

**Conspicuous and Inconspicuous Consumption of Luxury Goods in a Digital World:
Insights, Implications, and Future Research Directions**

Author Accepted Version

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Abstract

Luxury brands are conduits of attractiveness, desirability, and status and their demand has not been impacted by economic recessions or calamities like the pandemic. Over the years, consumers have purchased luxury brands to engage in conspicuous consumption in order to demonstrate elite status and wealth. Recent research on luxury brands has also generated alternate forms of luxury consumption, notably inconspicuous consumption and inconspicuous minimalism. The digital era poses significant challenges and opportunities to luxury retailers. This article explores the various types of luxury consumption and the trends that exist in digital marketing which luxury advertisers can effectively leverage such as counterfeit brands, virtual reality, augmented reality, phygital, and luxury democratization. These strategies can help luxury advertisers prepare better for engaging customers, involving them throughout different stages of the purchase decision, and bolstering sales and revenues.

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1. Introduction

Over the past few years, the development of a global economy bolstered by technological advances in artificial intelligence (AI), machine learning, and virtual/augmented reality, emergence of the metaverse, rapid growth of digital marketing and influencer advertising, and increased standards of living have led to a strong and stable worldwide market for luxury brands (Javornik et al. 2021; Pangarkar and Rathee 2022; Huang and Rust 2021). Against the backdrop of this digital growth, the world has been impacted by events such as the COVID-19 pandemic, the Ukraine crisis, and a global recession (Sheth and Uslay 2023), but the demand for luxury brands has not diminished and remains on the upswing (BCG 2023). This is not surprising, because luxury brands have withstood the impact of prior global calamities, such as the 2008 financial crisis and demonstrated resilience and steady sales (Arnett 2019). The pandemic ushered in changing global trends, when luxury brands were confronted with a situation where stores were closed and consumers were constrained due to social distancing norms. In such a situation, luxury firms had to reinvent by providing seamless customer services online, using platforms such as apps, involving video calls, live chats, instant messaging, online catalogs, and extensive ecommerce capabilities, without compromising on exclusivity, accessibility, and desirability (Pangarkar, Arora, and Shukla 2022; Klaus and Tynan 2022).

In particular, the future looks bright, because in addition to the ubiquitous luxury markets such as United States, France, and Italy, emerging markets such as China and India have witnessed euphoric growth in luxury, through the adoption of strong technology and digital marketing capabilities (Rosendo-Rios and Shukla 2021, Veloutsou, Christodoulides, and Guzmán 2021). A Jing Daily report highlights China as the luxury market to watch out for, backed by the fact that Chinese consumers are expected to spend \$145 billion on luxury brands

by 2025, which is double that of the amount spent in 2016 (Wang 2023). The same report also mentions about how haute-couture brands such as Hermès, Kering, and LVMH are all upbeat about their prospects in China due to the presence of a robust middle class and upper middle-class consumer base, who spend on luxury brands to demonstrate status and success in life. Similarly, India is another emerging luxury market and as per a Statista report, the country's luxury market is currently valued at \$1.53 billion in 2023 with a steady growth rate for the next 5 years (Statista 2023).. The report further highlights how global luxury brands such as Louis Vuitton and Balenciaga are looking to leverage the digital marketing and ecommerce revolution that is driving the Indian market. Overall, the luxury market has always focused on innovation in best serving the needs of its consumers and keeping in line with this paradigm, many famous luxury brands such as Christian Dior, Prada, and Gucci have implemented a digital marketing strategy focused on millennials and young urban consumers who do not have time to visit physical stores and prefer buying from the comfort of their homes (Holmqvist, Wirtz, and Fritze 2021).

The notion of conspicuous consumption was propagated by Veblen (1899) who defined it as a phenomenon where individuals are prone to purchasing and consuming conspicuous products so as to bolster their image and advertise their wealth, thereby acquiring social status. In particular, Veblen (1899) elucidated how ostentatious demonstration of wealth through consuming luxury brands helped individuals command respect, attain prestige, and build networks in society. Wiedmann, Hennigs and Siebels (2009) add to the literature by highlighting how consumers seek to engage in conspicuous consumption with a view to impress others around them in order to create a favorable impression, seek group membership, and receive public approval. However, recent trends indicate that the rise of social media marketing and shift

toward global homogeneity have resulted in emerging phenomena, where instead of the lower-income consumers emulating elite status consumers' fashion styles, the reverse movement is gaining momentum (Bellezza and Berger 2020). This movement has been deemed as inconspicuous consumption (Eckhardt, Belk and Wilson 2015; Pangarkar, Shukla, and Taylor 2021), where consumers prefer wearing styles, logos, and cuts that are subtle, muted, and discreet in appearance.

The underlying notion behind inconspicuous minimalism is to avoid ostentatious behavior with an intention to appear distinctive, abstain from loud designs, and signal social class to insiders and those in the know through quality of materials, superior designs and craftsmanship, and unique shapes, textures, and colors (Berger and Ward 2010). This is part of the global paradigm shift toward the phenomenon of minimalism (Pangarkar, Shukla, and Taylor 2021; Wilson & Bellezza, 2022). Minimalism promulgates that consumers endeavor to reduce consumption, engage in decluttering, and practice simplicity with an objective of only buying what is necessary, in order to achieve happiness, well-being, life satisfaction, finance conservation, and resource utilization. In recent times, many luxury firms such as Hermès, Jil Sander, and Ferragamo have focused on inconspicuous minimalism with little or no logos, thereby appealing to fashion connoisseurs, who resonate with the understated but distinct aesthetic charm that these brands offer.

It is noteworthy that digital marketing, influencer marketing, and social media marketing all have profound and myriad implications for consumers, managers, public policy makers, and society as a whole (Godey et al. 2016; Ko, Costello, and Taylor 2017). For example, Pangarkar and Rathee (2022) demonstrate the significance of social influencer impact on luxury purchase

decisions by providing evidence of how the type of influencer (mega vs micro) plays a key role. The authors explore and provide evidence that mega influencers demonstrate congruity with public luxury, when a true luxury persona is portrayed in an advertisement, while micro influencers resonate with private luxury, when an altruistic persona is depicted in an advertisement. These are important implications for advertisers and provide strategic guidance regarding when to engage mega influencers and which conditions are optimum to leverage micro influencers. In another study, Yu and Ko (2021) articulate how luxury firms are demonstrating innovation through harnessing the power of social media platforms like Instagram to attract consumers toward restaurants or cafes that they operate, so that such consumers can experience the brand. Such experiential marketing initiatives that focus on leveraging social media through user generated content, rather than company produced advertisements, result in positive eWOM engagement, repeat patronage, and favorable brand attitudes. Phygital is another important phenomenon that is fast gaining attention and recent studies have explored this germane concept. For example, Lawry (2022) investigates how luxury retailers can inspire consumers to experience phygital shopping experiences that add value through mobile devices and how self-gifting can serve as an important mechanism to drive such behavior. Pangarkar, Arora, and Shukla (2022) explicate how luxury firms in emerging markets like India are leveraging apps such as WhatsApp, technology and social media platforms to share photos and images of products with consumers, and sophisticated digital interfaces to communicate with experienced salespeople that facilitates purchase decisions, while building rapport, trust, and commitment.

2. Digital Luxury

In recent years, social media has created manifold opportunities that luxury firms have

leveraged to actively engage with consumers through meaningful communication and relationship building involving sharing of pictures, videos, quality content, and fashion events, all of which satisfy the status signaling motives of luxury consumers, and also lead to positive eWOM and increased loyalty (Bazi, Filieri, and Gorton 2020). A Bain and Company report corroborates the increased importance of digital marketing after the COVID-19 pandemic by highlighting how consumers will likely visit luxury stores for their purchases, but would still continue to leverage digital marketing for their purchases, especially if luxury firms are able to provide product variety through online offerings, enhanced user experience through targeted engagement, and innovation through co-creation, leading to customer satisfaction (D'Arpizio 2020). Famous luxury brands such as Christian Dior and Armani have already taken innovative steps to engage luxury consumers through strategies such as fashion shows leveraging digital mediums, online brand communities where social exchange between passionate brand loyalists and patrons takes place, smart mirrors that enable users to replicate an ethereal luxury experience, and Internet of Things (IoT) devices which provide critical information in real-time regarding luxury consumer behavior, their purchase history, and likelihood of future purchases (Holmqvist, Wirtz, and Fritze 2021).

Luxury brands thrive on prestige, exclusivity, and status, therefore despite the potency of digital marketing initiatives, advertisers need to exercise caution, because human interaction is also an important facilitator that aids in luxury purchase decisions, a strategy which Holmqvist, Wirtz, and Fritze (2021) articulate. The authors explicate how brands like Hermès and Prada provide tablets to their sales staff which helps quickly identify and locate products that consumers desire, and also enables storing consumer information and data that can help in maintaining personalization and future communication. Pangarkar, Arora, and Shukla (2022) add

to this topic through conducting interviews with retailers such as Coach, Armani, Burberry, and Ermenegildo Zegna, which highlight how luxury firms can deliver a seamless customer experience through hiring trained salespeople that are experts at blending the human touch with digital offerings thus building rapport, developing trust, fostering commitment, and thereby ensuring repeat patronage. Because luxury markets are not homogeneous, but heterogeneous in needs, wants, and desires of consumers, Liu, Perry, and Gadzinski (2019) conduct a study on luxury consumption in China, where retailers such as Montblanc and Michael Kors leverage the WeChat platform for facilitating real-time interactions including instant messaging, communicating through video and voice calls, using coupons and discount codes, booking appointments with stylists at retail stores, creating social groups of like-minded members, and paying for products physically and digitally. This is an important strategic initiative because the Chinese market is reluctant to use western digital marketing apps, therefore luxury retailers have turned to WeChat for targeting the country's luxury consumers, including the Gen Y and Gen Z generations.

3. Conspicuous Consumption and luxury

In their seminal paper, Ko et al. (2017) define a luxury brand as a product or service that possesses superior quality, offers value through functional or emotional benefits, boasts intricate craftsmanship and artistry, demands elite pricing, and identifies with the consumer self. The authors also explain how luxury consumers purchase such products or services to engage in conspicuous consumption and thereby signal wealth, status, elite class, and bond with preferred social groups or networks. Luxury consumers possess materialistic tendencies and aspire for exclusivity, differentiation, distinction, and need for status, which motivates them to demonstrate

ostentatious behavior and conspicuous consumption (Dubois, Jung, and Ordabayeva 2021; Kastanakis and Balabanis 2014). In many developing countries and emerging markets such as China and India, consumers also engage in conspicuous consumption to save face which is seen as a means of demonstrating authority, power, status, social image, and upward mobility (Shukla and Rosendo-Rios 2022). Amatulli, De Angelis, and Donato (2020) conduct research which explores the impact of hedonic versus utilitarian appeals on consumer perceptions toward luxury brands. The authors find that hedonic appeals succeed in enhancing the luxurious effect created by luxury brands and that this effect is moderated by conspicuous consumption tendencies and brand prominence. This research has important implications for advertisers regarding when and under which conditions it is best to best position hedonic benefits versus utilitarian benefits for luxury brands when creating advertising and communication strategies.

An alternate view on this topic is provided by Griskevicius et al. (2010) who argue that sustainable behavior and propensity to purchase green products can be deemed as conspicuous consumption because such behaviors signal that the individual possesses the social class and financial resources required to purchase products like a Tesla car or expensive organic shampoo. Such views are further supported in the domain of sustainable luxury consumption (Septianto, Seo and Errmann 2021). Further, Pangarkar, Patel, and Kumar (2023) provide evidence that luxury brand involvement and susceptibility to normative influence serve as mediators in the relationship between need for status and eWOM behavior on social media, with authentic pride and social media influencers acting as moderators. The research provides important implications for advertisers that when consumers demonstrate congruity with luxury brands and engage in conspicuous consumption, they are more likely to share these emotions with their reference groups and brand communities through eWOM behavior. Thus, conspicuous consumption is an

important behavioral mechanism for luxury consumers which expresses their self and social identity. It is important for advertisers to create actionable result-oriented strategies that serve the needs of such consumer segments.

3. New trends in luxury consumption

Over the years, while the phenomenon of conspicuous consumption has still remained relevant, luxury consumption keeps evolving which means that luxury brands and retailers also need to adapt their strategies to satisfy diverse consumer segments and groups, and their unique consumption needs, wants and desires. These new paradigms of luxury consumption need greater attention from advertisers. Among these, inconspicuous consumption (Berger and Ward 2010; Han, Nunes, and Dreze 2010) dispels the notion that luxury consumers favor explicit, loud, and ‘in your face’ branding to signal social class to others around them, because certain consumer segments prefer no logos or very small logos. Researchers state that these muted logos and signals are intended to catch the attention of luxury connoisseurs and true brand aficionados, for whom the shape of the shoe or cut of the tie alone are easily discernible and synonymous with the brand (Eckhardt et al. 2015).

Han et al. (2010) also contribute to this literature by highlighting how elite luxury consumers who are low on need for status consumption wear brands that signal quiet luxury, because they want to bond with like-minded consumers, while those elite consumers who wish to demonstrate higher need for status wear loud logos to signal to the less affluent that they belong to different social circles. Jiang, Gao, and Shi (2021) study the impact of individual power distance beliefs on consumer propensity to engage in inconspicuous consumption and demonstrate that luxury brands that are inconspicuous are less attractive to high-power distance consumers, but find favor with low-power distance consumers. These findings are important for

advertisers while creating strategies for inconspicuous luxury brands in high-power distance countries such as China, India, and Philippines. Inconspicuous minimalism extends the notion of inconspicuous consumption through explicating how certain types of minimalistic consumers that belong to upper sections of society prefer subtle, muted, and discreet logos while buying products or services, because these signal class, sophistication, and social status to insiders or those in the know (Pangarkar, Shukla, and Taylor 2021). Luxury consumers that engage in inconspicuous minimalism prefer simple cuts and fashions, understated designs that are aesthetic and artistic, and quality craftsmanship that signal distinction, differentiation, and refined elegance.

Beyond inconspicuousness, technology is driving luxury consumption trends substantially. The rapid proliferation and advancement of metaverse devices have resulted in the advent of nonfungible tokens (NFTs) that target millennials, drawn from blockchain technology, and which are components of digital media that can be traded in the marketplace for economic value (Taylor 2023; Sung, Kwon, and Sohn 2023). Several famous luxury brand items such as Gucci's digital handbag have gained rapid popularity and possess social value capabilities of being traded in the metaverse for liquidity (Sung, Kwon, and Sohn 2023). The concept of luxury services too has gained ascendancy, because luxury brands communicate exclusivity and therefore it is important for firms to co-create offerings with consumers to make them feel special (Holmqvist, Wirtz, and Fritze 2020). These exclusive offerings could take the form of inviting customers for special events, fashion shows, and promotional campaigns, providing personal fashion advising and style consultancy through home visits to high net-worth consumers who experience time-scarcity and are unable to visit stores but wish to recreate the store experience in their homes, and experiential consumption through travel to an exotic location or

staying at a premium resort (Pangarkar, Arora, and Shukla 2022; Holmqvist, Wirtz, and Fritze 2020).

4. Future Trends and Research Directions

Luxury consumption is growing globally and firms need to create appropriate strategies for targeting, engaging, and retaining the different consumer segments that are all distinct in terms of age, needs, wants, desires, pricing, consumption orientation and philosophy, and income. We firmly believe certain key trends are revolutionizing and positively impacting the luxury industry which advertisers need to take into consideration while implementing their digital marketing strategies. We outline these below.

4.1 Counterfeit luxury brands

The attraction toward luxury brands has created a parallel market for “counterfeit goods” globally (Wilcox, Kim and Sen 2009; Amaral 2020). Scholars such as Jiang and Cova (2012) highlight China as being the haven for counterfeit goods since the country’s streets are famous for fake Louis Vuitton handbags and Prada sunglasses that are sold in public view. What exactly are counterfeit goods? As per Nia and Zaichowsky (2000), counterfeits are fake goods produced illegally for the benefit of consumers who are incapable or averse to purchasing the originals because of higher prices. Consider this example, which clearly demonstrates the vast price differential that exists between originals and counterfeits: an original Chanel handbag can cost almost \$10,000, while a counterfeit version of the same handbag costs just \$200 (Wang 2023). In fact, over the years, the quality and performance of counterfeit goods has been slowly increasing and is able to sometimes match even those of the original brands in terms of design, and appeal (Amaral 2020). Given the fact that consumers globally now have access to counterfeit luxury

brands from markets such as China, Philippines, Thailand, and Hong Kong, how can firms counter this threat?

Counterfeit luxury brands are detrimental to the brand equity, brand image, and brand sales of luxury brands (Ryu, Kim, and Park 2023). Therefore, it is important for advertisers to focus on effective visual presentation and communication messages highlighting the adverse effects of counterfeit brands to society as a whole, appealing to consumer moral beliefs and values, invoking feelings of shame and guilt, and accentuating the superior quality and designs of the original brand in comparison with the counterfeit version. Further to that, educating customers on the environmental and health risks associated with counterfeits, potential ties to terrorism, and reflection on the livelihood of those involved in real luxury would be important as well (Amaral 2020). Similarly, because social identity plays an important role in luxury consumption (Kauppinen-Räsänen et al. 2018), it would be prudent to involve visual presentations that indicate a threat to the self when patronizing counterfeit luxury brands. Also, counterfeit luxury purchases are no longer confined to lower sections of society or those that cannot afford to buy them, because even affluent consumers are showing a keen interest in purchasing such products (Feng, Yang, and Yu 2023). It would be also interesting for advertisers to study when and under which conditions consumers seek to bolster their self-image and self-concept, and when they would likely experience a threat to their self-esteem and social status, along with loss of face that could eventually lead to avoiding counterfeit luxury consumption. While creating deterrence among consumers is important, it is equally vital for advertisers to inform policy making to tackle the global challenge of counterfeiting. In this regard, highlighting macro-economic impact, job and other economics losses, and reduction in legitimate taxation

income related narratives could further trigger government level actions relating to anti-counterfeiting.

4.2 Luxury democratization

While luxury has long been considered to be the domain of the rich and elite, in recent years, due to changing economic and cultural trends coupled with increased standards of living leading to higher aspirations, lower socio-economic class and middle-class consumers are increasingly purchasing luxury brands (Rosendo-Rios and Shukla 2023). In fact, almost 50% of the total luxury sales globally can be attributed to such lower-income consumers and it is a growing consumer segment that is poised to reach \$450 million by 2025 (D'Arpizio and Levato 2022). This phenomenon has been termed as “luxury democratization” because of its accessibility, availability, and reach to a wider segment of consumers that creates a market equilibrium, thus defying the traditional notion of luxury being only confined to the wealthy, along with the exclusivity and distinctiveness it offers (Shukla et al. 2022). This poses a paradox and some fundamental problems for traditional luxury consumers that are driven by motives of exclusivity, uniqueness, superior designs, ostentatious demonstration of social status and wealth, social identity, and self-gratification (Wiedmann et al. 2009). Given the nature of luxury democratization and increased accessibility to all consumer segments, it can disintegrate and destroy the brand equity of luxury firms, resulting in decreased sales and diminished brand loyalty with regard to traditional luxury consumers. Researchers have shown that traditional luxury consumers tend to ascribe lower value (Shukla, Rosendo-Rios and Khalifa 2022), and reduce their purchase intentions for democratized brands (Rosendo-Rios and Shukla 2023) across developed and emerging markets. Therefore, advertisers need to execute powerful and

effective communication messages regarding how pleasure, arousal, hedonism, that reinforce exclusivity, prestige, class, and status, which are all symbolic of luxury brands.

The emergence of digital marketing, artificial intelligence, and virtual reality indicates that luxury consumption strategies will have to be revisited, especially because paradigms centered on how luxury is purchased and consumed have undergone a dramatic metamorphosis. It would be interesting for advertisers to explore the effects of digital marketing and virtual reality on luxury democratization. Also, many traditional luxury consumers are brand loyalists and purchase from brands with which strong relational ties have been constructed over the years, therefore it might be prudent for firms to alleviate the negative effects of luxury democratization by building strong brand communities for their loyal patrons. These brand communities can serve as outlets for quality information communication to foster brand rituals and traditions, thereby leading to higher commitment and greater engagement.

4.3 Phygital channels

The popularity of digital marketing and technological advances have given rise to a new term called “phygital” (physical and digital) which leverages physical functionalities including in-store experience with human services at the forefront, by integrating with digital capabilities and technologies, augmented reality/virtual reality features, online social media platforms, virtual chats, and sharing of videos, pictures, and images, all of which endeavor to deliver an unparalleled and unique customer experience (Batat 2022; Pangarkar, Arora, and Shukla 2022). Pangarkar, Arora, and Shukla (2022) explicate that phygital is a transformational and cathartic form of omnichannel retailing and although luxury brands like Burberry have started adopting phygital strategies and possess strong digital capabilities, it is important for firms to invest in training and recruiting experienced salespeople who can facilitate rapport building, fostering

social engagement, strengthening long-lasting enduring relationships with customers, and engaging customers through innovative strategies, such as home shopping. Given these rapidly advancing trends of phygital, it would be interesting for advertisers to study what constitutes a phygital mindset and ecosystem- in particular what kind of messages and visual communication would be potent to engage luxury consumers at the store and on the website, along with tangible (price, accessibility, availability, location) and intangible elements (social, emotional, aspirational, normative) to create an integrative, meaningful, and immersive customer experience.

Luxury goods intrinsically thrive on the attributes of opulence, hedonism, attractiveness, differentiation, and premium pricing. Given these inherent characteristics, it would be also interesting for advertisers to delve deeper into exploring how these needs are met during the phygital touchpoints and journey, whether any specific push strategies need to be implemented to boost customer engagement, the social experience and relationship connectedness, along with post-purchase expectations, bottlenecks faced, and whether these were resolved in a timely manner. Additionally, because phygital is intended to provide a seamless customer experience, it would be pertinent to investigate the impact of this innovative form of omnichannel retailing on consumer well-being, happiness, satisfaction, and solace.

4.4 Future of Digital Luxury

The increasing popularity, accessibility, and availability of social media marketing globally has resulted in luxury firms turning to platforms such as Instagram, Facebook, and TikTok where sharing pictures, videos, tagging friends, and providing opinions and comments on posts is becoming increasingly common (Park, Hyun, and Thavisay 2021; Haenlein et al. 2020). In fact, many luxury brands such as Louis Vuitton have created Facebook pages where

aficionados and enthusiasts are able to view not just product reviews, but also the brand story, heritage, legacy, history, sustainable focus, and philanthropic contributions, all of which can lead to eWOM engagement and increased purchase intentions (Park, Hyun, and Thavisay 2021; Pangarkar, Patel, and Kumar 2023). The heightened focus on influencer marketing (Pangarkar and Rathee 2022) is also noteworthy because influencers such as Kim Kardashian or Addison Rae are successful in positively impacting the Gen Y and Gen Z generation - a cohort for whom authenticity, legitimacy, reliability, reach, and popularity of such influencers matters.

However, beyond the ubiquitous eWOM and influencer marketing strategies, which although novel and innovative, have become the norm, there are other drivers of digital luxury that are poised to transform the industry and the way firms design strategies and long-term plans. Luxury firms such as Gucci are collaborating with Google to introduce a new Augmented Reality (AR) platform that will enable customers to actually experience the manifold benefits of the brand's products in a virtual environment without having to visit the store (Schweidler 2022). In line with experiential experience innovation, luxury firms such as Balenciaga are attempting to enhance customer engagement through multi-platform games that uses virtual reality to create a highly interactive and unique experience for users. It is this integration of content marketing with impactful product presentation that actually succeeds in generating customer interest and shapes their brand experience. Cartier, the heritage luxury brand, is adopting democratization of luxury by creating smart and robust technology to understand how and when customers visit their website, even if it is for protracted shorter durations, by means of which the brand is able to extend invites to these potential consumers to visit a Cartier store, learn more about their varied products, and engage in purchase decisions. Another highly useful feature of AR is the use of virtual mirrors in luxury, by means of which customers can try out the fit without visiting the

store with mirror providing accurate information on this aspect, that enables the purchase decision. Unlike virtual reality which is deemed as a somewhat artificial experience, AR replicates a real-world environment, like the kind customers would experience in the luxury brand's retail stores. For these reasons, several famous luxury brands, such as Burberry and Mugler have started implementing smart mirrors as part of their AR strategy.

5. Conclusions

In sum, both conspicuous and inconspicuous consumption of luxury brands are defining features that are part of the luxury industry. Advertisers need to be innovative, impactful, and resourceful while engaging luxury consumers because this is a heterogeneous segment (dissimilar in need, wants, and desires), rather than homogeneous. Therefore, the four key trends we identify hold significant importance for both luxury practitioners and academic scholars who wish to conduct research in this field.

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