Does Power-Distance Influence Consumers’ Preference For Luxury Status Brands?

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We test the impact of power-distance on consumers’ preference for luxury status brands. Our correlational and experimental studies show that consumers with high power-distance tend to have a stronger preference for luxury status brands than those with low power-distance. Notably, buying status belief moderates this effect. Further, this two-way interaction is stronger for consumers with a relatively lower, rather than higher, self-worth state. Mediation analyses support the status salience theory for the power-distance effect.

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**EXENTERED ABSTRACT**

Consumers’ preference for luxury status brands (brands such as Rolex or Louis Vuitton associated with social prestige and status) is a pervasive and growing global phenomenon. Despite that, few theoretical studies have investigated this topic in cross-cultural contexts (Wiedmann, Hennigs, and Siebels 2009). The current research aims to examine the role of cultural orientation, more specifically, power-distance in consumers’ preference for luxury status brands.

Two major views of why consumers prefer luxury status brands have been suggested in the literature. One view proposes that consumers whose social status issues are salient tend to use luxury status brands to ascertain their social status (Mandel, Petrao, and Cialdini 2006; Miller, McIntyre, and Mantrala 1993). Luxury status brands, due to their exclusively high social status, can be used for this purpose (e.g., Amaldoss and Jain 2005). This status salience view suggests that any factors to make consumers aware of their social status will lead them to more likely prefer luxury status brands to standard brands. A second view proposes that consumers use luxury status brands to compensate for their lack of social status. For example, Rucker and Galinsky (2008) found that people with low power status tend to engage in compensatory consumption by preferring products associated with social status to products without such an association. The compensatory consumption hypothesis proposes that any factors to make consumers feel that their social status is relatively low can make consumers prefer luxury status brands to standard brands.

Power distance has been defined as the degree of power disparity that people in a culture regard as normal (Hofstede 1980; Oyserman 2006; Triandis 1995). High power-distance cultures facilitate a norm that everyone should have a defined place within the social order. In contrast, in low power-distance cultures, the norm is to maintain and respect the equality inherent in social interactions. Acceptance of power disparity tends to remind cultural members of their social status constantly to act properly (Triandis 1995). This practice may make the status concept salient to them. Consumers with status-salient mindset may prefer luxury status brands to standard brands, for the former brands can help them to ascertain and enhance their social status. Thus, based on the status salience view, consumers with high power-distance would show a stronger preference for luxury status brands (vs. standard brands) than those with low power-distance. If this individual tendency holds, countries with high-power-distance (Hofstede 1980, 2001; Oyserman 2006) should show the similar pattern compared to those with low-power distance. So we hypothesize that:

**Hypothesis 1a** Countries with high power-distance tend to prefer luxury status brands to standard brands more than those with low power-distance.

It has been well documented that typical Asian cultures have higher power-distance than the American culture (Hofstede 1980, 2001; Oyserman 2006), accordingly:

**Hypothesis 1b** Asian consumers, compared to American consumers, are more likely to prefer luxury status brands to standard brands due to Asians’ power-distance being higher than American’s power-distance.

The compensatory consumption view provides a different prediction on the relationship between power-distance and luxury status brands. Based on the very definition of power-distance (Hofstede 1980, 2001; Oyserman 2006; Triandis 1995), when faced with relatively low social status situations, people from high power-distance culture can accommodate these social disparities easily and do not feel the need to compensate for their relatively low social status. In contrast, consumers from low power-distance cultures, when faced with more social disparities, may feel the need to compensate for their low social status through luxury status brand consumption. Accordingly:

**Hypothesis 1c** Countries with low power-distance show a stronger preference for luxury status brands compared to standard brands than countries with high power-distance.

Study 1a was a correlation study based upon the dataset from a 2007 Nielson study in which we included country scores on power-distance, individualism, annual income growth, Gini-Index. Countries with higher-power distance scores showed stronger intention to buy luxury status brands than those with lower-power distance. This result supported hypothesis 1a, not hypothesis 1c. Study 1b was a survey of consumers in which attitude toward luxury status brands and power-distance were measured. The survey was conducted in the U.S. and an Asian country. Asian consumers showed a more favorable attitude toward luxury status brands than their American counterparts. A mediation test showed that the effect of country difference on preference for luxury status brands was partially mediated by power-distance.

Based on the knowledge applicability principle (Aaker 2000; Higgins 1996), the power-distance effect will be evident only if consumers see the status concept is applicable for their decision on luxury status brands. Therefore, the power-distance effect will be stronger for consumers believing in the efficacy of engaging in luxury status brands (buying status belief). Formally:

**Hypothesis 2** The effect of power-distance on consumers’ preference for luxury status brands will be significant for consumers who believe that buying luxury status brands can enhance their social status, but not for those who do not hold such a belief.

If the effect of power-distance on consumers’ preference for luxury status brands is due to the salience of social status, the effect should be moderated by factors affecting consumers’ need for social status, self-worth. If consumers’ need for self-worth is satisfied, they tend not to enhance their social status through luxury status brands, even if they see the efficacy of buying luxury status brands. Therefore:

**Hypothesis 3** When consumers’ self-worth is relatively low, the effect of power-distance on consumers’ preference for luxury status brands will be more significant for stronger than for weak buying status belief; when consumers’ self-worth is relatively high, the effect of power-distance on consumers’ preference for luxury status brands will not be influenced by buying status belief.
Study 2 was a 2 (power-distance prime: high vs. low) x 2 (buying status belief: strong vs. weak) between-subjects design. The first factor was manipulated, and the second was measured with the scales from Eastman, Goldsmith, and Flynn (1999). Consistent with hypothesis 2, we found that the effect of power-distance on preference for luxury status brands was significant for strong but not for weak buying status belief.

Study 3 was a 2 (power-distance prime: high vs. low) x 2 (buying status belief: strong vs. weak) x 2 (self-worth: relatively high vs. relatively low) between-subjects design. All factors were manipulated. The difference in preferring luxury status brands between high and low power-distance was contingent on buying status belief. However, this was qualified by self-worth. Specifically, the 2-way interaction between power-distance and buying status belief was significant when self-worth was relatively low, but not significant when self-worth was relatively high. Further, we also tested the mediating role of status salience in the effect of power-distance on preference for luxury status brands. The simple mediation test showed that the effect of power-distance on the preference for luxury status brands was mediated by status salience, not by compensatory need for social status.

Our cross-cultural results show that power-distance has a systematic impact on consumers’ preference for luxury status brands and support the status salience thesis but not the compensatory consumption thesis.

REFERENCES


