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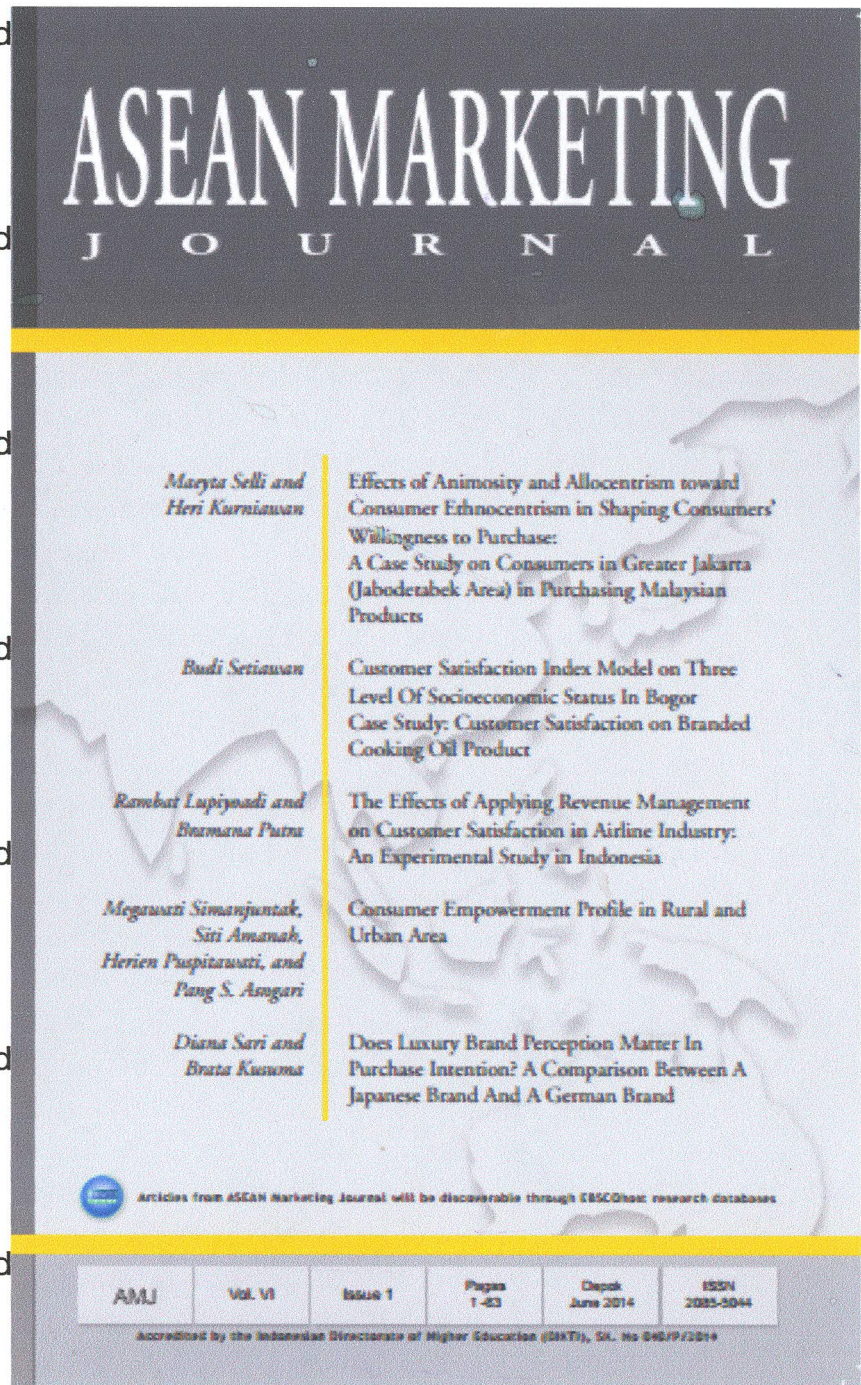
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Depok, August 22<sup>th</sup>, 2014

Dear Dr Diana Sari,

Herewith, ASEAN Marketing Journal Editorial Board would like to inform you that your article submission with the following title and authors :

**Title : Does Luxury Brand Perception Matter in Purchase Intention? A Comparison  
Between a Japanese Brand and a German Brand**

**Authors : Diana Sari and Brata Kusuma**

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On Behalf of AMJ Editor in Chief,



**Arga Hananto, M. Bus**  
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# Does Luxury Brand Perception Matter In Purchase Intention? A Comparison Between A Japanese Brand And A German Brand

*Diana Sari\* and Brata Kusuma\*\**

The research regarding luxury products in developed economies can be found in many literatures, on the other hand similar research in developing economies are still limited. Since this topic is still underexplored, particularly in developing economies, the purpose of this study is to investigate Indonesian consumers' perception of two different luxury brands that comes from different countries, namely BMW (Germany) and Lexus (Japan). Data was collected from diverse Indonesian BMW and Lexus owners. The consumers' general brand perception and perceived values of luxury car are examined in this study. Data analysis used structural equation modeling (SEM). Results indicated that Indonesian consumers considered Japanese luxury car's (Lexus) conspicuous value higher than German luxury car (BMW). Nevertheless, BMW was considered to have higher value in all of the rest of the aspects studied such as quality value, social value, and hedonic value. Even though so, the result of the study finds that Lexus owners have a higher purchase intention than BMW owners. The research concludes that luxury brand perception is highly affecting consumers' purchase intention in this luxury automotive industry.

**Keywords:** Luxury Product, Demographic Factors, Country of Origin, Luxury Brand Perception, and Purchase Intention.

Penelitian mengenai produk mewah (*luxury products*) di negara maju dapat ditemukan di banyak literatur, namun penelitian serupa di negara berkembang masih terbatas. Karena topik ini masih relatif kurang dieksplorasi di negara berkembang, maka tujuan penelitian ini adalah untuk mengetahui persepsi konsumen Indonesia mengenai dua merek *luxury brands* yang berasal dari berbagai negara, yaitu BMW (Jerman) dan Lexus (Jepang). Data dikumpulkan dari berbagai pemilik BMW dan Lexus di Indonesia, kemudian penelitian ini meneliti persepsi umum konsumen mengenai merek dan nilai-nilai yang dirasakan (*perceived value*) dari merek mobil mewah. Analisis data penelitian dengan menggunakan Structural Equation Modeling (SEM) mengungkapkan bahwa konsumen Indonesia menganggap mobil mewah Jepang (Lexus) memiliki *conspicuous value* yang lebih tinggi dari mobil mewah asal Jerman (BMW). Namun demikian, BMW dianggap memiliki nilai yang lebih tinggi dalam semua aspek lainnya yang diteliti dalam penelitian ini seperti nilai kualitas (*quality value*), nilai sosial (*social value*), dan nilai hedonis (*hedonic value*). Meskipun demikian, hasil studi tersebut menemukan bahwa pemilik Lexus memiliki niat beli lebih tinggi dari pemilik BMW. Hasil penelitian menyimpulkan bahwa persepsi merek mewah sangat mempengaruhi niat beli konsumen dalam industri otomotif mewah.

**Kata Kunci:** Barang Mewah, Faktor Demografi, Negara Asal, *Luxury Brand Perception*, dan *Purchase Intention*

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## Introduction

Southeast Asia is one of the key regions that any brands in the world should not ignore. Singapore, Malaysia, Indonesia are niche markets

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with rising standard of living. Certainly, Indonesia is part of this phenomenon since the country emerged as World's Economic Tiger and included in HSBC's list of top 50 Economies in 2050.

With a population of 237 million in 2010 which is expected to reach over 250 million by 2020, private consumption, the backbone of the economy, remained resilient, as it grew 4.9% from a year earlier (<http://www.cpp-luxury.com>).

The euphoria and sparks of emerging economy somehow take parts in the social stratification that is gradually vanishing in the present days. Regardless so, people still tend to distinguish the classes in society by trying to be the leader in society, as they always pursue by showing off their extravagant life with any "weapons" available, which includes luxury brands since luxury is the symbol of good taste and wealth. There is no doubt why everyone wants to have it, because it is special. But on the other hand, Chadha and Husband (2006) said that the democratization of luxury brands made the door of exclusivity open to ordinary people. In result, the luxury is everywhere today (Kapferer & Bastien, 2009). While Fiske and Silverstein (2002) identify some of the driving forces behind today's more affordable luxury. These include a decline in household size and a concomitant increase in family income, the influence of lifestyle magazines, increased travel opportunities, and also technological development which basically happening in Indonesia. Some authors assert that it is no longer the case that only the super rich can afford certain luxury products, as the number of aspiring consumers has boomed (Dewey, 2009).

Luxury brands are a modern set of symbols that Asians wear to redefine their identity and social position (Chada & Husband, 2006). Indonesia is no exception, it became a hot spot for this market. Despite the global economic crisis, the luxury market is not severely affected, still, people feel happy with their belongings.

Representing nearly half of the world's population, Asian markets are not only dynamic but also powerful (Phau & Chan, 2003). Due to the strong purchasing power of Indonesian consumers, this country seemed like a gold mine for luxury brands. Indonesia's shift to

the top spot in the global survey of Consumer Confidence and Spending Intentions topping the United States of America, India and China was a further sign that the country, with its big domestic economy and an expanding middle class, is weathering the global slowdown better than the emerging markets (Nielsen, 2012).

Currently BMW is the best selling European luxury car brand in Indonesia, booked a 41% increase in 2012 sales through the first eight months of the year, compared with same period last year. While Toyota, the major mass-market cars in Indonesia, with its luxury brand, Lexus is following closely behind the competitor. The aforementioned data suggest that Lexus and BMW, two well known cars that came from different places of origin, one from Japan and the other from Germany was leading and accepted differently in different markets. In a global context, it is critically important for luxury researchers and marketers to understand why consumers buy luxury, what they believe, think, conceive, feel luxury is and how their perception of luxury value impacts their buying behavior that in the end motivates consumers to select one brand rather than another, it is strongly related to consumers' purchase intention. That's why in this study the authors will research the concept of "luxury" in the perception of luxury car brands and whether it's country of origin, and the consumers background have their impact, contributes to consumers perception about a brand with a closer look at Lexus and BMW in Indonesia as the best sellers and well-known luxury brands in its industry. This study will not be concentrated on targeting the so-called 'high-class' market but as well as the growing middle-class that could potentially be consumers of the luxury products in the upcoming future.

## Literature Review

### The Concept of Luxury

The term luxury is routinely used in everyday life to refer to products. The luxury world is ambiguous. The definition of luxury may vary for different people as the perception of luxury is also influenced by many factors including demographics, lifestyle, habit, social



environment, and of course, the surveyors of luxuries, and the marketers. That means drastic influences are reflected in the perception of luxury (Dubois & Laurent 1994; Tidwell & Dubois, 1996). According to Kapferer and Bastien (2009), the concept of luxury is very old as the age of humanity. Kapferer (2009) used etymology to clarify the concept. Luxury comes from "lux" that means light in Latin. Luxury glitters. Like light, luxury is enlightening. Luxury defines beauty. There are two things relating to luxury: the monetary capacity to pay the price of quality and a propensity to appreciate the object's artistic, creative and sensuous dimensions, something beyond mere practicality. Luxury items provide extra pleasure and flatter at the senses.

According to Kapferer and Bastien (2009), the luxury goods are not perfect, but an affecting goods. It is the price, not the product that is sold to the customer. Chevalier and Mazzalovo (2008) stated that luxury can be categorized by several different sectors of activities such as: (a). Luxury fashion, (b). champagne and spirits, (c). Luxury automotive, (d). Luxury tourism, (e). Luxury hobbies

### Luxury Value Perception

Vigneron and Johnson (2004) defines luxury as something beyond any functional utility where the simple use or display of a particular luxury product brings esteem to the consumer due to its signal value. Concerning the motives for consuming luxury brands, it has to be stated that the notion of buying to impress others, still more or less serves as a strategic principle for the marketing management of luxury brands (Dittmar 1994; Corneo & Jeanne 1997; Vigneron & Johnson 1999, 2004; O'Cass & Frost 2002). According to theory of impression management, consumers are highly affected by internal drive to create a favorable social image from the outcome of their purchase behavior (Mandrik 1996; Sallot 2002). While the consumption of prestige or status products involves purchasing a higher-priced product to embellish one's ego (Eastman, Fredenberger, Campbell, & Calvert (1997), the term luxury and the consumption of luxury goods involves purchasing a product that represents value to both, to the individual

and their reference group. Thus, to explain consumers' behavior in relation to luxury brands, apart from interpersonal aspects like snobbery and conspicuousness, personal aspects such as hedonist and perfectionist motives (Dubois & Laurent 1994) as well as situational conditions (e.g., economic, societal, and political factors) have to be taken into consideration (Vigneron & Johnson 1999, 2004). For the purposes of this research, the author follows the luxury brand definition from Vigneron and Johnson (2004), who defined luxury brand as something beyond any functional utility where the simple use or display of particular luxury product brings esteem to the consumer.

Following the work of Eastman, Goldsmith, Flynn (1999), Phau and Prendergast (2000), as well as Dubois, Laurent, and Czellar (2001) on the evaluation of luxury brands, Vigneron and Johnson (2004) developed a framework of brand luxury index proposing that the luxury-seeking consumer's decision-making process can be explained by five main dimensions that form a semantic network. Including personal perceptions (perceived extended self, perceived hedonism), as well as the more usual non-personal perceptions (perceived conspicuousness, perceived uniqueness, perceived quality), Vigneron and Johnson (2004) also reviewed the dimensional structure and the interrelations among the primary meanings of the luxury concept that underlie the decision making process that occurs when assessing luxury brands as follows:

- **Conspicuous Value** – The consumption of luxury brands that serves as a signal and symbol of status also wealth.
- **Uniqueness Value** – The consumption of luxury brands that symbolize exclusivity and rareness of a limited product that enhances consumers' desire.
- **Social Value** – The consumption of luxury brands that based on the role-playing aspects that affects the decision to buy.
- **Hedonic Value** – The consumption of luxury brands that look at the product's subjective intangible benefits that fulfill emotional value and provide intrinsic enjoyment.
- **Quality Value** – The consumption of luxury brands that is partly derived from technical superiority.



## Luxury Vehicle

Luxury vehicle is a marketing term for a vehicle that provides luxury — pleasant or desirable features beyond strict necessity — at increased expense. In contemporary usage, the term may be applied to any vehicle type — including sedan, coupe, hatchback, station wagon, and convertible body styles, as well as to minivans, crossovers, or sport utility vehicles and to any size vehicle, from small to large — in any price range (Anurit, Newman, Chansarkar, 1998).

In this research we can sum up that luxury cars are those vehicles, which provide luxury with pleasant or advantageous features beyond strict necessity at an increased expense. The authors also generalize the definition of luxury vehicle, luxury car, and luxury automobile as one into one definition that already stated above.

## Demographic Factors

Dubois and Laurent (1994) and Tidwell and Dubois (1996) stated that the perception of luxury is influenced by demographics, lifestyle, social environments as well as by endorsers of luxuries and marketers.

Demographics describe a population in terms of its size, distribution and structure. Demographics influence consumption behaviors both directly and by affecting other attributes of individuals, such as their personal values and decision styles (Hawkins and Mothersbaugh, 2010)

Tangible attributes may be the result of actual demographics differences among consumers, such as physiological distinctions stemming from gender and ethnicity. Intangible attributes may be based in cultural, social, economic and psychological distinctions (Prensky and Wells 1996). Demographics also usually reveal ongoing trends, such as shift in age, sex, and income distributions that signal business opportunities (Schiffman and Kanuk, 2006). Only with a clear understanding of major consumer characteristics marketers can appreciate the implication of the environmental and individual determinants of consumer behavior (Loudon and Bitta 1993).

For the purposes of this paper, the author follows the definition from Schiffman and Kanuk (2000) who explained that demography re-

fers to “*the vital and measurable statistics of a population*”, Using this definition, demographics can be divided into several segments that include gender, age and household income that will be used as Demographic variables in this research.

## The Country of Origin (COO)

The country of origin (COO) of a product is an important marketing element known to influence consumer perceptions as well as behavior. COO of a product is an extrinsic cue similar to brand name, COO is known to influence consumers' perceptions and to lead consumers to cognitive elaboration (Pappu *et al.*, 2006). COO is known to guide to associations in the minds of consumers (Aaker, 1991; Keller, 1993). In the process of buying, consumers are not only concerned about the quality and price of a product but also other factors such as the brand's COO.

Some writers have more or less the same understanding of the definition of COO, such as Badri, Davis and Davis (1995) who define COO as “made in”. Many believed that the COO effect has also become an indicator of quality and it would affect consumers when they evaluate products (Lin & Sternquist, 1994), particularly when the product is difficult to assess using other objective measures (Huber & McCann, 1982).

Ahmed, Johnson, Yeng, Fatt, Teng and Boon (2004) defined COO as a “country of manufacture or assembly that is identified by labels such as “made in”, or “manufactured in.” In other words, it was the country, which appeared on the “made-in” label. Czinkota and Ronkainen (2001:628) mentioned that the country-of-origin is understood in the consumer perception as the location where a product is produced.

Regardless the diversity of the definition, whether it's the production location or the brand origin itself, it is proposed that the effect of COO will decrease as consumer have more information about the product. This is caused by the formation of consumer rationality of the quality of a product. As of today, many consumers still utilize COO stereotypes to appraise products for example, “*Japanese electronics are reliable*”, “*German cars are excellent*”, “*Ital-*



ian pizza are superb". Many consumers believe that a "Made in . . ." label means a product is "superior" or "inferior" depending on their perception of the country (Yasin *et al.*, 2007).

Wall, Liefeld, and Heslop (1991) noted that, for luxury items, the COO tended to have a stronger effect than price in product quality assessment. Bilkey and Nes (1982) showed that consumers' attitude toward foreign products or foreign brands could be influenced by consumers' image or knowledge about that country. Lin (1994) mentioned that the products from more developed countries usually gain more positive evaluations than products from less developed countries, the more developed countries are not only given credit for the excellence of the design and quality of their products, but also because they project an image of a privileged lifestyle on the products which attracts consumers. So indeed, a country image becomes a bias that really could influence the purchase decision.

According to Roth and Romeo (1992), the image of a country arises from a series of dimensions that positively qualify a nation in terms of its production profile. According to Schweiger, Otter and Strebinger (1997) COO includes four factors used as research variables, namely:

- **Affective evaluation** of the COO of the product – which is the feelings and views of the COO of the product.
- **Cognitive evaluation** of the state of origin – which is a reasonable estimate of the quality of the COO of the product.
- **Image "Made in" Country of Origin** – where is the origin of competence in producing products.
- **Evaluations of individual products COO** – the evaluation of high-tech products in the country.

### Purchase Intention

The most vital aspect of consumer behavior is their purchase intention, which is defined in literature as the situation in which a customer is willing to make a transaction with the retailer. Purchase intentions data can help managers in marketing decisions related to product demand (new and existing products), market segmentation and promotional strategies (Tsiotsou,

2006). Purchase intention can measure the possibility of a consumer to buy a product, and the higher the purchase intention is; the higher a consumer's willingness is to buy a product (Dodds, Monroe, Grewal, 1991; Schiffman & Kanuk, 2000).

Purchase intention is the probability that customers in a certain purchasing situation choose a certain brand of a product category (Crosno, Freling, Skinner, 2009). The interest of marketing scholars on purchase intentions stem from its relation to purchase behavior. Fishbein and Ajzen (1975) contend, "*The best single predictor of an individual's behavior will be a measure of his intention to perform that behavior*". Purchase intentions describe and determine the consumer response to purchase the offering. The higher the intention leads to elevated purchase of that offering. Consumers purchase intention can be determined through their responses, feedback and their involvement. Highly involved consumers shows high rate of purchase ( Schiffman & Kanuk, 2000).

Purchase intention referred to the subjective judgment by the consumers that is reflected after the general evaluation to buy a products or services (Dodds *et. al.*, 1991;Blackwell, Miniard, & Engel: 2005). Based on the literature mentioned previously, purchase intention covers several essential meanings: (1) consumers' willingness to consider buying; (2) buying intention in the future; (3) decision of repurchase.

To sum it up, purchase intention is composed of consumer's feelings, thoughts, experience and external factors that they considered before making any purchase. Purchase intention of the consumers depicts and expresses their behavior and the way they making decisions about their buying process (Fishbein & Ajzen, 1975).

According to Busler (2002), purchase intention could be measured by three dimensions:

- Likely refers to the consumers' plan in purchasing a product.
- Probable refers to the probability in purchasing a product.
- Definitely refers to the certainty in purchasing.

### The Impact of Demographic Factors to Luxury Brand Perception



Demographic characteristics have its own variables such as age, gender, family size, income, occupation, religion, race and nationality. Demographic segmentation is one of the most commonly used forms of segmentation as it is clearly identifiable. The variables used for Demographic segmentation help divide a large population into specific customer groups. Each and every individual has an age, gender, income etc. In luxury industry, this becomes one of the best ways to diversify individuals. This also helps in analyzing lots of data in shorter time for market research that could be vital for promotions strategy. Perception of luxury is sure to be influenced by demographics characteristic of the market.

No business can be all things to all people. Instead, the company must reach specific customers and satisfy their particular needs while also identify those customers and understand as precisely as possible what they want. Their needs and wants is also most of the time different simply because each and every group usually have a mindset or perspective toward something that develops as they mature, and in the end this creates an attitude.

Dubois and Laurent (1993) investigated the relationship between demographic characteristics and luxury brand perception, awareness and purchase in five European countries. They found that income, education and occupation were most consistently associated with luxury brand perception, awareness and purchase across the five countries. Age, gender, marital status, and location of residence (urban, rural etc.) showed no relationship or only a weak relationship with the dependent variables. In this current research, the authors were intrigued whether age and gender would have the same result (i.e. having weak or no relationship with the dependent variables) as found in luxury industry in Europe. To balance the approval of suspicion, income that shows a strong or rather consistent relationship with luxury brand perception in Europe is also added to as one of the sub-variables. Therefore the first Hypothesis is;

H1: Demographic factors affect positively to the Indonesian consumers' perception of luxury brand.

### **The Impact of COO to Luxury Brand Perception**

Consumers use both intrinsic and extrinsic informational product cues as the basis for their evaluating products (Ulgado & Lee, 1998). Intrinsic cues involve the physical composition of a product, whereas extrinsic cues are product-related, however it is not part of the physical product itself. COO is regarded as extrinsic cues and can be manipulated without physically changing the products (Verlegh & Steenkamp, 1999).

The importance of image as a signal in consumers' quality or performance perception has been well recognized by researchers. Realizing that consumers may use one of the extrinsic cues such as COO as a signal to infer beliefs regarding product attributes (e.g. product quality), researchers mainly studied the use of COO as a cognitive cue (Steenkamp, 1990). Hong and Wyer (1989) demonstrated that the effect of COO could not be explained entirely by the quality signaling process. They found that COO also has symbolic and emotional meaning to consumers, and it plays an important role like other attributes such as quality and reliability in shaping consumers' attitudes toward products. Affective connotation of COO may be formed not only by direct experience in foreign countries or encounters with foreigners, but also through indirect experience with countries through culture, education or some well-known events. For most consumers, COO may also serve as an affective image attribute, which associates a product with status, authenticity and exoticness (Verlegh & Steenkamp, 1999). When making buying decisions, consumers may link COO to personal memories, to national identities and to feelings of "pride" associated with the possession of products from certain countries (Hirschman, 1985). In this research, the authors assume that COO plays an important part that affect consumers' attitude, by linking the image of the country and a product produced by that country with luxury brand perception. Based on the previous empirical research the second hypothesis is;

H2: COO positively affects Indonesian consumers' perception of luxury brand.



## **The Impact of Luxury Brand Perception to Purchase Intention**

Luxury brands can have a great deal of influence over how their brand is viewed. However, to successfully maintain that carefully manicured identity, it requires effort on the part of the brand owner. Luxury companies want to ensure that their brand is perceived to be indicative of status, finesse, and taste. This task is difficult to achieve alone, but by working with an experienced branding agency a firm can push its luxury products into the hands of tastemakers and style icons.

Luxury brand perception that is constructed by variables such as conspicuousness value, uniqueness value, social value, hedonic value and quality value have to be carefully maintained and periodically observed to prevent losses due to change of trend. By knowing the dominant factors that construct certain market's perspective towards luxury product, a company could create effective and efficient efforts in order to gain purchase intention and fulfill their customers' needs and wants based on those characteristics.

However, study by Hung, Chen, Peng, Hackley, Chou, Hackley, & Tiwsakul (2011) found that perception of luxury product have weaker support for the purchase intention. The key is that brands often have clearly defined images, or personalities. That is the higher they value the luxury brand itself, the higher is their interest that could lead to higher intention and consideration to purchase the luxury product. Considering this matter, the author suspect that luxury brand perception has a rather high impact to the consumers' purchase intention.

Therefore the third hypothesis is:

H3: The Indonesian consumers' brand perception of luxury automobile positively affect consumers' purchase intention.

### **Research Framework**

In the twenty first century, luxury consumption has become so popular (Kapferer and Bastien, 2009) and the period of globalization offers many sources of luxury. This is driven by the development of industries, economy,

new trades, increase in spending, as well as communication. As a result, people all over the world are familiar with brands; Lexus and BMW are both strong players that often compete to rule at the top position in the rank of luxury cars sales. People all around the world, particularly in Indonesia are also familiar with the country facts as well as the characteristic of products that came from certain country, such as Japan and Germany. This study aims to collect the attitude of Indonesian people so in the end we could compare the perspective towards these two luxury automotive brands. There is a set of luxury brand perspective by Vigneron and Johnson (2004) that consist of Conspicuous Value, Uniqueness Value, Social Value, Hedonic Value and Quality Value that are suspected to be affected by two antecedents, which is Demographic (age, gender, household income), and also COO (affective, cognitive, made in and general evaluation).

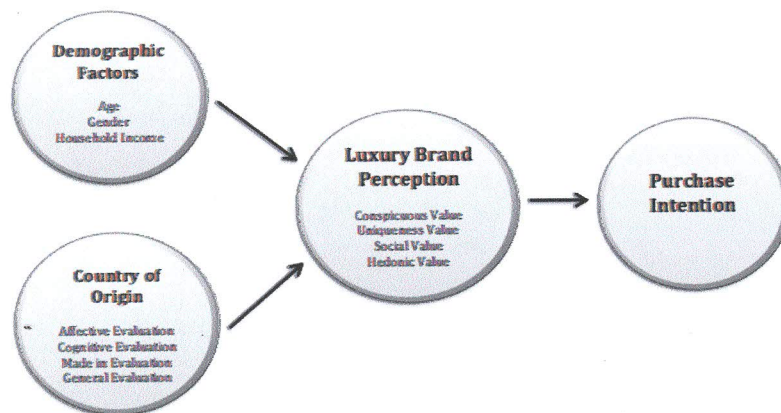
### **Source of Data and Data Collection Technique**

In this study, sample size measurement is taken in order to get the desired number of respondents. Then in turn, a sampling method was applied to get the number of respondents required for this study.

According to Kline (2005) SEM is a large sample technique (usually  $N > 200$ ) and the sample size required is somewhat dependent on model complexity, the estimation method used, and the distributional characteristics of observed variables. Thus, the sample size used in this research consist of 100 Lexus owners and 100 BMW owners, both group make up the total sample of 200 respondents.

To get the required sample, this study applied purposive sampling method. This sampling method which requires respondent to meet a given set of criteria (i.e. Respondents must be Lexus or BMW owners) to gain basic information accurately and efficiently. Malhotra (2010:379) defines purposive sampling as a form of convenience sampling in which the population elements are purposely selected based on the judgments of the researcher.

The measurement method used in this study was Likert scale. For positive statements, the



Source: Modified from various sources

Figure 1. Research Framework

scale value used is 5-4-3-2-1, and for negative statements rating scale used is 1-2-3-4-5, this measurement was performed on an ordinal scale closed questions.

#### Data Collection Technique

A total of 25 questions measured on a 5-point Likert scale were used in this research. The questionnaire designed for this study was originally drafted in English, then it was translated into Indonesian (respondents' native language) to ease respondents in understanding the questions provided in the questionnaire.

#### Validity and Reliability Test

Validity construction was measured using SPSS 16 statistical software by calculating coefficient of correlation. The higher the coefficient of correlation (value closer to 1.00), the more the items are regarded consistent and valid. On the other hand, items which have correlation score below standard can be deleted. If the items fulfilled the aforementioned criteria, it can be said that both variables are reliable. It also means that the same indicators as used in this research can be used again in future research (Maholtra, 2010).

Participants from all over Indonesia filled out the questionnaires that was distributed online via [www.kwiksurvey.com](http://www.kwiksurvey.com) producing 200 usable data for the two different luxury car brands, (100 respondents for each brand). From 200 total respondents, 128 (64%) were males

and 72 (36%) were females. Most of respondents' age ranged from 18-50 years old, only 15.5% were over 48 years old. Respondent with age range of 18 - 27 years old and 28 -37 were dominating respondent pool, with percentage of 31% and 28% respectively. In terms of family monthly income, it could be said that the most participants not come from poor family. Most of their family had total income per month ranging from five million rupiahs to over twenty million rupiahs. As a matter of fact, the range of monthly income over twenty million rupiahs were dominating the result (32.5% of total respondents). Table 1 present demographic classification of the respondents.

#### Results and Discussion

The analysis aim to understand the influence of the independent variables (demographic factors and COO), and intervening variable (luxury brand perception = LBP) toward dependent variable (consumers' purchase intention = CPI) and also to find out the strength of the sub-variables that construct one variable. In order to determine the correlation and to observe the correctness of the research model, LISREL 8.70 was used.

The model fit was assessed with the Comparative Fit Index (CFI), the Goodness of Fit Index (GFI; Hair, Black, Babin, Anderson & L. : 2006), the Normed Fit Index (NFI), and the Root Mean Square Error of Approximation (RMSEA).



**Table 1. Demographic Classification of the Respondents**

Demographic variable	Frequency of BMW Respondents	Frequency of Lexus Respondents
<b>Gender</b>		
Male	62	66
Female	38	34
TOTAL	100	100
<b>Age</b>		
18-27	38	24
28-37	20	36
38-47	23	28
>48	19	12
<b>Monthly income</b>		
IDR 5M-10M	37	22
IDR 10M-15M	27	16
IDR 15M-20M	15	18
>IDR20M	21	44
TOTAL	100	100

**Table 2. Goodnes of Fit Indices for Model Analysis**

Indices in SEM analysis	BMW	Lexus	Data fitting
RMR	0.050	0.061	Good fit
SRMR	0.050	0.061	Good fit
GFI	0.91	0.92	Good fit
NFI	0.91	0.92	Good fit
NNFI	0.91	0.92	Good fit
IFI	0.92	0.94	Good fit
CFI	0.92	0.94	Good fit
RMSEA	0.075	0.077	Good fit

Source: Primary data (2013); Kline, (2005)

**Table 3 Hypotheses testing and Structural Models**

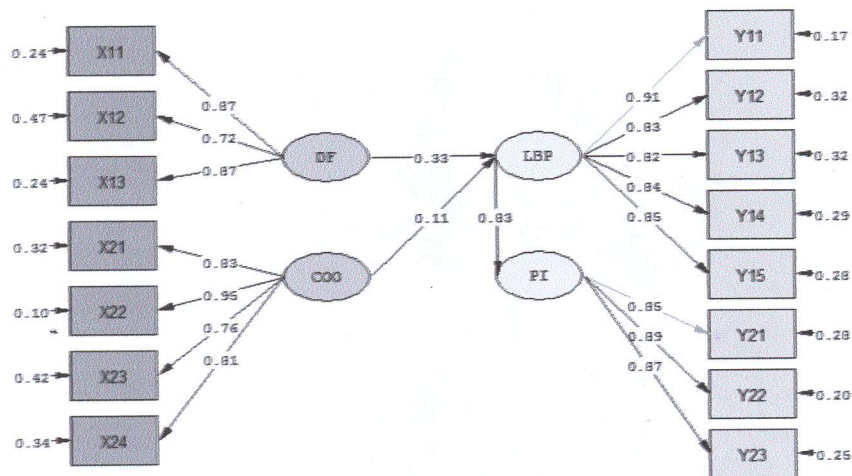
Lexus	Standardized Estimate	T Value	Prob.
<b>Demographic → Perception</b>	0.303	2.748	0.003*
<b>COO → Perception</b>	0.103	0.507	0.306
<b>Perception → Purchase Intention</b>	0.891	4.753	0.000*
BMW	Standardized Estimate	T Value	Prob.
<b>Demographic → Perception</b>	0.061	0.108	0.543
<b>COO → Perception</b>	0.043	0.437	0.668
<b>Perception → Purchase Intention</b>	0.780	4.265	0.000*

\*Significant at p<0.05

The chi-square statistic of the Lexus group was 182.22 with 86 degrees of freedom, while for BMW data the chi-square statistic was 183.26 with 86 degree of freedom. These data indicate a good fit with the model (a ratio of less than 3). As shown in Table 2, all the indices—RMR, SRMR, GFI, NFI, NNFI, IFI, CFI and RMSEA— were at acceptable levels. Overall, the results indicated that the model provided a valid framework for the measurement of the antecedents of luxury brand perception and their relationship with purchase intention.

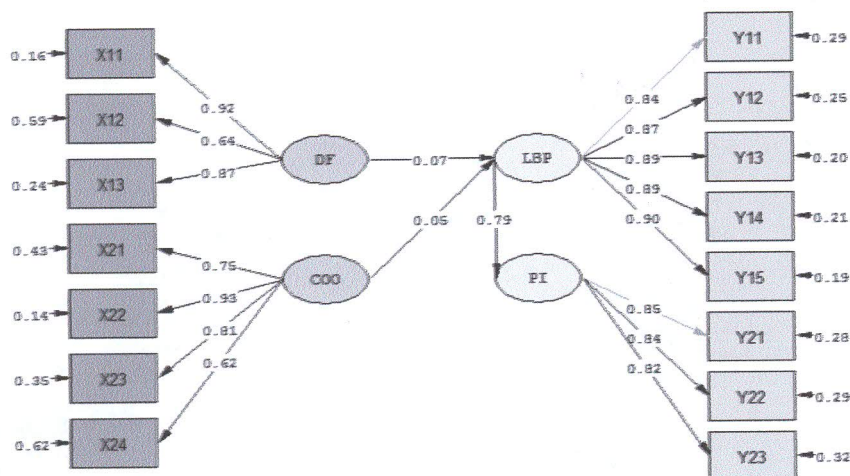
Table 3 shows that all indices were in a good fit with do much difference in model fit between Lexus and BMW, therefore the result can be used to perform hypothesis testing.

Figure 2 and Figure 3 present the structural model for each group (BMW and Lexus). Based on figure 2 and 3, it can be seen that Demographic factors (DF) have medium impact to Luxury Brand Perception (LBP) with Standardized Factor Loading (SLF) of 0.33 for Lexus (p=0.003), therefore H1a is supported. Nevertheless, the same case was not evident in BMW group. In the BMW group, path from DF to LBP have low SLF (0.07), thus impact of DF to LBP was very weak, hence H1b was not supported. This result support empirical study carried out by Dubois and Laurent (1993) that investigated the relationship between DF characteristics and LBP. They found that demographic factors such as age and gender did not have significant in-



Chi-Square=182.22, df=86, P-value=0.00000, RMSEA=0.106

Figure 2. Structural Model (Lexus)



Chi-Square=183.26, df=86, P-value=0.00000, RMSEA=0.107

Figure 3. Structural Model (BMW)

fluence in shaping people's perception towards luxury brand, yet income had a better impact on it. Overall, demographic factors had small contributions for people in constructing the LBP. The authors suspect that psychographic factors might be able to exert impact on luxury brand perception rather than the demographic factors. Another possibility is that there are other factors beyond the variables studied that contributed more in constructing the overall value of luxury brand perception such as the pricing, product, promotion strategy or so on.

COO for Lexus did not have strong influence to LBP (SLF = 0.11, p-value >0.05), in-

stead it only displayed a very weak and not statistically significant influence. Similarly BMW's COO also have very weak influence toward LBP (SLF = 0.05). Therefore, both H2a and H2b were not supported. The current study have different result with study carried out by Verlegh and Steenkamp (1999) and Hirschman (1985), which found that when making buying decisions, consumers may link COO and feelings of "pride" associated with the possession of products from certain countries.

Based on data analysis, LBP perceived by Lexus owners lead to positive impact on purchase intention (PI) (SLF coefficient 0.89,



$p=0.000$ ). Thus, this research proves that Lexus LBP had positive influence to PI as it is considered high in the degree of impact. Like wise, similar result was found in BMW group (SLF coefficient 0.79). The result indicate that BMW owners also showed positivity to the PI. Therefore, H3a and H3b were supported.

## Conclusion

This research has been tailored to determine the impacts of antecedent variables such as Demographic factors and Country of Origin as well as to observe the most dominant variable that affect Luxury Brand Perception, which in turn influence consumers' Purchase Intention of BMW and Lexus in Indonesia. The results of this research have theoretical and empirical implications in the area of international marketing. There are several conclusions that can be drawn from this study:

- Luxury Brand Perception have a statistically significant and positive impact on customer Purchase Intention for Lexus and BMW owners. Nevertheless, Demographic Factors and Country of Origin have a small impact on Luxury Brand Perception.
- BMW owners associate with the COO of their car more than the Lexus owners, they are much aware with the fact that the COO of their luxury car is trustworthy and widely known by a lot of people so they take more pride in embracing the COO rather than Lexus owners. This means that BMW owners would consider COO more when making purchase decision because they could perceive more these values such as displaying social, wealthy status and so on.
- BMW owners featured a hedonic value upfront rather than Lexus owners. BMW owners are very much driven by what the luxury car offers in terms of the intangible benefits such as self-satisfaction, high self-esteem rather than the functionality like what's the most Lexus owners consider more. The rank for BMW owners is Hedonic value, Conspicuousness value, Social value, Quality value and Uniqueness value. While for Lexus own-

ers, the rank is as follows: Quality value, Hedonic value, Uniqueness value, Conspicuousness value, and Social value. Both are perceived differently.

- BMW owners have a better evaluation on COO rather than Lexus, yet both are located in the moderate interval. On LBP, BMW's mean score is better than Lexus and on PI the mean score for BMW also higher than Lexus.

## Suggestions and Limitations

This study suggest that results might be useful for particular purposes/users in the future that is related to luxury cars, specifically BMW and Lexus. The suggestions are explained as follows:

- This study used the minimum number of samples required to perform analysis using SEM, therefore the next research should try to have more respondents/data samples to make the research more accurate.
- The next research should try to look for the relationship/observe another antecedents of luxury brand perception, among other things, psychographic factors, marketing strategies, marketing distribution channel, etc. In addition, next research need to see whether they have bigger impacts on luxury brand perception because that would be interesting to collect more detailed data from another variables to allow a better understanding of the subject.
- This research utilized online questionnaires surveys service, which is less reliable than the offline questionnaires because the researchers could not directly observe respondents' reaction or the process they took in filling out the questionnaires, therefore the next research should do the offline survey to see if there is any differences made.
- This research utilized data that is mostly came from Java island, therefore samples can not be generalized to all Indonesian people, therefore it is suggested for the next research, researcher could add geographic factors or so to the research to minimize the typical answers.



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