

SYMBOLIC CONSUMPTION OF LUXURY: AN EXAMPLE OF LUXURY FASHION GOODS IN RUSSIA

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Abstract. *Despite all changes and crises Russia has developed to one of the most important market for luxury goods in the world. Economic developments in the course of the last decade, rapidly growing high-middle class consumer segments and increasing consumer sophistication changed consumption behavior of luxury services and goods in Russia within a short time. Russian consumer behavior patterns of luxury items can be explained by the theory of conspicuous or symbolic consumption. The motivation for buying symbolic goods usually is highly sensitive to social appreciation and the most visible ones include luxury clothing and accessories, automobiles, stereos and furniture goods. The aim of this study is to determine the factors influencing Russian consumers' intentions to purchase luxury fashion goods. We focus the growing high-middle and middle class consumer behavior patterns. This study attempts to contend practitioners' knowledge and folklore in research hypotheses and to evaluate these in a rigorous quantitative proceeding. We investigate the factors influencing Russian consumers' intentions to purchase goods of luxury fashion brands based on two different models. The "Attitude toward Luxury Brands" (social-adjustive function) quantifies the extent to which luxury brands are facilitating self-expression of the owner and the projection of a particular image in social settings. Additionally, we use the "Attitude toward Luxury Brands" (value-expressive function) in order to quantify the degree to which luxury brands are expressing the buyers's self (beliefs, attitudes, values). Complementing these, we assess consumers' luxury motivation factors. The results of our analysis confirm practitioners' prior beliefs that Russian consumer behavior patterns in the luxury markets predominantly correspond to characteristics of symbolic consumption. Consumers emphasize their individual image and cherish how they look in the eyes of others while consuming luxury brands. Moreover, Russian consumers can be described as perfectionists because they desire the best quality as one of the most salient attributes of luxury products. On the other hand, they consider price of the items while fonding of quality in luxury items and they do not want to exaggerate amounts paid for their shopping. The results exert existence of a highly significant negative relation between the influence of price and frequency of luxury fashion goods purchase in Russia.*

Keywords: *luxury; symbolic consumption; fashion; consumer behaviour; Russia.*

Introduction

During the last years the global luxury goods market has grown significantly and mainly because of the luxury growth in the emerging countries such as Brazil, Russia, India and China (Som, 2011). Russia meanwhile is one of the biggest emerging economies in the world and according to Bain & Company (2013), due to its fast economic development and openness to the foreign brands, Russia is a country which offers a huge growth potential for the luxury goods companies. Indeed, the capital of the country,

city of Moscow is already ranked number fifth after Paris, Milan, London and New York in the ranking of the luxury fashion capitals of the world.

Russian consumers deprived of luxury items more than 70 years because of communism. It impacted their understanding of luxury and their behaviour to reach the luxury items. Russians as a part of Slavonic culture emphasize uniqueness characteristics more than Germanic and Roman/French cultures. They want to distinguish themselves with the unique products from others in the community (De Barnier, Rodina & Valette-Florence, 2006). Consequently, Russian consumer behavior patterns can be explained by the theory of conspicuous, symbolic consumption introduced by the economist and sociologist Veblen (1899). Kaufmann, Vrontis and Manakova (2012) confirm these theoretical backgrounds in the consumption of Russian consumers and claim that Russian consumer behaviour is different from other Western societies' consumers and give very much importance on status consumption, perceived quality, symbolic/status consumption and uniqueness in their understanding of luxury. It is defined, that symbolic goods mostly are products especially sensitive to social influence and the most visible ones; generally they include luxury clothing and accessories, automobiles, stereos and furniture goods. Russian consumers are well known worldwide for their love to expensive luxury goods (Andreeva & Bogomolova, 2008).

Since Russia opened its economic borders, the country has experienced a huge flow of international products into the country. Russian researches Andreeva and Bogomolova (2008) state that today's Russians consumers are even spoiled by luxury choice as there are many companies available in the current market and the companies try to withdraw attention of the consumers to get chosen over other brands. Through the last 15 years, Russians have turned into sophisticated and well-travelled clients, who are aware enough about the world of brands. In addition, rapid expansion of middle high class society brings to the observation a new tendency of luxury consumption in Russia (Andreeva & Marmi, 2012). Namely, luxury consumers, especially those from the lower classes, purchase luxury products because of the special feeling it gives them, and the perceived power they feel to have in the society (Moore & Birtwistle, 2005).

Our research aims to contribute by explaining upper middle class Russians behavior. The divergences and similarities of their behavior in comparison to (the mostly) westernized knowledge of luxury buying is of particular interest for both practitioners and scholars. Because luxury is a hot topic for scholars as the interest on luxury has been steadily growing in research. Furthermore, the same interest exists in practitioners' world and every type of business try to get advantage of this interest in luxury (Urkmez & Wagner, 2015). The former might aim to take directly advantage of a high volume market whereas the latter ones might consider the Russian middle class luxury consumer to be a genotype of non-Western luxury consumer embedded in related cultures e.g. Belarus or Kirghizia.

The remainder of this paper is structured as follows. In the second section, we describe the framing of our study by providing a state-of-the-art overview of Russian luxury markets. Subsequently, we summarize explanations Russian consumer behaviour patterns relevant for luxury items. Complementing this, we briefly outline the luxury fashion industry in Russia. In the third chapter, we introduce our research methodology and scales used to collect the data. Moreover, we describe the data and the results of our analysis. In the fourth section, we discuss the relevance of our empirical results and derive both managerial implications and suggestions for further research.

Luxury in Russia

Overview of Russian luxury market

The Russian luxury market is almost completely dominated by non-food specialist retailers such as apparel and accessories, automotive, jewellery etc. The formats of luxury outlets vary from small independent multi-brand shops to luxury department stores and shopping centers with a strong specialization in prêt-à-porter. Single brand boutiques are situated in the main trade streets and places

of concentration of high-net-worth-individuals (HNWI), for example in Moscow, Stoleshnikov lane Kutuzovsky Prospect, Tretyakovsky Proezd, Barvikha Village. By the distribution of companies on different segments, it is obvious that the majority of them are specialized in fashion and accessories segment. Overall, the luxury market in Russia includes fashion, cosmetics, cars and yachts, jewelry and watches, furniture and accessories, and many other products (Quans, 2011). Euromonitor states that the local luxury market including clothing, accessories, watches and jewellery in Russia worthed 6,8 billion in 2013 and constituted the biggest share as a whole (Avins & Karaian, 2014).

In Russia there is a high geographic concentration of luxury goods; Moscow together with Saint-Petersburg, Krasnodar and Yekaterinburg account 70 % of all luxury consumption in Russia. Moscow is not only the center of all luxury transactions and concentration of market operators, but also the city which determines the stylistic trends that affect consumer behavior throughout the whole country (Andreeva & Bogomolova, 2008). The second city in Russia is Saint-Petersburg with its high quality level of life and luxury demand from the local elite. It is also a favourite tourist center and it has become to be an interest center for several luxury companies. They chose to move their headquarters there. This resulted in prosperity of the region with increasing investments from the companies and government. Yekaterinburg, known also as an "Ural capital" of Russia is the center for the northern areas, where consumers have the opportunity to purchase luxury goods but are not willing to cross the country to make this purchase. For this reason, there was a rise of luxury retail in Yekaterinburg during the recent years. Also fast development of other cities like Krasnodar caused Yekaterinburg lose its third status in luxury city list after 2013 and some luxury companies preferred to close their businesses there and move to newly emerging regions like Krasnodar (Euromonitor, 2015).

Consumer behavior patterns toward luxury goods

According to Som (2011), in Russia high class consumers expect luxury products to have a balance between tradition, modesty, and wealth. Interestingly, Russian consumers usually have been seen while buying goods that have much higher prices than they are ordinarily sold at because they like to show off that they can spend that amount of money for a valuable product. However, as stated in Euromonitor report (2015) considering the incredibly rapid changes taking place in Russia, both on macro- and micro-economic levels, Slavina (2007) states that the same changes are taking place in the field of consumption. The Euromonitor research (2015) supports the idea that there are times of wild consumption of goods like just after recent devaluation of national currency rouble, including even fake goods purchased on the market by customers with no idea of quality.

Luxury fashion market in Russia

There are three main luxury fashion goods retailers operating in the Russian market. First place in the market according to the sales forecast belongs to the Mercury group, which is distributor of more than 60 luxury brands in Russia, including such brands as Armani, Balenciaga, Brioni, Bulgary, Dolce & Gabbana, Ermenegildo Zegna, Gucci, Fendi, Tiffany & Co and etc. The next group, Bosco di Ciliegi, is represented by such luxury fashion brands as Etro, Jil Sander, Kenzo, MaxMara, La Perla, Paul & Joe and etc. Finally, JamilCo has a brand portfolio of Burberry, Chaumet, Salvatore Ferragamo, Escada and etc. All those three distributors are actively presented not only in Moscow but also in other Russian cities. It is the tendency that the popularity of high-end fashion is rapidly expanding into the regions. For example, in Sochi, a resort town on the Black Sea, boutiques selling clothes and accessories by Christian Dior and Dolce & Gabbana were recently opened. Despite the fact, that in recent years, many global manufacturers of luxury fashion goods (e.g. Louis Vuitton, Dior, Chanel, Hermès) refused to cooperate with major national retailers and opened their own offices in Russia, the position of Mercury, Bosco di Ciliegi and JamilCo still remains strong and influence the formation of luxury consumer preferences in Russia.

Objective of the study

The main purpose in this study is to understand the Russian middle and upper middle class consumer behaviour for luxury fashion items. Maleva (2008, as cited by Remington, 2011), director of the Independent Institute for Social Policy in Moscow, claimed middle class at the inter-section of three categories: level of income and material well-being; occupational and educational status; and self-identification. In this study, we will take into consideration level of income category and up to 50000 Rubles as middle class and more than 50,000 as upper-middle class as indicated in Maleva's study that the average income in middle class is 60,000 Rubles in Moscow and 50,000 in St. Petersburg. Each society has different dimensions of cultural values and these cultural values are important for the consumers in those countries while making their own purchase decisions (House, Hanges, Javidan, Dorfman & Gupta, 2004). Especially, in luxury field the concept of relativity is effective in implementing the perceptions of luxury for the people living in a specific country (Urkmez & Wagner, 2015). Accordingly, we try to find out the perceptions for Russian consumers leading to a purchase decision.

Methodology & data

Scales

We adopted two scales in this study. "Attitude toward Luxury Brands" (social-adjustive function) was introduced by Wilcox, Kim and Sen (2009). This scale is indented to measure a degree at which extend luxuries brands are viewed as facilitating self-expression of the owner and to project a particular image in social settings. "Attitude toward Luxury Brands" (value-expressive function) introduced by the same authors is indented to measure a degree to which luxury brands are viewed as expressing something about one's self (beliefs, attitudes, values). Complementing these, we assess the luxury motivation factors following the proposal of Vigneron and Johnson (1999).

Attitudes have social functions such as yielding self-expression (value-expressive function) and promoting self- presentation (social-adjustive function). Social-adjustive attitudes help people keep their personal contacts and relationships (De Bone, 1987). When people behave with social adjustive attitudes toward a product, they buy it to gain social approval in the community. Moreover, when people have value- expressive attitudes, these are helpful to transmit their central beliefs and values to other people around (Katz, 1960). It supports them in expressing themselves in an easier way. Previous researches (Shavitt, 1989; Wilcox et al., 2009) proved that consumers' attitudes toward luxury products may host social-adjustive or value-expressive functions or both of them.

Data Description

The sample frame for the present study was initially built from a database provided by Alumni Association of Graduate School of Management, St. Petersburg State University and Alumni Association of Moscow Higher School of Economics. Both universities are well-known in Russia for the quality of business education and reputation of its graduates. Moreover, the questionnaire was distributed among the citizens of the cities Perm and Yekaterinburg, who have relatively medium-high incomes and have agreed to participate. Total 162 respondents participating in the research, 66 were males (approx. 41%) and 96 were females (approx. 59%). Most of them (70%) were between 23 29 years old with up to 50.000 rub monthly income (51.9 %) (50.000 rub equals to approx. 870 Euro or 970 US\$); 50.000 to 100.000 rub. (40.1%); and finally, 8 % of respondents with a highest income from 100.000 to 150.000 rub. Thereby the total sample gives a representation of middle and upper-middle class respondents, who are being the main targets of the particular research and high growth potential consumers of luxury fashion market in Russia.

Hypotheses and Findings

For precise data analysis of variables and test of hypotheses, total sample of respondents was divided into two main sub-samples: (1) respondents who do not purchase luxury fashion goods (29% of the respondents) and (2) respondents who purchase luxury fashion goods. During the justification of hypotheses the sub-sample of respondents who do not purchase luxury fashion goods was not taken into consideration.

Hyp1.a: Consumers' perceptions of quality affect purchasing decision toward luxury in Russia.

Hyp1.b: Consumers' perceptions of design affect purchasing decision toward luxury in Russia.

Hyp1.c: Consumers' perceptions of brand reputation affect purchasing decision toward luxury in Russia.

Regarding the criteria which affect purchasing decision toward luxury fashion goods respondents were proposed to confirm strength of their agreement or disagreement to perceptions of: (1) quality, (2) design, (3) brand reputation, (4) fashion and (5) brand history. Respondents absolutely agree that perception of quality of the good influence their decision and agree that perception of design and brand reputation influence it too. However, respondents doubt that brand history and fashion have any influence on them. Therefore, *Hyp1.a, Hyp1.b, Hyp1.c, cannot be rejected*, meaning that consumers' perceptions of quality, design and brand reputation affect purchasing decision toward luxury fashion goods in Russia ($P = 0.1$; $\chi^2:77.70$; dof:16).

Hyp2.a: Consumers' perception of quality affects more purchasing decision toward luxury than consumers' perception of design.

Quality ($M=1.88$, $SD= 1.345$) and design ($M= 2.8$, $SD= 1.006$) are strong elements according to responses and statistically significant ($T: -7.076$; sig. (2-tailed) .000) Therefore, *the Hyp2.a cannot be rejected*, indeed the consumer's perceptions of quality affects more purchasing decision towards luxury in Russia rather than consumers' perception of design.

Hyp2.b: Consumers' perception of quality affects more purchasing decision toward luxury than consumers' perception of brand reputation.

Quality ($M= 1.88$, $SD= 1.345$) and brand reputation ($M= 2.61$, $SD= 1.111$) have strong relations and statistically significant ($T: -4.042$; sig. (2-tailed) .000). Therefore, it is concluded that, at 5% level of significance the perception of quality affects more purchasing decision towards luxury comparing with brand reputation and *the Hyp2.b can not be rejected* either.

Hyp2.c: Consumers' perception of design affects more purchasing decision toward luxury than consumers' perception of brand reputation.

Relation of design ($M= 2.80$, $SD= 1.006$) and brand reputation ($M= 2.61$, $SD= 1.141$) is checked and test result shows that the 2-tailed sig. associated with the test is .295, however since it is 1-tail test the sig. needed to be halved by two and the result is .147, which is still higher than .05 and consequently the null hypothesis is retained, which shows that there is no sig. difference between design effect and brand reputation, therefore, *Hyp2.c is rejected*.

Hyp3.a: Russian consumers purchase luxury fashion goods in order to demonstrate their status.

In order to check the hypothesis, respondents were proposed to confirm strength of their agreement or disagreement to the statement "By purchasing luxury fashion goods, I show my status." Regarding status demonstration, 3.5 % of respondents are "absolutely agree" and 41.7 % are "agree", that by purchasing luxury they show their status to the society, nevertheless 38.3 % doubt about this statement. The difference is not that significant; however, *Hyp3.a cannot be rejected* but requires further investigation.

Hyp3.b: Russian consumers purchase luxury fashion goods in order to express their individuality.

For H3b, respondents were proposed to confirm strength of their agreement or disagreement to the following statement “The fashion brands that I like best are the ones that express my individuality”. This is clear that 9.6 % of respondents “absolutely agree” and 49.6 % “agree” that the fashion brands they like best are the ones that express their individuality, and only 15.7 % “disagree” with the statement. *Therefore, Hyp3.b is supported.*

Hyp3.c: Russian consumers purchase luxury fashion goods in order to get respect of a particular social group they belong to.

Respondents were again proposed to confirm strength of their agreement or disagreement to the following statement “It is important for me how I look in the eyes of the social group I belong to.” It is obvious, that for respondents is highly important how the social group they belong to perceives them; 27.8 % “absolutely agree”, 41.7 % “agree” and only 9.6 % “disagree” with the statement. Based on that, *Hyp3.c is supported.*

Hyp3.d: Russian consumers purchase luxury fashion goods in order to receive positive emotions and pleasure.

Hyp3.e: Russian consumers purchase luxury fashion goods in order to reward themselves for achievements.

To evaluate these hypotheses, self-perceptions of the purchasing process itself were challenged. Respondents do not perceive purchasing luxury as usual process; conversely it gives them positive emotions and pleasure. Thereby, *Hyp3.d is supported.* However, respondents did not give that importance to “rewarding themselves” motive, that’s why *Hyp3.e is rejected* but requires further investigation.

Complementing our understanding of Russian middle-class consumer behavior patterns, we have applied Pearson correlation test to see whether there is any other other relation influencing purchasing decision and respondents’ level of income. But the results are normal with a normal distribution. The 1-tailed sig. associated with this test is .231 which is $> .05$ and there is no significant correlation between two variables, which may also be supported by the actual correlation coefficient - .069.

Hyp4.a: Russian consumers purchase luxury fashion goods impulsively.

Respondents were proposed to confirm strength of their agreement or disagreement to the following statements “I plan the decision to purchase luxury fashion goods before.” and “I often buy luxury fashion goods impulsively.” It is therefore obvious, that respondents mainly plan their purchasing decision toward luxury fashion goods in advance (44.3 % are “absolutely agree” and 9.6 % “agree”) and they usually do not buy luxury items impulsively (47.8 % are “absolutely disagree” and 13 % “disagree”). Thus, *Hyp4.a is rejected.*

Hyp4.b: Russian consumers prefer to purchase luxury fashion goods of Western brands.

Respondents were proposed to choose from the list of famous luxury fashion brands the ones they have purchased during the last year. As a result, respondents indicated such brands as Calvin Klein (23.1%), Hugo Boss (22.5%), Givenchy (21.6%), DKNY (18.0%), Giorgio Armani (16.3%), Gucci (10.8%) and Nina Ricci (12.6%). It should be noted that only 2 respondents (1.8%) chose Russian luxury fashion brands among the Western ones. Thus, we claim that the Russian luxury fashion market is dominated mostly by foreign brands and our survey data are inline with factual market shares. Therefore, based on this argument *Hyp4.c is supported.*

Hyp4.c: Russian consumers have low brand loyalty toward luxury fashion goods.

Respondents were proposed to confirm strength of their agreement or disagreement to the following statement “I prefer to buy luxury fashion goods from one or two brands.” Russian respondents disagree that they prefer to buy luxury fashion goods from one or two brands (61.7 % are “absolutely disagree” or “disagree”). It means that during their purchases they like to try new ones and are not attached to the brands they have chosen before and the brands they like the most. Thus, *Hyp4.c is supported*.

Research findings show that Russian consumer behaviour toward luxury is influenced by social values and personal ones. The results support the idea of symbolic consumption: status demonstration is important for Russians in their intentions to purchase luxury fashion products. With an increase of disposable income Russian consumers even purchase more luxury fashion products to show their status, prosperity and success to the society. The same is happening with the prestige: the higher is the income of consumers; the more they symbolize prestige by purchasing luxury fashion goods. Certainly, consumers make a great emphasis on their personal image and on the effect how they look in the eyes of others while consuming luxury brands. Generally, Russian consumers can be described as perfectionists because they desire the best quality as one of the most salient attributes of luxury products. However, factor of price is highly important for them. The study shows that there is highly significant negative relation between the price influence and frequency of luxury fashion goods purchase in Russia. Namely, the more influence on the consumer has a price factor, the less frequently he/she purchases luxury fashion products. This fact is also related to the income level of consumers. Price has less influence on consumers with the higher level of income. This pattern appears to be valid in similar transition economies like Belarus, Kirghizistan, Kazakhstan (Wagner, 2005).

Managerial implications

As Russian luxury market enters a new phase of growth, global brands, operating in Russia or willing to enter it, need to consider a long term perspective in order to achieve a market success. Even though, the concentration of the market is still rather high in capital cities of the country, growing luxury demand in regions should not be overlooked. Therefore, there should be an accurate market entry strategy which assess to what extent a local intermediary can add value. In many cases, global luxury brands lack the necessary knowledge and market's expertise, therefore they can only operate directly after five years of experience. Therefore, it is essential for the companies to get loaded with the knowledge what Russian consumers expect and how they behave. As Russian consumers' perception of quality affect purchasing decision, quality should be the core element to be emphasized by the practitioners targeting Russian consumers. Producers, retailers and designers in the luxury goods industry need to understand consumers of these goods in order to benefit from the market growth trend. Besides quality, characteristics of design and brand reputation are the following leading characteristics for Russian consumers in the decision of purchase. The practitioners should invest on research and design activities and be differentiated with the design of the product without neglecting quality issue of their products. Even before entering into the market, the companies are to start their promotion campaigns to create brand familiarity by emphasizing the reputation of the brand. As consumption behaviour of Russian consumers partly rely on conspicuous consumption, brand reputation might be a good argument for them to earn prestige in the society.

Furthermore, purchasing luxury fashion products are a way of showing their status and expressing their individualities. Companies should adjust their marketing campaigns in accordance with conspicuous and symbolic consumption. Emotions have an important place in the purchase decisions of consumers. The consumers want to feel enjoyed by the shopped items. Practitioners might accentuate the joy and happiness concepts in their advertisements. Especially, the professional working people in our current age want to distract their attention and be away from their personal and work stress. Thus, it is a good opportunity for the practitioners to give this message to the consumers that shopping from their stores or trying their goods on will make them happy and to create the shopping atmosphere accordingly.

Contribution and further research

This is one of the few attempts at understanding Russian consumer behaviour and conceptualizing two scales on Russian consumers. In this study, by focusing on middle and upper middle class consumers in Russia we provide empirical evidence how luxury fashion consumers in Russia think and behave and feel when shopping luxury items. Findings reveal the fact that Russian consumers are typical examples of conspicuous consumption. Their purchases are shaped by social and personal values. The findings contribute to the conspicuous consumption and symbolic consumption theories by revealing the typical shopping attributes of Russian consumers in accordance with the recent previous researches (De Barnier et al., 2006; Kaufmann et al., 2012). However, it is important to notice that quality and brand reputation sequentially are the most important characteristics for Russian consumers while choosing their luxury products. Although they like purchasing items to show off, their purchases are not impulsive ones and cost of the product is a consideration while making their decision. With these features Russians are different from Western consumers however, have some similarities with Asian societies (De Barnier et al., 2006; Mo & Roux, 2009). They care the uniqueness issue in their purchases. They want to have “tangible utilitarian benefits” in luxury items which are closely related to high quality and aesthetics design besides brand reputation. The same type of study might be applied to other nations BRIC nations like China or India. Because of some similarities between Russian and Chinese consumers, similar findings might be expected in China and other Asian societies. However, we might expect different findings in another BRIC country, India. Another future interesting study might be tracing country of origin and its impact on Russian luxury fashion consumers and their perceptions. Although the consumers buy these luxury items as they are French or Italian luxury brands, this does not change the fact that these products are produced in other third countries, mostly Far East countries. Future empirical studies dealing with these issues might give a better understanding of the consumers for the practitioners and thus, they might come up with more successful applications.

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