**Managing the challenge of luxury democratization: A multi-country analysis**

# ABSTRACT

Once the preserve of the elite, many luxury brands are now targeting the rapidly rising global middle classes. This ‘democratization of luxury,’ understood as the perceived reduction in distinctiveness, exclusivity, and self-differentiation of luxury goods due to wider availability and access, has changed the luxury industry landscape substantially and yet it remains an underexplored phenomenon in academic research. Building on the theory of network effects, our study focuses on how democratization influences the relationship between conspicuous signaling and luxury purchase intentions. Analysis of primary data (n = 1,156) from luxury consumers in developed (USA and Spain) and developing (China and India) markets with distinctly differing economic trajectories reveal the varying negative moderating influence of democratization. These negative effects of luxury democratization are more pronounced in developing markets (Study 1). Further, the findings highlight that consumer indulgence can help mitigate negative externalities associated with luxury democratization (Study 1) and its underlying mechanism through positive affect (Study 2). Taken together, our multi-method approach sheds new light on consumer perceptions of luxury democratization and offers actionable implications for international luxury firms on managing this challenge in developed and developing markets.

Keywords: Conspicuousness, luxury, democratization, indulgence, cross-cultural marketing, globalization.

# INTRODUCTION

The rapid rise of global middle classes in the past few decades, and in particular within the developing markets (Shukla & Rosendo-Rios, 2021), has created an aspirational class that strives to purchase international luxury goods and conspicuously signal their luxury possessions to significant others (Awanis, Schlegelmilch, & Cui, 2017; Eisend, Hartmann & Apaolaza 2017; Cavusgil, et al., 2018; Balabanis, Stathopoulou & Qiao 2019). Previously the preserve of the elite, the luxury goods landscape has changed substantially in recent years, which has significant implications for firms operating in international markets. Moreover, to fulfill their own growth expectations, many luxury brands have engaged with this aspirational class to exploit the substantial global demand. This has led to luxury democratization, which is conceptualized in this research as the perceived reduction in distinctiveness, exclusivity, and self-differentiation of luxury goods due to wider availability and access. The power of democratization is particularly pertinent for luxury goods in international markets.

Although increasing global demand for conspicuous goods is a boon for firms’ bottom lines, luxury democratization also poses a substantial challenge by eroding luxury goods value and equity in consumers’ minds. Based on the theory of network effects (Katz & Shapiro, 1985), we contend that increased access to and awareness of luxury goods as a result of luxury democratization may lead consumers to ascribe less value to democratized goods. Moreover, users’ gratification from possessing and displaying luxury goods depends on the number of other users in the same network (Berger & Heath, 2008). In this regard, individuals base their purchase decisions on expected network size. When luxury democratization occurs, awareness and accessibility of luxury goods increase, which threatens the fundamental tenets of luxury, such as status, social mileage, uniqueness, and exclusivity (Kapferer & Valette-Florence, 2018). The negative network externality effects of enlarged network of users may therefore lead individuals to reduce their purchasing and usage of democratized goods. Extant research, based on cultural notions, highlights greater tendency to conspicuously signal material possessions among consumers in developing markets than in their developed market counterparts (Eisend et al., 2017; Sharma, 2010; Shukla, 2012). Extending this research through the lens of economic development and growth trajectory, we posit that the effects of conspicuous signaling will differ between developed and developing markets. However, guidance on how to approach luxury democratization is currently lacking for international luxury firms.

We further argue that consumer indulgence can be used to mitigate the negative network effects of democratization. Consumer indulgence refers to enjoying self-gratification and pleasure through consumption (Cavanaugh, 2014). Previous research on indulgence has focused predominantly on negative affective responses, such as guilt and remorse (Ramanathan & Williams, 2007), shame (Kivetz & Keinan, 2006; Keinan & Kivetz, 2008) or fear of failing to achieve budgetary goals (Haws & Poynor, 2008). We provide new insights and demonstrate a positive affective response derived from consumer indulgence which reduces the negative network effects of luxury democratization. Further to that, we also examine the underlying mechanism of positive affect (Watson, Clark, & Tellegen, 1988) that shows why indulgence weakens the effect of democratization.

Hence, we investigate the positive effects of conspicuous signaling cross-nationally, the negative moderating effects of democratization, and the mitigation of the negative effects of democratization on intentions to purchase conspicuous goods through consumer indulgence, as well as the underlying mechanism of positive affect.

Luxury firms have increasingly shifted their focus on international markets – in particular the rapidly growing emerging markets like China and India – as a substantial source of their revenue growth (Deloitte, 2020). Hence, there is a greater need to understand and examine cross-national differences, fundamentally between developed and developing markets. Extant research on comparing developed and developing markets offers a decidedly inconclusive picture regarding consumption drivers and behaviors (Ashraf et al., 2017; Thongpapanl et al., 2018). Thus, we compare the aforementioned relationships across four countries—the USA, Spain, China, and India—and show the differential effects of conspicuous signaling, democratization, and consumer indulgence.

In doing so, this study makes four main contributions to the international marketing and branding literature. First, we show that consumers will avoid democratized luxury goods in their conspicuous signaling efforts, especially in developing markets. Hence, our research offers nuanced insights on varying effects between developing and developed markets. Second, grounded in the theory of network effects (Katz & Shapiro, 1985), we demonstrate the negative network effects associated with luxury democratization. Third, in contrast to earlier studies that have predominantly focused on the negative effects of consumer indulgence (Ramanathan & Williams, 2007; Keinan & Kivetz, 2008), our study demonstrates the positive influence of consumer-level indulgence in mitigating the negative network effects of democratization. In doing so, we show the vital role of individual traits regarding conspicuous products. Finally, through the mediation of positive affect (Watson et al., 1988), we show why indulgence weakens the negative effects of democratization. The above enables us to offer further managerial insights into managing the luxury democratization process and positioning international brands to help navigate the current challenges for expansion and globalization strategies.

# CONCEPTUALIZATION AND LITERATURE REVIEW

Researchers in industrial economics introduced the concept of network externalities to describe a situation in which “the utility that a user derives from consumption of the good increases with the number of other agents consuming the good” (Katz and Shapiro, 1985, p. 424). The economic theory of network effects suggests that additional users of goods or services impact the value that people ascribe to those products (Katz & Shapiro, 1985). According to this theory, the value of a product or service increases (positive externalities) or decreases (negative externalities) according to the number of people using it. For instance, consumption by a large number of users may increasingly attract other users, and that in turn will attract more new users, demonstrating positive network externalities leading to a “bandwagon” effect (Kastanakis and Balabanis, 2012). As positive network externalities cause positive feedback and exponential growth, negative network externalities create negative feedback and exponential decay. Negative externalities occur if the benefits of the network are a decreasing function of the number of other users or agents.

Based on the literature review, a conceptual framework is developed as depicted in Figure 1. Here, we theorize that luxury democratization negatively affects the positive relationship between conspicuous signaling and purchase intentions. We further theorize that this effect varies dependent on the level of economic development of the different countries under study (i.e., developed vs developing markets). We posit that such negative effect of democratization can be mitigated through the moderating role of consumer indulgence, and we identify its underpinning mechanism, positive affect. In doing so, we contribute to the body of knowledge by highlighting consumer perception of luxury democratization across developed and developing markets and offer guidance to luxury firms in managing the challenge of luxury democratization in international markets.

[Insert Figure 1 here]

# DEVELOPMENT OF HYPOTHESES

Conspicuous consumption focuses solely on systematic social signaling by displaying wealth to express the self and gain higher status in the eyes of significant others (Berger & Heath, 2008) and is posited to be one of the most important motives for luxury consumption (Vigneron & Johnson, 2004). Conspicuous purchases, such as luxury goods, are naturally alluring to consumers for their signaling function. Researchers argue that conspicuous displays of luxury may also serve as costly signals to enhance status and economic power (Nelissen & Meijers, 2011), since these signals are supposed to reveal information about the underlying qualities of the signaling individual. People engage in conspicuous consumption of luxury goods for their symbolic value (Kapferer & Valette-Florence, 2018), mainly because these products are major conveyors of individuals’ social status, as well as signs of prestige and wealth (Han et al., 2010). Furthermore, luxury goods’ ability to convey costly signals of social status and group affiliation may strengthen their social image (Shukla, 2012). For instance, wealthy consumers may wear luxury watches to symbolically mark their social status and economic power, whereas aspiring consumers may use such goods as a costly signal to distinguish themselves from the masses and conspicuously signal their aspirations and identification with significant individuals or social reference groups (Sundie et al., 2011). We therefore contend that conspicuous signaling and consumers’ intentions to purchase luxury goods are positively related.

Using a historical lens, Berg (2005) argues that rapid economic development has a direct impact on the demand and need for conspicuous signaling among the aspiring class. In recent years, the growth in developing markets has consistently outpaced their developed market counterparts. For instance, two of the largest developing markets globally, China and India, have consistently grown above the rate of 5% over the past decade or more (World Bank, 2022). In addition, long-term forecasts expect 60% of the world GDP growth in the world economy to come from developing markets by 2030 (OECD, 2022). Furthermore, the aspiring middle-class population in developing markets is expanding rapidly and expected to be more than double from 2 billion today to 4.9 billion (Kharas, [2017](https://link.springer.com/article/10.1007/s11747-019-00685-3#ref-CR53)). In developed markets, however, population growth and distribution are stable, suggesting that the demand will grow incrementally. With global economic growth rates higher in developing than developed markets, the desire for conspicuous consumption in developing markets is also increasing, especially among the middle classes (Shukla & Rosendo-Rios, 2021).

In addition, rapid economic growth has resulted in substantially greater income inequalities in developing markets (Picketty, 2014). Scholars have shown that increasing income inequality results in greater levels of conspicuous consumption (Jaikumar, Singh & Sarin, 2018). In their meta-analysis focusing on counterfeit luxury goods, Eisend et al. (2017), observe the significantly greater influence of status signaling through luxury goods among consumers in developing markets than in developed markets. Furthermore, extant research reports that the tendency to conspicuously display material possessions is rising among consumers in developing markets and declining in developed markets (Burroughs & Rindfleisch, 2002). Prior research examining the overt (i.e., luxury automobiles) and covert (i.e., luxury alcohol) signaling further confirms the rise of conspicuous signaling through luxury goods in developing markets compared to developed markets (Sharma, 2010; Shukla, 2012). Moreover, scholars argue that consumers in developing markets are the primary source of growth for conspicuous products such as luxury goods as visible signals of their new found wealth (Shukla & Rosendo-Rios, 2021). Hence, we posit that:

**Hypothesis 1:** The positive effect of conspicuous signaling on luxury purchase intentions is more pronounced in developing markets than in developed markets.

The concept of democratization originated from political philosophy and is linked to democracy. Some authors define democratization from a general perspective. For example, Quelch and Jocz (2007) conceptualize democratization as freedom of choice or general unrestricted access to everyone. Alternatively, other researchers advance the concept from a consumers’ perspective, based on the idea of accessibility of goods and services that involves mass production and consumption (Asmussen et al., 2013). In this regard, democratization has transformed and continues to transform the luxury industry. Historically, luxury brands targeted the elite of the society. However, this has changed in recent decades (Shukla et al., 2022) with the emergence of constantly growing affluent consumer segments who have shown substantial demand for luxury products and services, leading to their wider accessibility and consumption (Kapferer & Valette-Florence, 2018).

A fundamental tenet for the purchase and consumption of luxury is its distinctiveness, exclusivity, and symbolic self-differentiation (Kapferer & Valette-Florence, 2018). However, the rising economic prosperity globally, and in particular within developing markets, has substantially changed the demand structure for luxury goods (Shukla et al., 2022). The rapidly growing affluent consumer segments demand the same possessions as the elite social class. This new aspirational consumer class has considerably increased demand for luxury products and services, leading to their wider accessibility and consumption, and more recently to changes in consumers’ luxury value perceptions and a decline in conspicuous signaling power (Sharma, 2010; Hennigs et al., 2012). Supply-side forces, such as retailers switching to mass merchandising, have also contributed to this phenomenon (Silverstein et al., 2008). These marketplace interactions have led to luxury democratization wherein consumers feel perceived reduction in the distinctiveness and exclusivity of luxury goods due to their wider availability and access.

With increased availability and access, democratized luxury goods may not provide its possessor the ability to distinguish oneself from others. Following the theory of network effects (Katz and Shapiro, 1985), we posit that when democratized luxury goods are adopted by a broader network of middle-class consumers, increased access and awareness may decrease the symbolic values of exclusivity and distinctiveness assigned to democratized luxury goods by the networks of significant others. Therefore, luxury goods’ popularity and accessibility resulting from the democratization of mass-consumed luxury (Kumar et al., 2020) may jeopardize consumers’ aspiration levels, reducing the symbolic value association (Kapferer & Valette-Florence, 2018), and in turn, the demand for democratized luxury products. As the network of users increases driven by democratization of luxury, we posit that the value ascribed to the democratized luxury goods decreases, creating negative network externalities. Thus, we hypothesize that democratization will negatively impact the relationship between conspicuous signaling and luxury purchase intentions.

**Hypothesis 2a**: Democratization negatively moderates the relationship between conspicuous signaling and luxury purchase intentions, such that increased democratization will lead to lower purchase intentions.

As argued earlier, democratization reduces the overall symbolic values associated with luxury goods including exclusivity and distinctiveness as more people consume such products. We posit that this effect will be particularly more pronounced in developing markets. In developed markets, there is comparatively less income inequality than developing markets (Piketty, 2014). With rapid economic growth and increasing wealth as well as greater income inequalities, there is an inherent want among consumers in developing markets to signal their social status to significant others (Eisend et al., 2017; Jaikumar et al., 2018). This is clearly observed in several studies that focus on developing markets, including China (Podoshen, Li & Zhang, 2011); India (Shukla & Rosendo-Rios, 2021); and Pakistan (Dev, Podoshen & Shahzad, 2018), among others. Further, using data from 4 emerging and 3 developed markets, McCollough (2020) shows that with increasing individual wealth, consumers in developing markets have a greater desire to show their economic standing to social others. However, democratization with its increased access, robs them of such an opportunity as democratized goods cannot be used to signal exclusivity, distinctiveness, or self-differentiation.

Further to this, scholars argue that consumers in developed markets have a greater number of alternative mechanisms to signal status than in developing markets (Jaikumar et al., 2018). Thus, for consumers in developing markets, democratization of luxury leads to the loss of an important marker of status signal. With this lost opportunity of signaling their status conspicuously, we posit that consumers in developing markets will avoid democratized luxury goods compared to their developed market counterparts. Further, Commuri’s (2009) research on counterfeit luxury goods consumption in Asian developing markets reveals that when a luxury brand is adopted by individuals lower in the social hierarchy, consumers in the upper echelons tend to avoid consuming such goods in public. Based on the above evidence, we postulate that the negative effect of democratization will be more pronounced in developing than in developed markets. Hence, we propose that:

**Hypothesis 2b**: The negative moderating effect of democratization on the relationship between conspicuous signaling and luxury purchase intentions will be more pronounced in developing markets than in developed markets.

## The Moderating Role of Consumer Indulgence and its Underpinning Mechanism

Building on the theory of network effects, we have already theorized that when luxury goods are democratized, their wider awareness, accessibility and availability alter the psychological meanings associated with them. Broader access resulting from democratization creates negative network externalities and reduces the value ascribed to the goods by significant others. We further argued that consumers in developing markets, more than in developed markets, avoid the democratized goods for conspicuous signaling. However, in the case of indulgent consumers, we posit that this negative network effect of democratization is mitigated owing to their increased awareness of and access to luxury goods.

Cavanaugh (2014: 220) describes consumer indulgence as “allowing oneself to select and enjoy the pleasure from an option that is considered a treat compared with the alternative options”. Indulgence is an individual personality trait that combines pleasure and possessiveness. Indulgent consumers use possessions to create a sense of self-esteem and portray their self-identity (Nenkov & Scott, 2014; Wilcox, Kramer, & Sen, 2011). Indulgence has been widely studied in consumer and social psychology. Studies of indulgent consumption have investigated the impact of indulgence using behavioral variables, including the influence of impulsive personality traits and remorse (Ramanathan & Williams, 2007), and how personal relationships influence perceptions of deservingness in relation to indulgence (Cavanaugh, 2014). However, these and related studies focus predominantly on negative consumer feelings associated with increased indulgence. For instance, some researchers have focused on guilt, regret, and lack of responsibility (Ramanathan & Williams, 2007; Kivetz & Simonson, 2002), others on shame, embarrassment, and fear of failing to achieve budgetary goals (Kivetz & Keinan, 2006; Keinan & Kivetz, 2008; Haws & Poynor, 2008). Our study diverges from the extant literature stream and extends it by linking the positive affective response derived from indulgence with conspicuous luxury consumption.

Recent literature suggests that the levels of consumer indulgence may be contingent on external relationships (Cavanaugh, 2014). Indulgent individuals are highly influenced by how others see or judge their behavior, which may influence their consumption practices (Dubois, Jung, & Ordabayeva, 2021). Luxury goods allow indulgent consumers to use this consumption behavior for self-projection in order to gain a sense of belonging and an affinity with significant others who make similar statements to themselves (Berger & Heath, 2008), as well as to reflect their social status (Han et al., 2010).

We contend that indulgent consumers will increase their conspicuous signaling through the democratized luxury goods owing to the general public’s greater awareness of the goods. As argued earlier, indulgent consumers derive greater pleasure from possessions that allow them to project their identity in a favorable way (Nenkov & Scott, 2014). Greater awareness of the democratized goods allows indulgent consumers to use their luxury possessions to create an increased sense of pleasure and self-identity. It also helps to demonstrate their self-achievement and social status, so democratized goods may become a source of pleasure and satisfaction for indulgent consumers. In turn, indulgent consumers will increasingly purchase democratized goods for conspicuous signaling in both developed and developing markets.

**Hypothesis 3**: Consumer indulgence moderates the negative influence of democratization on the relationship between conspicuous signaling and luxury purchase intentions, such that greater levels of consumer indulgence will mitigate the effects of democratization and increase luxury purchase intentions.

We contend that the effect of conspicuous signaling on luxury purchase intentions will be mediated by positive affect and this effect will be more pronounced for the people who are indulgent by nature. Conspicuous consumption reflects a tendency to show off and impress others, and is linked with symbolism (Kapferer & Valette-Florence, 2018). This is particularly evident when purchasing and consuming expensive goods, such as luxury items (Levav & McGraw, 2009; Haws & Poynor, 2008). Such items allow consumers to signal their desired identities and values (Shukla, 2012). Moreover, for a conspicuous consumer, the satisfaction derived from luxury consumption does not only stem from its functional value, but from their reference group’s reaction to it. The higher the signaling function, the more satisfaction and positive emotions are felt by the conspicuous consumer (Berger & Heath, 2008). Moreover, boosting positive emotions leads to increasing consumer luxury repurchase intentions (Ki, Lee & Kim 2017). Hence, we posit the mediating effect of positive affect on the relationship between conspicuous signaling and luxury purchase intentions.

Additionally, conspicuous consumption is associated with self-indulgence (Sundie et al., 2011). Indulgent consumers feel that conspicuous consumption serves to improve their subjective economic well-being as they can signal their identity to others (Jaikumar et al., 2018). Research also shows that indulgent consumers experience a sense of hedonic achievement and positive affect, such as sensory pleasure, when consuming luxury items (Nenkov & Scott, 2014; Sharma, Sivakumaran, & Marshall, 2011). Moreover, indulgent consumers are highly sensitive to how their consumption signals are perceived by others (Dubois et al., 2021).

We argue that democratization of luxury, which by nature is associated with increased awareness and access of luxury goods, will heighten positive affect and emotions particularly among indulgent consumers as they will be able to signal their consumption to a much wider audience. Hence, it is posited that, irrespective of the market context, for indulgent consumers, the idea of pleasure and positive affect associated with possession and acquisition, coupled with greater awareness of the democratized good by significant others, will mitigate the negative democratization effects on the relationship between conspicuous signaling and purchase intentions.

**Hypothesis 4:** The effect of conspicuous signaling on luxury purchase intentions will be (a) mediated by positive affect, and (b) this mediation effect will be stronger for indulgent consumers.

To test our hypotheses, we use a multi-method approach. Using data collected from two developed (i.e., the USA and Spain) and two developing (i.e., China and India) markets and a multi-level modelling approach, Study 1 examines the effects of conspicuous signaling on luxury purchase intentions, as well as the moderating effects of democratization, indulgence, and the cross-national variations. Study 2, conducted in the USA, uses an experimental approach to capture why indulgence weakens the effect of democratization.

# STUDY 1

## Measures, Procedure and Sample

Data for this study were collected from both developed and developing markets. We chose two of the largest developing markets, China, and India. China is the second largest luxury market in the world, and India is the fastest growing large developing market for luxury goods (Euromonitor, 2020). As for developed markets, we chose the USA, the largest market for luxury goods, and Spain. We decided to examine Spain because it is ranked ninth in the top 10 global luxury markets and is the fourth fastest growing luxury market in the world (Statista, 2021). Moreover, studies examining luxury consumption among Spanish consumers is lacking. Thus, our study provides interesting comparisons between the largest mature developed market (USA), a rapidly growing developed market (Spain), the largest developing market (China) and a rapidly growing developing market (India) for luxury goods.

The individual-level measures for conspicuous signaling were derived from Shukla (2012), and consumer indulgence scale items were derived from Sharma et al. (2011). These constructs were measured on a seven-point scale, with strongly disagree and strongly agree as anchors. Purchase intention was measured using a three-item self-reported measure with a semantic differential scale (Schlosser, White, and Lloyd, 2006).

Democratization has been discussed extensively in mainstream media but has received little academic scrutiny. Therefore, we employed an iterative process to develop the items for democratization following earlier research by Heitman, Lehmann and Herrmann (2007). First, we reviewed research papers on democratization in several fields of study, including sociology, social psychology, economics, and management. Based on extant research (Tilly, 2000), we developed an initial set of 15 items adjusted for the context of luxury. These items were analyzed by a team of academic experts (n = 6), resulting in the removal of seven generic items inappropriate to the context of luxury consumption. As the study deals particularly with luxury consumption in a cross-national setting, the remaining eight items were adjusted to the context. The items were then pilot tested using a sample of luxury consumers (n = 84) to check the psychometric properties. Exploratory factor analysis (EFA) was carried out to examine the factor structure of the construct. This revealed a single dominant factor which captured distinctive aspects that consumers associate with democratization of luxury, consisting of four items: mass production, differentiation, distinctiveness, and exclusivity. The Cronbach’s alpha value of the four-item democratization construct, measured on a seven-point scale, was above the recommended threshold (α = 0.89). The results were discussed with two academic experts in the luxury area and two luxury brand managers, who agreed on the items, their properties, and their appropriateness. Thus, this four-item scale was eventually chosen for democratization.

The functional and conceptual equivalence of the individual-level constructs were subjectively assessed by the multicultural and multinational research team members. The questionnaire was evaluated for content and face validity by a panel of expert judges, including two marketing executives and two academics. The experts were also asked to assess each item for its representativeness, specificity, and clarity. The English questionnaire was then translated by an expert translator into Spanish, Hindi, and Mandarin, and these were then back translated by another expert. These versions were examined for equivalence by another professional translator. A pilot test was conducted (n = 15 for each country) to identify any impolite, unclear, or obscure questions.

Respondents, who had purchased luxury goods in the past 6 months, were approached using professional online panel providers (i.e., Toluna and Prolific), with a final usable sample of 909 across all countries (USA n = 214; Spain n = 201; China n = 259; India n = 235). Table 1 presents the respondent profiles. There were slightly more female than male participants in the overall sample, and the mean age for each country was similar, with median ages between 24 and 33. The largest proportion of the samples for all countries were married, and significant numbers were employed full-time, followed by students.

[Insert Table 1 here]

The questionnaire had four parts. Respondents were initially provided with a generic definition of luxury goods, following the Oxford English Dictionary (inessential, desirable items that are expensive and difficult to obtain) and were given several industry (i.e., leather goods, fashion, automobiles, etc.) and brand examples (i.e., Gucci, LVMH, BMW, etc.) to establish an appropriate setting. Respondents’ socio-demographics were captured, and to avoid national heterogeneity, those who were not nationals of the countries were not included in the study. The respondents were then exposed to predictor items for conspicuous signaling and democratization. The next section of the questionnaire captured consumer indulgence levels. The sections and items were counter balanced.

[Insert Table 2 here]

Table 2 provides details of the standardized estimates, average variance extracted (AVE), composite reliability (CR) and alpha values for each construct and each country, and at the pooled data level. The AVE for each measure was above 0.5, and the CR and alpha values were above 0.7, all above the recommended thresholds. Discriminant validity was measured using Fornell and Larcker’s (1981) recommended method. As no correlation exceeded the square root of the AVE (see Table 3), this criterion was met.

[Insert Table 3 here]

## *Invariance and Common Method Bias*

As our data were collected from four different countries, it was important to assess cross-cultural measurement invariance for all the scales. We employed Steenkamp and Baumgartner’s (1998) multi-step process using the AMOS 27 maximum-likelihood method (see Table 4). The scales’ configural invariance was examined by testing the fit indices for an unconstrained model across the four countries. This showed a good model fit (χ2/df = 1.95; RMSEA = 0.033; CFI = 0.95; TLI = 0.93; SRMR = 0.068), suggesting that configural invariance conditions were met. The next step involved constraining the factor loadings to be equal across the four countries to examine full metric invariance. Full metric invariance was achieved, as the difference between the constrained and unconstrained models was non-significant (Δχ2(Δdf) = 34.84(30); p > 0.05) and the other fit indices improved. Next, full scalar invariance was examined (p < 0.05). Steenkamp and Baumgartner (1998) state that full scalar invariance is rare in cross-cultural research and recommend testing of partial scalar invariance. Based on the results, partial scalar invariance was tested, which showed that the model was not significantly worse than the configural invariance model (Δχ2(Δdf) = 69.63(57); p > 0.05). Based on the results of invariance analysis, we pooled the data overall and at developed and developing country level and examined the factor loadings and model fit. The pooled data showed a good model fit.

[Insert Table 4 here]

To minimize the effects of common method variance (CMV), we employed several procedural and statistical remedies recommended by Podsakoff et al. (2003). For instance, we controlled for order bias by counterbalancing the item order and the position of the predictor and criterion variables. To avoid response format bias, participants completed a series of filler tasks unrelated to the study; and to reduce method bias, anonymity and confidentiality were assured, and participants were told that there were no right or wrong answers.

Although these procedural remedies help to reduce CMV, they may not entirely eliminate it. Hence, statistical remedies were also employed. First, we ran a Harman single-factor test using EFA. A single-factor model explained 33.60% of the total variance. However, when EFA was carried out with eigenvalues over 1, the items fell into their requisite theorized constructs, explaining 65.76% of overall variance. As a further stringent test for CMV, we also employed Lindell and Whitney’s (2001) marker variable approach to examine correlations among the constructs. This variable (i.e., How important do you think is ‘freedom of speech’?) has no theoretical relationship with any other variable in the study.

For a further robust test of CMV, we used the comprehensive CFA marker technique proposed by Williams, Hartman and Cavazotte (2010) conducting a three phased approach of (a) model comparisons, (b) reliability decomposition and (c) sensitivity analysis. For phase 1 (see Table 5), we first ran a CFA model that allows for a complete set of correlations among the substantive variables and the marker variable to obtain the factor loadings and measurement error variance estimates for use in subsequent models. We then ran a baseline model wherein the substantive latent variables are allowed to be correlated with each other, but the marker variable is assumed to be orthogonal with its indicators having fixed factor loadings and fixed error variances obtained from the CFA model. The data show that the theoretically irrelevant predictor has a non-significant correlation (p>0.05) with the criterion variable thus offering validation of orthogonality. We then ran a Method-C model, wherein each of the marker method factor loadings that relate to the substantive items were forced to be equivalent in value to reflect the equal methods effect. The comparison between the Method-C model and the Baseline model (Δ(χ2/df) = 6.97 (1)) indicated support for rejecting the restriction of method factor loadings in the baseline model. Next, we compared the Method-U model, wherein the factor loadings from the marker variable to substantive variable items were not forced to be equivalent, with Method-C model to determine if the impact of the method marker variable was equal for all items on the substantive indicators. The comparison (Δ(χ2/df) = 95.62 (13)) provides support for the rejection of the restriction in the Method-C model. Thus, the Method-U model, represents the best model for accounting for marker variance on substantive indicators. An additional model comparison was conducted to assess the marker variables effects on factor correlation parameter estimates through a restricted model (Method-R model). In Method-R model, the factor correlation parameters were fixed at values obtained in the baseline model. The comparison between Method-U and Method-R model show a non-significant difference (Δ(χ2/df) = 3.03 (6)) suggesting that the effects of the marker variable did not significantly bias factor correlation estimates. Based on these results, in Phase 2, we assessed total reliability associated with the latent variables by decomposing them into substantive and method portions as recommended by Williams et al. (2010). To achieve this, we examined the overall reliability values based on the estimates of the baseline model and the Method-U model. The values yielded adequate overall reliability in all cases (> 0.70) and the decomposition values indicate that variables were not substantially affected by method variance. Finally, in Phase 3, a sensitivity analysis was conducted wherein the factor correlations relating to the latent variables from the various models were examined. Two additional models wherein the unstandardized factor loading values were set at values associated with the higher end of the confidence interval for the 0.05 and 0.01 α levels were also compared with the baseline model. This comparison was conducted to determine if they lead to different conclusions about the impact of marker-based method variance on factor correlations than the original estimates. There was no significant change in the factor correlations when these comparisons were conducted as all the correlations between the latent variables continued to be significant and relative unchanged. Thus, the procedural and statistical remedies suggest that CMV did not cause serious bias.

[Insert Table 5 here]

# Analysis

Given the nested data structure wherein individuals on level 1 are nested within countries on level 2, we employed multilevel modeling with restricted maximum likelihood estimation as the traditional regression analysis is not appropriate. Our analysis allowed us to retain cluster membership information for each individual observation. To test the level of purchase intentions with level 1 and level 2 variables, we ran a series of random effects intercept-as-outcomes models in IBM SPSS 27.0 mixed models.

[Insert Table 6 here]

Table 6 shows the results of the pooled-level main effects and country level differences in the direct effect (Model 1), the interactional model for individual-level moderation of democratization and consumer indulgence (Model 2), and the country-level effect to measure the developed versus developing markets differences (Model 3). The models reveal a decline in residual variable as country level nested model was introduced (Table 6) which provides further support for the proposed model (Heinberg et al., 2021). Table 7 presents the comparative results for Model 2 for each country. First, we ran a null model and observed an intraclass correlation coefficient of 0.46 further confirming the need for a nested model. To measure the country-level effect as hypothesized in H1, we included GDP per capita data for each country as a proxy (USA = $63,543.58; Spain = $27,057.16; China = $10,500.40 and India = $1,900.71) based on the 2020 world bank data. Our hypothesis predicts a more pronounced effect in developing markets than developed markets. We used dummy coding (Heinberg et al., 2021) to test the difference between the countries by classifying the USA and Spain as developed markets (coded as 1) and China and India as developing markets (coded as -1). The results in model 1 show a significant effect between developed and developing markets (β = -0.49, p < 0.001) thus confirming the theorization that the direct effects of conspicuous signaling is significantly higher in developing markets.

As predicted in H2a, model 2 shows a significant and negative moderating effect of democratization on the relationship between conspicuous signaling and luxury purchase intentions (β = -0.07, p < 0.001). As seen in model 3, H2b was also supported as the effect was significant at country level as well (β = -0.50, p < 0.001). In H3, we hypothesize that consumer indulgence will further moderate the negative moderating effects of democratization. This was supported (β = 0.02, p < 0.001). Overall, the results show that with increasing democratization, consumers tend to avoid purchasing luxury brands for conspicuous signaling. More importantly, we show a reversal in this boundary condition based on consumers level of indulgence by demonstrating that the greater levels of consumer indulgence mitigate the negative moderating effect of democratization. Further to that, our findings establish that the effects are more pronounced in the developing markets.

# STUDY 2

In the earlier study, we identified that the negative moderating effects of democratization are mitigated by indulgence. In this study, we investigate why indulgence weakens the effect of democratization. Moreover, we also address the question of whether indulgence can be primed. In this study, we measure conspicuous signaling and manipulate the democratization and the indulgence variables. Further, we examine positive affect as the mediator (PANAS; Watson, Clark, and Tellegen 1988) and the dependent variable is purchase intentions.

**Pre-study**

With an aim to manipulate the democratization and indulgence variables, we decided to pilot test our manipulations. Using the Prolific Academic panel, we recruited 41 respondents from the USA (Mage = 31.34 years, SD = 10.11; 65.90% female) who were pre-filtered based on their luxury consumption behavior. The respondents were then randomly exposed to either the democratization or the control condition. This was followed by the democratization manipulation check. Respondents were then randomly exposed to the indulgence/non-indulgence prime and the relevant manipulation checks.

For the democratization manipulation, respondents were exposed to a news story about a fictitious luxury brand ‘Salvatore Piezzo’. For the democratization condition (see Web Appendix), the news story focused on greater access, awareness, and a substantial shift in userbase for the brand that included middle- and lower-class consumers. In the control condition there was no significant change in the userbase, and the brand maintained its exclusivity. We employed the same four-item democratization scale as used in Study 1 for manipulation check (α = .85).

A major form of communicating indulgence for luxury brands is their advertisements in regular press or social media. Thus, to increase the ecological validity of our study, we used an image-based indulgence prime that is extensively used in prior research (Nenkov & Scott, 2014; Ilicic, Brennan & Kulczynski, 2021). In the indulgence condition, respondents were shown four images of luxury goods (including a luxury car, yacht, interior seating in a chartered plane and a luxury watch). There were no logos present in the images to avoid any brand related biases. Respondents in the control condition were exposed to four daily objects including a key, stapler, toilet roll and a pencil case. Respondents were then asked to reflect about these objects and how they would use these products/experiences if they owned them on three indulgent intentions items namely, play, fun, pleasure (α = .98) and three non-indulgent items such as work, serious project, homework (α = .76) (Nenkov & Scott, 2014). The items were measured on 5-point scale anchored with not at all (1) to totally so (5) as a manipulation check for indulgence. We also measured the indulgence scale as outlined in Study 1 (Sharma et al. 2011) as a further test of manipulation.

To measure if the manipulations were successful or not, we employed a one-way ANOVA. The democratization manipulation was successful (F(1, 40) = 14.48; p = .000), as respondents in the democratization condition (M = 4.87; SD = 1.00) scored significantly higher than those in the control condition (M = 3.48; SD = 1.33). Similarly, the indulgence manipulation was also successful on all fronts. Respondents exposed to the indulgence condition (M = 4.52; SD = .68) showed significantly greater indulgent intentions (F(1, 40) = 165.43; p = .000) than those in non-indulgent condition (M = 1.62; SD = .77). Further, respondents exposed to the non-indulgent condition (M = 3.22; SD = 1.04) demonstrated significantly greater non-indulgent intentions (F(1, 40) = 5.69; p = .022) than those exposed to the indulgent condition (M = 2.43; SD = 1.07). The indulgence scale also demonstrated significant difference (F(1, 40) = 19.64; p = .000), wherein those exposed to indulgent condition demonstrated much higher levels of indulgence (M = 4.33; SD = 1.15) than those in non-indulgent condition (M = 2.72; SD = 1.19).

## Measures, Procedure and Sample

For the main study, we recruited 206 consumers in the USA who belonged to the Prolific Academic Panel and regularly consumed luxury brands. As four participants failed attention checks, they were removed from the study leaving a final usable sample of 202 (Mage = 33.18 years, SD = 11.12; 58.90% female). Respondents were initially provided with a generic definition of luxury goods (similar to Study 1), followed by socio-demographics. The respondents then completed the conspicuous signaling scale (α = .84) as used in Study 1 (Shukla 2012). As the pre-study established our democratization manipulation, respondents were only exposed to the democratization condition in this study. This was followed by democratization manipulation check through the scale used in Study 1 and pre-study (α = .82). The respondents were then randomly exposed to either the indulgent or the non-indulgent condition as detailed in the pre-study (Nenkov & Scott, 2014), followed by relevant indulgent item (α = .96) and non-indulgent item (α = .81) manipulation checks as well as indulgence item scale used in the Study 1 (α = .82). Following the manipulation checks, participants were then exposed to the PANAS scale (Watson et al., 1988) to capture the mediating effects of positive affect. These items were measured on 5-point bi-polar scale with items including unhappy/happy, annoyed/pleased, unsatisfied/satisfied, melancholic/contended, relaxed/stimulated, calm/excited, sluggish/frenzied, and unaroused/aroused (α = .80). Respondents’ purchase intentions for luxury goods (α = .92) were captured with items similar to Study 1.

**Analysis**

The indulgence prime was successful (F(1, 201) = 740.06; p = .000), as respondents indicated significantly greater intent to use the products for indulgent purposes when exposed to indulgent prime condition (M = 4.44; SD = .66) than in the non-indulgent condition (M = 1.63; SD = .80). Similarly, for non-indulgent uses (F(1, 201) = 64.13; p = .000), respondents exposed to indulgent prime demonstrated lower intent to use (M = 2.26; SD = .98) than those in non-indulgent condition (M = 3.35; SD = .94). On the indulgence scale also, the respondent exposed to the indulgent condition (M = 3.97; SD = 1.48) scored significantly higher (F(1, 201) = 8.91; p = .003) than in non-indulgent condition (M = 3.36; SD = 1.46).

To understand the underlying mechanism that demonstrate why indulgence weakens the effect of democratization, we employed PROCESS macro model 4 (Hayes, 2013) with a bootstrapping procedure (5000 resamples), with conspicuous signaling as IV, positive affect as the mediator, purchase intentions as the DV with democratization as the control variable. As theorized, the results revealed that conspicuous signaling had a direct effect on positive affect (F(1, 200) = 39.61; p = .000; β = .41; CI(95%) = [.15, .28]), and purchase intentions (F(2, 199) = 21.10; p = .000; β = .32; CI(95%) = [.26, .66]). Moreover, the effect of positive affect on purchase intentions was also significant (β = .17; p = .020; CI(95%) = [.07, .82]). The indirect effect of indulgence on purchase intentions through positive affect was significant as demonstrated by 95% confidence intervals that excluded zero (β = .10; CI(95%) = [.01, .13]).

We examined these relationships further with an expectation that the mediation is stronger in the indulgent condition versus the non-indulgent condition. To achieve this, we employed PROCESS macro model 7 (Hayes, 2013) with conspicuous signaling as IV, indulgence as a moderator, positive affect as the mediator, purchase intentions as the DV with democratization as the control variable. The index of moderated mediation was significant (β = .08; CI(95%) = [.01, .19]). Moreover, the conditional indirect effect analysis demonstrated the mediation was stronger in case of indulgent condition (β = .13; CI(95%) = [.01, .27]) than in non-indulgent condition (β = .05; CI(95%) = [.01, .14]).

# DISCUSSION AND CONCLUSION

This research examines the effects of democratization of luxury in developed and developing markets. In addressing this timely issue, we offer novel insights that inform the international business strategies of firms marketing conspicuous goods and services. Our findings provide a better understanding of the intricate relationship between consumers’ conspicuous signaling motives and the interactive effects of both luxury democratization and consumer indulgence. In doing so, the study offers several implications for theory and practice.

## Theoretical Implications

Our results extend extant cross-cultural luxury consumption research by demonstrating that while conspicuous signaling may influence luxury purchase intentions globally, the effects are more pronounced among consumers in developing markets. Prior studies have examined the cross-national luxury consumption differences mostly through the lens cultural traits (Eisend et al., 2017; Pillai & Nair, 2021). Our study provides an extended contribution in this regard by demonstrating the role of economic development in driving luxury consumption. Our work provides substantial empirical evidence to international marketing literature (Ashraf et al., 2017; Thongpapanl et al., 2018) by demonstrating that attempts to homogenize strategies without appreciating the contextual complexities involved, may see an inferior performance in international markets for firms.

Another noteworthy contribution of this research pertains to the moderating effects of democratization across developed and developing markets. We show that when luxury goods democratize, consumers will avoid these goods in their conspicuous signaling efforts, especially in developing markets. Various luxury goods have already democratized or are in the process of democratizing, yet in exploring this effect, we highlight the resulting negative externalities for these goods. Luxury democratization within the marketplace will result in increasing awareness of and access to the luxury goods. However, examination of this phenomenon through the lens of network effects (Katz & Shapiro, 1985) reveals that increased access and awareness reduces the overall value ascribed to the democratized luxury goods. Thus, we offer a more complex picture of the effects of luxury goods democratization (Silverstein et al., 2008) by observing that when these goods become increasingly available, consumers may ascribe less value (Kapferer & Valette-Florence, 2018) and thus may not purchase and use them for conspicuous signaling.

Moreover, in examining the effects of democratization across developed and developing markets, we offer a novel perspective on how these effects vary according to the market context. In doing so, we extend the theoretical contribution of our study to the international marketing literature. For instance, we observe a greater decrease in purchase intentions for democratized luxury goods among consumers in developing than in developed markets. In comparing developed and developing markets, researchers show that consumers in developing markets are highly sensitive to increased market penetration by luxury brands (Awanis et al., 2018). They also have a greater desire to show their luxury possessions (McCollough, 2020). However, when such goods become widely accessible, they create negative network externalities and lose the strength of their societal meaning and resultant upward mobility signaling, leading consumers in developing markets to shun such products. On the other hand, in developed markets luxury goods are predominantly consumed for their personal pleasure and fulfilling self-interests (Shukla, 2012). Further, compared to their developing market counterparts, consumers in developed markets have greater number of alternative mechanisms to signal their status (Jaikumar et al., 2018). Hence, the effects of democratization that are more societal in nature have significantly less negative influence on consumers in developed markets. Thus, current research offers pioneering insights on the differential network effects of democratization between developed and developing markets.

At the national level, no significant difference in the effects of luxury democratization is observed between developing markets. However, comparison of developed markets reveals distinct differences. For instance, American consumers exhibit significantly lower intentions to purchase democratized luxury goods than their Spanish counterparts. Such differences may be explained by the value that consumers ascribe to luxury consumption. For instance, Hennigs et al. (2012) argue that American consumers are significantly more driven by symbolic values, such as prestige, while Spanish consumers emphasize quality assurance far more. Thus, when luxury goods democratize, the reduction in their symbolic value driven by network externalities influences luxury consumption among American consumers more than Spanish consumers. Hence, our research offers nuanced insights on the varying effects between developed markets. It highlights the need for further international marketing research that examines the differences between and within developed markets with differing economic and cultural trajectories.

Our study also makes noteworthy additions to the developing stream of literature on consumer indulgence. Prior studies have concentrated predominantly on the negative effects of consumer indulgence (Ramanathan & Williams, 2007; Keinan & Kivetz, 2008). In contrast, our study demonstrates the positive influence of consumer-level indulgence in mitigating the negative network effects of democratization and the reason such a reversal is observed through the underlying mechanism of positive affect. In doing so, we show the vital role of individual traits regarding conspicuous products. Indulgent consumers crave pleasure from their possession and consumption (Dubois et al., 2021). Thus, when a democratized luxury good is marketed to them, greater awareness of and access of these goods allow indulgent consumers to gain greater pleasure and positive affect, thus strengthening their intentions to purchase such luxury goods for conspicuous signaling. Overall, this research integrates international marketing, luxury branding, network effects and consumer indulgence literature and offers insights into the purchase decisions of luxury consumers across developed and developing markets.

## Managerial Implications

Our study provides important insights into how international luxury brand managers should engage with and manage the process of democratization in developed and developing markets. While democratization may seem lucrative due to consumers’ increased access, and thus greater revenues, we recommend that international firms and managers should approach the process with caution, especially if their luxury goods are used for conspicuous signaling. This is because democratization leads to perceived loss of uniqueness, distinctiveness and exclusivity owing to increased awareness and accessibility. These negative network effects, in turn, lead consumers to ascribe lower value to democratized goods. As a result, consumers avoid buying the luxury goods, so the envisioned revenue increase from democratization may not materialize.

Employing democratization strategy may seem highly lucrative, particularly within developing markets, due to rapid economic growth, rise of an aspiration class demanding luxury goods, and thus lead to greater revenues. Furthermore, the income equalities are much higher in developing markets (Piketty, 2014). Acknowledging these economic outlook, many luxury brands resort to democratization strategies to enter and target consumers in developing markets. However, our research suggests caution against such a strategy as the negative network effects of democratization are particularly acute in developing markets like China and India. Consumers in these markets are highly conscious of their societal standing and luxury goods are used to demonstrate status (Shukla & Rosendo-Rios, 2021). Thus, when a luxury good democratizes, it loses the earlier societal status association among the target consumers. Many luxury brands, such as Burberry and Prada, which have democratized within developing markets, have faced a backlash in the marketplace. Hence, we recommend managers to refrain from using democratization strategies when entering or targeting developing markets.

While we recommend caution in employing democratization strategies due to their negative network effects, many luxury goods have already democratized or are in the process of doing so in both developed and developing markets. Our study offers further guidance for international firms on how to manage the negative network effects democratization successfully through priming indulgence. We also demonstrate the process through which consumer indulgence can be primed. By priming indulgence among target consumers through their visual communication strategies, international firms may reduce the negative effects of democratization for their luxury brands. Hence, highlighting the importance of their luxury goods in offering personal happiness, pleasure and positive affect and boosting of self-identity and consumer indulgence, managers can counteract the negative network effects of democratization in both developed and developing markets.

## Limitations and future Research Directions

As with all research, this paper has several limitations that offer directions for further research. In focusing on two distinct types of markets (developed and developing), we show how the complexity of luxury goods democratization may shape differing consumer behaviors across markets. While we compare the market level differences, due to resource constraints, our sample is not representative of the population. Hence, further cross validation is needed. Studies show that luxury consumption behaviors differ between less developed versus more developed regions within large countries such as India and China (Shukla & Rosendo-Rios, 2021). In this regard, examining the comparative effects of democratization in urban, semi-urban and rural markets in other developed and developing countries might assist international managers in building strategies that are sensitive to regional and national differences. While classifying developed and developing markets offers from an economic viewpoint, a different viewpoint emerging in recent IB literature pertains to globalized versus globalizing markets (Liu et al., 2020; Mandler, Bartsch & Han, 2021). Within globalized markets, the accelerated pace of globalization seems to have slowed, while globalizing markets are experiencing substantial growth through globalization, which is transforming their consumer markets. Consumers in these markets hold differential attitudes towards globalization and thus examining these market contexts may offer further interesting insights.

Another interesting path would be to examine whether the effects of luxury democratization diverge for firms with a tiered luxury brand product portfolio. Many luxury brands employ multi-tier approach to luxury. For instance, Max Mara is pitched at the higher-end of the luxury market, while its other brand Max & Co caters to a tier below. It would be worth studying whether there are spillover effects when a firm has a high-end luxury brand line as well as a mid-level luxury brand line. For instance, would the firm be able to democratize the mid-level luxury brand line, while keeping the high-end luxury brand line exclusive, to take advantage of the benefits of both approaches? Or would the democratization of the mid-level luxury brand line create negative spillover effects on the high-end luxury brand line?

Our study is cross-sectional in nature. Thus, longitudinal and experimental studies are needed to unravel the long-term effects of democratization. Similarly, we have not considered country of origin effects that may play an important role (Herz & Diamantopoulos, 2017). For example, whether the effects of democratization differ for brand originating from developed markets such as Italy or France, compared with developing markets such as Turkey or Indonesia needs further research. We also invite empirical research on the role of multi-category comparisons of democratized luxury goods.

This study shows how the negative effects of democratization may be mitigated by consumer indulgence. Further exploration of these mitigating effects might illuminate the nature of consumers’ motivations for buying democratized luxury goods. For instance, using other consumer-level moderators, including consumers’ need for status, interpersonal susceptibility, or vanity, might enable further examination of the effects of democratization cross-culturally. These additional approaches would also help brand managers to internationalize their democratized or democratizing luxury goods, and to develop appropriate global managerial strategies to maintain or improve their market share in the global marketplace.

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**Table 1** Respondent profile

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **USA** | **Spain** | **India** | **China** |
| *Sample size (n)* | 214 | 201 | 235 | 259 |
| *Gender* |  |  |  |  |
| Male | 45.1% | 35.6% | 45.5% | 47.5% |
| Female | 54.9% | 64.4% | 54.5% | 52.5% |
| *Age (mean)* | 29.55 | 30.09 | 25.99 | 29.21 |
| *Marital status* |  |  |  |  |
| Married | 43.6% | 58.9% | 61.5% | 37.8% |
| Single | 33.2% | 17.3% | 29.5% | 35.5% |
| In a relationship | 19.1% | 14.9% | 9.0% | 22.4% |
| Other | 4.1% | 8.9% | 0.0% | 4.3% |
| *Education* |  |  |  |  |
| High school or below | 6.1 | 5.4% | 17.5% | 7.4% |
| Undergraduate | 57.5 | 36.6% | 32.5% | 46.7% |
| Postgraduate | 25.7 | 44.1% | 47.9% | 37.8% |
| Doctorate or other professional degree | 10.7 | 13.9% | 2.1% | 8.1% |
| *Employment status (Occupation)* |  |  |  |  |
| Employed full-time | 63.6% | 77.2% | 45.7% | 67.6% |
| Employed part-time | 11.7% | 9.4% | 6.8% | 3.5% |
| Unemployed | 5.6% | 4.5% | 6.0% | 5.0% |
| Student | 19.1% | 8.9% | 41.5% | 23.9% |
| Annual family income\* |  |  |  |  |
| Less than $20,000 | 8.8% | 5.6% | 17.1% | 6.6% |
| $20,000 - $49,999 | 13.1% | 14.8% | 14.1% | 12.5% |
| $50,000 - $99,999 | 38.3% | 40.3% | 55.6% | 21.5% |
| $100,00 - $149,000 | 22.4% | 21.4% | 7.5% | 43.0% |
| $150,000 and above | 17.4% | 17.9% | 5.7% | 16.4% |

Note: \* For ease of understanding, annual family income was converted in USD using the OECD PPP calculator.

**Table 2** Measurement model

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Pooled** | | | **Country level** | | |
|  | **Developed** | **Developing** | **USA** | **Spain** | **India** | **China** |
| **Conspicuous signaling motives** |  |  |  |  |  |  |
| I believe that owning luxury goods is a symbol of prestige. | 0.76 | 0.80 | 0.75 | 0.76 | 0.78 | 0.83 |
| Luxury goods allow me to attract attention from others. | 0.80 | 0.80 | 0.80 | 0.77 | 0.82 | 0.75 |
| Luxury goods can help me create an impression on other people. | 0.82 | 0.83 | 0.78 | 0.84 | 0.81 | 0.69 |
| I use luxury goods to gain social status. | 0.68 | 0.79 | 0.69 | 0.75 | 0.76 | 0.84 |
| AVE | 0.59 | 0.65 | 0.57 | 0.61 | 0.63 | 0.61 |
| CR | 0.85 | 0.88 | 0.84 | 0.86 | 0.87 | 0.86 |
| Alpha | 0.85 | 0.88 | 0.84 | 0.86 | 0.87 | 0.87 |
| **Democratization** |  |  |  |  |  |  |
| I find that a lot of luxury goods are now being mass produced. | 0.58 | 0.56 | 0.58 | 0.58 | 0.57 | 0.55 |
| I believe that most luxury goods cannot be used to differentiate oneself from others. | 0.56 | 0.58 | 0.59 | 0.63 | 0.59 | 0.69 |
| I think luxury goods have lost their distinctiveness. | 0.92 | 0.90 | 0.90 | 0.96 | 0.92 | 0.89 |
| In my mind, luxury goods have lost their exclusivity. | 0.76 | 0.74 | 0.76 | 0.75 | 0.68 | 0.80 |
| AVE | 0.52 | 0.50 | 0.52 | 0.55 | 0.50 | 0.56 |
| CR | 0.81 | 0.80 | 0.81 | 0.83 | 0.79 | 0.83 |
| Alpha | 0.78 | 0.76 | 0.78 | 0.78 | 0.78 | 0.82 |
| **Consumer indulgence** |  |  |  |  |  |  |
| It is important to me to own really nice luxury goods. | 0.61 | 0.78 | 0.68 | 0.78 | 0.81 | 0.86 |
| My life would be better if I owned certain luxury goods that I do not have. | 0.83 | 0.69 | 0.88 | 0.64 | 0.65 | 0.70 |
| I would feel happier if I could afford to buy more luxury goods. | 0.79 | 0.68 | 0.79 | 0.72 | 0.69 | 0.62 |
| AVE | 0.56 | 0.52 | 0.62 | 0.51 | 0.52 | 0.54 |
| CR | 0.79 | 0.76 | 0.83 | 0.76 | 0.76 | 0.77 |
| Alpha | 0.78 | 0.76 | 0.83 | 0.85 | 0.83 | 0.81 |
| **Purchase intentions** |  |  |  |  |  |  |
| The likelihood of your purchasing luxury goods in coming six months is… |  |  |  |  |  |  |
| Highly unlikely/highly likely | 0.72 | 0.58 | 0.96 | 0.58 | 0.54 | 0.87 |
| Highly improbable/highly probable | 0.94 | 0.85 | 0.98 | 0.76 | 0.85 | 0.89 |
| Impossible/highly possible | 0.95 | 0.85 | 0.81 | 0.86 | 0.76 | 0.52 |
| AVE | 0.77 | 0.59 | 0.85 | 0.55 | 0.53 | 0.61 |
| CR | 0.91 | 0.81 | 0.94 | 0.78 | 0.77 | 0.82 |
| Alpha | 0.90 | 0.76 | 0.94 | 0.71 | 0.75 | 0.79 |
|  |  |  |  |  |  |  |
| ***Fit statistics*** |  |  |  |  |  |  |
| Chi-sq | 214.75 | 211.17 | 156.18 | 134.28 | 114.7 | 139.70 |
| df | 70 | 70 | 70 | 70 | 70 | 70 |
| CFI | 0.96 | 0.95 | 0.95 | 0.95 | 0.96 | 0.95 |
| TLI | 0.94 | 0.93 | 0.94 | 0.92 | 0.95 | 0.94 |
| IFI | 0.95 | 0.95 | 0.95 | 0.94 | 0.96 | 0.95 |
| GFI | 0.94 | 0.94 | 0.91 | 0.91 | 0.94 | 0.93 |
| RMSEA | 0.058 | 0.055 | 0.062 | 0.050 | 0.034 | 0.048 |

**Table 3** Correlation matrices

1. USA

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **M** | **SD** | **CS** | **CI** | **DM** | **SC** | **PI** |
| Conspicuous signaling (CS) | 4.21 | 1.38 | *0.75* |  |  |  |  |
| Consumer indulgence (CI) | 3.54 | 1.61 | 0.64 | *0.72* |  |  |  |
| Democratization (DM) | 4.44 | 1.11 | -0.23 | -0.13 | *0.79* |  |  |
| Purchase intentions (PI) | 4.63 | 1.55 | 0.41 | 0.49 | -0.04 | -0.07 | *0.92* |

1. Spain

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **M** | **SD** | **CS** | **CI** | **DM** | **SC** | **PI** |
| Conspicuous signaling (CS) | 3.76 | 1.45 | *0.87* |  |  |  |  |
| Consumer indulgence (CI) | 2.80 | 1.31 | 0.38 | *0.71* |  |  |  |
| Democratization (DM) | 4.65 | 1.15 | -0.02 | 0.03 | *0.74* |  |  |
| Purchase intentions (PI) | 3.57 | 1.36 | 0.32 | 0.34 | -0.04 | 0.06 | *0.74* |

1. India

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **M** | **SD** | **CS** | **CI** | **DM** | **SC** | **PI** |
| Conspicuous signaling (CS) | 4.46 | 1.52 | *0.79* |  |  |  |  |
| Consumer indulgence (CI) | 4.48 | 1.44 | 0.60 | *0.73* |  |  |  |
| Democratization (DM) | 4.57 | 1.10 | -0.22 | -0.20 | *0.72* |  |  |
| Purchase intentions (PI) | 4.00 | 1.32 | 0.45 | 0.57 | -0.18 | 0.29 | *0.72* |

1. China

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **M** | **SD** | **CS** | **CI** | **DM** | **SC** | **PI** |
| Conspicuous signaling (CS) | 3.68 | 1.20 | *0.78* |  |  |  |  |
| Consumer indulgence (CI) | 3.69 | 1.27 | 0.46 | *0.73* |  |  |  |
| Democratization (DM) | 4.47 | 1.15 | -0.12 | -0.04 | *0.73* |  |  |
| Purchase intentions (PI) | 3.77 | 1.35 | 0.24 | 0.39 | -0.10 | 0.02 | *0.78* |

Note: Values in diagonals represent the square root of AVE.

**Table 4** Invariance measurement

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **χ2** | **df** | **χ2/df** | **Δχ2** | **Δdf** | **RMSEA** | **CFI** | **TLI** | **SRMR** |
| Configural invariance | 545.60 | 280 | 1.95 |  |  | 0.033 | 0.95 | 0.93 | 0.068 |
| Full metric invariance | 580.44 | 310 | 1.87 | 34.84 | 30 | 0.031 | 0.95 | 0.93 | 0.067 |
| Full scalar invariance | 643.37 | 340 | 1.89 | 97.77 | 60 | 0.032 | 0.95 | 0.93 | 0.071 |
| Partial scalar invariance | 615.23 | 337 | 1.83 | 69.63 | 57 | 0.031 | 0.95 | 0.94 | 0.069 |

**Table 5** CMV measurement

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **χ2** | **df** | **χ2/df** | **Δ (χ2/df)** | **CFI** |
| CFA model | 272.96 | 80 | 3.40 |  | 0.96 |
| Baseline model | 276.93 | 84 | 3.30 |  | 0.96 |
| Method C model | 269.96 | 83 | 3.25 | 6.97 (1) | 0.96 |
| Method U model | 174.34 | 70 | 2.39 | 95.62 (13) | 0.98 |
| Method R model | 177.37 | 76 | 2.33 | 3.03 (6) | 0.98 |

**Table 6** Path coefficients from hierarchical linear modelling of pooled data

|  |  |  |  |
| --- | --- | --- | --- |
|  | Model 1 | Model 2 | Model 3 |
| *Individual-level main effects* |  |  |  |
| Conspicuous signaling motives | 0.19\*\*\* | 0.25\*\*\* | 0.24\*\*\* |
| Democratization | -0.04 | -0.04 | -0.05 |
| Consumer indulgence | 0.40\*\*\* | 0.36\*\*\* | 0.36\*\*\* |
| *Individual-level moderating effects* |  |  |  |
| Conspicuous signaling x democratization |  | -0.07\*\*\* | -0.06\*\*\* |
| Conspicuous signaling x democratization x consumer indulgence |  | 0.02\*\*\* | 0.02\*\*\* |
| Country-level effects |  |  |  |
| Developed vs developing markets | -0.49\*\*\* |  | -0.50\*\*\* |
| Residual variance individual level |  | 0.71 |  |
| Residual variance country level | 0.65 |  | 0.62 |
| Deviance information criterion (DIC) | 3058.15 | 3056.09 | 3046.65 |

Notes: coefficients are unstandardized; \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001.

**Table 7** Path coefficients modelling for each country (Model 2)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **USA** | **Spain** | **India** | **China** |
|  | Std Est. | Std Est. | Std Est. | Std Est. |
| *Individual-level main effects* |  |  |  |  |
| Conspicuous signaling motives | 0.21\* | 0.13 | 0.16\*\* | 0.18\* |
| Democratization | 0.07 | -0.07 | -0.07 | 0.06 |
| Consumer indulgence | 0.49\*\*\* | 0.30\*\*\* | 0.39\*\*\* | 0.36\*\*\* |
| *Individual-level moderating effects* |  |  |  |  |
| Conspicuous signaling x democratization | -0.07\* | -0.04 | -0.06\*\* | -0.04\* |
| Conspicuous signaling x democratization x consumer indulgence | 0.02\*\*\* | 0.01\*\* | 0.01\*\*\* | 0.02\*\*\* |

Notes: coefficients are unstandardized; \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001.

Conspicuous signalling

Luxury purchase intentions

Positive affect

Democratization

Indulgence

Developed

vs.

Developing markets

H3

H4a-b

H2a

H2b

H1

Level 1 relationship

Level 2 relationship

**Figure 1** Conceptual framework