, natural rarity has been found to be positively associated with luxury brand desirability by enhancing perceptions of quality and uniqueness (Parguel, Delécolle, & Valette-Florence, 2015; Wang, Sung, & Phau, 2021), while sustainability information appears to negatively influence the perceived quality of luxury products (Dekhili & Achabou, 2016; Dekhili, Achabou, & Alharbi, 2019).

Other authors assert that rarity and expensiveness can no longer define luxury (Mundel, Huddleston, & Vodermeier, 2017; Thomsen, Holmquist, Von Wallpach, Hemetsberger, & Belk, 2020). For many consumers, "unconventional luxury" involves ecological factors and sustainable practices, evoking desires (e.g., enjoying clean air and water, experiencing a moment of silence in nature; Mundel et al., 2017). Consumer desire for luxury is an important contributor to the willingness to pay a premium (Kapferer & Michaut, 2014, Kapferer & Valette-Florence, 2021). Hence, the potential influences of natural rarity and sustainability on consumer desires also open a pathway for the current study to understand consumers' willingness to pay more for luxury. The above comparison between natural rarity and sustainability raises theoretical questions: what continues to motivate consumers to pay more for luxury products? Can natural rarity and sustainability coexist in the luxury realm?

As such, the aims of this study are to understand whether (1) perceived natural rarity and perceived sustainability are related concepts in luxury and (2) consumer desire for luxury could have a positive mediating effect on the relationships between perceived natural rarity, perceived sustainability, and willingness to pay more.

The Influence of Perceived Natural Rarity on Consumers' Desires and Willingness to Pay More

According to the consistency theory (Festinger, 1957), when there is inconsistency and perceived divergence between two pieces of information (e.g., luxury versus sustainability), people can either rationalise their behaviour to reduce psychological discomfort (e.g., ignore sustainability issues), or they can change and act consistently with their beliefs, values and perceptions (e.g., abandon unsustainable luxury purchases).

Nowadays, Consumers are much more focused on the brands they choose and the values they represent. Luxury brands are also realising they need to be more consistent in communicating about their environmental commitments and setting out their strategies for sustainability (raw materials, CO_2 reductions; D'Arpizio, 2019).

Some authors believe that sustainability and luxury rarity share some important characteristics such as durability, which reflects the selection of natural resources that would last throughout time and thus decrease product disposal rate (Cervellon, 2013; Hennigs et al., 2013). The second characteristic is exclusivity, which reflects the carefully chosen materials used in production. For example, compared with cotton, alternative natural fabrics such as lyocell, flex and hemp are not only perceived to be rarer and more luxurious, but they can also bio-based and biodegradable which significantly reduce adverse environmental impacts (Donato, Buonomo, & Angelis, 2020).

Hence, it is plausible that consumers will establish consistent and sustainable behaviour by selecting brands promoting the reasonable use of natural resources in production (Hashmin et al., 2017). The promotion of using sustainable but naturally rare materials enhances the perceived durability of luxury goods, which can be important for preserving brand prestige and aesthetic craftsmanship among consumers. (De Angelis et al., 2017). Hence, it is proposed that:

H3a: Perceived sustainability and perceived natural rarity are distinct but positively correlated constructs.

Social Signalling theory captures the underlying mechanism on how rarity effect evokes desires and willingness to pay for luxury (Gierl & Huettl, 2010). Specifically, product rarity signals brand commitment of producing limited product quantities, which enhances quality and value perceptions to potential consumers (Balachander & Stock, 2009; Stock & Balachander, 2005). Rarity messages addressing naturally scarce aspect of luxury goods appeal to individuals' desire for uniqueness, which can stimulate consumers' desire to own it due to limited supply (Aggarwal et al., 2011; Eisend, 2008). Based on the proceeding discussion, the following hypothesis is presented:

H3b: Perceived natural rarity has a positive and significant influence on consumer desire for luxury.

In Park et al.'s (2008) study, both the need for uniqueness and group conformity were important for enhancing luxury fashion purchase intentions and willingness to pay for luxury goods. The use of naturally rare fibres particularly animal hair added specific and unique characteristics such as warmth, suppleness, fineness, and finally mystique (Gardetti & Muthu, 2015). The limited production and unique characteristics of using naturally rare materials and exotic fibres also stimulates positive luxury perceptions among consumers, which may subsequently contribute to purchase intentions (Kapferer & Valette-Florence, 2018; Wang et al., 2021).

H3c: Perceived natural rarity has a positive and significant influence on consumers' willingness to pay more.

Cognitive Consistency Theory posits that individuals are naturally inclined to establish cognitive and affective consistency in their beliefs, attitudes and behaviours (Stumpf &Baum, 2016). Consumers have the tendency to remain congruent with what they believe and how they act. For luxury purchasers, naturally rare items are perceived to be more desirable as they are difficult to obtain (Lynn, 1992), and individuals are willingness to make monetary sacrifice for the possession of such item for the fear of missing out (Aggarwal & Vaidyanathan, 2003).

H3d: The relationship between perceived natural rarity and willingness to pay more is positively mediated by consumer desire for luxury.

The Influence of Perceived Sustainability on Consumers' Desires and Willingness to Pay More.

According to the consistency theory (Festinger, 1957), when there is inconsistency and perceived divergence between two pieces of information (e.g., luxury versus sustainability), people can either rationalise their behaviour to reduce psychological discomfort (e.g., ignore sustainability issues), or they can change and act consistently with their beliefs, values and perceptions (e.g., abandon unsustainable luxury purchases). In terms of sustainable consumptions in luxury, the current situation requires luxury managers to find a balance between sustainability practice and maintaining natural rarity to evoke consumer desires for luxury.

Contemporary consumers demonstrate more complex and sophisticated motivations for luxury purchases and luxury desires. Luxury buyers of expensive items expect more than rarity; they want exclusivity (Solca, 2013; Yeoman & McMahon-Beattie, 2006). As Sundie et al. (2011) establish,

early-stage buyers of sustainable luxury goods are driven by the search for exclusivity. Enjoyment of exclusivity is an important emotional factor for luxury desire as it is also a reflection of buyers' feelings that they themselves are unique. Based on the proceeding discussion, the following hypothesis is provided:

H3e. Perceived Sustainability has a Positive and Significant Impact on Consumers' Desire for Luxury.

Recent research indicates that the implementation of ethical and sustainable practices has not only become essential for the luxury industry given growing environmental and societal pressure, it is also increasingly valued and demanded by consumers (e.g., Amatulli et al., 2018; de Angelis et al., 2017; Cheah et al., 2016). Previous studies also propose that consumers are willing to pay premium for sustainable luxury products that fulfil their dreams for luxury brand prestige and social power (Achabou & Dekhili, 2013; Beckham &Voyer, 2014).

Luxury firms incorporating sustainable elements reinforce the perception of durability of natural perceived product quality, which affect consumers' purchase motivation and thus affects consumer's purchasing decisions (Park & Park, 2003). Sustainable practice also enhances brand value and brand awareness, contributing to brand desires, which further contribute to consumer's willingness to pay premium prices (Guercini & Ranfagni, 2013; Kapferer, 2012). Researchers associate perceived quality with willingness to pay, brand purchase intentions and brand choices (Netemeyer et al., 2004).

Hence, it is essential to recognise sustainability as a distinctive element of corporate brand identity (Guercini & Ranfagni, 2013), as well as understanding how it affects consumers' desires and willingness to pay for luxury. Based on the proceeding discussion, the following hypothesis is provided:

H3f. Perceived Sustainability has a Positive and Significant Impact on Consumers' Willingness to Pay More.

H3g. The Relationship between Perceived Sustainability and Willingness to Pay More is positively mediated by Consumers' Desire for Luxury.
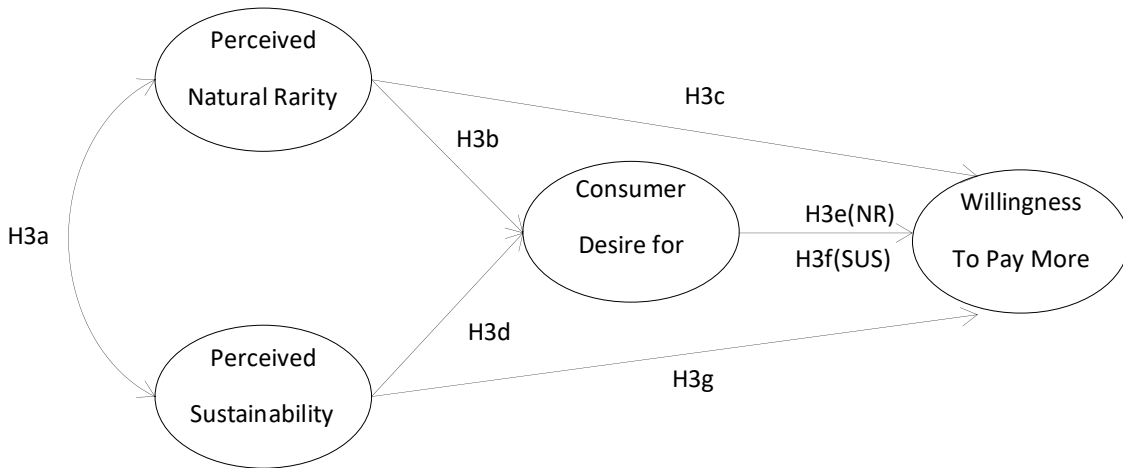
Figure 3.3. The proposed research model for Study Three.

Chapter Conclusion

Chapter 3 identified the overarching theories and theoretical underpinnings for each of the three studies in the thesis. Three studies were discussed independently in relation to the research questions. Hypotheses development and theoretical models were presented. Following this, Chapter 4 will discuss the research methodology adopted in this research.

CHAPTER 4 RESARCH METHODOLOGY

Introduction

Chapter 4 aims to provide an overview of the research methodology adopted in three studies. The chapter begins with an explanation of research design, followed by a description of brands and product categories selected for testing. Next, scales and measurements employed in the survey instruments are discussed. Last, pre-testing and research analysis were presented at the end with final consideration on ethics.

Epistemology

The nature of the current research follows Pragmatism research philosophy, which involves the reflexive process of observing complex issues in reality, as well as identifying means to provide practical solutions to enable successful action (Elkjaer & Simpson 2011). The "complex external reality" concerns with the current research sits on the luxury paradox of balancing market revenue and brand exclusivity in today's competitive market environment, and it also seeks to provide knowledge and practical implications to help identifying means to regain brand exclusivity and rarity in luxury industries.

Considering the aims and expected outcomes of this study, an Abductive approach will be adopted to combine the advantage of inductive and deductive approaches (Sudday, 2006). Abductive approach is suitable for this project as it not only meets the need of establishing models by extracting meaningful information from reality, but also allows further validation and modification of models based on additional data collection. The proposed research framework has been listed below which demonstrates the proposed associations among key variables.

Experimental research is conducted to assess the relationship between dependent variables (e.g., perceived rarity, perceived exclusivity) and independent variables (e.g., consumers' perceived value; willingness to pay more). Further, a mixed-methods approach is adopted, which includes the use of well-established scale items in surveys, as well as a thematic analysis for focus-group interviews and the selection of adequate product stimuli in subsequent studies.

Research Design

The current research adopts a quantitative approach and three correlational studies to unveil the relationships between the key variables. Correlational research design is appropriate because it uncovers the extent to which two or more variables are related, which can be beneficial in both

predictive design and model testing (Seeram, 2019).

The objective of the research is to examine the potential differentiated impacts of perceived exclusivity and perceived rarity on different cognitive and emotional outcomes including consumers' perception of luxury (Study One) and consumers' perceived value for luxury (Study Two). Extending on the findings from Study One and Study Two, Study Three is designed to assess the relationship between perceived natural rarity and perceived sustainability in luxury, as well as investigating their impacts on consumers' desire for luxury and willingness to pay more. All three studies were examined in the context of luxury fashion brand. This research used advertising descriptions from non-fictional brands.

Product stimuli including luxury bags, luxury wines, luxury footwear, luxury jewelleries and luxury cruises are selected to capture the effects of exclusivity and rarity from a wide range of product and service categories. To assess content and face validity, two focus group interviews (n=12) were conducted to assess the appropriateness of product categories. Participants were recruited through a snowball method involving individuals with relevant industry experiences and knowledge for luxury marketing. For each group interview, participants were provided with a list of 8 luxury brands and product categories for them to identify the best representations of stimuli based on the scope of this study. All stimuli are assessed for the appropriateness of luxury categories by incorporating the perceived luxuriousness index (Hagtvedt & Patrick, 2008), which confirms that product manipulations are successfully recognised as luxury categories by participants.

Sample Size, Sampling Method, and Data Collection

Firstly, before proceeding with the questionnaire, participants were asked to respond to the screening question "What is your country of birth?". Only Australian born participants or individuals selected "living in Australia for five or more years" were included in further analysis. Secondly, attention check question "If you pay attention, please select strongly agree" was also included to identity unmotivated respondents. Sample selection is based on notion that there is currently limited research focusing on understandings luxury purchasing and consumers' desire in Australia despite the fact of its strong and healthy growth in luxury sector (Euromonitor International, 2016). Therefore, it is of great interest to collect data and conduct research in order to understand luxury consumption in Australia. The main demographic that was targeted for this research was young adults and millennials born between 1980 to 1996. It is meaningful to focus on younger generational cohorts as they are the most important segment for luxury market who demonstrate distinct cognitions and diverse needs for luxury consumption (Jain, 2019).

Sample selection focused on affluent consumers with an annual income above AUD $60,000. Data collection was through an online panel Qualtrics with participants completing a self-administered survey form. Information sheet and consent form were provided before the commencement of survey. A total of 1138 responses were received, 96 cases were excluded due to unsuccessful attention check or missing data, leaving a sample size of 1042 for statistical analysis. Demographic profile of the sample is demonstrated in **Table 4.1**.

Table 4.1. Demographic profile of the sample (n=1042)

GENDER	FREQUENCY	PERCENTAGE
Male	531	51%
Female	511	49%
AGE		
Under 20	11	1%
21-34	323	31%
35-44	302	29%
45-54	177	17%
55-65	229	22%
ANNUAL INCOME		
$60,000--$99,999	531	51%
$100,000—149,999	333	32%
$150,000 and above	429	17%
COUNTRY OF ORIGIN		
Australia	541	52%
Other (live in Australia>=5 years)	501	48%

Structural Equation Modelling was conducted to test the model fit of the proposed model. Model fit indices for each product category are shown in Chapter 6. For each product category, ratio of minimum discrepancy to degrees of freedom was below 3, Tucker-Lewis Index (TLI) was acceptable (good if >0.90), Comparative Fit Index (CFI) was above 0.90, All indices exceeded the recommended threshold levels (Browne & Cudeck, 1993; Bagozzi & Yi, 1988). Sampling size is appropriate for processing SEM based on the recommended guideline of adequate ratio of 10:1 for number of cases and number of model parameters (Kline, 2005).

Survey Instruments and Design

All three studies adopted similar structure and design. For each condition, a photo stimulus was presented first with a generic description of the chosen product category, followed by the instructions to complete all relevant scales in the survey. All stimuli were presented individually in a random order. Demographic information (e.g., gender, income, & ethnicity) was also stored at the end of the questionnaire. The whole survey took approximately 20-30 minutes to complete.

For Study One, the survey instrument is made up of five sections comprising of established scales and demographic information. The first section measured perceived exclusivity using a four-item scale adapted from (Monkhouse et al.,2012). The second section measured perceived virtual rarity by adapting the three-item selective distribution scale from Kapferer and Valette-Florence (2016). The third section measured perceived natural rarity by adapting the seven-item product superiority scale from Kapferer and Valette-Florence (2016). The last section measured consumers' perception of luxury using a four-item scale developed by Hagtvedt and Patrick (2008). The combined item scores would then form a perceptions-of-luxury index to assess participant' overall impression of the product. All items are measured on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly disagree). All scales have shown acceptable levels of reliability in the original studies. The last section includes demographic information. Items from each scale are presented in Appendix V.

For Study Two, respondents were asked to assess the product description on four established scales. Following the same structure of Study One, Perceived exclusivity, perceived natural rarity and perceived virtual rarity were measured using the same scales as detailed in Study One. In addition, the perceived value scales were adapted from Sweeney and Soutar (2001), comprising three scales for measuring functional value (5 items), emotional value (4 items) and social value (4 items) respectively. All items were measured on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly disagree). All scales have shown acceptable levels of reliability in the original studies. After assessing all four products, respondents reported their demographic information.

For Study Three, the survey instrument incorporated three existing scales to measure Perceived Sustainability (PSUS), Consumer desire for Luxury (DES) and Willingness to Pay More (WTP). Scale items were adapted individually to ensure they suit the context of selected product category. Perceived sustainability was measured by adapting a five-item scale from Hamari, Sjöklint, and Ukkonen (2016). Consumer desire for luxury was measured by adapting the eight-item brand desirability scale from Kapferer and Valette-Florence (2016). Willingness to pay more scale adopted three items from Franke and Schreier (2008) examining consumers' purchase intentions for the luxury good. In additional, perceived natural rarity (PNR) was assessed by developing a three-item scale in accordance with the definition of natural rarity proposed by Catry (2003) and Kapferer & Valette-Florence (2016). All scales were reviewed to ensure acceptable levels of reliability as indicated in the original studies (See **Table 4.2**). Scale items were measured on 7-point Likert scales ranging from 1 (Strongly Disagree) to 7 (Strongly Agree). At the end of the survey, demographic information was recorded for each respondent.

Scales and Measurements

Perceived Exclusivity

The Perceived Exclusivity scale was adapted from Monkhouse, Barnes & Stephan (2012)'s study. This scale has showed a good level of reliability (Cronbach's alpha=.85) in the original study. It includes four items measured on a seven-point Likert scale ranging from 1(strongly disagree) to 7 (strongly agree).

Perceived Virtual Rarity

The Perceived Virtual Rarity was measured by adapting the Selective Distribution scale from Kapferer and Valette-Florence (2016). This scale aims to measure the impact of artificial manipulation of rarity based on product distribution. The Virtual Rarity scale includes three items that measured on 7-point Likert scale (1=strongly disagree, 7=strongly agree).

Perceived Natural Rarity

The Perceived Natural Rarity was measured by adapting the Product Superiority Scale from Kapferer and Valette-Florence (2016). The original scale comprised the notions of product rareness and noble ingredients that embody a brand tradition and heritage (Kapferer and Valette-Florence, 2016). Similar to the Virtual Rarity scale, Natural Rarity scale was also consisted of seven items measured on 7-point Likert scale, ranging from "strongly agree" to "strongly disagree".

Perceptions of Luxury

The Perceptions of Luxury construct was measured using four-item, seven-point Likert scales developed by Hagtvedt and Patrick (2008; Cronbach's alpha=.92). Participants evaluated their impressions on the target product or service based on its luxuriousness, prestige, attractiveness and high class. The combined item scores would then form a perceptions-of-luxury index to assess participant' overall impression of the product.

Consumers' Perceived Value

Consumers' perceived value scale was adapted from Sweeney and Soutar (2001). The functional value scale contained five items measuring the utility derived from the perceived quality and expected performance of the product. The emotional value subscale has five scales measuring the utility derived from the feelings or affective states that a product generates. The social value scale contained four items assessing the utility derived from the product's ability to enhance social self-concept. All items were measured on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree).

Perceived sustainability

Perceived sustainability was measured by adapting the sustainability scale from Hamari, Sjöklint, and Ukkonen (2016). This scale shows an adequate level of reliability (Cronbach's alpha=.91). This scale contains five items measuring consumers' preference for greener consumption. Each item was measured on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree).

Consumers' Desire for Luxury

Consumers' desire for luxury was measured by adapting the eight-item product desirability scale from Kapferer and Valette-Florence (2016). Each item was adapted to fit the purpose of measuring the selected product stimuli.

Consumers' Willingness to Pay More

Willingness to Pay More was measured to assess consumers' purchase intentions to make necessary monetary sacrifice to obtain certain products (Koschate-Fischer, Diamantopoulos, & Oldenkotte,

2012). WTPM scale included three items adapted from Demirgüneş (2015)'s scale to examine consumers' purchase intentions for the luxury good.

Table 4.2. Scale and Items for Measurement *All scales rated on a 7-point Likert scale.

Reference	Construct	Scale	No. of Items	α
Monkhouse, Barnes and Stephan (2012)	Perceived Exclusivity	Exclusivity Scale	3	0.85
Kapferer and Valette-Florence(2016)	Perceived Natural Rarity	Product Superiority Scale	7	0.85
Kapferer and Valette-Florence (2016)	Perceived Virtual Rarity	Selective Distribution	3	0.88
Sweeney and Soutar (2001)	Perceived Emotional Value	Consumers' Emotional Value Scale	5	0.94
Sweeney and Soutar (2001)	Perceived Social Value	Consumers' perceived Value Scale	4	0.82
Sweeney and Soutar (2001)	Perceived Functional Value	Consumers' perceived Value Scale	5	0.91
Kapferer and Valette-Florence (2016)	Consumers' Desire for luxury	Product desirability scale	8	0.91
Demirgüneş (2015)	Willingness to Pay More	Willingness to pay more	3	0.88
Hamari, Sjöklint, and Ukkonen (2016)	Perceived Sustainability	Sustainability scale	5	0.91

Stimulus Development

Visual Stimuli: Study One

Three set of stimuli including Bag, Wine and Cruise were chosen for the purpose of the current study to capture a wide range of product categories (e.g., personal luxuries, food and drinks, & luxury services). Among these three product categories, Hermès Crocodile Birkin bag, Château Margaux wine and the Regent Seven Seas Explorer cruise were specifically chosen for their relevance and capacities to evoke both exclusivity and rarity. Stimuli descriptions for each category have been provided in **Appendix I.**

Visual Stimuli: Study Two

Four product categories comprising of luxury handbag (Hermès Crocodile Birkin bag), luxury jewellery (Moussaieff red diamonds), luxury wine (Château Margaux wine), and luxury shoes (Prada-Adidas collaboration sneakers) were chosen to test the model. Product stimuli and their descriptions were based on real releases and marketing campaigns administered by the luxury brands.

All stimuli were assessed for the appropriateness of luxury categories by incorporating the perceived luxuriousness index (Hagtvedt and Patrick (2008), which suggested that all four manipulations were regarded as luxury categories by participants.

Stimuli descriptions for natural rarity emphasised on limited natural resources (e.g., the use of rare crocodile skin), whereas virtual rarity focused on artificially restricted quantity (e.g., only release 50 per year). Exclusivity is elicited by using statement such as "it is only offered to VIP clients" at a particular store. Stimuli descriptions for each category are presented in **Appendix I**.

Visual Stimuli: Study Three

The signature wallet from British luxury brand Ettinger was selected as the product stimulus to test the model. Luxury wallet from less well-known luxury brand was chosen for its relevance and capacity to evoke both sustainability and natural rarity while minimising the influence of brand familiarity. Product stimuli and their descriptions were based on real releases and marketing campaigns administered by the luxury brand. Stimuli descriptions for rarity emphasised on limited natural resources (e.g., the use of naturally rare cork oak). Perceived sustainability is elicited by using statement stressing the use of sustainable materials in production process. Stimuli descriptions for each category are presented in **Appendix I.**

Pre-Testing

Prior to data collection, A pre-test (73 student sample) and two focus groups were conducted to assess the appropriateness of the selected brands and scale items.

The student sample completed the online pre-test questionnaires through the Qualtrics platform and received course credit for their completion. Scale items for pre-testing are provided in **Appendix II**. The purpose of the pre-test was to examine the reliability of adapted scale items. All scales have shown appropriate levels of reliability before proceeding with further testing.

Participants for focus groups were recruited through a snowball method focusing on individuals with relevant industry and luxury marketing knowledge and academics with research expertise in luxury. Snowball sampling is one of the most widely used sampling method to reach audience who fit

research criteria and who potentially willing to participate (Parker, 2019). It provides a relatively homogeneous sample and allow information to be gathered in a timely manner (Johnson, 2014)

12 participants in two groups were provided with a list of luxury brands and different product categories for them to identify the best representation for rarity and exclusivity based on the scope of the definitions. They were also involved in the generation of the descriptions for each stimulus. Among these three product categories, Hermès Crocodile Birkin bag, Château Margaux wine and the Regent Seven Seas Explorer cruise were finally selected for their relevance and capacities to evoke both exclusivity and rarity. Focus group interview questions are listed in **Appendix III**.

Reliability Check

Reliability check was performed for each scale prior to conducting factor analyses. Following guidelines from Costello and Osborne (2005), all scales should yield acceptable levels of Cronbach's alpha above .70 to meet the basic reliability requirement deemed for further analysis. Reliability scores are presented in corresponding methodology sections in Chapter 5, 6, and 7.

Analysis Methods and Statistical Techniques

The data was analysed using SPSS 23 and AMOS version 22. Exploratory analysis, Confirmatory factor analysis, regression analysis and Structural equation modelling were employed in Study One and Study Two. Mediation effect was analysed in Study Three to determine the indirect effect of perceived natural rarity and perceived sustainability on the outcome variable of willingness to pay more through the mediator of consumers' desire for luxury. For this study, data analysis was carried out in accordance with a two-stage methodology offered by Gerbing and Anderson (1988). Specifically, EFA and CFA were first conducted to assess the adequateness of measurements in three studies. Secondly, structural equation model was used to confirm the structural model.

Exploratory Factor Analysis

Exploratory factor analyses (EFA) with Varimax (orthogonal) rotation were conducted in all three studies to examine whether there are multicollinearity and cross-loading of items from different scales. EFA is also helpful when examining factorial structure and preparing cleaner data for further analysis.

In study one, a total of 14 Likert scale questions from Perceived Exclusivity, Natural Rarity, and Virtual Rarity scales were conducted on data gathered from 154 participants. An examination of the Kaiser-Meyer Olkin measure of sampling adequacy suggested that the sample was factorable (*KMO*=.901).

The analysis yielded a three-factor solution that matches the proposed measurement purposes One PVR item "Its (the product) store's atmosphere is luxurious" was loading onto Natural Rarity measures, and therefore was excluded from further analysis. After erasing PVR3, PVR scale has shown a high Cronbach's α score of .866, making it suitable for further analysis.

In study two, exploratory factor analysis (EFA) has been conducted to confirm item loadings and dimensionalities across all four product categories. One item from PNR ("It is a brand unique of its kind"), two items from PE ("Once a product becomes mass-produced, it is not luxurious any more") and one item from PVR ("Its stores are very select with a real atmosphere") were removed due to multicollinearity and cross-loading issues.

In study 3, EFA with Varimax (orthogonal) rotation was performed with an examination of the Kaiser-Meyer Olkin measure of sampling adequacy (KMO), results indicated that the sample was factorable (KMO=.955).

Confirmatory Factor Analysis

Confirmatory factor analyses with AMOS 23 using maximum likelihood estimations have been conducted to further validate the dimensionality of each measure, as well as verifying the relationships among key variables for model fit testing.

In study one, results of CFA indicated that items loaded substantively on their corresponding factor with no clear evidence of significant cross-loadings in our sample. In particular we assessed model fit by considering the root mean square error of approximation (RMSEA), values =0.05 which indicated a good fit; the Tucker-Lewis index (TLI)=0.91, and the comparative fit index CFI=0.95, which also represented a good fit of the current model (Vandenberg and Lance, 2000; Kline, 2011). Subsequently, the composite score of each theoretical construct is computed based on the findings of the CFA and used for subsequent analyses.

In study three, a confirmatory factor analysis (CFA) using maximum likelihood estimations have been conducted to assess model fit, as well as further verifying the dimensionalities and relationships among PSUS, PNR, DES and WTP. The test of measurement model produced adequate model fit (Vandenberg &Lance, 2000; Kline, 2011): $\chi 2(140)$ =369.133, p=.000, RMSEA=.061, GFI=.920, AGFI=.892, TLI=.978 and CFI=.982.

Convergent and Discriminant validity

Convergent validity refers to the extent to which variables within a single factor are correlated to capture the common construct (Carlson & Herdman, 2010). Discriminant validity refers to the extent to which different factors are distinct from each other (Farrell & Rudd, 2009).

Convergent validity is indicated by AVE all above .50 (Fornell & Larcker, 1981). The discriminant validity was examined by relating the square root of each construct's average variance extracted (AVE) with the off-diagonal correlations. The AVE values were above 0.8, much higher than Fornell and Larcker's (1981) recommendations. The composite reliability and internal consistency have exceeded the threshold value of 0.7, which are deemed satisfactory.

The full measurement model has shown the presence of discriminant validity with the demonstration that scale items have adequate loadings, and they were positively and significantly correlated with their respective construct (p<.001). Therefore, a full structural equation model was developed to test the hypotheses of the current study. The composite score of each measure is computed based on the results of the CFA and subsequently used for further analyses.

Structural Equation Modelling

Following the general guidelines and recommendations from Kline (2005) and Holmes-Smith & Coote (2002), Structural Equation Model fit testing was performed based on results and patterns observed from Exploratory Factor Analysis, confirmatory factor analysis and reliability check.

Measurement and structural models were examined in accordance with the recommended guideline to ensure good levels of fit statistics. Specifically, we assessed model fit by considering the ratio of minimum discrepancy to degrees of freedom <3, the root mean square error of approximation (RMSEA), values =0.05 which indicated a good fit; the Tucker-Lewis index (TLI)=0.91, and the comparative fit index CFI=0.95, to ensure the current models exhibit good levels of fit indices (Vandenberg &Lance, 2000; Kline, 2011).

Further, SEM using AMOS version 23 was also used to test the mediation effects in study 3. Hypotheses were tested for both direct and indirect effects of perceived sustainability and perceived natural rarity on willingness to pay more in the presence of consumer desire for luxury. According to Preacher and Hayes's (2008) findings, a significant mediation effect is present when there is a statistically significant indirect effect of the independent variable on the dependent variable through the mediator ($p < 0.05$).

Regression Analysis

To analyse the hypothesised relationships in three studies, correlations and multiple regression analyses were performed in SPSS 23. The benefits of using multiple regression analysis include its capacities to (1) use in testing both categorical and nominal independent variables; (2) assess model patter beyond linear data representation (Kerlinger & Pedhazur, 1973); (3) help interpret the

significance of mean differences beyond a simple omnibus test (Chatham, 1999); (4) increase the statical power against Type II errors (Thompson, 2006).

Ethical Considerations

As part of the ethical requirement from Curtin University, the online ethics training course was undertaken first to ensure the acquirement of detailed knowledge in regards to ethical dilemmas, relevant ethic principles and code of ethics (British Sociological Association, 2002). Before proceeding with the study, ethics approval HRE2018-0202 was obtained from Human Research Ethics Committee of Curtin University. All procedures of research strictly followed university's ethical guidelines and standard. Respondents' confidentiality, a choice of participation and withdraw and purpose of this study will be listed in the information sheet. Consent forms were also given prior to the commencement of survey to gain permission for data access. All responds were kept with highest level of anonymity and will not be disclosed to the third party without official approval. A copy of the cover letter and the surveys are attached in **Appendix IV.**

Chapter Conclusion

Chapter 4 discussed the main research methodology adopted in this research. This chapter begins with an overview of research design, follow by a description of sampling method and survey instruments and design, it then explained the stimuli development for all three studies. Next, research analysis methods including EFA, CFA, reliability check, regression analysis and SEM were presented. Lastly, ethical consideration was presented to conclude chapter 4.

Chapter 5 STUDY ONE

Chapter Introduction

This chapter includes Study One of the thesis, focusing on examining the distinctive roles of perceived exclusivity and rarity (natural versus virtual), and their impacts on consumers' perception of luxury. Study One addresses research gaps GAP1 and GAP 2, in accordance with research objectives RO1 and RO2.

Chapter 5 is based on the current luxury paradox, which tackles the difficulty of maintaining the original sense of luxury while keep growing in market sales for luxury goods.

Following the structure of a standard journal article, chapter 5 includes an abstract of this study, an introduction, literature review, methodology and results. This chapter concluded with implications and discussions.

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Examining the Influences of Perceived Exclusivity and Perceived Rarity on Consumers' Perception of Luxury

Abstract

Purpose: The purpose of this study is to investigate how perceived exclusivity and perceived rarity (natural versus virtual) influence consumers' perception of luxury.

Design/Methodology/Approach: Data were collected via an online survey instrument by adapting developed scales from prior research. The stimuli for the study were chosen from three product categories namely luxury bags (personal luxuries), luxury wine (food and beverages) and luxury cruise (services and hospitality). Confirmatory factor analysis and multiple regressions were used to test the hypotheses.

Findings: The results confirmed that perceived exclusivity, perceived natural rarity and perceived virtual rarity were relatively distinct constructs. Perceived natural rarity (PNR) is found to have a significant and positive influence on consumers' perception of luxury across all three product categories. Perceived exclusivity (PE) is found to have a significant and positive influence on consumers' perception of luxury across two product categories (luxury bag and luxury wine), whereas perceived virtual rarity (PVR) did not show any significant effects across all three product categories.

Practical Implications: Our findings suggest that luxury businesses should adopt strategies pertaining to exclusivity and rarity independently to achieve the desired marketing outcomes. Further, these strategies should also be directed as specific product categories.

Originality/Value: This study offers theoretical support for the proposition that perceived exclusivity and perceived rarity may have different functions in luxury marketing communications and strategies. It provides empirical evidence showing these two concepts are distinct, bridging an inherent gap in previous research.

Key words: Perceived Exclusivity, Perceived Rarity, Perception of Luxury

Introduction

The global luxury market has witnessed an ever-growing demand for luxury goods in the past decade with an average 3% to 4% growth annually since 2009, reaching a total retail value of €1.3 trillion in 2019 (Bain & Co., 2019). In particular, personal luxury goods (9%), luxury cruises (9%) and fine dining (6%) have been showing strong and promising growth. It has been estimated that by 2025, the luxury customer base will likely expand to 450 million, up from 390 million in 2019, due to the rise of middle class and millennial customers (Bain & Co., 2019). While the pandemic has changed the way global luxury consumers "live and shop" and "what they value", growth is still expected in the range of 10-19% subject to current macroeconomic conditions, Covid-19 situations, global travel and consumer resilience and confidence (D'Arpizio et al., 2021).

With the rapid growth in luxury consumption, many luxury brands have engaged in large-scale productions and rapid line extensions in order to make their products more readily available (Mundel, Huddleston, & Vodermeier, 2017; Paul, 2019). Although the short-term financial results may seem promising, it is a growing concern that the emergence of 'mass luxury' might eventually lead to luxury brands losing their status of rarity and exclusivity, both of which are found to be key motivations for luxury purchases (Kapferer & Valette-Florence, 2016; Larraufie & Lui, 2018). Further, the wide availability and accessibility of luxury products may also exert a negative impact on consumers' perception of luxury, causing a decrease in desirability for luxury purchases (Hung et al., 2011; Kapferer & Valette-Florence, 2018; Wiedmann, Hennigs, & Siebels, 2009). While there are studies aimed at understanding the roles of exclusivity and rarity (e.g., Dörnyei, 2020; Kapferer, 2012; Kim, 2018; Radón, 2012), very few studies have attempted to properly define and differentiate between the two concepts. For example, there are studies suggesting that the desire for exclusivity functions as a prevailing driver for supply-based rarity (Jang, Ko, Morris, & Chang, 2015; Roy & Sharma, 2015). Others have viewed the two as independent concepts underlying perceived uniqueness (e.g., Vigneron & Johnson, 2004; Wiedmann et al., 2009). Past research has frequently used the terms 'exclusivity', 'rarity' and 'scarcity' interchangeably to illustrate distribution restraints (e.g., Kapferer, 2012; Upshaw, Amyx & Hardy, 2017), or to depict the influence of limited supply (e.g., Dörnyei, 2020; Jang et al., 2015).

Classic luxury brands such as Louis Vuitton and Hermès have been known to use strategies such as "VIP programs" and "limited editions" to enhance exclusivity and rarity perceptions among consumers (Fionda & Moore, 2009; Radón, 2012; Shin, Eastman, & Mothersbaugh, 2017). The ultimate goal is to maintain perceived luxuriousness and desirability of the brands, and to ensure that consumers still maintain high levels of dream value for the brands (Riot, Chamaret, & Rigaud, 2013).

Despite the wide applications of exclusivity and rarity strategies, there is currently lacking of existing research comparing the effectiveness of each of these concepts. In fact, previous research has rarely assessed rarity and exclusivity as separate and independent marketing concepts, making it difficult to pinpoint the effectiveness of associated strategies for each of these concepts.

It has also been recognised that consumers' perception for luxury is becoming increasingly complex and subjective (e.g., Atwal & Williams, 2017; Kapferer & Laurent, 2016; Roper, Caruana, Medway, & Murphy, 2013). Traditionally, the meaning of luxury has always been associated with exclusivity and limited availability (Jain, Khan, & Mishra, 2015). In recent years, individuals' consumption for luxury is found to be influenced by multiple factors such as the pursuit of luxurious lifestyle (e.g. Sharda & Bhat, 2019), brand awareness (e.g. Roy, Rabbanee, Chaudhuri, & Menon, 2019) and perceived value (e.g. Kautish, Khare, &Sharma, 2020). In particular, the emergence of experiential marketing (e.g., multisensory luxury experience) has captured changes in meanings and consumers' perception of luxury among contemporary consumers (Atwal & Williams, 2017; Gupta, 2019; Kautish, Paul, & Sharma, 2021).

In summary, the aim of this study is two-fold. First, this study compares the constructs of exclusivity and rarity to pinpoint the potential differentiated functions in the luxury industry. Exclusivity and rarity have been previously perceived as closely related factors underlying individuals' luxury perceptions (e.g., Wiedmann, Hennigs, & Siebels, 2007). However, exclusivity and rarity tactics tend to address different aspects of luxury (e.g., limited availability of products versus limited accessible of consumers). Therefore, it is important to assess their distinct roles in influencing consumers' perceptions for luxury in today's fast-changing marketing environment closing an inherent gap in the luxury literature. Second, this study examines the influences of exclusivity and the two types of rarity (natural and virtual), to understand how they contribute to consumers' perception of luxury in contemporary luxury market. Knowing how the influence of different marketing tactics on the perception of luxury can provide strategic insights for developing marketing programs and designing advertisements.

Relevant Literature and Hypotheses Development

The Luxury Paradox

Luxury rests on a paradox. Successful luxury brands must be high in awareness yet at the same time, hold the stature of being rare and exclusive (Phau & Prendergast, 2000; Kapferer & Valette-Florence, 2018). The concept of 'luxury' refers to something that is inherently unattainable and unreachable (Amaldoss & Jain, 2005; Ko, Costello, & Taylor, 2019). It is often associated with its premium if not astronomical pricing and its capacity to evoke dream among the masses (Phau & Prendergast, 2000; Kapferer & Valette-Florence, 2018). In recent years, the idea of 'luxury' has been greatly challenged by the increased accessibility of luxury goods associated with product line extension and diverse pricing (Kapferer & Laurent, 2016; Ishihara & Zhang, 2017). With an ever-growing number gaining access to luxury in various forms, it has made it extremely difficult for luxury brands to maintain its original sense of exclusivity and rarity (Radón, 2012; Kapferer& Laurent, 2016). For example, many have noted that Louis Vuitton handbags are now mass-produced, which seemingly contradicts the view that luxury brands must have a rarity value (e.g., Phau & Prendergast, 2000).

At the same time, new consumer segments marked by the middle-class have expressed greater interest to gain access to the luxury market (Hudders, Pandelaere & Vyncke, 2013; Roy, Jain, & Matta, 2018). This 'democratization of luxury' (Lipovetsky & Roux, 2003; Dubois, Czellar & Laurent, 2005; Dubois et al, 2005) has fuelled demand for prestige branded items (e.g., Ishihara & Zhang, 2017; Perry, Barnes, & Ye, 2020; Rovai, 2018). With the increased purchasing power of luxury in emerging markets, there have been concerns that an increase in distributions and sales would dilute luxury desirability and brand exclusivity, and consequently erode brand equity and luxury status (Kapferer, 2012; Ishiharar & Zhang, 2017).

Recent studies, on the other hand, have also highlighted that consumers' perception of luxury is becoming increasingly subjective and personalised (e.g., Gurzki & Woisetschlager, 2017; Hudders et al., 2013; Mattingly & Lewandowski, 2014; Oyedele & Simpson, 2018). For example, there are studies suggesting that there is an emphasis on luxury experiential values as means of achieving self-expansion and self-indulgence rather than focusing on the traditional sense of material possessions (e.g., de Kerviler & Rodriguez,2019; Yang & Mattila, 2017; Wang & Qiao, 2020). Therefore, the notion of luxury being rare and exclusive may appeal better to the elitists than to the fast-rising middle-class consumers who have demonstrated a great diversity of preferences and expectation of luxury brands to be readily available.

Perceived Exclusivity

Exclusivity has been defined as a brand characteristic or capacity "to differentiate, rather than affiliate oneself from the rest of others" (Monkhouse, Barnes & Stephan, 2012). Luxury exclusivity can be achieved by restricting accessibility and elevating consumers' desire for luxury experiences (e.g. special VIP programs and 'invitation' only events), that only a few could access and enjoy the "golden segregation" (e.g. Balachander & Stock, 2009; Brock, 1968; Dommer et al., 2013; Gierl & Huettl, 2010; Tynan, McKechnie, & Chhuon, 2010; Kim, 2018; Schultz & Jain, 2018). This symbolises social identity, status as well as superiority (Kim, 2018; Sharda & Bhat, 2018).

It is also believed that consumers' desire for exclusivity is more salient when luxury purchase is used as a way to affirm belongingness and obtain social approvals from their aspirational groups (Kim, 2018; Perez, Castaño, & Quintanilla, 2010). In other words, the possession of exclusive products and services is not only a way to differentiate themselves from the 'outsiders', but also functions as means to symbolise their status as a luxury 'insider' (Amaldoss & Jain, 2005; Jang et al., 2015). The concept of exclusivity is important to understand consumer purchase intentions (Hung et al., 2011), and consumers perceptions for luxury brands (Chen & Lamberti, 2015).

Perceived exclusivity is an important factor constituting the meaning of luxury (Kapferer & Laurent, 2016; Truong, 2010; Wiedmann et al., 2007); perceived uniqueness when measuring consumers' perception of luxury (e.g., Vigneron & Johnson, 2004) and enhancement of brand desire because it elevates perceived expensiveness and meet consumers' need for uniqueness (e.g. Vigneron &Johnson, 2004). Dubois and Paternault (1995) has established the association between consumers' perception of luxury and perceived exclusivity suggesting that different market segments (i.e., elitist, democrats) are likely to vary along the key dimensions of luxury including their preferences for exclusive products and the levels of perceived brand luxuriousness. Similarly, Dubois et al. (2005) found that the elitist consumer segment perceived exclusivity as ways to signify luxury refinement, personal taste and social status, while the effects in luxury democrats remain less significant. It is important to note that both studies have focused on traditional 'elite' consumer groups rather than adopting a wider consumer base. Given the fast-changing nature of luxury market, it is crucial to assess the role of exclusivity among contemporary consumers. Building on this, the following hypothesis is proposed:

H$_1$: Perceived exclusivity has a significant and positive influence on consumers' perception of luxury.

Perceived Rarity

The concept of rarity originally stemmed from the use of valuable materials such as diamonds or gold, which are naturally scarce to increase brand desirability (Catry, 2003). Until more recently, luxury companies have largely incorporated other means such as creating artificial shortages (e.g., waitlist, limited series) to form an illusion of rarity and scarcity. According to the scarcity principle (Cialdini, 1993), the rarity aspect of goods is an important contributor to subsequent purchases as it creates competitive arousals in consumers (Nichols, 2017) and evoke the fear of missing out (Hodkinson, 2019; John et al., 2018). There are also different classifications of luxury rarity. According to Catry (2003), natural rarity refers to natural shortages of raw material, limited product capacity or the use of valuable materials (e.g., exotic crocodile skin, diamonds, truffles), which are naturally scarce and likely to increase brand desirability. Virtual rarity or 'artificial rarity' refers to the deliberate manipulation of product availability (e.g., limited editions), that is controlling supply to evoke perceived luxuriousness of the product (Kapferer, 2012).

Consumers' preferences for rare products are in line with the "snob effect", a claim that the demand of a product increases because others do not purchase the same product (Leibenstein, 1950). In other words, scarce messages addressing "limited quantities" are more appealing to customers because they evoke individuals' sense of urgency to purchase the rare products while increasing the product's value perceptions and perceived uniqueness (Aggarwal, Jun, & Huh, 2011; Eisend, 2008). The strategies of limiting production quantity either due to natural rarity or virtual rarity are found in various product categories such as automobiles, collectables such as coins, watches and jewellery to trigger perceived luxuriousness among consumers (Amaldoss & Jain, 2005; Jang et al., 2015). For example, Hermès produces only a limited number of Birkin Bags per year, whereby some of them are made with extremely rare materials such as exotic animal skin. This often results in at least a one-year wait list and some consumers do not hesitate to pay a premium to receive the bag earlier than others because they want to enjoy the feeling of owning luxury rare bags that are unique and high in investment value (Velasco, 2018).

The concept of rarity has been regarded as a key factor underlying consumers' perception of luxury (e.g., Jang et al. 2015; Kapferer & Valette-Florence 2016; Wiedmann et al., 2007) and evoke brand desirability among consumers (Kapferer &Valette-Florence 2016). This can subsequently influence their purchasing decisions for luxury goods (e.g., Inman, Peter, & Raghubir, 1997; Han, Nunes, & Drèze, 2010; Lynn, 1989). In particular, Kapferer and Valette-Florence (2016) proposed that the manipulation of virtual rarity could be more beneficial in evoking perceptions of 'dream value". However, there is limited empirical evidence to show comparative effectiveness of natural versus

virtual rarity in luxury consumptions. Hence, this study extends Kapferer and Valette-Florence (2016)'s work by examining consumers' luxury perceptions in the context of natural rarity and "virtual rarity" respectively. The following hypotheses are proposed:

H₂: Perceived natural rarity has a significant and positive influence on consumers' perception of luxury.

H₃: Perceived virtual rarity has a significant and positive influence on consumers' perception of luxury.

Constructs of Perceived Exclusivity and Perceived Rarity

Previous research has investigated exclusivity and rarity as dimensions of perceived uniqueness (e.g., Dubois et al., 2005; Vigneron & Johnson, 2004), or as a mere means to achieve prestige pricing (e.g., Hwang, Ko, & Megehee, 2014) and exclusive distributions (e.g., Kapferer, 2012; Upshaw et al., 2017). The two concepts have been largely conducted around "limited quantities" and "limited supply" (e.g., Christodoulides, Michaelidou, & Li, 2009; Jang et al., 2015; Dörnyei, 2020). Although exclusivity and rarity are related concepts, the manipulation of scarcity messages (e.g., 'limited quantity" or "limited supply") may not be sufficient to elicit both of them among luxury consumers. Findings of these studies only captured the overlapping and co-occurrence of exclusivity and rarity in terms of manipulating supplies and not differentiating if one or the other has a distinct influence.

Both naturally and virtually rare products can appeal to individuals' need for uniqueness and evoke consumers' urgency to own items that may later become unavailable (Aggarwal et al., 2011; Eisend, 2008). Preferences for exclusive products can be explained by the influence of group orientations (Byun, Long, & Mann, 2020; Monkouse et al., 2012) and the conformity effect to exclusive social groups (Gierl & Huettl, 2010; Hwang, & Lyu, 2018). Taken together, the desire for exclusivity involves one's pursuit of differentiation through superiority over others, whereas luxury rarity is largely related to the limited availability and perceived shortages of products (Kapferer &Valette-Florence, 2016). Both concepts are considered as important factors influencing perceived uniqueness and perceived luxuriousness, however each is not a sufficient condition of another. Many previous studies only captured the overlapping and co-occurring aspects of exclusivity and rarity, without differentiating the two as independent constructs. Hence, this study aims to understand the potential differences between exclusivity and rarity to warrant the design of future marketing strategies. Based on the extensive review of previous research, we propose that exclusivity and rarity should function as distinct concepts. As such, it is proposed that:

H4: Perceived exclusivity perceived natural rarity and perceived virtual rarity are distinct but positively correlated constructs.

The hypothesized research model showing the relationships among the variables is shown in Figure **5.1**.
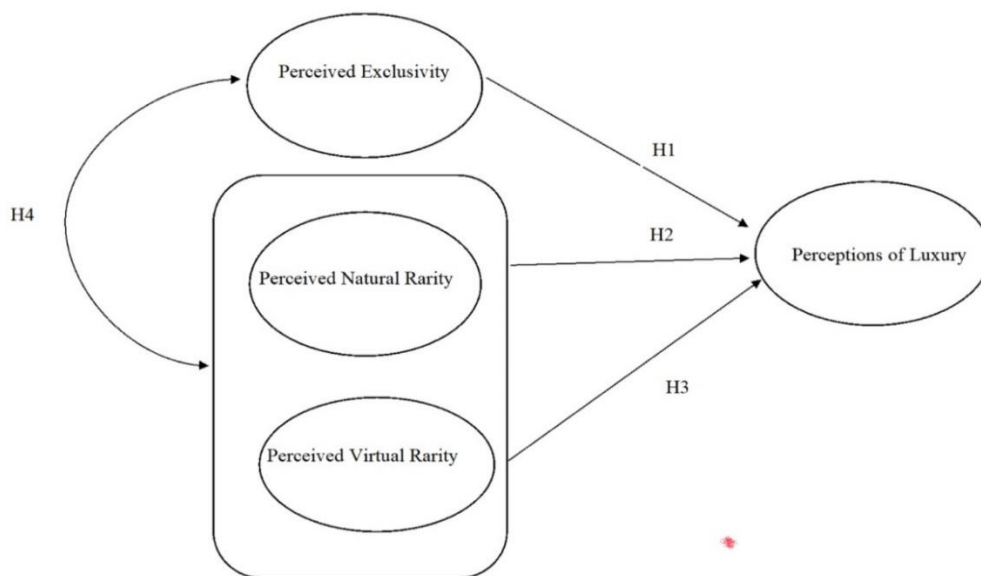
Figure 1: Conceptual Model

Figure 5.1. Proposed research model of Study One

Methodology

Data Collection and Sample

Data collection was through an online panel with participants completing a self-administered survey form. 160 participants completed the survey instrument, with and exclusion of six participants due to either missing data or unsuccessful attention check, leaving 154 participants for further analysis. Thirty-six percent of the participants are identified as male with sixty four percent female, seventy-five percent indicated that they were born in Australia and the rest are residents in Australia for more than five years, and the average age of participants was 36 years (SD=12.98).

Stimuli

Three product categories comprising of personal luxuries, food and beverages, and luxury services were chosen to test the model. A pre-test (73 student sample) and two focus groups were conducted to assess the appropriateness of the selected brands and scale items.

The student sample completed the online pre-test questionnaires through the Qualtrics platform and received course credit for their completion. Stimuli descriptions and scale items are provided in **Appendix II** and **III**. The purpose of the pre-test was to examine the reliability of adapted scale items. All scales have shown appropriate levels of reliability before proceeding with further testing.

Participants for focus groups were recruited through a snowball method focussing on individuals with relevant industry and luxury marketing knowledge and academics with research expertise in luxury. 12 participants in two groups were provided with a list of luxury brands and different product categories for them to identify the best representation for rarity and exclusivity based on the scope of the definitions. They were also involved in the generation of the descriptions for each stimulus. Among these three product categories, Hermès Crocodile Birkin bag, Château Margaux wine and the Regent Seven Seas Explorer cruise were finally selected for their relevance and capacities to evoke both exclusivity and rarity. Focus group interview questions are listed in **Appendix I**.

For each condition, a photo stimulus was presented first with a generic description of the chosen product category, followed by the instructions to complete all relevant scales in the survey. Demographic information was collected at the end of the questionnaire. The whole survey took approximately 20 minutes to complete**.**

Survey Instrument

The survey instrument is made up of five sections comprising of established scales and demographic information. The first section measured perceived exclusivity using a four-item scale adapted from Monkhouse et al. (2012). The second section measured perceived virtual rarity by adapting the three-item selective distribution scale from Kapferer and Valette-Florence (2016). The third section measured perceived natural rarity by adapting the seven-item product superiority scale from Kapferer and Valette-Florence (2016). The last section measured consumers' perception of luxury using a four-item scale developed by Hagtvedt and Patrick (2008). The combined item scores would then form a perceptions-of-luxury index to assess participant' overall impression of the product. All items are measured on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly disagree). All scales have shown acceptable levels of reliability in the original studies. The last section includes demographic information. Items from each scale are presented in **Appendix III**.

Results and Analysis

Preliminary Results

The means, standard deviations and intercorrelations of main measures are presented in **Table 5.1**. PE, PVR, PNR and PL were all significantly and positively correlated with each other.

Table 5.1

Means, Standard Deviations, and Intercorrelations among Study Measures

Measures	PE	PNR	PVR	PL	M	SD
PE	--				4.109	.713
PNR	.502**	--			5.925	.950
PVR	.265**	.460**	---		6.042	1.089
PL	.500**	.806**	.412**	---	6.181	.858

Note. PE=Perceived Exclusivity Measure; PNR=Perceived Natural Rarity Measure; PVR=Perceived Virtual Rarity Measure; PL=Perceptions of Luxury Measure.*$p<.05$. **$p<.01$*

Reliability Check

Reliability check was performed for each scale priori to conducting factor analyses. Three scales yielded acceptable levels of Cronbach's alpha: perceived exclusivity (PE; α=.703), perceived natural rarity (PNR; α=.927), and perception of luxury (PL; α=.881), indicating good levels of consistencies for internal reliability. An item PVR3 was removed from the perceived virtual rarity (PVR; α=.866) scale to meet the basis reliability requirement deemed for analysis.

Exploratory Factor Analysis

An exploratory factor analysis with a Varimax (orthogonal) rotation was performed to examine whether there are multicollinearity and cross-loading of items from different scales. The Kaiser-Meyer Olkin (KMO=.901) measure of sampling adequacy is also acceptable for analysis. The results of an orthogonal rotation of the solution are shown in Table **5.2**. The analysis yielded a three-factor solution that matches the proposed measurement purposes, supporting H_4.

Table 5.2

Summary of Exploratory Factor Analysis Results for 13 survey items Using Maximum Likelihood Estimation (N = 154)

	Item	Factor Loadings		
PE	*PE1*	.677		
	PE2	.749		
	PE3	.630		
	PE4	.747		
PNR	*PNR1*		.797	
	PNR2		.681	
	PNR3		.808	
	PNR4		.793	
	PNR5		.805	
	PNR6		.850	
	PNR7		.771	
PVR	*PVR1*			.855
	PVR2			.864
EIGENVALUES		*47.271*	*58.821*	*68.190*
% OF VARIANCE		*35.669*	*18.732*	*13.790*

Note: Factor loadings smaller than.40 appear are not displayed. PE=perceived exclusivity, PNR=perceived natural rarity, PVR=perceived virtual rarity.

Confirmatory Factor Analysis

Confirmatory factor analysis with AMOS 23 using maximum likelihood estimations was conducted to further validate the dimensionality of each measure, as well as verifying the relationships among PE, PVR and PNR. Results of CFA indicated that items loaded substantively on their corresponding factor with no clear evidence of significant cross-loadings in our sample, further supporting H$_4$. In particular we assessed model fit by considering the root mean square error of approximation (RMSEA), values =0.05 which indicated a good fit; the Tucker-Lewis index (TLI)=0.91, and the comparative fit index CFI=0.95, which also represented a good fit of the current model (Kline, 2011; Vandenberg &Lance, 2000). Subsequently, the composite score of each theoretical construct is computed based on the findings of the CFA and used for subsequent analyses.

Regression Analysis

Three separate multiple regression analyses were conducted to examine whether perceived exclusivity (PE), perceived natural rarity (PNR) and perceived virtual rarity (PVR) contribute to consumers' perception of luxury (PL) in the context of (1) luxury handbag; (2) luxury wine and (3)

luxury cruise categories. According to Molitor, Spann, Ghose, & Reichhart (2020), regression analytics is better suited for non-categorical data, and it has been used to observe moderating influence in many previous studies as a robust measure (e.g., consumers' online purchase intentions; Kautish et al., 2021). Results of the regression analysis are presented below.

Product Category: Luxury Handbag

Correlations and multiple regression analysis were conducted to examine the relationships between PL and the predictors in the luxury bag category. As shown in Table 3, PE, PNR and PVR were all positively and significantly correlated with PL. The multiple regression model with all three predictors showed that $R^2 = .589$, $F(3, 153) = 71.79$, $p < .001$. As shown in Table **5.3**, both PE and PNR had significant positive regression weights, supporting H_1 and H_2. PVR had a negative and insignificant beta weight thus H_3 is rejected.

Table 5.3.

Correlations and Multiple Regression Weights among Measures in Bag Category

Predictors	Correlations with PL (DV)	Multiple Regression Weights	
		B	β
Bag_PE	.586**	.316**	.220**
Bag_PNR	.744**	.542**	.646**
Bag_PVR	.278**	-.070	-.071

Note. Bag_PE=Perceived Exclusivity Measure for Bag Category; Bag_PNR=Perceived Natural Rarity Measure for Bag Category; Bag_PVR=Perceived Virtual Rarity Measure for Bag Category; PL=Perceptions of Luxury Measure for Bag Category. n=154. *p<.05. **p<.01*

Product Category: Luxury Wine

Correlations and multiple regression analysis were conducted to examine the relationships between PL and various potential predictors in wine category. As shown in Table 5.4, PE, PNR and PVR were all positively and significantly correlated with PL. The multiple regression model with all three predictors showed that $R^2 = .663$, $F(3, 153) = 98.34$, $p < .001$. As shown in Table 4, both PE and PNR had significant positive regression weights, supporting H_1 and H_2. PVR had a positive but insignificant beta weight thus H_3 is rejected.

Table 5.4.

Correlations and Multiple Regression Weights among Measures in Wine Category

Predictors	Correlations with PL (DV)	Multiple Regression Weights	
		B	β
Wine_PE	.586**	.150*	.125*
Wine_PNR	.806**	.651**	.722**
Wine_PVR	.500**	.037	.047

Note. Wine_PE=Perceived Exclusivity Measure; Wine_PNR=Perceived Natural Rarity Measure; Wine_PVR=Perceived Virtual Rarity Measure; PL=Perceptions of Luxury Measure. n=154.
*p<.05. **p<.01

Product Category: Luxury Cruise

Correlations and multiple regression analysis were conducted to examine the relationships between PL and various potential predictors in cruise category. As shown in Table 5, PE, PNR and PVR were all positively and significantly correlated with PL. The multiple regression model with all three predictors showed that $R^2 = .669$, $F (3, 153) = 83.32$, $p < .001$. As shown in **Table 5.5**, PE did not have a significant regression weight thus H_1 is rejected. PNR had a significant and positive regression weight thus H_2 is accepted. PVR had a negative but insignificant beta weight thus H_3 is rejected.

Table 5.5. *Correlations and Multiple Regression Weights among Measures in Cruise Category*

Predictors	Correlations with PL (DV)	Multiple Regression Weights	
		B	β
Cruise_PE	.627**	.002	.001
Cruise_PNR	.829**	.816**	.885**
Cruise_PVR	.601**	-.070	-.105

Note. Wine_PE=Perceived Exclusivity Measure; Wine_PNR=Perceived Natural Rarity Measure; Cruise_PVR=Perceived Virtual Rarity Measure; PL=Perceptions of Luxury Measure. n=154.
*p<.05. **p<.01

In summary, our results have shown that exclusivity, natural rarity and virtual rarity are perceived as distinct constructs among the current sample. Our findings also show that perceived natural rarity (PNR) consistently positively influence consumers' perception of luxury across all three product categories. Further, the influence of perceived exclusivity (PE) on perception of luxury has also

shown to be significant for two product categories, namely luxury bag and luxury wine, but not for the service and hospitality category of luxury cruise. On the other hand, perceived virtual rarity did not show any significant effects across all three product categories.

Implications and Concluding Comments

Theoretical Implications

Findings of this study adds to existing theories on rarity by distinguishing the differences between natural rarity and virtual rarity. It is clear that natural rarity can trigger positive outcomes on consumers' perception of luxury and this is evident across all three product categories. Natural rarity as a result of shortages of natural resources was clearly perceived as more luxurious by consumers. This finding is consistent with previous research by Chen and Lamberti (2015), suggesting that consumers have a strong tendency to favour the use of natural and scarce material over synthetic ones in luxury purchases and further confirms Hwang et al., (2014) finding on the important role of natural rarity in enhancing consumers' value perception of luxury brands.

Virtual rarity on the other hand did not directly relate to elevated levels of perceived luxuriousness in our research. There are prior studies focusing on luxury and non-luxury brands showing that restricted availability of goods could enhance the desirability of the brand due to its social signalling effect (Stock & Balachander, 2005) and the need for uniqueness (Han et al.2010; Nelissen & Meijers, 2011). For example, Cialdini (2009, p.267) suggests that when something that people like is less available, consumers become physically agitated, such that their focus narrows, emotion rises, and cognitive processes are often supressed by 'brain-clouding arousal'. Our research results seem to be contradictory to the previous literature, showing that contemporary consumers may not perceive a product as more luxurious just because the brand 'controls' and advertise rarity in a specific way. In comparison with the traditional 'elitists' luxury purchasers, contemporary consumers are more conscious of the techniques of persuasion employed by marketers, as well as the tactics related to product rarity advertising (Ko, Phau & Aiello, 2016; Suri, Kohli, & Monroe, 2007).

Previous research also suggested that the rising middle class and millennials are characterised by a strong adoption of the new concept of luxury, which is no longer related to "possessing" but "experiencing" luxury (Barton, Fromm, & Egan, 2012). In other words, luxury purchasing has moved from its "old conspicuous consumption" model to the desire for experiences (Ko et al., 2016). It is possible that consumers represented by the millennials have developed distinct motivations and perceptions in regards to luxury purchases, in which virtual rarity may not be perceived as one of the

determinant criteria for luxury consumptions. Hence, luxury marketers should be more cautious when advertising on 'artificially induced' rarity, as this tactic can exert negative consequences if used inappropriately.

The findings also showed that exclusivity play an important role in triggering consumers' perceived luxuriousness in both the bag and wine categories. The essence of exclusivity is the manipulation of product or service accessibility to ensure only a select few have the privilege to enjoy this "golden segregation" (Godey et al., 2013; Tynan et al., 2010). Hence, establishing an adequate level of exclusivity is crucial for maintaining a brand's luxury image, especially in luxury retailing settings related to personal luxury and food industries.

Managerial Implications

This study offers several managerial implications. First, the focus on understanding contemporary consumers' luxury perceptions provides managers with additional tools to navigate the complex realities of current luxury markets. Unlike traditional 'elitists' luxury purchases that are largely subjective and status-driven, contemporary consumers tend to favour products with a 'naturally rare' aspect attached to them. This finding indicates that for some luxury categories that are intrinsically rare (e.g., diamonds, truffles), marketing campaigns should be focused on emphasizing their unique aspects and rare properties. On the other hand, our research shows that perceived virtual rarity did not seem to significantly evoke the sense of luxuriousness among consumers, indicating that the marketers should be more cautious when advertising on 'artificially induced' rarity in today's market. In other words, some of the commonly used, artificial rarity-based techniques such as the constant release of limited editions may not be appropriate for all product categories of luxury brands.

Our findings offer managers a broader range of brand positioning and engagement strategies that they can use within the contemporary luxury markets. This study has shown that exclusivity and natural rarity strategies can be both effective in evoking the sense of luxuriousness among consumers when choosing luxury wines and luxury bags. Therefore, some luxury companies focusing on luxury accessories and beverages may need to consider both strategies in tandem in their market advisements to maximize their influence on evoking consumer purchasing desires. For example, launching limited edition wines in VIP invitation-only events might be a good way to tailor targeted and loyal purchasers.

On the other hand, our results have shown that exclusivity strategies emphasizing on entry barriers are not potentially useful for some of the service categories such as luxury cruises. This may due to

the nature of luxury service and the positioning of creating the sense of "home away from home" and "escape from the ordinary". Cruisers should pay attention to and derive personal meaning from their trips and therefore the perceived luxuriousness can be largely experiential and service-based, rather than triggered by the company's manipulation of 'exclusivity' represented by high pricing and high entry barriers. In other words, luxury cruise managers should direct their attention to understanding consumers' experiential expectations and their personal goals of being included on an 'exclusive' trip, rather than emphasizing who can be included in the trip.

Our findings suggest that exclusivity and rarity should be considered as independent marketing concepts and they are not equally effective to evoke consumer desires for luxury. Therefore, depending on the nature of luxury product/service categories, it is possible for marketers to use rarity and exclusivity strategies independently for achieving better marketing outcomes in an efficient way. It might be better for the luxury cruise companies to advertise the rare opportunity and superior service provided by the trip, rather than by emphasizing on who can be included/excluded in the trip through travel agents.

Limitations and Future Research

Replicating this current study in other product categories will further provide generalisability and to examine potential similarities and differences, as well as unveiling any potential patterns of consumption. In particular, there are existing studies suggesting that consumers who purchase affordable luxury have the tendency to purchase products through online distribution channels (e.g., Kautish & Sharma, 2019), where rarity and exclusivity properties are assumed to be compromised (Dauriz, Remy, & Sandri, 2014). Affordable luxury product categories (e.g., sneakers, lipsticks) should be considered in order to reveal how price differences would affect consumers' cognitions on rarity and exclusivity, as well as their perception for luxury.

In addition, more luxury service categories should be incorporated to gain comparisons with the results of luxury cruises demonstrated in our research. For instance, luxury hospitality industries such as hotels and luxury restaurants have shown promising growth in recent years due to millennium shifting toward "Experience Economy" (Pine & Gilmore, 1999; Heyes & Lahsley, 2017). Therefore, it is worth exploring the effectiveness of perceived rarity and perceived exclusivity strategies in the service industries where hedonic and experiential values are in high demand. Comparing the results with tangible product categories such as luxury accessories can also be considered.

It is important for future studies to consider the effects of potential moderators and mediator on how they can influence the strengths of the current relationships between perceived exclusivity, perceived rarity and perception of luxury. These moderators and mediators can include brand attitude, perceived luxuriousness and perceived value which been shown in previous research to play different roles in luxury brand perception and behavioural intentions (e.g**.,** Kautish & Sharma, 2018; Hennigs, Wiedmann, Behrens, & Klarmann, 2013; Wiedmann et al., 2007).

Chapter 6 STUDY TWO

Chapter Introduction

This chapter includes Study Two of the research, focusing on examining the influence of exclusivity and rarity on different types of perceived value for luxury. Study Two addresses research gaps GAP3 and research objectives RO2.

Similar to Chapter 5, Chapter 6 seeks to address the current roles of exclusivity and rarity from consumer' perspective. Given the increased subjectivity of luxury value, as well as the fast-changing dynamics of luxury market, it is of great importance of understanding whether exclusivity and rarity are still perceived as valuable tactics for luxury purchases.

Chapter 6 follows the structure of a standard journal article, which includes an abstract of this study, an introduction, literature review, methodology and results. This chapter concluded with implications and discussions.

This manuscript reporting this research is currently under second review at the *Journal of Brand Management*. The citation is as follows:

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How Rarity and exclusivity influence Types of Perceived Value for Luxury Brands

ABSTRACT

The purpose of this study is to investigate how exclusivity and rarity (natural versus virtual) influence consumers' perceived value (functional, social and emotional) for luxury. Data was collected through an online panel. Research stimuli included four luxury product categories including bags, wines, shoes and jewellery. Structural equation modelling was used to test the hypotheses. Perceived natural rarity (PNR) was a positive and significant predictor for all three types of consumers' perceived value and across all four product categories. Perceived virtual rarity (PVR) was a positive and significant predictor only for perceived functional value. Perceived exclusivity (PE) did not show any significant effects on value across all categories. This study is the first to provide theoretical support that exclusivity and rarity may have different functions in luxury marketing implementations. It provides updated empirical evidence showing traditional marketing tactic, such as natural rarity, still receive positive social and emotional evaluations among contemporary consumers.

Key words:

Perceived Exclusivity, Perceived Rarity, Consumer Perceived Value, Perception of Luxury

INTRODUCTION

Luxury goods have always been associated with exclusivity, rarity, wealth and power, and have been identified with satisfying consumer desires that are not essential (Kapferer, 2012; Phau & Prendergast, 2000). From marketing perspective, the term "luxury" is used to communicate a particular tier of products marked by premium pricing; products that are widely desired but could be only afforded by the rich and privileged minorities (Wong & Ahuvia, 1998). The strategic mission of luxury brands is thus to provide sufficient value to compensate for the high product price (Dubois and Duquesne, 1993; Choo, Moon, Kim, & Yoon, 2012). Some of the important strategies to maintain luxury image are through the manipulation of exclusivity and rarity, which allows consumers to express their social status and self-identity (Hung, Peng, Hackley, Tiwaksul, & Chou, 2011). Specifically, exclusivity is associated with a brand's capacity to illicit distinctiveness and to "differentiate, rather than affiliate oneself from the rest of others" (Monkhouse et al., 2012). Luxury exclusivity can be achieved by restricting accessibility of certain products and events in order to elevate consumers' desire for luxury. Occasions like Hermes invitation-only party and Dior's one-to-one appointment in VIP rooms create a "golden segregation" for loyal clients that differentiate themselves from the "outsiders" (Jang et al., 2015; Mears, 2020).

Similarly, rarity strategy is also widely used in luxury industry to evoke high awareness and desirability for the products (Kapferer & Valette-Florence, 2018). Rarity can be artificially induced (e.g., limited editions) for the illusion of scarcity, or it can be caused by natural shortages of valuable materials in production (e.g., exotic crocodile skin, truffles). Rarity messages addressing "limited quantities" contributes to products' value perceptions by evoking the urge to purchase and fear of missing out (Hodkinson, 2019; John et al., 2018).

Both exclusivity and rarity are found to influence consumers' perceived luxuriousness for a brand, indicating the importance of their applications in luxury businesses (Wang, Sung & Phau, 2021). It was found that consumers place higher value on rarity as it satisfies their need for distinctiveness

(Park & Park, 2014), whereas exclusivity is highly valued because it signals consumers' social status (e.g., Septianto, Seo, Sung & Zhao, 2020). The differentiation of rarity and exclusivity has been demonstrated in Wang et al. (2021)'s paper, suggesting that luxury rarity emphasises the scarcity and "limited availability" of products as shown in limited-edition releases, whereas luxury exclusivity strategy focuses on restricting accessibility by setting higher barriers as indicated in VIP invitation-only events. However, very limited literature has specified their distinctive effects on important luxury concepts such as consumers' perceived value.

Further, as the luxury market is changing, so too are consumption patterns and, importantly, the meaning of luxury (Seo & Buchanan-Oliver, 2015; Tynan et al., 2010; Wu et al., 2015). With the increased popularity in luxury consumption, ever-growing numbers of people started to gain access to luxury in various forms, making it extremely difficult for luxury brand to maintain the original sense of exclusivity and rarity (Kapferer &Valette-Florence, 2018). At the same time, the new wave of luxury also brought distinct meanings for luxury focusing on experiential and hedonic value (Liamas & Thomsen, 2016; Makkar and Yap 2018; Holmqvist, Ruiz, and Peñaloza 2020), rather than depending on the traditional explanations of status-seeking behaviours. Therefore, the question is, as consumers now have more access and exposure to luxury, how does it change luxury concepts, and potentially reshape the perceived value for luxury consumption?

It is also important to note that existing literature exploring rarity and exclusivity has only focused on the social and symbolic aspects of value (e.g., Kim, 2018), leaving their specific influences on other types of value (e.g., emotional value, functional value) largely unexplored. In this study, we will assess the impacts of exclusivity and rarity on three different types of consumer value (functional, social and emotional; Sweeney & Soutar, 2001) to gain a better understanding of their functions in marketing applications.

Previous research also stressed the importance of restricting access and availability to enhance perceived value and rebuild exclusive luxury image and creating "virtual rarity" through intentionally

manipulating product availability (e.g., limited-editions). It is suggested that "virtual rarity" can be more sustainable than "natural rarity" which is largely based on the shortages of natural resources (e.g., Kapferer & Valette-Florence, 2018). However, the influence of natural rarity is also another unexplored area. Hence, the aims of this study are threefold:

(1) Do consumers still value the traditional concepts of exclusivity and rarity in today's luxury market?

(2) How do rarity and exclusivity influence different types of consumers' perceived value for luxury?

(3) Does rarity perform better than exclusivity on the different types of consumer's perceived value for luxury?

RELEVANT LITERATURE AND HYPOTHESES DEVELOPMENT

Consumer Perceived Value for Luxury

Sweeney and Soutar (2001) identified four distinct dimensions of consumer perceived value (CPV), including functional value (performance/quality), functional value (price/ value for money), emotional value and social value. Functional value (performance/ quality) refers to the utility derived from a series of unique features, such as quality, high price and sophisticated production process, whereas functional value (price/value) is associated with monetary values of the products (Sweeney & Soutar, 2001). Emotional value emphasises consumer affections including pleasure, indulgence and emotional fulfilment; social value refers to the utility of the products as means to communicate self-identity and social status (Sweeney & Soutar, 2001). CPV has been widely used to explain purchase intentions (e.g., Chae, Kim, Lee & Park, 2020), customer satisfaction (e.g., Yang & Xia, 2021) and brand loyalty (e.g., Thi & Phuong, 2020). However, the functional value (price/value for money) dimension of Sweeney and Soutar (2001) conceptualisation of CPV includes "value for money" and "economical" motivations are not aligned to the pursuit of rarity and exclusivity in luxury consumption (e.g., Kapferer, 2012). Previous research also emphasised the importance of understanding consumers' value perceptions for luxury has become one of the priorities for luxury businesses to ensure successful marketing communication (Zhang & Bloemer, 2008; Zhang & Xhao, 2019).

In comparison to their generic counterparts, luxury goods typically have a lower functionality/price ratio (Wiedmann, Hennigs, & Siebels, 2007). Hence, the strategic mission of luxury brands is to provide sufficient value to compensate for the high product price (Choo, Moon, Kim, & Yoon, 2012).

Geographically, the pursuit of luxury is becoming increasingly prevalent among consumers in emerging markets (Jain, Mishra, & Mukhopadhyay, 2021). Psychologically, contemporary consumers are defined as much by their personalities, values, interests and lifestyles as they are by their income levels, demonstrating diverse needs for luxury products (Kim et al., 2011). With the increased popularity in luxury consumption, ever-growing numbers of people started to gain access to luxury in various forms, making it extremely difficult for luxury brand to maintain its original sense of exclusivity and rarity (Radon, 2012; Kapferer, 2012).

For example, young affluent consumers and the middle-class segments demonstrated increasing desires for a greater availability and accessibility of luxury products (Rosendo-Rios & Shukla, 2023a). This has led companies developing masstige strategies (e.g., downward brand extensions, horizontal and vertical diversification) to cater the demand of aspirational consumers. The use of masstige strategy has shown some positive effects on consumer engagement (Das, Saha & Roy, 2021), attitudinal loyalty (Purohit and Radia, 2022) and purchase intentions (Katyal, Dawra, & Soni, 2022) in middle-class consumers. The global expansion of luxury implies that, luxury once restricted to the privileged minorities, is now readily attainable by global consumers. While luxury firms enjoy the growth of market revenue, less restrictions on luxury purchases may lead to over-diffusion which cause brand losing its distinctive value and unique appeals (Rosendo-Rios & Shukla, 2023b; Wang & John, 2019). Hence, many scholars argue that luxury should endeavour to preserve its attributes of being prestigious, rare, and exclusive, with higher levels of symbolic value to maintain brand desirability (Kapferer, 2018; Kim, 2018). Specifically, traditional consumers place greater value on product exclusivity as it functions as status symbols that define social stratification (Amaldoss & Jain, 2005; Kapferer & Bastien, 2009; Zhang & He, 2012). Rarity stems from scarcity principle (Lynn, 1991), suggesting that the possession of scarce commodities conveys feelings of uniqueness and personal distinctiveness (Emile & Craig-Lees, 2011; Tynan, McKechnie, & Chhuon, 2010).

Although there is existing literature exploring rarity and exclusivity on consumers' value, many studies only focused on the social and symbolic aspects (e.g., Kim, 2018; Zhang &He, 2012), leaving their specific impacts on other types of value (e.g., emotional value, functional value) largely unexplored. In this study, we will assess the impacts of exclusivity and rarity on all three different types of consumer value (functional, social and emotional; Sweeney & Soutar, 2001) to gain a better understanding of their functions in marketing applications.

In addition, existing luxury research on exclusivity and rarity has primarily focused on the social and symbolic influences on consumer value (e.g., Zhang & Zhao, 2019; Kim, 2018). In this study, we will assess the impacts of exclusivity and rarity on all three different types of consumer value

(functional, social and emotional; Sweeney and Soutar, 2001) to gain a better understanding of their functions in marketing applications.

Types of Luxury Rarity

Natural Rarity

"Natural rarity" is used to indicate natural shortages of raw material or limited product capacity (Catry, 2003). For instance, luxury wines are highly regarded by traditional connoisseur because of their limited production capacities and the use of the finest grapes grown in specific regions (Pitt, 2017). Luxury brands are thus perceived as rare pieces of craftsmanship using only high-quality raw materials, with sophisticated designs and detailed workmanship (Caniato, Moretto, & Caridi, 2013). However, many luxury studies (e.g., Jang, Ko, Morris, & Chang, 2015; Kapferer & Valette-Florence, 2016; Kim, Yoo, Choi, Kim, & Johnson, 2011) have largely focused on understanding the influences of rarity through communicating artificial product scarcity (e.g., limited editions), which are primarily manipulated by luxury businesses. It has not been very clear about how natural rarity would potentially create value for contemporary consumers.

Virtual Rarity

"Virtual rarity" implies that luxury manufacturers offer an impression of rarity by intentionally limiting production to create temporary shortages (e.g. Van Herpen, Pieters, & Zeelenberg, 2009). For example, the current luxury industries are known to incorporate strategies to create artificial shortages or "virtual rarity" through releasing limited editions and waitlisting to enhance perceptions of rareness and evoke consumer desire for luxury goods. Virtual rarity is assumed to enhance consumers' need for uniqueness and value perceptions, and therefore exerts positive influences on creating desires for luxury goods (Carty, 2003; Kapferer, 2012).

Luxury Exclusivity

The concept of exclusivity, a cornerstone of luxury, distinguishes luxury from normal goods and services (Berry, 1994; Kapferer, 1997). In the marketing literature, exclusivity has been defined as a brand characteristic or capacity "to differentiate, rather than affiliate oneself from the rest of others" (Monkhouse, Barnes & Stephan, 2012). Luxury exclusivity can be regarded as a brand's capacity to manipulate the accessibility of their products and services (Balachander & Stock, 2009), and ensure

only a few selected customers have the privilege to join this "golden segregation" of owing luxury products and enjoying luxurious services (Kapferer, 2012; Tynan et al. 2010). At its core, the idea of exclusivity is based on differentiation (Upshaw et al., 2017).

Practically, exclusivity can be achieved by restricting accessibility and elevating consumers' desire to be one of those selected few who can enjoy the luxuriousness of certain products or services (e.g., Brock, 1968; Gierl & Huettl, 2010). To evoke the sense of exclusivity, luxury brands usually use special VIP programs and design 'invitation' only events. These strategies are based on the assumptions that the affluent consumers may perceive the access to exclusive services and unique experiences as highly desirable because of its status signalling effects (Dommer et al., 2013; Gierl & Huettl, 2010; Sundie et al., 2011).

The concept of exclusivity is important to understand consumer purchase intentions (Hung et al., 2011), and consumers perceptions for luxury brands (Chen &Lamberti, 2015). Purchase intention is also a motivational state in consumers, which is considered a consequence of their perceived value (Chattalas &Shukla, 2015). Therefore, it is important to examine the association between luxury exclusivity and perceived value to further understand contemporary consumers' perception of luxury.

Effects of Natural Rarity on Consumers' Perceived Value

Natural Rarity and Consumers' Perceived Value

According to commodity theory, consumers infer rare products to be more valuable (Brock, 1968). For products that are naturally rare, it is common to assume its quality is better compared with its counterparts (Kapferer, 2012; Lynn, 1991). For example, in a study investigating French consumers' perceived rarity of luxury wildlife caviar, both novice and regular caviar consumers demonstrated an irrational preference for caviar they believed came from a rare species (Gault, Meinard, & Courchamp, 2008). This result suggests natural rarity can be an important indicator for intrinsic gustative quality, and potentially influence general quality perceptions afterwards (Gault et al., 2008). When a highly demanded product requires naturally constrained resources in the production process, it can hardly be mimicked by competitors, and is thus perceived more desirable among target consumers (Catry, 2003). Natural rarity signals brand authenticity and originality, which provide a quality heuristic for many consumers (e.g., Wiedmer, Whipple, Griffis, & Voorhees, 2020). Hence, the following is proposed:

H1: Perceived natural rarity has a significant and positive influence on consumers' perceived functional value.

Natural Rarity and Emotional Value

Holmqvist, Ruiz and Peñaloza (2020) takes a novel perspective on how rare luxury experiences (e.g., exotic destinations, fine dining) can elicit positive emotional responses and indulgent feelings. Their finding infers that when rarity experiences and sources are naturally restricted by locations and ingredients, they are perceived as more valuable and emotionally satisfying (Holmqvist et al., 2020). Although there are discussions surrounding the potential emotional values of rarity, there has not been updated luxury research clarifying the direct influence of natural rarity on emotional value. Further, it needs further specification on which type of rarity (natural or virtual) can be particularly relevant in luxury purchases. Hence, the following is proposed:

H2: Perceived natural rarity has a significant and positive influence on consumers' perceived emotional value.

Natural Rarity and Social Value

Brock (1968) hypothesised that consumers might prefer rare commodities because the possession of scarce commodities would enhance the possessor's self-concept and a sense of personal uniqueness. Lynn (1992) addressed this issue and further confirmed the positive relationship between rarity enhancement of value and consumer's need for uniqueness but also cautioned that not all rare commodities can convey uniqueness. In luxury consumption, more value is placed on rare products with superior materials and aesthetic craftsmanship, as it demonstrates self-distinctiveness in a social context that reinforces social status and a positive self-image (Thompson & Haytko, 1997).

Many luxury manufacturers have outsourced their productions to low labour-cost countries, where brands are produced in large quantities no longer relying on naturally rare resources to achieve promising financial outcomes (Park & Wood, 2019).. It is worth noticing that natural rarity adds unique aspect to craftsmanship and aesthetics, conveying both symbolic and social value (Caniato et al. 2013). However, since virtual rarity strategies (e.g., artificially manipulating supply) have become a dominant tactic to achieve perceptions of scarcity, the following hypothesis is proposed:

H3: Perceived natural rarity has a significant and positive influence on consumers' perceived social value.

Effects of Virtual Rarity on Consumers' Perceived Value

Virtual Rarity and Functional Value

In comparison to natural rarity, virtual rarity strategies (e.g., limited editions, capsule collections) allow luxury businesses to create an impression of rarity by limiting production to achieve desirable outcomes (Slack, Singh, & Sharma, 2020). Scarcity messages addressing "limited quantities" are more appealing to customers because they evoke individuals' sense of urgency to purchase the rare products based on the perceptions that such product is unique and has good quality (Aggarwal et al., 2011; Eisend, 2008). Consumers tend to perceive that rare product quality is higher, regardless of the actual quality of the product (e.g., Balachander & Stock, 2009). Hence, the following is proposed:

H4: Perceived virtual rarity has a significant and positive influence on perceived functional value.

Virtual Rarity and Emotional Value

Virtually rare products such as limited-edition collections are often perceived as aesthetically appealing and psychologically pleasing, as they are portrayed with differentiated designs and added sophistication in workmanship (Prestini, & Sebastiani, 2021). Kapferer and Valette-Florence (2016) demonstrated the effectiveness of using rarity strategies to enhance luxury perceptions and evoke brand desirability among consumers. However, limited empirical evidence was provided in explaining why virtual rarity is more appealing than other types of rarity strategies.

Even though the release of limited-edition products (LEP) is found to stimulate consumers' purchase intentions (e.g., Chae et al., 2020; Yoon, Lee, & Lee, 2014), there is a growing concern on the negative emotional influences of over-using virtual rarity strategies.

Yeo and Park (2004) suggested that consumers receiving repetitive rarity messages from marketers may develop the negative feelings and beliefs, perceiving LEP marketing as a sales gimmick for products that are not in fact rare. In other words, if LEP is frequently released, it is expected to have a negative effect on consumers' cognitions and emotions, not only for the launched product but also the brand.

Yeo and Park (2004) suggested that consumers receiving repetitive rarity messages from marketers may develop the negative feelings such as disappointment and frustration, perceiving LEP marketing as a sales gimmick for products that are not in fact rare. Further, the temporary unavailability of popular items might also exert adverse impact on brand image, through negative inferences about supply chain management, adding to consumers' disappointment (Kim & Lennon, 2011; Kowalczyk, Breugelmans, & Campo, 2021).

In other words, if virtual rarity tactics are frequently used, it is expected to have a negative effect on consumers' cognitions and emotions, not only for the launched product but also the brand.

In this study, we extend the previous findings to assess whether perceived virtual rarity, marked by the release of limited editions, is perceived negatively among luxury consumers. Hence, the following is proposed:

H5: Perceived virtual rarity has a significant and negative influence on consumers' perceived emotional value.

Virtual Rarity and Social Value

The scarcity effects of virtual rarity are social in nature, that is, product rarity based on limited supply is used to communicate one's uniqueness or conformity to others (Lynn, 1991). In non-luxury purchase, owing rare products such as limited editions in social networks can be viewed as "showing off", which would be actively avoided by some consumers. On the other hand, the purchase and use of expensive products with high social visibility can signal a person's economic success and help him/her demonstrate social status (Sung, Phau and Duong, 2021). For example, consumers may want friends to know if he/she bought an Armani shirt, but they might not want to spread it widely if they bought a cheaper shirt in Wal-Mart (Berger & Ward, 2010).

Products with high rarity value can improve the social visibility, and in turn increase the utility of consumers. The artificial value placed on rare products provide a major motivation for status-seeking consumers, which reflects their interpersonal motivations of feeling superior and unique (e.g. Amatulli, Guido, & Nataraajan, 2015). For instance, consumers can use luxury limited-edition products to signal to others their uniqueness, high social status, and wealth (Eisend, 2008).

Consumers can also strengthen their social self-concept through products, and these social values can strengthen their status to others through purchasing or using products (Hur & Ahn, 2009). The artificial value placed on rare products provide a major motivation for status-seeking consumers which reflects their interpersonal motivations of feeling superior and unique (Amatulli, Guido, and Nataraajan 2015; Achille, Remy, and Marchessou 2018).

Hence, it is worth further exploring the social influences of owing limited editions from luxury brands, so that a comparison can be drawn to assess the role of virtual rarity in luxury and non-luxury markets. Hence, the following is proposed:

H6: Perceived virtual rarity has a significant and positive influence on consumers' perceived social value.

Effects of Perceived Exclusivity on Consumers' Perceived Value

Exclusivity and Functional Value

According to Bandwagon effects, consumers follow the behaviour of others within their social groups because they believe that the choice behaviour of relevant others reveals product excellence and quality (Van Herpen et al., 2009). Luxury exclusivity not only signals high social status by limiting common access, but also enhances signalling quality by increasing its distinctiveness, uniqueness and salience from being small of adopters (Lynn, 1992; Kim, 2018). The luxury market is no longer the exclusive domain of the elite (e.g. Wiedmann et al., 2007), as an increased spending capacity also encouraged the middle classes to spend more on luxury brands. Due to this democratisation, the nature of luxury is changing because the "exclusivity status" has become commonplace (Garland, Cornish & Bean, 2008). Hence, we would like to understand whether exclusivity exerts an impact on function perceived value in contemporary consumers. Based on previous research, the following is proposed:

H7: Perceived exclusivity has a significant and positive influence on consumers' perceived functional value.

Exclusivity and Emotional Value

The strategy of exclusivity appeals, such as first-class cabins, VIP memberships and invitation-only events, provides reassurance that the services or products are highly regarded by members from their reference or aspirational groups (Kiatkawsin & Han, 2019).

Consumers would attempt to comply with reference group expectations often associate exclusivity with the sense of reassurance, the feelings of attachment and belongingness within the group (Shin, Eastman, & Mothersbaugh, 2017). At the same time, exclusivity embedded in luxury purchasing also distinguishes clients from the non-prestige group members at both physical and psychological level, which provides a positive enhancement for security needs, as well as a sense of fulfilment (Kiatkawsin & Han, 2017). Recent studies conducted by Septianto et al. (2020) suggest that exclusivity appeals are associated with achieving positive emotional outcomes (e.g., feeling proud after gaining something valuable). Hence, it is plausible that exclusivity has its unique status in eliciting different emotions among consumers. Hence, the following is proposed:

H8: Perceived exclusivity has a significant and positive influence on perceived emotional value.

Effects of Rarity and Exclusivity on Social Value

Exclusivity and Social Value

Luxury has become a source of social signifiers not only for the wealthy but also to signalling membership within and between a broad range of social groups, as consumers integrate luxury into their lives (Hemetsberger, von Wallpach, & Bauer, 2012). The desire for exclusivity drives consumers to look for luxury experiences that only a few could access and enjoy, and to symbolise social identity, status as well as superiority (Kim, 2018). In other words, the possession of exclusive products and services is not only a way to differentiate themselves from the 'outsiders', but also functions as means to symbolise their status as an 'insider' (Jang et al., 2015). Striving for uniqueness may also function as an exclusivity motivation, however, it is constrained by the need for social affiliation and social approval, so that consumers tend to demonstrate their specialness in ways that do not lead to social isolation or disapproval (Snyder, 1992). Hence, the following is proposed:

H9: Perceived exclusivity has a significant and positive influence on perceived social value.

The hypothesised research model showing the relationships among the variables is shown in Figure **6.1**.

Figure 6.1. Theoretical Model
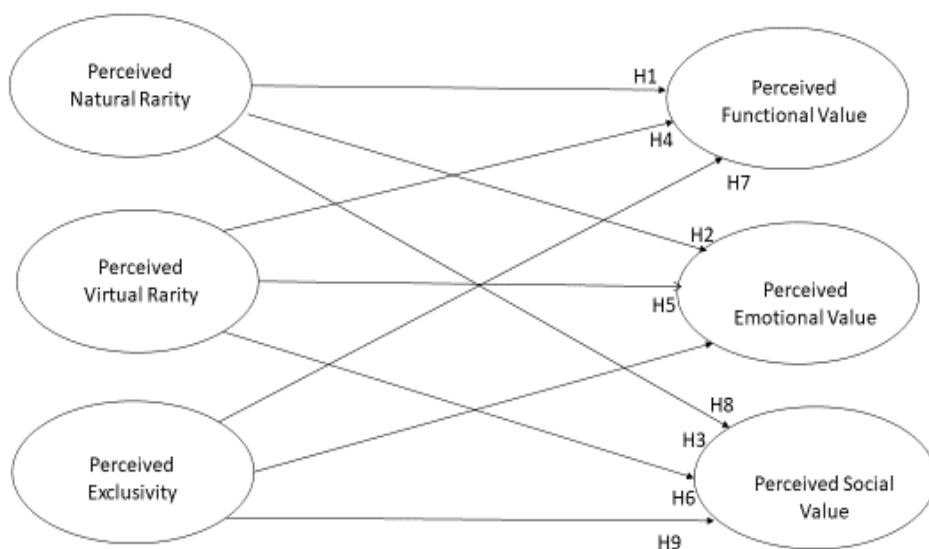
Figure 1. Theoretical model

METHODOLOGY

Data Collection and Sample

Data collection was through an online consumer panel Qualtrics with participants completing a self-administered survey. Sample selection focused on affluent consumers with an annual income above AUD $60,000. 331 participants completed the survey instrument and 44 participants were excluded due to either missing data or unsuccessful attention check, leaving 287 participants for further analysis. In total, 51% of the respondents were males. The average age was 40 ($SD =12.7$). Majority of the respondents (51%) earn between $60,000 and $99,999 per annum. Demographic information is presented in Table **6.1**.

Table 6. 1: Demographic Profile

GENDER	FREQUENCY	PERCENTAGE
Male	145	51%
Female	142	49%
AGE		
Under 20	2	1%
21-34	86	31%
35-44	82	29%
45-54	51	17%
55-65	64	22%
ANNUAL INCOME		
$60,000--$99,999	145	51%
$100,000—149,999	93	32%
$150,000 and above	49	17%

Stimuli

Four product categories comprising of luxury handbag (Hermès Crocodile Birkin bag), luxury jewellery (Moussaieff red diamonds), luxury wine (Château Margaux wine), and luxury shoes (Prada-Adidas collaboration sneakers) were chosen to test the model. Two focus group interviews (n=12) were conducted to assess the appropriateness of product categories. Participants were recruited

through a snowball method involving individuals with relevant industry experiences and knowledge for luxury marketing. Participants were provided with a list of luxury brands and product categories for them to identify the best representations based on the scope of this study. Product stimuli were selected based on their relevance on evoking both exclusivity and rarity among consumers. Focus group interview questions are listed in **Appendix I**.

All stimuli were assessed for the appropriateness of luxury categories by incorporating the perceived luxuriousness index (Hagtvedt and Patrick (2008), which suggested that all four manipulations were regarded as luxury categories by participants.

Stimuli descriptions for natural rarity emphasised on limited natural resources (e.g., the use of rare crocodile skin), whereas virtual rarity focused on artificially restricted quantity (e.g., only release 50 per year). Exclusivity is elicited by using statement such as "it is only offered to VIP clients" at a particular store.

All stimuli were presented individually in a random order. All Participants need to answer survey questions for each category before proceeding further. For each condition, a photo stimulus was presented first with a generic description of the chosen product category, followed by the instructions to complete all relevant scales in the survey. Demographic information was collected at the end of the questionnaire. The whole survey took approximately 20 minutes to complete. Stimuli descriptions for each category are presented in **Appendix II**.

Survey Instrument

For each product, respondents were asked to assess the product description on four established scales. Perceived exclusivity was measured using a four-item scale adapted from Monkhouse et al. (2012). Perceived virtual rarity was measured by adapting the three-item selective distribution scale from Kapferer and Valette-Florence (2016). Perceived natural rarity was measured by adapting the seven-item product superiority scale from Kapferer and Valette-Florence (2016). The perceived value scales were adapted from Sweeney and Soutar (2001), comprising three scales for measuring functional value (5 items), emotional value (4 items) and social value (4 items) respectively. All items were measured on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly disagree). All scales have shown acceptable levels of reliability in the original studies. After assessing all four products, respondents reported their demographic information. Scale items are presented in Appendix **III**.

RESULTS AND ANALYSIS

Model Testing

Preliminary results including the means, standard deviations and intercorrelations of main measures are presented in Table **6.2**.

A confirmatory factor analysis (CFA) was conducted to assess convergent and discriminant validity. Prior to CFA, exploratory factor analysis (EFA) has been conducted to confirm item loadings and dimensionalities across all four categories. Two items from PNR ("It is a brand unique of its kind"; "A real superior quality of product"), two items from PE ("I would buy luxury goods to make myself stand out"; Once a product becomes mass-produced, it is not luxurious any more) and one items from PVR ("Its stores are very select with a real atmosphere") were removed due to multicollinearity and cross-loading issues.

Convergent validity is indicated by AVE all above .50 (Fornell & Larcker, 1981). The discriminant validity was examined by relating the square root of each construct's average variance extracted (AVE) with the off-diagonal correlations. The AVE values were above 0.8, much higher than Fornell and Larcker's (1981) recommendations. The composite reliability and internal consistency have exceeded the threshold value of 0.7, which are deemed satisfactory. Table **6.2** presents the results of the reliability and validity of the measures.

Table 2. The Validities and Reliabilities of Variables

Variables	M	SD	α	CR	AVE	PNR	PE	PVR	PSV	PFV	PEV
Perceived Natural Rarity (PNR)	4.89	1.67	.93	.93	.73	--					
Perceived Exclusivity (PE)	3.60	1.01	.75	.79	.66	.65	--				
Perceived Virtual Rarity (PVR)	5.92	1.25	.75	.76	.62	.39	.57	---			
Perceived Social Value (PSV)	3.73	1.95	.96	.96	.96	.69	.51	.15	--		
Perceived Functional Value (PFV)	5.44	1.18	.91	.73	.61	.68	.72	.60	.45	--	
Perceived Emotional Value (PEV)	3.55	2.06	.98	.88	.80	.70	.53	.19	.85	.58	--

Note: M=means, SD= standard Deviations, α = Cronbach's Alpha, AVE = average variance extracted, CR = construct reliability. Off diagonal factors are correlations.

Structural Equation Modelling was conducted to test the model fit of the proposed model. Model fit indices for each product category are shown in **Table 6.3**. The study model showed a good fit exhibited by the goodness-of-fit indices. For each product category, ratio of minimum discrepancy to degrees of freedom was below 3, Tucker-Lewis Index (TLI) was acceptable (good if >0.90), Comparative Fit Index (CFI) was above 0.90, All indices exceeded the recommended threshold levels (Browne & Cudeck, 1993; Bagozzi & Yi, 1988). Hence proposed study model was confirmed.

Table 6.3. Path Analysis Model Fit

MODEL	χ^2	d.f.	RMSEA	TLI	CFI
Bag	551.660	194	.079	.936	.946
Wine	595.099	194	.080	.934	.945
Diamond	662.979	194	.091	.927	.939
Shoes	594.314	194	.080	.933	.944

Condition One (Luxury Handbag)

The fit statistics are all deemed appropriate (*RMSEA =.07, TLI =.95, CFI =.97*). The path coefficients estimated by path analysis and the results of luxury handbag condition are presented in Table **6.4.** Specifically, PNR was found to be significant and positively related to PFV (Path coefficient of .34, p<.001), PEV (Path coefficient of 1.06, p<.001), and PSV (Path coefficient of .91, p<.001), which provide support for H1, H2 and H3. It was found that the relationship between PVR and PFV (Path coefficient of .24, p<.001) was significant, supporting H4. Further, there was a significant and negative relationship between PVR and PEV (Path coefficient=-.39, p=.003), supporting H5. However, the path coefficient from PVR to PSV (Path coefficient of -.33, p=.006) was negative and insignificant, rejecting H6. The relationships between PE and all perceived value subscales were insignificant. Path coefficient was .10, .04 and.03 for PFV (p=.11), PEV (p=.80) and PSV (p=.86), rejecting H7, H8 and H9.

Condition Two (Luxury Wine)

The fit statistics are all deemed appropriate (*RMSEA =.07, TLI =.96, CFI =.96*). The path coefficients estimated by path analysis and the results of Luxury Wine condition are presented in Table **6.4**. PNR was found to be significant and positively related to PFV (Path coefficient of .48, p<.001), PEV (Path coefficient of 1.05, p<.001), and PSV (Path coefficient of 1.13, p<.001), which provide support for H1, H2and H3. The relationship between PVR and PFV (Path coefficient of .18, p=.006) was significant, supporting H4. There was a significant and negative relationship between PVR and PEV (Path coefficient=-.42, p=.008), supporting H5. However, the path coefficient from PVR to PSV (Path coefficient of -.38, p=.005) was negative and significant, rejecting H6. The relationships between PE and all perceived value subscales were insignificant. Path coefficient was .21, .27 and -.01for PFV (p=.24), PEV (p=.24) and PSV (p=.95), rejecting H7, H8 and H9.

Condition Three (Diamond)

The fit statistics are all deemed appropriate (*RMSEA =.06, TLI =.93, CFI =.90*). The path coefficients estimated by path analysis and the results of Diamond condition are also presented in Table **6.4**. PNR was found to be significant and positively related to PFV (Path coefficient of .47, p<.001), PEV (Path coefficient of 1.65, p<.001), and PSV (Path coefficient of 1.30, p<.001), which provide support for H1, H2 and H3. The relationship between PVR and PFV (Path coefficient of .23, p<.001) was significant, supporting H4. Further, significant and negative relationships were found between PVR and PEV (Path coefficient=-.63, p<.001), supporting H5. However, the relationship between PVR and PSV was also negative and significant (Path coefficient=-.39, p=.002), rejecting H6. The relationships between PE and all perceived value subscales were insignificant. Path coefficient was .11, -.16 and-.17 for PFV (p=.28), PEV (p=.55) and PSV (p=.50), rejecting H7, H8 and H9.

Condition Four (Luxury Shoes)

The fit statistics are all deemed appropriate (*RMSEA =.04, TLI =.93, CFI =.94*). The path coefficients estimated by path analysis and the results of Luxury shoes condition are presented in Table **6.4**. PNR was found to be significant and positively related to PFV (Path coefficient of .38, p<.001), PEV (Path coefficient of 1.046, p<.001), and PSV (Path coefficient of .84, p<.001), which provide support for H1, H2 and H3. The relationship between PVR and PFV (Path coefficient of .23, p<.001) was significant, supporting H4. Further, significant and negative relationships were found between PVR and PEV (Path coefficient= -.27, p<.001), supporting H5. However, there was a significant and

negative relationship between PVR and PSV (Path coefficient= -.24, p=.002), rejecting H6. The relationships between PE and all perceived value subscales were insignificant. Path coefficient was.02, .07 and .02 for PFV (p=.791), PEV (p=.513) and PSV (p=.059), rejecting H7, H8 and H9.

Table 6.4

Path Coefficients for Product Categories

Hypothesis	Causal Path	Luxury Handbag Standardized Path Coefficient (p value)	Luxury Wine Standardized Path Coefficient (p value)	Luxury Diamond Standardized Path Coefficient (p value)	Luxury Shoes Standardized Path Coefficient (p value)
H1	PNR to PFV	.34 (p<.001*)	.48(p<.001*)	.47 (p<.001*)	.38 (p<.001*)
H2	PNR to PEV	1.06(p<.001*)	1.05 (p<.001*)	1.65(p<.001*)	1.05(p<.001*)
H3	PNR to PSV	.91(p<.001*)	1.13 (p<.001*)	1.30(p<.001*)	.837(p<.001*)
H4	PVR to PFV	.24 (p<.001*)	.18 (p=.006*)	.23 (p<.001*)	.23 (p<.001*)
H5	PVR to PEV	-.39(p=.003*)	-.42 (p=.008*)	-.63(p<.001*)	-.27(p<.001*)
H6	PVR to PSV	-.33(p=.006*)	-.38 (p=.005*)	-.39(p=.002*)	-.24(p=.002*)
H7	PE to PFV	.10(p=.105)	.21 (p=.24)	.11 (p=.276)	.02 (p=.791)
H8	PE to PEV	.04 (p=.795)	.27 (p=.235)	-.16 (p=.554)	.07 (p=.513)
H9	PE to PSV	.03 (p=.855)	-.01 (p=.952)	-.17 (p=.497)	.21 (p=.059)

Sig at p<.05

DISCUSSION

Rarity and Perceived Value

Overall, the results clearly demonstrates that perceived natural rarity (PNR) was a positive and significant predictor for all three types of consumers' perceived value (functional, emotional, and social) across all four product categories. Further, perceived virtual rarity (PVR) has consistently emerged as a positive and significant predictor for perceived functional value, while its relationships with emotional value and social value were significant and negative. Contrary to previous literature stresses the benefits of using virtual rarity outweighs the use of natural rarity tactics in luxury industries (e.g., Kapferer & Valette-Florence, 2018), our results demonstrated that natural rarity plays a more important role in evoking emotional and social value, which ultimately contributes to consumers' desire for luxury.

Natural Rarity and CPV

Our findings provide considerable support to natural rarity enhancing CPV for luxury. Product rarity caused by the shortages of natural resources was perceived as more valuable when evaluating its functionality, emotional value and social gains. Consistent with Chen and Lamberti (2015), consumers have a strong tendency to favour the use of natural and scarce material over synthetic alternatives in luxury purchases. It further confirms the important role of natural rarity in enhancing CPV for conspicuous consumption (Hwang, Ko, & Megehee, 2014). The findings of this study also show significant influence of natural rarity on addressing emotional needs and establishing positive social image, which have not been explored in previous research. The importance of adopting

Virtual Rarity and CPV

It is found that virtual rarity or "manipulative scarcity" only has direct and positive influence on functional value, while its influence on social and emotional values appeared to be negative. Results on functional value are consistent with previous studies conducted by Caniato et al. (2009) and Yoon et al., (2014), which suggested that rare and scarce luxury products are generally perceived as fine pieces of craftsmanship with better quality. This finding provides evidence that virtual rarity strategies such as limited-edition launches are still viewed as important quality cues by luxury consumers.

It is also observed that the use of virtual rarity tactics is associated with decreased emotional attachment and emotional arousals. This result provides support for the findings proposed by Yeo and Park (2004) and Chae et al., (2020), suggesting that consumers may have negative feelings toward advertisements that continuously promote virtual rarity, or artificially manipulating product quantities.

Further, significant and negative relationships were found between virtual rarity and social value, indicating that consumers do not perceive virtual rarity techniques as positive contributors to their social images. Relevant research has suggested that rarity cues due to limited supply maybe relevant to explain "scarcity for me" effect in self-gifting instead of addressing the "popularity for others" effect dominated by social values (Wu & Lee, 2016). Nevertheless, this negative association between virtual rarity and social value require further investigation to pinpoint its influence on luxury.

Exclusivity and CPV

The findings showed that consumers' perceived exclusivity does not directly contribute to their perceived value across four product categories. In comparison to the effects of natural and virtual rarity, exclusivity does not function as an important quality, emotional and social cues for perceived value in our study. The essence of exclusivity is the manipulation of product or service accessibility to ensure only a select few have the privilege to enjoy this "golden segregation" (Tynan et al., 2010). Findings from this study differed from previous research possibly for two reasons. Firstly, the concept of exclusivity is often examined in combination with other relevant luxury attributes such as scarcity (e.g., Aggarwal et al., 2011; Kim, 2018), perceived uniqueness (e.g., Wiedmann et al., 2007), premium price and brand prestige (e.g., Kapferer & Bastien, 2009). Hence, the predicting power of exclusivity, as an independent construct, remains unclear in the luxury literature. For example, Wiedmann et al. (2007) has combined exclusivity and rarity as one dimension to assess consumers' luxury perceptions, whereas Jang et al. (2015) used the term exclusivity and scarcity interchangeable to denote the influence of limited editions on consumption. It is possible that when measuring exclusivity construct, its predicting power is less prominent than when it is assessed in combination with other relevant variables. Secondly, this study only focusses on personal luxuries (e.g., handbags, shoes & jewellery). Hence, the generalisation power might be limited due to the selected categories. Recent studies exploring exclusivity in luxury service settings have demonstrated the critical role of exclusivity on luxury experiential consumptions (e.g., salsa dancing, Holmqvist et al., 2020; luxury spa, Kim, 2018; wine tourism, Vo Thanh & Kirova, 2018). In particular, Holmqvist et al. (2020) addressed the importance of combining experiential luxury aspects such as hedonism, aesthetics and authenticity as an alternative form of exclusivity focusing on the escapist experience, demonstrating that exclusivity can be achieved in other ways than price/functionality ratios or social stratifications. It is also possible that consumers will value other aspects of luxury (e.g., luxury experiences and indulgence), rather than relying on the traditional sense of exclusivity to signify price or gain social approvals (Perry, Barnes, & Ye, 2020; Rovai, 2018).

Further, due to the rise of middle-class and the increased purchasing power of emerging market, consumers demonstrate diverse needs (Seo and Buchanan-Oliver, 2015; Wu et al., 2015), shaped by their differentiated lifestyles, values and interests (Kim et al., 2011). It is also important to note that, as the luxury market is changing, so too are consumption patterns and, importantly, the meaning of luxury (Seo and Buchanan-Oliver, 2015; Tynan et al., 2010). It is thus plausible that contemporary consumers may value other aspects of luxury (e.g., luxury experiences and indulgence), rather than relying on the traditional sense of exclusivity to gain social approvals and a positive emotional result (Perry, Barnes, & Ye, 2020; Rovai, 2018). As such, there is a need for future research to conduct subsequent examination of exclusivity using various samples and additional product categories to achieve more robust theoretical outcomes.

CONCLUSIONS AND IMPICATIONS

Theoretical Implications

Our findings contribute to the commodity theory (Brock, 1968) and the scarcity principle (Berry, 1994), adding empirical evidence supporting the positive reinforcements of natural rarity and virtual rarity on consumers' perceived functional value. Current findings were also consistent with previous studies conducted by Balachander and Stock (2009) and Yoon et al., (2014) confirming the positive relationships between rarity and consumers' quality and utility perceptions. However, contrary to the findings in previous literature (e.g., Hudder et al., 2013; Kim, 2018), luxury exclusivity did not find to successfully enhance quality perceptions among our sample. Even though the exclusivity-by-price association has been well established in literature to indicate the inaccessibility nature of luxury goods (e.g., Ladhari, Souiden, & Dufour, 2017; Mounkhouse et al., 2012), exclusivity techniques may not directly influence quality/price perceptions for luxury.

This study further compared the distinctive influences of natural rarity, virtual rarity and exclusivity on two other types of value (emotional and social), which have not been previously explored. While natural rarity consistently emerged as a positive contributor for consumer value, virtual rarity surprisingly showed negative influences on both types of value. These finding challenges previous findings on claiming the predominant role of artificially induced rarity over natural rarity (e.g., Kapferer & Valette-Florence, 2016), indicating a discrepancy between luxury value set by marketers and luxury value perceived by consumers. In addition, exclusivity was not found to be a significant

predictor for emotional and social values, challenging the early findings by Vigneron and Johnson (2004) and Wiedmann et al. (2007).

This study clarifies the important functions of natural rarity on functional, emotional and social values, which has not been previously explored. It provides empirical evidence showing the significant and positive influence of naturally rare materials and ingredients on perceived luxury value perceptions. It also fills the gap on lacking existing luxury research comparing natural and virtual rarity on emotional and social value.

Managerial Implications

Natural rarity is observed as the key contributor to perceived luxury values, suggesting that naturally rare products satisfy consumers' needs for high quality products with emotionally pleasing aesthetics and a stronger symbolic value. This finding indicates that the incorporation of natural rarity strategies may still be beneficial for luxury businesses to strengthen perceptions, and ultimately contribute to higher desires for luxury brands. Hence, for luxury categories that are intrinsically rare (e.g., pink diamonds, white truffles), marketing campaigns should focus on emphasising their unique aspects and rare properties to achieve better marketing outcomes.

Not all luxury categories have 'natural rare' aspect embedded in their production. Nevertheless, natural rarity has an abundant nature that can be utilised in multiple ways, such as creating brand narratives or promoting sophistication of design to distinguish themselves from mimicking brands. Adding a 'natural' exquisite aspect to luxury will have meaningful influences on establishing positive brand image and evoke dream values.

Another contribution of the current study is the finding demonstrating the negative influences of virtual rarity techniques on consumers' social and emotional value. Although results confirm the positive role of virtual rarity on achieving quality perceptions, compared with natural rarity effects, virtual rarity tactics are not disproportionally welcomed by consumers. In fact, existing research has suggested that contemporary consumers are more conscious of the techniques of persuasion employed by marketers, as well as the tactics related to product rarity advertising (Suri, Kohil & Monroe, 2007; Ko, Phau& Aiello, 2016). Hence, marketers should be particularly cautious when manipulating and administrating virtual rarity strategies such as releasing limited edition products, as over-use of such measures may bring adverse influences on perceived value and brand desirability in the long run.

It was found that exclusivity measures, such as the promotion of VIP membership and exclusive, luxury events, might not be viewed as more valuable by contemporary consumers, especially when comparing with natural rarity effects caused by restrained natural resources. As a result, luxury marketers should take into considerations of how the meaning of luxury is shifted from status-focused to experiential-focused in today's market. Hence, it is crucial for luxury businesses to make additional efforts to understand consumers' experiential expectations and their personal goals of being included in an 'exclusive' service, rather than relying on the promotion of actual entry barriers, as this may cause resistance or even repulsion to the brand campaign.

Limitations and Future Research

Although product stimuli in this study have been carefully selected based on pre-testing and focus group interviews, one of the major limitations is that we did not account for brand familiarity effect in our sample. Brand familiarity and brand experience contribute significantly to consumers' cognitive and emotional responses to the brand (e.g., Tam, 2008; Junior Ladeira, Santiago, de Oliveira Santini, & Costa Pinto, 2022), and hence should be carefully evaluated in future studies to pinpoint its effects on the relationships between exclusivity, rarity and value perceptions.

Secondly, our study only focused on four tangible product categories, whereas the roles of rarity and exclusivity have not been well investigated in luxury service categories such as five-star hotels, fine dining and indulgent travelling. Luxury services such as luxury cruising and tourism have the appeals of providing uncommon and personal experiences to consumers with the aim to escape, discover and being away from mass (Bakker, 2005; Euromonitor International, 2007). Therefore, future studies should consider examining the influence of rarity and exclusivity appeals and how they address the experiential aspects of luxury value perceptions.

The third limitation is related to the sample selection process. This current study focuses only on middle class consumers in Australia, due to the economic growth of developing countries, emerging markets such as China and India also demonstrate strong growth for luxury purchases (Jain, 2020; Sun, D'Alessandro, & Johnson, 2016). Hence, it can be particularly interesting and useful to compare the potential differences on value perceptions across multiple countries.

lastly, it is also important for future studies to consider the effects of potential moderators and mediator on how they can influence the strengths of the current relationships between perceived exclusivity, perceived rarity and perceived value. These moderators and mediators can include brand

attitude, perceived luxuriousness and brand attachment which been shown in previous research to play different roles in luxury brand perception and behavioural intentions (e.g**.,** Kautish & Sharma, 2018; Hennigs, Wiedmann, Behrens, & Klarmann, 2013; Wiedmann et al., 2007). In particular, this study clearly demonstrates the prevalence of natural rarity on enhancing consumer values, and therefore future research should further investigate the role of natural rarity using different stimuli and experimental designs to create a more comprehensive understanding to warrant marketing applications.

Chapter 7 STUDY Three

Chapter Introduction

Extending on findings from Study One and Study Two, this chapter consists Study Three of the research, focusing on examining the compatibility of natural rarity and sustainability, as well as assessing the impacts they exert on consumers' willingness to pay more through the mediating effect of consumers' desire for luxury. Study Three aims to address research gaps GAP4 & GAP 5 and research objectives RO4 & RO5.

Specifically, it is essential to clarify the relationships between natural rarity and sustainability to understand natural rarity and sustainability can co-exist in the luxury industries, or whether they are perceived as mutually exclusive concepts from consumers' perspective. Findings of Study 3 will provide meaningful managerial implications on maintaining a delicate balance between sustainability and rarity in luxury.

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Examining the Mediating Role of Consumer Desire for Luxury:

Can Perceived Sustainability and Natural Rarity Evoke Willingness to Pay More?

ABSTRACT

The purpose of this study is to investigate how perceived sustainability and perceived natural rarity influence willingness to pay more for luxury. The mediating role of consumer desire for luxury was also examined. Results suggested that perceived natural rarity and perceived sustainability were positively related but distinct constructs. Perceived natural rarity is found to have a significant and positive influence on consumers' willingness to pay more through the mediating role of consumer desire for luxury. Similarly, consumer desire for luxury was also found to be a significant mediator for the relationship between perceived sustainability and willingness to pay more among consumers. This is the first paper to empirically test the relationship between perceived natural rarity and perceived sustainability. Findings provide innovative thoughts on the use of sustainable but luxurious raw materials in luxury, which can have significant implications in maintaining luxury desires and purchase behaviour.

INTRODUCTION

Traditionally, luxury has been associated with status, wealth, rarity and power, and has been identified with satisfying consumer desires that are non-essential (Tynan, McKechnie, & Chhuon, 2010). Luxury goods are thus perceived as rare and sophisticated pieces of workmanship using only premium raw materials, with sophisticated designs and detailed workmanship (Brun & Castelli, 2013).

With the increasing public concerns about the current environmental issues, luxury brands have also been criticised by some of their unethical practices including excessive consumption of natural resources and animal cruelty issues (George-Parkin, 2018; Rolling, Seifert, Chattaraman, & Sadachar, 2021). Luxury brands such as Burberry, Hermès and Tiffany Co., have been in the spotlight for unsustainable raw material sourcing (Chan, Wei, & Guo, 2020) while Gucci, Dior and Saint Laurent have been accused of frequently using rare animals' leather and fur (e.g. Chan et al., 2020). These issues related to unsustainable behaviours could decrease consumer desires and damage brand image, and therefore is considered as a more concerning issue in the luxury sector than in other sectors (Friedman, 2010; Hashmi, 2017). Consequently, luxury businesses should carefully consider the impact of increasing consumer awareness for environmental issues, particularly in the selection of raw materials and natural resources used for their products (Hanson-Rasmussen & Lauver, 2018).

This also creates a dilemma for luxury business to find a balance between conducting sustainability practice while maintaining natural material rarity to keep luxury dreams in consumers (Kapferer & Michaut-Denizeau, 2017). There are luxury businesses releasing eco-friendly limited editions using superior raw materials to capture both sustainability and natural rarity (e.g., Dekhili, Achabou, & Alharbi, 2019; Larraufie & Lui, 2018). In recent years, luxury brands such as Yves Saint Laurent and Louis Vuitton, are gradually transforming luxury practices by the use ecofriendly raw materials such as organic cotton, ethically produced silk and natural fibres, while Prada and Burberry announced they are actively replacing the use of endangered natural resources such as animal leather and fur, starting in 2020 (Prisco, 2019).

There have also been investigations examining the compatibility between concepts of sustainability and luxury rarity but with inconsistencies in findings. Hennigs et al. (2013) and Nash, Ginger, & Cartier (2016) found that the two concepts complement each other as they both symbolise product durability and provide higher value. In contrast, others believe luxury rarity and sustainability

represent different universes (e.g., Dekhili and Achabou, 2016; Kapferer & Michaut, 2015). In particular, natural rarity has been found to be positively associated with luxury brand desirability through enhancing quality and uniqueness perceptions (Parguel, Delécolle, & Valette-Florence, 2015; Wang, Sung, & Phau, 2021), while sustainability information seems to negatively influences the perceived quality of luxury products (Dekhili & Achabou, 2016; Dekhili, Achabou, and Alharbi, 2019).

Further, contradictory results have been found between natural rarity and sustainability in terms of eliciting luxury desires and actual purchasing intentions such as willingness to pay more for luxury. Some authors suggested naturally rare and luxurious materials initiate consumer desires and justify the premium price for luxury products (Kapferer & Valette-Florence, 2021; Phau and Prendergast, 2000). Other authors asserted that rarity and expensiveness can no longer define luxury (Mundel, Huddleston, & Vodermeier, 2017; Thomsen, Holmquist, Von Wallpach, Hemetsberger, & Belk, 2020). For many consumers, the "unconventional luxury" involves ecological factors and sustainable practices which evokes desires among consumers (e.g., enjoying clean air and water, experiencing a moment of silence in nature; Mundel et al., 2017). Consumer desire for luxury is an important contributor for willingness to pay premium (Kapferer &Michaut, 2014, Kapferer & Valette-Florence, 2021). Hence, the potential influences of natural rarity and sustainability on consumer desires also open a pathway for the current study to understand consumers' willingness to pay more for luxury. The above comparison between natural rarity and sustainability raises the theoretical questions: what keeps motivating consumers to pay more for luxury products? Can natural rarity and sustainability co-exist in the luxury realm?

As such, the aims of this study are to understand whether (1) perceived natural rarity and perceived sustainability are related concepts in luxury (2) consumer desire for luxury could have a positive mediating effect on the relationships between perceived natural rarity, perceived sustainability and willingness to pay more.

RELEVANT LITERATURE AND HYPOTHESES DEVELOPMENT

Relationship between natural rarity and sustainability in luxury

The term "natural rarity" is used to indicate the limited availability of goods due to shortages of natural and raw materials in production (Catry, 2003; Kapferer & Valette-Florence, 2016). Traditionally, luxuries were often handmade and are perceived as rare pieces of craftsmanship using only high-quality raw materials, with sophisticated design (Kapferer & Valette-Florence, 2018). Rarity messages are more appealing to luxury customers because they address individuals' need for uniqueness, which can stimulate a desire to be one of the happy few to own it (Aggarwal, Jun, & Huh, 2011; Eisend, 2008). Maintaining rarity is also viewed as a critical success factor for luxury businesses. Luxury products containing precious materials are highly sought by luxury consumers as it symbolises authenticity, craftsmanship and status (Brun & Castelli, 2013; Silverstein & Fiske, 2003).

The concept of sustainability was initially proposed in the 1970s to combat various social and environmental issues such as climate change, energy shortage, deterioration of ecological environment, and exploitation of natural resources (Guercini & Ranfagni, 2013). Sustainable manufacturing practices aim at minimising environmental damage by using the least natural resources while optimising the product efficacy of the company (Nordin, Ashari, & Rajemi, 2014).

Luxury and sustainability seem to differ in many aspects. Luxury symbolises excessiveness, superficiality and the pursuit of personal pleasure (Dean, 2018; Tynan et al., 2017), while sustainability is often associated with moderation, altruism and collectivism (Naderi & Strutton 2015; Waris, Dad, & Hameed, 2021). Further, sustainability practices concern about social justice and the adequate use of natural resources, while the luxury businesses are often criticised for raising social inequalities and draining rare and natural resources. Finally, the luxury sector is also accused for animal cruelty issues such as animal mistreatment to obtain skins and furs. Hence, the production of luxurious and prestigious products is also contrary with the idea of animal welfare within the realm of sustainability (Dekhili & Achabou, 2016).

More recent debate on luxury sustainability is considered with the question toward the compatibility between sustainability and natural rarity (e.g, Dekhili & Achabou, 2016; Hennigs et al., 2013; Kapferer & Michaut, 2014). Some authors believe that sustainability and luxury rarity share some important characteristics such as durability, which reflects the selection of natural resources that

would last throughout time and thus decrease product disposal rate (Cervellon, 2013; Hennigs et al., 2013). Hence, it is believed that luxury brands are able to benefit the environment through encouraging moderate consumption and promoting the reasonable use of natural resources in production (Hashmin et al., 2017). The promotion of using sustainable but naturally rare materials enhances the durability of luxury goods, fundamental to preserve brand prestige and aesthetic craftsmanship (De Angelis et al, 2017).

The second characteristic is exclusivity, which reflects the carefully chosen materials used in production. For example, compared with cotton, alternative natural fabrics such as lyocell, flex and hemp are not only perceived to be rarer and more luxurious, but they can also bio-based and biodegradable which significantly reduce adverse environmental impacts (Donato, Buonomo, & Angelis, 2020).

Hence, there are potential possibility that both natural rarity and sustainability can co-exist in luxury productions through ethical use of naturally rare resources that are high in durability and exclusivity (Cervellon, 2013; Hennigs et al., 2013). Based on the proceeding discussion, the following hypothesis is presented:

H1: Perceived sustainability and perceived natural rarity are distinct but positively correlated constructs.

Consumer desire for luxury

Consumer desire for luxury refers to personal incentives surrounding luxury consumption as to whether a product is worth getting or having. Consumers' enduring desire for luxury largely derives from the pursuit of value and status, that is, 'respect, admiration, and voluntary deference afforded by others' (Anderson, Hildreth & Howland, 2015).

The concept of desire in luxury goes far beyond limited supply and perceived rarity; it recognises the importance of human involvement and establishing a close relationship with customers (Kapferer & Valette-Florence, 2018). In comparison to everyday consumption, consumers' desire for luxury is associated with pursuing "pleasure and indulgence of the senses through objects or experiences that are more ostentatious than necessary" (Kapferer & Valette-Florence, 2016; Okonkwo, 2010).

Consumer desire for luxury is a meaningful construct because it taps into the subjectivity of luxury, that is, luxury should be successfully perceived and recognised by consumers based on the functionality, price and benefits (Hudders, Pandelaere, & Vyncke, 2013; Phau & Prendergast, 2000). Research has found price is a barrier to entry that can build desire for luxury product (Kapferer &Valette-Florence, 2021). Further, consumer desire for superior quality has a positive influence on luxury perceptions (Parguel et al., 2016; Wang et al., 2021) and their willingness to pay premium for luxury products (Kapferer and Valette-Florence, 2021). Brand desirability also moderates the association between consumers' brand commitment and brand equity, which further confirms the important role of desires in luxury purchasing (Kapferer &Valette-Florence, 2018; Kim, Ko, Xu, & Han, 2012). Following an integrative understanding of luxury desires, the question arises of how natural rarity and sustainability affect consumer desire for luxury, which may further influence on consumers' purchasing intentions.

Willingness to pay more for luxury

Consumers' willingness to pay more (WTPM) reflects consumers' actual purchasing intentions to make the necessary (monetary) sacrifice to acquire certain products or services (Koschate-Fischer, Diamantopoulos, & Oldenkotte, 2012). A consumer's willingness to pay a higher price is found to be a strong indicator of overall brand equity and brand loyalty (Naeini, Azali, & Tamaddoni, 2015). Consumers' WTPM is also a significant predictor for brand purchasing behaviour (Siew, Minor, & Felix, 2018).

Hudders and Pandelaerer (2013) and Lee et al. (2015) suggest that product uniqueness, brand value and perceived quality are important and direct antecedents of a consumer's WTPM for a brand. In particular, researchers support the view that unique brand characteristics influence both consumers' brand preferences and their willingness to pay a higher price (Siew et al., 2018). WTPM is also an important indicator for brand love, brand credibility and brand luxuriousness in luxury consumers (Dwivedi, Nayeem, & Murshed, 2018). Specifically, (Kim et al., 2010).

According to equity theory, consumers seek to establish an equitable deal, and thus they attempt to adjust level of input in relation to the favourable outcomes and overall value they expect to receive (e.g., perceived rarity, perceived luxuriousness; Naeini, 2015). Specifically, luxury purchasers show more positive emotions and desires to pay for a premium price than those who have never purchased

luxury brands for the benefits of status (Kim, Park, & Dubois, 2018), rarity and exclusivity (Kim, 2018).

Although research findings are still very limited, recent studies have shown that consumers' attitudes, values and norms for sustainability can function as significant contributors to sustainable luxury purchase behaviours (e.g., Athwal, Wells, Carrigan, & Henninger, 2019; Eastman & Iyer, 2021). Other factors such as consumers' self-expression of sustainable perceptions may also influence luxury consumptions (Dekhili et al., 2019). Sustainable practices may enhance consumers' perceived value through the increased positive perception on durability and exclusivity, and may subsequently exert an influence on willingness to pay more for luxury brands (Larraufie & Lui, 2018).

Role of natural rarity on desire for luxury and willingness to pay more

Signalling theory captures the underlying mechanism on how rarity effect evokes desires and willingness to pay for luxury (Gierl & Huettl, 2010). Specifically, product rarity signals brand commitment of producing limited product quantities, which enhances quality and value perceptions to potential consumers (Balachander & Stock, 2009; Stock & Balachander, 2005). Rarity messages addressing naturally scarce aspect of luxury goods appeal to individuals' desire for uniqueness, which can stimulate consumers' desire to own it due to limited supply (Aggarwal et al., 2011; Eisend, 2008). Based on the proceeding discussion, the following hypothesis is presented:

H2: Perceived natural rarity has a positive and significant influence on consumer desire for luxury

The use of naturally rare fibres particularly animal hair added specific characteristics such as warmth, suppleness, fineness, and finally mystique (Gardetti & Muthu, 2015). The limited production and unique characteristics of using naturally rare materials and exotic fibres also stimulates positive luxury perceptions among consumers, which may subsequently contribute to purchase intentions (Kapferer & Valette-Florence, 2018; Wang et al., 2021). The ultimate goal is to maintain brand desirability and perceived luxuriousness, as well as ensuring their products still holds high levels of dream value and premium pricing (Riot, Chama ret, & Rigaud, 2013; Kapferer & Valette-Florence, 2016). Lastly, researchers support the view that higher perceived rarity led to higher levels of brand desires, which subsequently contribute to both consumer preferences and the willingness to pay a higher price for the brand (Kim, 2018; Park, Eom, & Spence, 2021).

While the use of luxury and naturally scarce material create inevitable attractions to luxury consumers, the current trend of sustainable luxury consumption has placed a great challenge for the traditional implementation of natural rarity strategies in luxury. Further, in the recent years, many luxury manufacturers have outsourced their productions to low labour-cost countries, such as Indian and China (Canham & Hamilton, 2013). In these manufacturing facilities, the brands are produced in large quantities and they are no longer relying on naturally rare resources to achieve promising financial outcomes. Hence, it is important to understand the role of natural rarity on consumer desires and willingness to pay when mass production and affordable luxury are taken place. As such, there is a need for current research to explore how contemporary consumers perceive natural rarity in luxury. Based on the proceeding discussion, the following hypothesis is presented:

H3: Perceived natural rarity has a positive and significant influence on consumers' willingness to pay more.

H4: The relationship between perceived natural rarity and willingness to pay more is positively mediated by consumer desire for luxury.

Role of perceived sustainability on desire for luxury and willingness to pay more

Product sustainability is not traditionally treated as a determinant for luxury desire, nevertheless it affects many sectors including luxury businesses (Kapferer & Valette-Florence, 2021). In the contemporary marketplace, consumers typically look beyond traditional luxury offerings when assessing the benefits of luxury. In particular, luxury consumers are displaying great interest in business sustainable practices through social media report, which subsequently influence their thoughts on brand image, consumer desire and purchase intentions for luxury goods (Dubois, Jung, & Ordabayeva, 2021). Contemporary consumers have demonstrated increasingly complex luxury consumption behaviour considering the environmental costs and sustainable framing of luxury goods (Sun, Bellezza, & Paharia, 2021).

Sustainable strategies contemplate the preservation of the environment (Pawłowski, 2008) and are focus on innovation, productivity and efficient use of resources. Sustainable business behaviours include implementing innovative strategies to minimise reliance on natural resources, using alternative energy sources to reduce waste and pollutants, and encouraging eco-friendly behaviours

such as recycling and erecting barriers to contamination (Pullman, Maloni, & Carter, 2009; Sharma, 2017).

Sustainable supply chains and environmental preservation drive luxury firms to redefine their sourcing, manufacturing and distribution processes. Sustainable and ethical practices also open new opportunities for luxury firms to foster productivity, innovation and increase brand value, which ultimately ensure a luxury brand's long-term success (de Angelis et al. 2017; Kapferer & Bastien, 2012). Specifically, the promotion of using sustainable materials enhance the durability of luxury goods, which is fundamental to preserve brand prestige and aesthetic craftsmanship (Carcano, 2013).

Contemporary consumers demonstrate more complex and sophisticated motivations for luxury purchases and luxury desires. According to the Costly Signalling Theory (Griskevicius, Tybur & Van den Bergh, 2010), luxury consumers may choose to take sustainability actions for reasons other than concerns for environmental impact. Sustainability initiatives can also be triggered by factors such as pursuit for status, feelings of exclusivity and achievement, as well as the pride of engaging in prosocial behaviours (Griskevicius et al., 2010; Kapferer & Michaut-Denizeau, 2017). For instance, luxury consumers purchasing expensive items expect more than rarity; they also have a desire for exclusivity (Kim, 2018; Yeoman & McMahon-Beattie, 2006). Enjoyment of exclusivity for sustainable product is an important emotional factor for luxury desire as it reflect consuemrs' feelings that they themselves are unique (Kim, 2018). Based on the proceeding discussion, the following hypothesis is presented:

H5: Perceived sustainability has a positive and significant influence on consumer desire for luxury

Given the ever-growing environmental and societal pressure, the integration of sustainable and ethical practices has not only become essential for luxury industry, it is also increasingly demanded and valued by contemporary consumers (e.g., Amatulli, De Angelis, Korschun, & Romani, 2018; de Angelis et al. 2017; Osburg, Davies, Yoganathan, & McLeay, 2021). Previous studies also propose that consumers are willing to pay premium for sustainable luxury products that fulfil their dreams for luxury brand prestige and social power (Achabou et al., 2017; Beckham &Voyer, 2014).

In marketing practice, luxury brands (such as Gucci and Hermès) has focused on developing productive processes with low environmental impact together with the use of recycling and of sustainable materials (e.g., Gucci's eco-friendly packaging). Further, the adoption of sustainable and rare materials (e.g., vegetable leathers) also add on the uniqueness of its constitutive resources, and thus produce positive influence on luxury value (Gardetti & Muthu, 2015). Alternative natural fabrics such as lyocell, flax and hemp are not only perceived to be rarer and more luxurious, but they produce less environmental damage as the raw materials (e.g., wood) can grow without harmful chemicals such as pesticides and fertilizers (Dekhili &Achabou, 2016).

Luxury firms incorporating sustainable elements reinforce the perception of durability of natural perceived product quality, which affect consumers' purchase motivation and thus affects consumer's purchasing decisions (Park & Park, 2003). Sustainable practice also enhances brand value and brand awareness, contributing to brand desires, which further contribute to consumer's willingness to pay premium prices (Goebel et al., 2018). Hence, it is essential to recognise sustainability as a distinctive element of corporate brand identity (Guercini & Ranfagni, 2013), as well as understanding how it affects consumer desires and willingness to pay for luxury. Based on the proceeding discussion, the following hypotheses are presented:

H6: Perceived sustainability has a positive and significant influence on consumers' willingness to pay more.

H7: The relationship between perceived sustainability and willingness to pay more is positively mediated by consumer desire for luxury.

These relationships are presented in the Conceptual Model in Figure 1.

Figure 7.1. Research Model
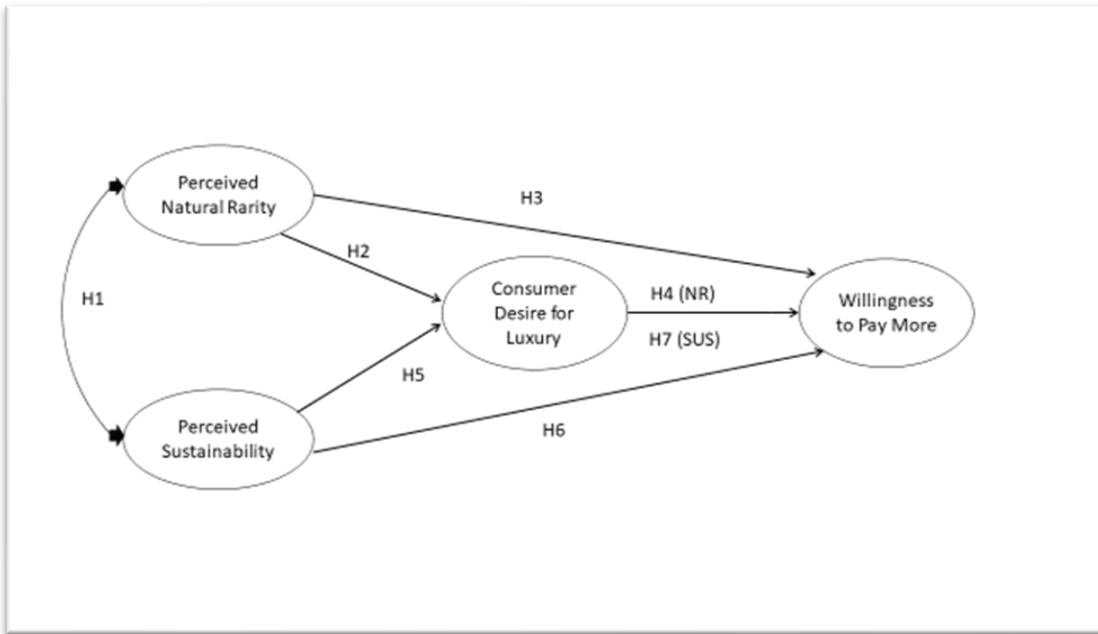
METHODOLOGY

Sample and Data Collection

This study focuses on consumers who were born in Australia or live in Australia for at least five years. A total of 487 participants were recruited to complete a self-administered survey through online consumer panel Qualtrics. 46 participants were excluded due to unsuccessful attention check or missing data, leaving 441 participants for further analysis. The sample was comprised of fifty-four percent female and forty-six percent male, with a mean age of 46 years (SD=16.75).

Stimuli

The signature wallet from British luxury brand Ettinger was selected as the product stimulus to test the model. Luxury wallet from less well-known luxury brand was chosen for its relevance and capacity to evoke both sustainability and natural rarity while minimising the influence of brand familiarity. Product stimuli and their descriptions were based on real releases and marketing campaigns administered by the luxury brand. Stimuli descriptions for rarity emphasised on limited natural resources (e.g., the use of naturally rare cork oak). Perceived sustainability is elicited by using statement stressing the use of sustainable materials in production process. The whole questionnaire took approximately 25 to 30 minutes to complete. Stimuli descriptions for each category are presented in **Appendix I**.

Survey Instrument

The survey instrument incorporated three existing scales to measure Perceived Sustainability (PSUS), Consumer desire for Luxury (DES) and Willingness to Pay More (WTP). Scale items were adapted individually to ensure they suit the context of selected product category. Perceived sustainability was measured by adapting a five-item scale from Hamari, Sjöklint, and Ukkonen (2016). Consumer desire for luxury was measured by adapting the eight-item brand desirability scale from Kapferer and Valette-Florence (2016). Willingness to pay more scale adopted three items from Franke and Schreier (2008) examining consumers' purchase intentions for the luxury good. In additional, perceived natural rarity (PNR) was assessed by developing a three-item scale in accordance to the definition of natural rarity proposed by Catry (2003) and Kapferer & Valette-Florence (2016).

All scales were reviewed to ensure acceptable levels of reliability as indicated in the original studies. Scale items were measured on 7-point Likert scales ranging from 1 (Strongly Disagree) to 7 (Strongly Agree). At the end of the survey, demographic information was recorded for each respondent. Scale items used in this study are summarised in **Appendix II**.

RESULTS AND ANALYSIS

Preliminary Results

Descriptive statistics including means, standard deviations and inter-correlations were presented in Table **7.1**. All main measures including PSUS, PNR, DES and WTP have shown positive and significant correlations.

Table 7.1: Means, Standard Deviations, and Intercorrelations among Study Measures

Measures	PNR	PSUS	DES	WTP	M	SD
PNR	--				4.717	1.368
PSUS	.557***	--			4.117	1.455
DES	.421***	.622***	---		3.689	1.780
WTP	.352***	.609***	.857***	---	3.312	1.732

Note. PNR=Perceived Natural Rarity Measure; PSUS=Perceived Sustainability Measure; DES=Consumer Desire Measure; WTP=Willingness to Pay More Measure. ***p<.001

Reliability Check

Prior to conducting factor analysis, each scale was checked for reliability level. All four scales demonstrated excellent levels of Cronbach's Alpha: Perceived Sustainability (PSUS; α=.968), Perceived Natural Rarity (PNR; α=.921), Consumer Desire for Luxury (DES; α=.985), and Willingness to Pay More (WTP; α=.955), indicating acceptable levels of consistencies and internal reliability.

Exploratory Factor Analysis

An Exploratory Factor Analysis (EFA) was conducted to discover the issues of cross-loadings and multicollinearity of items from different scales. Varimax (orthogonal) rotation was performed with an examination of the Kaiser-Meyer Olkin measure of sampling adequacy (*KMO*), results indicated that the sample was factorable (*KMO*=.955). The pattern matrix is presented in Table 2.

The EFA results yielded a four-factor solution, suggesting that the four scales are relatively distinct measures (Table **7.2**) while significantly correlated (Table 1), hence supporting H1.

Table 7.2: Summary of Exploratory Factor Analysis Results for 19 survey

items Using Maximum Likelihood Estimation (N = 441)

	Item	Factor Loadings			
PSUS	PSUS1	**.792**			
	PSUS2	**.838**			
	PSUS3	**.853**			
	PSUS4	**.823**			
	PSUS5	**.865**			
PNR	PNR1		**.884**		
	PNR2		**.875**		
	PNR3		**.753**		
DES	DES1			.848	
	DES2			.876	
	DES3			.891	
	DES4			.901	
	DES5			.874	
	DES6			.904	
	DES7			.894	
	DES8			.902	
WTP	WTP1				.551
	WTP2				.552
	WTP3				.506
EIGENVALUES		66.119	13.856	7.287	2.990
% OF VARIANCE		44.624	24.070	14.211	4.637

Note: Factor loadings smaller than.40 appear are not displayed. PSUS=Perceived Sustainability Measure; PNR=Perceived Natural Rarity Measure; DES=Consumer Desire Measure; WTP=Willingness to Pay More Measure.

Confirmatory Factor Analysis

A confirmatory factor analysis (CFA) using maximum likelihood estimations have been conducted to assess model fit, as well as further verifying the dimensionalities and relationships among among PSUS, PNR, DES and WTP. The test of measurement model produced adequate model fit (Vandenberg &Lance, 2000; Kline, 2011): $\chi 2(140)$ =369.133, p=.000, RMSEA=.061, GFI=.920, AGFI=.892, TLI=.978 and CFI=.982.

Factor and pattern matrix for CFA is presented in Table **7.3**. The full measurement model has shown the presence of discriminant validity with the demonstration that scale items have adequate loadings

and they were positively and significantly correlated with their respective construct (p<.001). Therefore, a full structural equation model was developed to test the hypotheses of the current study. The composite score of each measure is computed based on the results of the CFA and subsequently used for further analyses.

Table 7.3: Factor pattern for full measurement model

	Items	PSUS		PNR		DES		WTP	
		P	S	P	S	P	S	P	S
PSUS	PSUS1	**.889**	.901						
	PSUS2	**.922**	.933						
	PSUS3	**.953**	.952						
	PSUS4	**.931**	.932						
	PSUS5	**.952**	.952						
PNR	PNR1			**.923**	.923				
	PNR2			**.946**	.946				
	PNR3			**.819**	.819				
DES	DES1					**.911**	.911		
	DES2					**.941**	.941		
	DES3					**.949**	.949		
	DES4					**.950**	.950		
	DES5					**.941**	.941		
	DES6					**.955**	.955		
	DES7					**.952**	.952		
	DES8					**.962**	.962		
WTP	WTP1							**.934**	.934
	WTP2							**.950**	.950
	WTP3							**.934**	.934

Notes: P=pattern coefficient; S=structure coefficient. Willingness to Pay is abbreviated as WTB. Values are standardised parameter estimates. All pattern coefficients are significant at p<.001. Asterisked values are parameters fixed at reported levels in specifying the measurement model.

Hypothesis testing

Structural equation modelling (SEM) using AMOS version 23 were used to test the mediation effects. Hypotheses were tested for both direct and indirect effects of perceived sustainability and perceived natural rarity on willingness to pay more in the presence of consumer desire for luxury. According to Preacher and Hayes's (2008) findings, a significant mediation effect is present when there is a statistically significant indirect effect of the independent variable on the dependent variable through the mediator ($p < 0.05$).

Accordingly, the results in Table **7.4** indicated that PNR had a significant and direct effect on DES (β =.688, *SE* = 0.055, *p* < 0.01), supporting H2. PNR had a significant but negative direct effect on WTP (β =-.066, *SE* = 0.037, *p* < 0.01), rejecting H3. Further, PNR also had a significant indirect effect on WTP through DES (β = 0.085, *SE* = 0.022, *p* < 0.01). This indicated the significant mediating role of DES in the association between PNR and WTP; hence H4 was supported.

Lastly, it was found that PSUS had a significant and direct effect on DES (β = 0.562, *SE* = 0.040, *p* < 0.01), supporting H5. PSUS also had a significant and direct effect on WTP (β =.155, *SE* = 0.055, *p* < 0.01), supporting H6. Further, PSUS also has a significant indirect effect on WTP through DES (β = 0.443, *SE* = 0.023, *p* < 0.01). This indicates the significant mediating role of DES in the association between PSUS and WTP; hence H7 was supported.

Table 7.4: Results of the mediation analysis

Path relationships	path coefficient (β)	SE
Direct Effects		
PSUS → WTP	.155**	.040
PNR → WTP	-.066 **	.037
Indirect Effects		
PSUS →DES →WTP	.443**	.023
PNR →DES →WTP	.085**	.022

Notes: ***p < 0.001; **p < 0.01; *p < 0.05

DISCUSSION AND IMPLICATIONS

Relationship between perceived natural rarity and perceived sustainability

Firstly, our results clearly demonstrates that perceived natural rarity and perceived sustainability are distinct but positively correlated constructs. It provides an insight to further understand the converging meanings of rarity and sustainability and how to utilise them in luxury practice. This finding also untightens the current paradox of how to keep a balance between sustainability practice

and natural rarity in luxury practice (Dekhili et al., 2019; Kapferer & Valette-Florence, 2021). It should be noted that perceived natural rarity and sustainability are not traditionally considered as compatible concepts in luxury literature. Sustainable strategies are considered about the efficient use of resources and the preservation of the environment (Guercini & Ranfagni, 2013). The main goal is to encourage sustainable business behaviours such as reducing waste and pollutants in production processes and minimising reliance on natural resources (Pullman et al., 2009).

On the other hand, the use of naturally rare materials (e.g., luxury animal hairs) seem to pose great threat to sustainability as it can lead to animal killing and mistreatment which aggravate the extinction of hair-producing animals (Fletcher, 2008; Gardetti &Muthu, 2016). The use of naturally rare animal furs and leather may also lead to poaching and illegal fibre trading (Joy et al., 2012; Gardetti & Muthu 2016). Our finding demonstrated positive relationship between the two, which opens the potential benefits of combining natural rarity and sustainability in luxury marketing. Specifically, the promotion of using sustainable but naturally rare materials is found to enhance the durability of luxury goods, which is fundamental to preserve brand prestige and aesthetic craftsmanship (Kapferer & Valette-Florence, 2021).

Hence, it is important for luxury firms to incorporate sustainable elements and natural rarity, as well as recognising sustainability as a distinctive element of corporate brand identity and brand desirability (Guercini & Ranfagni, 2013). Taking advantage of a new business opportunity, it is therefore critical to investigate the converging meanings of luxury rarity and sustainability in luxury brands.

Role of perceived natural rarity in luxury

The current findings suggested that perceived natural rarity still plays an important role in triggering consumers' willingness to pay more, through the mediating effect of consumer desire for luxury. In luxury consumptions, it was found that people would place more value on rare products with superior materials and aesthetic craftsmanship, as it demonstrates self-distinctiveness in a social context that reinforce social status and a positive self-image (Tak, 2020). Kapferer and Valette-Florence (2016) also demonstrated the effectiveness of using rarity strategies to enhance luxury perceptions and evoke brand desirability among consumers.

Results are also consistent with recent studies conducted by Wang et al., (2021) demonstrate the positive influence of natural rarity on both social value and emotional value, indicating the potential usefulness of implementing natural rarity strategies to evoke consumer desire and luxury purchase intentions. It is also worth noticing that natural rarity adds unique aspect to craftsmanship and aesthetics, conveying both symbolic and social value (Caniato et al. 2009; Hudders et al., 2013), which may contribute to consumers' willingness to pay more for luxury products.

Role of perceived sustainability in luxury

A positive mediating effect of consumer desire for luxury was found on the relationship between sustainability and consumers' willingness to pay more. The recent incorporation of sustainability to luxury is a source of debate. Luxury and sustainability seem to differ in many aspects. Luxury symbolises excessiveness, superficiality and the pursuit of personal pleasure (Dean, 2018; Tynan et al., 2017), while sustainability is often associated with moderation, altruism and collectivism (Naderi & Strutton 2015; Waris, Dad, & Hameed, 2021). Further, sustainability practices concern about social justice and the adequate use of natural resources, while the luxury businesses are often criticised for raising social inequalities and draining rare and natural resources. Other authors propose that sustainable luxury products are compatible with luxury brand prestige and increased social power (e.g., Achabou & Dekhili, 2013; Beckham &Voyer, 2014). The complex and contradictory nature of sustainability and luxury can also produce conflict in thoughts and behaviours among luxury consumers.

Our findings support the notion that successful environmental initiatives would boost consumers' willingness to pay more for luxury products. This is consistent with Hennigs et al. (2013) and Carcano (2013) findings suggesting that the sustainability practices have a positive influence on consumers' brand desires through enhancing dream-imbued image of luxury products. However, it should be noted that there are existing research supporting the opposite point of view. For example, some authors (e.g., Dekhili & Achabou, 2016, Larraufie & Lui, 2018) argue that luxury buyers of expensive products are not particularly concerned about the sustainable aspects of luxury production; some consumers even express a negative attitude toward sustainable luxury products (e.g., Janssen et al., 2014).

Others (e.g., Achabou & Dekhili, 2013) found a negative association between the luxury perceptions and the presence of recycled fibres. According to the consistency theory (Festinger, 1957), when there is inconsistency and perceived divergence between two pieces of information (e.g., luxury versus sustainability), people can either rationalise their behaviour to reduce psychological discomfort (e.g., ignore sustainability issues), or they can change and act consistently with their beliefs, values and perceptions (e.g., abandon unsustainable luxury purchases).Therefore, the contradictions in results may due to the differences in respondent characterises, age groups and education backgrounds. The inconsistent results of sustainability in luxury can also be related to the selections of sustainability materials and ethical approaches in the study designs. Hence, it is important for future research to adopt multiple product categories with diverse demographic populations to validate the current results.

Theoretical Contributions

First, our study provides clearly demonstrated the overlapping and differentiating characteristics of natural rarity and sustainability through preliminary results and theoretical designs. Specifically, our results also fill a knowledge gap in previous literature by comparing the effects of natural rarity and sustainability within one experimental design. Our results provide an understanding on the differentiated functions of rarity and sustainability, as well as opening the possibility of combining the two in luxury practice to maximise consumer desires and purchase intentions. It provides valuable directions for future research to reconsider the relationship between rarity and sustainability in luxury. That is, natural rarity and sustainability should not be treated as mutually exclusive concepts, they can be regarded as complementary attributes to maximise the efficiency of luxury branding.

Second, our research is the first paper specifying the mediating role of consumer desire and how it affects the relationship between natural rarity, sustainability and consumers' willingness to pay more. The incorporation of consumer desire enhances our understanding on how natural rarity and sustainability exert their influences on consumers' actual purchase intentions, which has meaningful implications in luxury marketing practice. Given the complexity found in the literature regarding how environmental and social sustainable behaviour and rarity affect consumer desires, and the ambiguity underlying the phenomenon of luxury purchases involving prosocial behaviours (Luomala et al., 2020), results of the current paper unveil the needs for a more complex model to further test how luxury desires are affected by sustainability (Kunz et al., 2020).

Further, our study unveils the current controversies regarding the compatibility between luxury and sustainability for stimulating desires and evoking purchase actions. Our results demonstrated the important status of sustainability in luxury through consumer lens, suggesting that luxury brands should make an effort to select sustainable materials of excellent quality in order maintain brand desirability and brand status.

Managerial Contributions

Limited research has investigated the interactions between natural rarity and sustainability in terms of eliciting desires and actual purchasing intentions such as willingness to pay more for luxury. The current study thus provides meaningful managerial contributions on understanding the influence of natural rarity and sustainability from consumer perspectives to warrant luxury practice.

According to previous research, the association between sustainability and luxury demonstrate increasing complexity, and that sustainable luxury products seem to either strengthen or lessen consumers' willingness to pay more depending on consumers' feelings and desire for luxury goods (e.g., Cervellon & Shammas, 2013). Our findings support the conjunctive use of natural but sustainable materials to evoke desires and purchase intentions. This opens the possibility of introducing sustainability as a path to integrate advanced innovations into luxury production processes, foreseeing the additional values presented by luxury sustainability practices, and revealing the purchasing motivations of green products among luxury consumers.

Further, the adoption of sustainable and rare materials (e.g., vegetable leathers) also add on the uniqueness of its constitutive resources, and thus produce positive influence on luxury value (Cervellon & Shammas, 2013). For example, compared with cotton, alternative natural fabrics such as flax and hemp are not only perceived to be rarer and more luxurious, but they exert much less pressure on environment because it only requires modest amount of fertilizer (Dekhili et al., 2019).

Overall, our studies support the view that sustainability and luxury can be compatible through the enhancement of consumer desires for luxury. In particular, our findings demonstrate that "sustainable luxury" has become an integral part of luxury brand images, as it is associated with how consumers express their desires and values in a justifiable way with social and ecological concerns (Hashmi, 2017).

Notably, these findings highlight the current complexity and tension in regards to individuals' distinct pursuits of meanings and benefits of luxury. Therefore, luxury brands need to respond to increasing consumer awareness, in the selection of raw materials used for their products (Kim & Ko, 2012).

LIMITATIONS AND FUTURE RESEARCH

Future research should consider using multiple product categories (e.g., luxury shoes, bags, watches) to further validate the current results. Further, this study involves primarily Australian consumers, with an average age of 46. Previous research suggests individuals' green consumption behaviours are affected by demographic factors such as such as sex, age, education, family size and family income (Xiao & Li, 2011). It is thus important to explore the differences between green consumers to identify their characteristics through market segmentation tools. It can be particularly interesting and useful to compare the potential differences on rarity and sustainability perceptions across multiple countries. Hence, it can be particularly important to replicate the current studies among different populations with diverse demographics to reach a meaningful valuable conclusion.

In addition, future studies should also replicate the current findings using different product and service categories to examine potential similarities and differences, as well as unveiling any potential patterns. In particular, brand name and brand familiarity should also be controlled to add robustness to the current findings.

This study clearly demonstrates the prevalence of natural rarity and sustainability on enhancing consumer desires and willingness to pay more. Subsequent research should consider to extend the current findings by including potential mediators and moderators such as brand attitude, brand attachment and perceived luxuriousness, which have been shown to play critical roles in predicting luxury brand perceptions and purchase intentions (e.g**.,** Hennigs et al., 2013; Kautish & Sharma, 2018).

Chapter 8 CONCLUSION

Introduction

This chapter synthesises results from the three main studies with an emphasis on the theoretical, methodological, and managerial implications. Chapter 8 starts with a review of research objectives and research gaps addressed in previous chapters, followed by a consolidation of results and a general discussion of the three studies. Finally, the chapter concludes with main contributions, limitations, and future directions.

Review of Research Objectives and Gaps

Research gap 1 addressed the current lacking clear comparisons and differentiations between perceived exclusivity and perceived rarity in luxury research. Study One fulfills Gap 1 with empirical evidence showing the relatedness and distinctiveness between the exclusivity and rarity from consumers' perspective.

Research gap 2 emphasised the need to understand the current roles of exclusivity and rarity in luxury market. Gap 2 is addressed by Study One and Study Two, which provided empirical evidence on effectiveness of exclusivity and rarity on key outcomes variables including consumers' perception of luxury, and consumers' perceived value for luxury respectively.

Research gap 3 focuses on the currently lacking of evidence investing the compatibility between natural rarity and sustainability in luxury. Study Three findings helped clarify the relationships between the exclusivity and rarity with a quantitative empirical design.

Lastly, research gap 4 suggested the importance of investigating the effectiveness of sustainability and rarity in evoking consumers' desires and purchase intentions. Gap 4 was fulfilled by Study Three with empirical testing on the mediating role of consumers' desire between perceived sustainability, perceived natural rarity and consumers' willingness to pay more.

The five research objectives are detailed below:

RO1: To investigate the distinctiveness of exclusivity and rarity (virtual and natural) in luxury market application (**Gap 1**).

RO2: To evaluate the effectiveness of exclusivity and rarity on influencing consumers' perception for luxury (**Gap 2**).

RO3: To evaluate the effectiveness of exclusivity and rarity on influencing consumers' perceived value for luxury (**Gap 2**).

RO4: To clarify the relationships between natural rarity and sustainability to understand whether natural rarity and sustainability are compatible concepts in luxury (**Gap 3**).

RO5: To compare the impacts of natural rarity and sustainability on consumers' willingness to pay more through the mediation effect of consumers' desire for luxury (**Gap 4**).

Overall Review of Results

The distinctiveness of exclusivity, virtual rarity, and natural rarity

In Study One, exploratory factor analysis and confirmatory factor analysis have been conducted to validate the dimensionality of each measure, as well as verifying the relationships among perceived exclusivity (PE), perceived virtual rarity (PVR) and perceived natural rarity (PNR). Results of CFA indicated that items loaded substantively on their corresponding factor with no clear evidence of significant cross-loadings in our sample. In particular, we assessed model fit by considering the root mean square error of approximation (RMSEA), values =0.05 which indicated a good fit; the Tucker-Lewis index (TLI)=0.91, and the comparative fit index CFI=0.95, which also represented a good fit of the current model (Vandenberg and Lance, 2000; Kline, 2011). Findings from Study One have shown that exclusivity, natural rarity, and virtual rarity are perceived as distinct constructs among the current sample.

The effectiveness of exclusivity and rarity on influencing consumers' perception for luxury

Study One adopted three separate multiple regression analyses were conducted to examine whether Perceived Exclusivity (PE), Perceived Natural Rarity (PNR) and Perceived Virtual Rarity (PVR) contribute to Consumers' Perceptions of Luxury (PL) in the context of (1) luxury handbag; (2) luxury wine; and (3) luxury cruise categories.

Findings from Study One show that perceived natural rarity (PNR) has consistently emerged as a positive and significant contributor to consumers' perceptions of luxury across all three product and service categories. Further, the influence of perceived exclusivity (PE) on perceptions of luxury has also shown to be significant for two product categories (Bag and Wine), but not for the service category (Cruise). On the other hand, Perceived Virtual Rarity did not show any significant effects across all three categories. In addition, when comparing the standardized beta weights β across Bag and Wine, it was found that the effects of PNR were substantially larger than the power of PE in predicting PL in both categories (β_{PVR}=.646 versus β_{PE}=.220 for Bag; β_{PVR}=.722 versus β_{PE}=.125 for Wine).

The effectiveness of exclusivity and rarity on influencing consumers' perceived value

Overall, Study Two results clearly demonstrates that perceived natural rarity (PNR) was a positive and significant predictor for all three types of consumers' perceived value (functional, emotional, and social) across all four product categories. Further, perceived virtual rarity (PVR) has consistently emerged as a positive and significant predictor for perceived functional value, while its relationships with emotional value and social value were significant and negative. In addition, the findings showed that consumers' perceived exclusivity does not directly contribute to their perceived value across four product categories.

The relationship between natural rarity and sustainability

An Exploratory Factor Analysis (EFA) was conducted to discover the issues of cross-loadings and multicollinearity of items from different scales. Varimax (orthogonal) rotation was performed with an examination of the Kaiser-Meyer Olkin measure of sampling adequacy (*KMO*), results indicated that the sample was factorable (*KMO*=.955). The EFA results yielded a four-factor solution, suggesting that the four scales are relatively distinct measures while significantly correlated. A confirmatory factor analysis (CFA) using maximum likelihood estimations have been conducted to assess model fit, as well as further verifying the dimensionalities and relationships among a demonstrates that perceived natural rarity and perceived sustainability are distinct but positively correlated constructs. The test of measurement model produced adequate model fit (Vandenberg &Lance, 2000; Kline, 2011): $\chi2(140)$ =369.133, p=.000, RMSEA=.061, GFI=.920, AGFI=.892, TLI=.978 and CFI=.982. Hence, Study Three results clearly demonstrates that perceived natural rarity and perceived sustainability are distinct but positively correlated constructs.

The impacts of natural rarity (PNR) and sustainability (PSUS) on consumers' willingness to pay more (WTP) through the mediation effect of consumers' desire for luxury (DES).

Study Three results indicated that PNR had a significant and direct effect on DES (β =.688, SE = 0.055, $p < 0.01$), supporting H2. PNR had a significant but negative direct effect on WTP (β =-.066, SE = 0.037, $p < 0.01$), rejecting H3. Further, PNR also had a significant indirect effect on WTP through DES (β = 0.085, SE = 0.022, $p < 0.01$). This indicated the significant mediating role of DES in the association between PNR and WTP.

Lastly, it was found that PSUS had a significant and direct effect on DES (β = 0.562, SE = 0.040, $p < 0.01$). PSUS also had a significant and direct effect on WTP (β =.155, SE = 0.055, $p < 0.01$). Further, PSUS also has a significant indirect effect on WTP through DES (β = 0.443, SE = 0.023, $p < 0.01$). This indicates the significant mediating role of DES in the association between PSUS and WTP.

General Discussion

Study One Discussion: The effectiveness of exclusivity, natural rarity, and virtual rarity on consumers' perception luxury.

Findings of this study shows that natural rarity can trigger consumers' perception of luxury across all three tested product and service categories. Product rarity caused by the shortages of natural resources was clearly perceived as more luxurious by consumers. This finding is consistent with the research outcome proposed by Chen and Lamberti (2015), suggesting that consumers have a strong tendency to favour the use of natural and scarce material over synthetic one in luxury purchases, and it further confirms the important role of natural rarity in enhancing consumers' value perceptions of luxury brands (Hwang et al., 2014). This finding indicates that for some luxury categories that are intrinsically rare (e.g., diamonds, truffles), marketing campaigns should be focused on emphasising their unique aspect and rare properties.

On the other hand, virtual rarity did not directly relate to elevated levels of perceived luxuriousness in our research. Traditionally, the concept of virtual rarity describes a luxury brand's ability to evoke luxury desires by ensuring scarcity through strict limitations of quantity (i.e., small production numbers; limited editions). The main example of virtual rarity is the ever-popular "limited edition", in which only a certain number of goods is produced and no further production is carried out (Balachander & Stock, 2009). There are prior studies focusing on luxury and non-luxury brands showing that restricted availability of goods could enhance the desirability of the brand due to its

social signalling effect (Stock & Balachander, 2005) and the need for uniqueness (Han, Nunes, & Drèze, 2010; Nelissen & Meijers, 2011). For example, Cialdini (2009, p.267) suggests that when something that people like is less available, consumers become physically agitated, such that their focus narrows, emotion rises, and cognitive processes are often suppressed by 'brain-clouding arousal'. Our research results seem to be contradictory to the previous literature, showing that contemporary consumers may not perceive a product as more luxurious just because the brand 'controls' and advertise rarity in a specific way. In comparison with the traditional 'elitists' luxury purchasers, contemporary consumers are more conscious of the techniques of persuasion employed by marketers, as well as the tactics related to product rarity advertising (Suri, Kohil & Monroe, 2007; Ko, Phau & Aiello, 2016).

Previous research also suggested that the rising middle class and millennials are characterised by a strong adoption of the new concept of luxury, which is no longer related with "possessing" but "experiencing" (Barton et al., 2012). In other words, luxury purchasing has moved from its "old conspicuous consumption" model to the desire for experiences (Ko, Phau & Aiello, 2016). It is possible that contemporary consumers represented by the millennials have developed distinct motivations and perceptions in regard to luxury purchases, in which artificial rarity may not be perceived as one of the determinant criteria for luxury consumptions. Hence, luxury marketers should be more cautious when advertising on 'artificially induced' rarity, as this tactic can exert negative consequences if used inappropriately.

The current study also showed that exclusivity has played an important role in triggering consumers' perceived luxuriousness in both the bag and wine categories. The essence of exclusivity is the manipulation of product or service accessibility to ensure only a few select customers have the privilege to enjoy this "golden segregation" (Godey et al., 2009; Tynan et al., 2010). Hence, the current results showed that establishing an adequate level of exclusivity is crucial for maintaining a brand's luxury image, especially in luxury retailing settings related to personal luxury, and food and wine industries.

Study Two Discussion: the effectiveness of exclusivity, natural rarity, and virtual rarity on consumers' perceived value for luxury

Overall, the results clearly demonstrates that perceived natural rarity (PNR) was a positive and significant predictor for all three types of consumers' perceived value (functional, emotional, and social) across all four product categories. Further, perceived virtual rarity (PVR) has consistently emerged as a positive and significant predictor for perceived functional value, while its relationships with emotional value and social value were significant and negative. Contrary to previous literature

stresses the benefits of using virtual rarity outweighs the use of natural rarity tactics in luxury industries (e.g., Kapferer & Valette-Florence, 2018), our results demonstrated that natural rarity plays a more important role in evoking emotional and social value, which ultimately contributes to consumers' desire for luxury.

Our findings provide considerable support to natural rarity enhancing CPV for luxury. Product rarity caused by the shortages of natural resources was perceived as more valuable when evaluating its functionality, emotional value and social gains. Consistent with Chen and Lamberti (2015), consumers have a strong tendency to favour the use of natural and scarce material over synthetic alternatives in luxury purchases. It further confirms the important role of natural rarity in enhancing CPV for conspicuous consumption (Hwang, Ko, & Megehee, 2014). The findings of this study also show significant influence of natural rarity on addressing emotional needs and establishing positive social image, which have not been explored in previous research.

Further, it is found that virtual rarity or "manipulative scarcity" only has direct and positive influence on functional value, while its influence on social and emotional values appeared to be negative. Results on functional value are consistent with previous studies conducted by Caniato et al. (2009) and Yoon et al., (2014), which suggested that rare and scarce luxury products are generally perceived as fine pieces of craftsmanship with better quality. This finding provides evidence that virtual rarity strategies such as limited-edition launches are still viewed as important quality cues by luxury consumers.

It is also observed that the use of virtual rarity tactics is associated with decreased emotional attachment and emotional arousals. This result provides support for the findings proposed by Yeo and Park (2004) and Chae et al., (2020), suggesting that consumers may have negative feelings toward advertisements that continuously promote virtual rarity, or artificially manipulating product quantities. Further, significant and negative relationships were found between virtual rarity and social value, indicating that consumers do not perceive virtual rarity techniques as positive contributors to their social images. Relevant research has suggested that rarity cues due to limited supply maybe relevant to explain "scarcity for me" effect in self-gifting instead of addressing the "popularity for others" effect dominated by social values (Wu & Lee, 2016). Nevertheless, this negative association between virtual rarity and social value require further investigation to pinpoint its influence on luxury.

In addition, study Two findings showed that consumers' perceived exclusivity does not directly contribute to their perceived value across four product categories. In comparison to the effects of natural and virtual rarity, exclusivity does not function as an important quality, emotional and social cues for perceived value in our study. The essence of exclusivity is the manipulation of product or

service accessibility to ensure only a select few have the privilege to enjoy this "golden segregation" (Tynan et al., 2010). Findings from this study differed from previous research possibly for two reasons. Firstly, the concept of exclusivity is often examined in combination with other relevant luxury attributes such as scarcity (e.g., Aggarwal et al., 2011; Kim, 2018), perceived uniqueness (e.g., Wiedmann et al., 2007), premium price and brand prestige (e.g., Kapferer & Bastien, 2009). Hence, the predicting power of exclusivity, as an independent construct, remains unclear in the luxury literature. For example, Wiedmann et al. (2007) has combined exclusivity and rarity as one dimension to assess consumers' luxury perceptions, whereas Jang et al. (2015) used the term exclusivity and scarcity interchangeable to denote the influence of limited editions on consumption. It is possible that when measuring exclusivity construct, its predicting power is less prominent than when it is assessed in combination with other relevant variables. Secondly, this study only focusses on personal luxuries (e.g., handbags, shoes & jewellery). Hence, the generalisation power might be limited due to the selected categories. Recent studies exploring exclusivity in luxury service settings have demonstrated the critical role of exclusivity on luxury experiential consumptions (e.g., salsa dancing, Holmqvist et al., 2020; luxury spa, Kim, 2018; wine tourism, Vo Thanh & Kirova, 2018). In particular, Holmqvist et al. (2020) addressed the importance of combining experiential luxury aspects such as hedonism, aesthetics and authenticity as an alternative form of exclusivity focusing on the escapist experience, demonstrating that exclusivity can be achieved in other ways than price/functionality ratios or social stratifications. It is also possible that consumers will value other aspects of luxury (e.g., luxury experiences and indulgence), rather than relying on the traditional sense of exclusivity to signify price or gain social approvals (Perry, Barnes, & Ye, 2020; Rovai, 2018).

Further, due to the rise of middle-class and the increased purchasing power of emerging market, consumers demonstrate diverse needs (Seo and Buchanan-Oliver, 2015; Wu et al., 2015), shaped by their differentiated lifestyles, values and interests (Kim et al., 2011). It is also important to note that, as the luxury market is changing, so too are consumption patterns and, importantly, the meaning of luxury (Seo and Buchanan-Oliver, 2015; Tynan et al., 2010). It is thus plausible that contemporary consumers may value other aspects of luxury (e.g., luxury experiences and indulgence), rather than relying on the traditional sense of exclusivity to gain social approvals and a positive emotional result (Perry, Barnes, & Ye, 2020; Rovai, 2018). As such, there is a need for future research to conduct subsequent examination of exclusivity using various samples and additional product categories to achieve more robust theoretical outcomes.

Study Three Discussion: The impacts of natural rarity (PNR) and sustainability (PSUS) on consumers' willingness to pay more (WTP) through the mediation effect of consumers' desire for luxury (DES).

First, study Three results demonstrates that perceived natural rarity and perceived sustainability are distinct but positively correlated constructs. It provides an insight to further understand the converging meanings of rarity and sustainability and how to utilise them in luxury practice. Second, the current findings suggested that perceived natural rarity still plays an important role in triggering consumers' willingness to pay more, through the mediating effect of consumers' desire for luxury.

In luxury consumptions, it was found that people would place more value on rare products with superior materials and aesthetic craftsmanship, as it demonstrates self-distinctiveness in a social context that reinforce social status and a positive self-image (Tak, 2020). Kapferer and Valette-Florence (2016) also demonstrated the effectiveness of using rarity strategies to enhance luxury perceptions and evoke brand desirability among consumers.

Results are also consistent with recent studies conducted by Wang et al., (2021) demonstrate the positive impact of natural rarity on both social value and emotional value, indicating the potential usefulness of implementing natural rarity strategies to evoke consumers' desire and luxury purchase intentions. It is also worth noticing that natural rarity adds unique aspect to craftsmanship and aesthetics, conveying both symbolic and social value (Caniato et al. 2009; Hudders et al., 2013), which may contribute to consumers' willingness to pay more for luxury products.

Third, Current study found a positive mediating effect of consumers' desire for luxury on the relationship between sustainability and consumers' willingness to pay more. It should be admitted that the recent integration of sustainability to luxury is a source of debate. Sustainability denotes the preservation of natural resources and social justice, while the luxury sector is often accused of draining rare resources and creating social inequalities. Other authors propose that sustainable luxury products are compatible with luxury brand prestige and increased social power (Achabou & Dekhili, 2013; Beckham &Voyer, 2014). The complex and contradictory nature of sustainability and luxury can also produce conflict in thoughts and behaviours among luxury consumers.

Our findings support the notion that successful environmental initiatives would boost consumers' willingness to pay more for luxury products. This is consistent with Hennigs et al. (2013) and Carcano (2013) findings suggesting that the sustainability practices have a positive impact on consumers' brand desires through enhancing dream-imbued image of luxury products. However, it should be noted that there are existing research supporting the opposite point of view. For example, some

authors (e.g., Janssen et al., 2014; Dekhili & Achabou, 2016, Larraufie & Lui, 2018) argue that luxury consumers have little interest in sustainable luxury products and even express a negative attitude towards them. Others (e.g., Achabou & Dekhili, 2013) found a significant negative correlation between the luxury perceptions and the presence of recycled fibres. According to the consistency theory (Festinger, 1957), when there is inconsistency and perceived divergence between two pieces of information (e.g., luxury versus sustainability), people can either rationalise their behaviour to reduce psychological discomfort (e.g., ignore sustainability issues), or they can change and act consistently with their beliefs, values and perceptions (e.g., abandon unsustainable luxury purchases).Therefore, the contradictions in results may due to the differences in respondent characterises, age groups and education backgrounds. The inconsistent results of sustainability in luxury can also be related to the selections of sustainability materials and ethical approaches in the study designs. Hence, it is important for future research to adopt multiple product categories with diverse demographic populations to validate the current results.

Contributions

Theoretical and Methodological Contributions

1. Findings of this study adds to existing theories on understanding the current roles and relationships between rarity and exclusivity in luxury literature. Specifically, this thesis confirms the theoretical differentiation between natural rarity, virtual rarity and exclusivity, suggesting that each tactic is perceived as relatively distinctive concepts among consumers.
2. This thesis fills the gap on lacking existing luxury research comparing the impacts of exclusivity, natural rarity and virtual rarity on key outcome variables such as perceptions for luxury and consumers' perceived value.
3. Taken from consumer perspective, this thesis contributes to the existing literature on clarifying the important functions of natural rarity on consumers' perception of luxury and consumers' perceived value, and willingness to pay more. This research provides empirical evidence on the importance of natural rarity, which has not been previously tested in luxury literature.

   This study clarifies the important functions of natural rarity on functional, emotional and social values, which has not been previously explored. It provides empirical evidence showing the significant and positive influence of naturally rare materials and ingredients on perceived luxury value perceptions. It also fills the gap on lacking existing luxury research comparing natural and virtual rarity on emotional and social value.

Specifically, natural rarity as a result of shortages of natural resources was clearly perceived as more luxurious by consumers. This finding is consistent with previous research by Chen and Lamberti (2015), suggesting that consumers have a strong tendency to favour the use of natural and scarce material over synthetic ones in luxury purchases and further confirms Hwang et al., (2014) finding on the important role of natural rarity in enhancing consumers' value perception of luxury brands.

4. This thesis is the first study examining the compatibility of natural rarity and sustainability, demonstrating the overlapping and differentiating characteristics of the two through quantitative method and theoretical design.

Given the complexity found in the literature regarding how environmental and social sustainable behaviour and rarity affect consumer desires, and the ambiguity underlying the phenomenon of luxury purchases involving prosocial behaviours (Luomala et al., 2020), results of the current paper unveil the needs for a more complex model to further test how luxury desires are affected by sustainability (Kunz et al., 2020). It provides an insight to further understand the converging meanings of rarity and sustainability and how to utilise them in luxury practice.

Managerial Significance

1. This thesis has presented new knowledge on understanding contemporary consumers' luxury perceptions, desire, and purchase intentions, which provides valuable tools to navigate the complex realities of current luxury markets.

Specifically, one of the Significant theoretical contributions of the current research was providing empirical evidence on distinct nature of exclusivity, natural rarity, and virtual rarity tactics from consumers' perspective. Rarity and exclusivity have long been viewed as the core meaning of luxury (Amaldoss & Jain, 2005; Lynn & Harris, 1997; Kapferer, 2016), and they have been found to exert significant impacts on luxury purchasing motivations (e.g., Czellar, 2001; Kim, 2018) and luxury brand desirability (Kapferer, 2016). However, previous research investigating exclusivity and rarity has not yet examined the two constructs as independent constructs, but rather considering them as the same attribute constituting uniqueness (e.g., Dubois et al., 2001; Vigneron, Johnson, 2004), or mere means to achieve prestige pricing (e.g., Hwang, Ko, & Megehee, 2014).

2. Further, existing literature has not been able to clearly compare the effects of natural rarity versus virtual rarity in luxury settings, leaving the potential differentiated impacts of the two similar but theoretically distinct constructs remain largely unclear in the literature. This suggests that each strategy can be used separately to increase brand attractiveness and subsequently achieve desired

marketing outcomes such as higher perceived luxuriousness in a cost-efficient way. Considering that rarity and exclusivity appeal to different consumers (e.g., need for uniqueness versus need for group conformity), our results warrant future research to further test the functions of each tactic in terms of their individual contributions on brand attitudes, brand attachment and luxury desirability.

3. Our findings suggest that exclusivity and rarity should be considered as independent marketing concepts and they are not equally effective to evoke consumer desires for luxury. Therefore, depending on the nature of luxury product/service categories, it is possible for marketers to use rarity and exclusivity strategies independently for achieving better marketing outcomes in an efficient way.

4. Our findings contribute to the understanding of commodity theory (Brock, 1968) in regards to consumers' perceptions of exclusive services and rare products, suggesting the positive impact of natural rarity and virtual rarity on consumers' perceived functional value. Current findings were also consistent with previous studies conducted by Balachander and Stock (2009) and Yoon et al., (2014) confirming the positive relationships between rarity and consumers' quality and utility perceptions. However, contrary to the findings in previous literature (e.g., Hudder et al., 2013; Kim, 2018), luxury exclusivity did not find to successfully enhance quality perceptions among our sample. Even though the exclusivity-by-price association has been well established in literature to indicate the inaccessibility nature of luxury goods (e.g., Ladhari, Souiden, & Dufour, 2017; Mounkhouse et al., 2012), exclusivity techniques may not directly influence quality/price perceptions for luxury. Further, compared with natural rarity effects, virtual rarity tactics are not disproportionally welcomed by consumers. In fact, existing research has suggested that contemporary consumers are more conscious of the techniques of persuasion employed by marketers, as well as the tactics related to product rarity advertising (Suri, Kohil & Monroe, 2007; Ko, Phau& Aiello, 2016). Hence, marketers should be particularly cautious when manipulating and administrating virtual rarity strategies such as releasing limited edition products, as over-use of such measures may bring adverse influences on perceived value and brand desirability in the long run.

5. In addition, we found that exclusivity measures, such as the promotion of VIP membership and exclusive, luxury events, might not be viewed as more valuable by contemporary consumers, especially when comparing with natural rarity effects caused by restrained natural resources. As a result, luxury marketers should take into considerations of how the meaning of luxury is shifted from status-focused to experiential-focused in today's market. Hence, it is crucial for luxury businesses to make additional efforts to understand consumers' experiential expectations and their

personal goals of being included in an 'exclusive' service, rather than relying on the promotion of actual entry barriers, as this may cause resistance or even repulsion to the brand campaign.

6. The current research provides meaningful managerial contributions on understanding the impact of natural rarity and sustainability from consumer perspectives to warrant luxury practice.

Overall, our studies support the view that sustainability and luxury can be compatible through the enhancement of consumer desires for luxury. In particular, our findings demonstrate that "sustainable luxury" has become an integral part of luxury brand images, as it is associated with how consumers express their desires and values in a justifiable way with social and ecological concerns (Hashmi, 2017).

According to previous research, the association between sustainability and luxury demonstrate increasing complexity, and that sustainable luxury products seem to either strengthen or lessen consumers' willingness to pay more depending on consumers' feelings and desire for luxury goods (e.g., Cervellon & Shammas, 2013). Our findings support the conjunctive use of natural but sustainable materials to evoke desires and purchase intentions. This opens the possibility of introducing sustainability as a path to integrate advanced innovations into luxury production processes, foreseeing the additional values presented by luxury sustainability practices, and revealing the purchasing motivations of green products among luxury consumers.

Further, the adoption of sustainable and rare materials (e.g., vegetable leathers) also add on the uniqueness of its constitutive resources, and thus produce positive influence on luxury value (Cervellon & Shammas, 2013). For example, compared with cotton, alternative natural fabrics such as flax and hemp are not only perceived to be rarer and more luxurious, but they exert much less pressure on environment because it only requires modest amount of fertilizer (Dekhili et al., 2019).

Limitations and Future Research

This research has several limitations that warrants future studies. First, this current study focuses only on middle class consumers considered as traditional luxury purchasers. It should be replicated to other cohorts, in particular Generation Y and Z and other markets such as China and India, which have demonstrated strong growth for luxury purchases. Further research should extend the current findings by evaluating the importance of natural rarity using different product or service categories (e.g., luxury fashion industries, luxury tourism). It is also critical to include potential useful moderators and mediators such as brand attitude, brand attachment and perceived luxuriousness, which have been shown to play crucial roles in predicting luxury brand perceptions and behavioural intentions.

Second, it is important for future studies to consider the effects of potential moderators and downstream marketing outcomes, as well as how they influence the strengths of the current relationships between exclusivity, the two types of rarity and consumers' perception of luxury. For instance, brand attitude and brand attachment have been shown in previous research as important antecedents to luxury perception and behavioural intentions (e.g., Kautish & Sharma, 2018; Hennings et al., 2013; Wiedmann, & Hennigs, 2007), which can further contribute to increased level of brand loyalty (e.g., Hennings et al., 2013; Wiedmann, & Hennigs, 2007). Therefore, including these relevant concepts can be particularly helpful for researchers to develop a more comprehensive understanding of luxury desires and consumptions.

Third, future studies should also replicate the current findings using different product and service categories to examine potential similarities and differences, as well as unveiling any potential patterns. In particular, there are existing studies suggesting that consumers who purchase affordable luxury have the tendency to purchase products through online distribution channels (e.g, Kautish & Sharma, 2019), where rarity and exclusivity properties are assumed to be compromised (Dauriz et al., 2014; Taillez, 2017). Hence, affordable luxury product categories (e.g., sneakers, lipsticks) should be considered in order to reveal how price differences would affect consumers' cognitions on rarity and exclusivity, as well as their perceptions for luxury.

Further, more luxury service categories should be incorporated to gain a comparison with the results of luxury cruises demonstrated in our research. For instance, luxury hospitality industries such as hotels and luxury restaurants have shown promising growth in recent years due to millennium shifting toward "Experience Economy" (Pine & Gilmore, 1999; Heyes, & Lahsley, 2017). Therefore, it is worth exploring the effectiveness of rarity and exclusivity strategies in the service industries where

hedonic and experiential values are of high demand, as well as comparing results of them with tangible product categories such as luxury accessories.

Last, this study only addresses one aspect of sustainability issues in luxury (e.g., the waste of natural resources). Other important ethical and environmental issues should be considered in future research. Specific examples in the luxury industry include the destruction of unsold stock in the fashion sector, animal abuse, poor working conditions in factories, irresponsible production practices in the global jewelry industry, lack of supply chain transparency, the high plastic waste in the tourism sector as well as the environmental impact of large cruise ships

Conclusion

In conclusion, the current research attempted to extend the current knowledge on the current roles and impact of perceived exclusivity and perceived rarity. The compatibility of sustainability and natural rarity was also discussed to provide insight on how luxury brands could manage sustainability strategies while retaining the traditional value of luxury. Findings of this research shared insights on how to enhance unique brand image and evoke brand desirability among consumers, which will be meaningful for both luxury businesses and academics.

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APPENDIX I Stimuli

Stimuli Description for Study One

Product	*Stimuli descriptions*
	The product shown is one of 50 Crocodile Birkins released by Hermès. This Birkin Bag is well-known to be the most expensive bags in the world and some of the hardest to obtain.
	The product shown is one of the limited-edition wines on sale from Château Margaux. It provides an extremely rare opportunity for the public to taste the world's finest wine. This wine is highly sought by connoisseurs and celebrities from all over the world.
	The Regent Seven Seas Explorer is one of the world's most luxurious cruise ship. This luxury ship also provides unique shore excursion experiences, world-class wines, and fine living environment.

Stimuli Description for Study Two

Product	Stimuli descriptions
	This picture shows the world's most sought-after and expensive handbag made by French luxury brand Hermès. This bag is **crafted from crocodile skin** and it is one of the rarest in the world because Hermès **only released 50 globally**, making it extremely hard to obtain. This bag is **highly exclusive** because it is only offered to VIP clients at Hermès store.
	The picture shows the world's most sought-after and expensive wine made by French luxury brand Château Margaux. This wine is made from **top quality grapes grown in a specific r**egion and it is one of the rarest in the world because **only 2000 bottles** are available worldwide. This wine **is available to purchase by anyone** who visited the Château Margaux vineyard.
	This picture shows the world's most sought-after and expensive red diamond from the British luxury brand Moussaieff Jewellery. This diamond **has a natural red colour** and Moussaieff only releases **50 of them** per year, making it one of the rarest in the world. This diamond is highly exclusive because it is **only offered to VIP clients** at Moussaieff stores.
	This is the latest release of Prada-Adidas collaboration sneaker. These sneakers are rare to find because they a**re made with top quality leather and premium material**s that have **limited supply** worldwide. These sneakers are **highly exclusive** because they are only accessible by Prada VIP members on Prada's online store.

Stimuli Description for Study Three

Luxury Wallet

This picture shows the signature wallet from Ettinger, one of England's most renowned luxury manufacturers. This luxury wallet is limited edition and is made with traditional British craftsmanship.

Appendix II   Scale Items

Reference	Construct	Scale	No. of Items	α
Monkhouse, Barnes & Stephan (2012)	Perceived Exclusivity	Exclusivity Scale	3	0.85
Kapferer and Valette-Florence (2016)	Natural Rarity	Product Superiority Scale	7	0.85
Kapferer and Valette-Florence (2016)	Virtual Rarity	Selective Distribution	3	0.88
Hagtvedt and Patrick (2008)	Perceptions of Luxury	Perceptions of Luxury Scale	4	0.92
Sweeney and Soutar (2001)	Consumer Perceived Value	Perceived Social Value (PSV); Perceived Function Value (PFV); Perceived Emotional Value (PEV)	4/5/5	0.92/0.85/0.94
Hamari, Sjöklint, & Ukkonen (2016)	Environmental Sustainability	Perceived Sustainability	5	0.81
Kapferer and Valette-Florence, 2016)	Consumers' Desire for Luxury	Consumers' Desire for Luxury	8	0.90
Demirgüneş (2015)	Willingness to Pay More	Willingness to Pay More	3	0.93

Appendix III Focus group interview questions

Generic questions:

(1) What was your recent luxury purchase?

──────────────────── From which brand

──────────────────── What was the product/service category?

(2) Think back and tell us why you decided to buy it.

──────────────────── What were some of the motivations for your purchase?

──────────────────── What are some of the benefits you derived from that purchase? Were you happy with your purchase/ were you regret? Why/ Why not?

Questions for exclusivity and rarity:

(1) Introduce the conceptualisations of exclusivity and rarity respectively.

──────────────────── Do you think product exclusivity is important for your luxury purchases?

──────────────────── Do you think it is important for luxury brands to keep maintaining exclusivity?

──────────────────── Do you think product rarity is important for your luxury purchases?

──────────────────── Do you think it is important for luxury brands to maintain rarity

Select product/service categories that should have both exclusivity and rarity embedded in them?

──────────────────── Luxury restaurants (Mirazur France)

──────────────────── Luxury ingredients (white truffles)

──────────────────── Luxury fashion shoes (Gucci)

──────────────────── Diamonds (red and white diamonds)

──────────────────── Luxury cruises (Regent Explorer)

──────────────────── Luxury wines (Ch^ateau Margaux wine)

──────────────────── Luxury fashion clothes (Burberry)

──────────────────── Luxury bags (Hermes bags)

———————————————— Luxury watches (Rolex)

———————————————— First class airlines (Emirates flights

Feedbacks

(1) Showing participants the generated stimuli descriptions

———————————————— What do you think of the research design?

———————————————— Examine the appropriateness of phrases and wording for evoking exclusivity and rarity.

(2) Are there anything else that you may think that are interesting to look at?

———————————————— In association with the concepts of exclusivity and rarity

———————————————— Or for the general research in regards to consumers' luxury perceptions