

# ***Unveiling the Influences: Self-Esteem and Peer Impact on Luxury Consumption Among Consumers***

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**Abstract:** In order to examine the impacts of peer influence and self-esteem on luxury consumption. This research employed online and offline questionnaire to gather customer self-esteem degrees, personality characteristics, along with conspicuous consumption behaviors. The information and data were construed through one-way analysis of variance (ANOVA) and multiple regression analysis. Accordingly, it was indicated that customers with higher degrees of self-esteem showed firmer willingness and action in luxury purchase intentions, and peer influence remarkably impacted their conspicuous consumption. In brief, self-esteem and peer influence are both key players in luxury consumption. Researches have revealed that consumers buy articles of luxury, in an attempt to satisfy the demands for materials and improve their self-worth and social positions. Luxury consumption is prominently impacted by collective self-esteem, since consumers believe that when they purchase luxury goods, their social position and personal image will improve. Moreover, peer correlations exert a highly important effect on young customers, which is deeply intensified by social media and celebrity effects. According to the findings, luxury brands need to take into consideration these points with regard to developing marketing tactics: for starters, meeting the demands of customers with discrepant degrees of self-esteem through individualized marketing tactics, with a focus on the product uniqueness and brand recognition. Secondly, through the transmission of brand stories and values, enhance emotional connections among consumers. Finally, leverage the influence of social media and opinion leaders to attract and retain young consumers. Through these strategies, luxury brands can better meet consumer needs and enhance market competitiveness.

**Keywords:** Consumer Motivation, Social Identity Theory, Marketing Strategy, Brand Management

## **1. Introduction**

Today, more people like to buy luxury goods. The explosive growth of the personal luxury goods market, which grew by nearly 30% in four years, has come to an end from 2019 to 2023. According to data from Bain Corporation, starting from \$301 billion in 2019, luxury goods market experienced a roller coaster ride of the pandemic, sharply declining in 2020 and then rebounding by 20% in 2022, reaching \$373 billion. Starting from 2023, it will return to stability, but it is also slowly growing at a rate of 4% [1].

According to financial report data from multiple luxury brands, the luxury goods market remains strong despite the economic downturn. For example, in 2023, LVMH Moët Hennessy Louis Vuitton's annual revenue reached 86.2 billion euros, a year-on-year increase of 13%, and net profit reached 22.8 billion euros, a year-on-year increase of 8% [2].

The reason for studying consumer behavior in purchasing luxury goods is to understand consumer motivation. Since 2019, the global economy has experienced multiple major shocks, especially the widespread impact of the COVID-19 pandemic. It is expected that by 2024, global economic output will be about 3% lower than pre pandemic expectations. Among them, the degree of damage to emerging markets and developing economies is expected to be higher than that of developed economies [3]. These economic shifts influence consumer behavior and motivations, making it essential to understand how economic uncertainty and changes in disposable income affect luxury consumption.

Despite the challenges facing the global economy, the luxury goods market has shown strong growth, highlighting the urgency and necessity of studying luxury consumption behavior. By conducting in-depth analysis of consumer psychology and behavior, people can better understand the driving factors of the luxury goods market, providing strong support for brand strategy and economic policy formulation.

## **2. Research Subject**

### **2.1. Concept Introduction**

This article studies luxury consumption, which refers to the purchase of a consumer product that goes beyond people's survival and development needs and has characteristics such as high cost, uniqueness, and scarcity. There is currently no recognized definition of a luxury brand, it is just a relative concept. Luxury goods basically meet five key elements: high quality, functional or emotional value, high reputation in the market, high prices, and a deep emotional connection with consumers, also known as non-essential items [4]. In the study of economics, luxury goods refer to the products with the highest value/quality ratio [5].

### **2.2. Classification and Feature Introduction**

Consumers who purchase luxury goods can classify their features based on age, assets, and gender. Different groups have different requirements for luxury goods. For example, millennials born between 1981 and 1996 focus on experience and personalization. Compared to material wealth, they place more emphasis on the unique experience and emotional value brought by luxury goods, and their consumption motivation is more focused on pursuing uniqueness and innovative design. For example, young people born from 1997 to 2012 are deeply influenced by social media, so purchasing luxury goods is also influenced by the social media. More importantly, they express their values and attitudes through purchasing luxury goods. Therefore, they prefer limited edition products to reflect their unique taste [6]. If classified by gender, female consumers, especially in the fashion and beauty market, occupy a major consumer position. They pay more attention to the aesthetic value of luxury goods, such as whether the clothes look good. Female consumers are more likely to buy products with emotional value and personal significance. Women are more likely to be motivated to buy to improve their self-image and boost their self-confidence [7]. The proportion of male consumers in the luxury goods market is gradually increasing, especially in the fields of watches, cars, and high-end electronic products. The middle class is often the first consumer to purchase luxury goods, and they generally have a high sensitivity to the brand's reputation in society because they desire to enhance their social image by purchasing luxury goods, so they pay more attention to brand awareness [8]. And the group with high assets who purchase luxury goods is characterized by strong purchasing

power, and purchasing luxury goods is as simple as ordinary people buying daily necessities in supermarkets. Compared to other income groups, they are more attracted by brand culture and brand history when purchasing luxury goods. The motivation for purchasing is not to improve social status, but to pursue quality.

### **2.3. Introduction to Influencing Factors and Dependent Variables**

There are many economic, psychological, and sociological theories behind luxury consumption that can explain consumer behavior. American economist Thorstein Veblen proposed that the demand for certain commodities would increase with the rise of prices, as these commodities are seen as symbols of status and wealth. This phenomenon is called the Veblen effect. Consumers showcase their wealth and social status by purchasing expensive luxury goods. For example, although the price of the Lady Dior handbag continues to rise, its sales have not decreased, but rather increased, as consumers see it as a symbol of status. Having a handbag with Lady Dior is like becoming a spokesperson and model for Dior, exuding an elegant and dignified temperament [9].

In addition, the conformist effect also plays an important role in luxury consumption. When some people in society start using a certain luxury item, the demand for this luxury item will significantly increase because it satisfies consumers' desire to seek social recognition and comply with social norms. For example, when celebrities and opinion leaders on social media showcase their luxury goods, others will also follow suit and make purchases in order to gain the same social status and recognition [10]. This effect is particularly significant in modern society, as the widespread dissemination of social media enables consumers to quickly understand the consumption behavior of others, thereby being influenced.

The identity theory further explains why consumers choose specific luxury brands. When consumers purchase luxury goods, they are not only to meet their material needs, but also to express their desired identity and image to the outside world. For example, Chanel's tweed design attracts consumers who want to express their elegant temperament. Chanel's tweed not only represents high-end fashion, but also symbolizes a unique culture and taste [11]. In addition, the coarse tweed made from waste clothing conveys the importance that consumers place on environmental protection and humanistic care. This approach not only showcases the personality and values of consumers, but also demonstrates their concern for sustainable development and social responsibility in the consumption process.

## **3. The Impact of Self-Esteem on Purchasing Luxury Goods**

### **3.1. The Hierarchy and Definition of Self-esteem**

Some psychologist divides self-esteem into three levels: dependent self-esteem, independent self-esteem, and unconditional self-esteem, based on two dimensions: self-worth and self-ability. The degree of self-esteem gradually increases with these three levels. Specifically:

**Dependent self-esteem:** At this level, one's self-worth mainly depends on external factors. They use the evaluation of others as the standard to measure their own value, and often worry about the opinions of others about themselves. This type of person often desires to enhance their self-worth through external recognition.

**Independent self-esteem:** The value of oneself comes from oneself. They lead their own life decisions while accepting the opinions of others. Individuals with independent self-esteem are more able to gain self-recognition from within and no longer overly rely on external evaluations.

**Unconditional self-esteem:** People with this kind of self-esteem are completely independent of external factors. They do not change their self-evaluation due to changes in facts or situations, and are able to accept themselves unconditionally, maintaining a stable sense of self-worth.

Generation Y consumers (usually those born in the 1980s to 2000s) exhibit significant self-esteem influence in luxury goods purchasing decisions. Generation Y has a large population base and places greater emphasis on quality of life and consumer experience, willing to pay for brand value and social responsibility [12]. This generation usually has mastered proficient work skills, and they differ from previous generations in values and consumption habits, with a particular emphasis on personality, self-actualization, and immediate satisfaction.

### 3.1.1. Research Methods

The researchers used a combination of online and offline questionnaire survey methods to collect data, and the specific steps are as follows:

**Questionnaire design:** A detailed questionnaire was designed, including demographic information (age, gender, education level, occupation, income level), purchasing habits (last time luxury goods were purchased, luxury brands and product types purchased, average annual expenditure on luxury goods), and information sources (mainly through which channels luxury goods information is obtained, and the most important information source in the purchasing decision-making process). The self-esteem level was measured using the Likert scale. The self-esteem level was measured using a 5-point Likert scale, with 1 representing strongly disagree and 5 representing strongly agree. The questionnaire also requires respondents to rank the importance of brand reputation, price, product design, quality, and uniqueness to understand the purchasing decision factors of consumers.

**Data collection and analysis methods:**

**Descriptive statistics:** describe using indicators such as mean, mode, median, and standard deviation.

**One way analysis of variance (ANOVA):** used to compare the differences in luxury purchase decision-making factors among different self-esteem levels. Divide self-esteem levels into three categories: 0-2.5 points belong to low level, 2.5-3.5 points belong to medium level, and 3.6-5 points belong to high level.

### 3.1.2. Research Results

The study found the following key results:

**The impact of personal value on purchasing decisions:** Data shows that the personal values (especially self-esteem) of Generation Y consumers have a significant impact on their purchasing decisions.

According to research, people with stronger self-esteem tend to spend more money on luxury goods in their consumption behavior, thereby satisfying their self-esteem and enhancing their self-worth.

According to the analysis results, the variance indicates that self-esteem plays an important driving role in luxury consumption among Generation Y consumers. The reason why Generation Y consumers purchase luxury goods is not only to meet their material needs, but also to enhance their self-worth and social status. Therefore, in terms of marketing strategy, this research result can be used for marketing. Luxury brands can attract and meet the needs of Generation Y consumers by emphasizing the identity symbol and self-improvement function of their products. For example, by finding popular celebrities who are highly compatible with the brand style to endorse the product, and conveying the social recognition that this brand brings through advertising and other means, it can effectively attract this group of consumers.

In conclusion, it can be concluded that luxury brands should consider the following points when formulating marketing strategies

**Social media and digital marketing:** Utilizing social media platforms for interaction and promotion to attract the attention of Generation Y consumers. Brand interaction on social media can increase consumer loyalty and recognition of the brand.

**Experiential marketing:** Creating a unique consumer experience, allowing consumers to feel the pleasure and satisfaction brought by luxury goods during the purchasing process. By organizing brand events, exhibitions, and experiential stores, enhance consumer brand engagement.

Through the above strategies, luxury brands can better meet the needs of consumers with different levels of self-esteem and enhance their competitiveness in the market.

### 3.2. The Influence of Peers on Purchasing Luxury Goods

Many consumers are often influenced by their peers when purchasing luxury goods. People hope to be accepted and recognized by their peers, so they will imitate their behavior and consumption habits. Especially among groups that value external image and status, peer pressure is more pronounced, also known as social pressure. After purchasing, social comparison is usually conducted, and people tend to compare themselves with their peers. Buying luxury goods is a way to improve or maintain their position in the group. If someone else purchases luxury goods, they will imitate the consumption behavior of their peers who they believe have high social status or success, hoping to achieve the same social status through similar consumption habits [13].

Peer influence includes direct advice, indirect observation, and presentation through social media and other channels. A study was conducted on individuals aged 18 to 35, known as Generation Y or Millennials, who exhibit unique consumer behavior and psychological characteristics [14]. The reason why the research objects are selected is that this generation of people usually live in the era of rapid development of information technology and social media and are good at using the Internet and social media to obtain information and conduct social interaction. The researchers used an online questionnaire survey method to collect data, which includes two parts:

**Personality traits:** Use standardized personality questionnaires (five personality trait models) to evaluate respondents' extraversion, agreeableness, conscientiousness, emotional stability, and openness. These personality traits are believed to have a significant impact on individual consumption behavior. Each item uses a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The reason for introducing the personality model is because through differentiated understanding of individual behavior, people of different personality types exhibit different consumption behaviors when facing the same social environment and pressure. Thus, revealing the intrinsic motivation of individuals to purchase luxury goods. By refining consumer personality traits, research can more accurately predict and explain differences in consumer behavior.

The questionnaire structure is:

**Extraversion:** measures an individual's tendency to be outgoing and willing to participate in group activities. For example, the entry includes "Do you enjoy socializing with many people?".

**Agreeability:** measures an individual's tendency towards cooperative behavior. For example, the entry includes "Do they believe that sincerity is mutual, so be good to others?".

**Conscientiousness:** measures an individual's tendency to contribute significantly in areas where there is group collaboration. For example, the entry includes "Is the task always completed on time?".

**Emotional Stability:** measures an individual's ability to maintain emotional stability and cope with stress. For example, the entry includes "Do they rarely feel anxious or nervous?".

**Openness:** measures an individual's acceptance of curiosity and creativity. For example, the entry includes "Do they enjoy trying new things?".

A questionnaire survey was conducted on 717 college students from different cities in Chile, representing a young adult population. Each participant fills out a questionnaire containing all five core personality traits.



**Proud consumption:** Evaluate the respondents' conspicuous consumption behavior through a series of questions, including the frequency of purchasing luxury goods, purchasing motivation (such as showcasing wealth, pursuing social recognition, and preference for luxury brands). After collecting results through questionnaires, the study used multiple regression analysis to analyze the data. Multiple regression analysis is a statistical technique used to determine the degree of influence of multiple independent variables on the dependent variable. In this study, conspicuous consumption behavior was used as the dependent variable, while personality traits such as extraversion and peer pressure were used as independent variables. Through statistics, it was found that individuals with high extraversion are more inclined towards conspicuous consumption, and peer pressure has a significant impact on conspicuous consumption. Young consumers are often influenced by their peers in social circles. When they see friends or peers using luxury goods, they also tend to imitate and follow to gain recognition and acceptance from their peers. However, individuals with high social status tend to participate less in conspicuous consumption because they value harmony more and are less driven by showcasing wealth. Individuals with high sense of responsibility also exhibit a lower tendency towards conspicuous consumption. There is no significant correlation between individuals with high emotional stability and conspicuous consumption, indicating that there is no significant relationship between emotions and purchasing luxury goods. Although the openness to new experiences is not directly related to higher conspicuous consumption, these individuals do exhibit a preference for unique and novel luxury goods, driven more by curiosity and aesthetic appreciation than social status. The research findings indicate that peer relationships have a significant impact on young consumers, supporting the findings of other related studies. Accordingly, the present research has gained an insight into the peer influence while obtaining a deeper comprehension of how personality traits and peer influence impact young adults' conspicuous consumption actions. These findings are highly important for luxury brands to formulate targeted marketing tactics. This contributes to brand captivating and retaining young customers.

## 4. Summary

### 4.1. Summarize the Current Study

For the impact of self-esteem on luxury consumption, multiple studies have shown that self-esteem is an important factor driving consumers to purchase luxury goods. Multiple studies have shown that self-esteem is an important factor driving consumers to purchase luxury goods. Consumers enhance their sense of self-worth and social status by purchasing luxury goods. For example, individuals with high self-esteem were more inclined to enhance their social image through conspicuous consumption [15]. Also, self-esteem is closely related to materialistic values, which further drive luxury consumption [16].

In the Chinese market, self-esteem, especially collective self-esteem, has a significant impact on luxury consumption. Consumers believe that owning luxury goods not only enhances their personal image, but also enhances their position in the social circle. Chinese customers trend more to demonstrate social position and improve collective identity by means of luxury goods [17].

Peer relationships are crucial player in luxury consumption, specifically among young customers. Actually, researches have proven that peer influence and social interplay remarkably impact purchasing intentions. Peer influence exerts an important effect on young customers who are more easily impacted by peer consumption behavior for social recognition [18]. Former researches underscored social recognition and comparison in terms of luxury consumption [19].

Having investigated peer consumption, consumers tend more to have a desire for luxury goods, with the intention of acquiring acceptance and social recognition from their close peers.

## 4.2. Suggestions

The marketing strategies for luxury brands proposed in this paper are as follows:

### 4.2.1. Enhancing the Symbolic Value of Products

Brands should focus on enhancing the symbolic value of products, emphasizing that luxury goods can enhance consumer self-esteem and social status. The brands strengthen the product's identity symbol through advertising and brand story shaping. For example, Louis Vuitton enhances its brand's symbolic value through its deep connection with art and culture [2]. This measure has achieved significant results, maintaining a high level of brand awareness and consumer loyalty globally. Louis Vuitton has attracted many young consumers through collaborations with renowned artists and designers, including Pharrell Williams and Virgil Abloh, and has also consolidated its leading position in the art and fashion industries. These collaborative projects not only enhance the cultural connotation of the brand, but also promote product innovation and diversification, meeting the needs of different consumers.

### 4.2.2. Social and Experiential Activities

By organizing social and luxury experience activities, the interaction between brands and consumers is increased, and consumer brand loyalty is cultivated. Hermès has successfully enhanced customer brand loyalty by regularly organizing boutique exhibitions and customer experience events.

Strategies for young consumers: For young consumers, brands can use social media and internet celebrity effect to promote luxury goods. By collaborating with influential opinion leaders, luxury groups influence the consumption decisions of young consumers. For example, Gucci has successfully attracted many young consumers by collaborating with fashion bloggers and social media celebrities.

Recommendations for Marketing Tactics for Young Customers: Devising a product line for young customers, upholding the slap-up position of luxury goods, and satisfying the aesthetic preferences and fashion demands of young customers. Two cases in point are Louis Vuitton's GO-14 leather goods series and Tambour watches. They reflect the brand's slap-up position and have a sentiment of innovation and vogue [2].

## 4.3. Future Research Directions

Cross cultural research: Follow-up researches dive deeper into the discrepancies in luxury consumption behavior under disparate culture and backgrounds. An appropriate step can be taken: to contrast the distinctions in luxury consumption intentions between Asians and Westerners, with the goal of better comprehending the influence of culture on luxury consumption.

The impact of digitalization: As social media and e-commerce are increasingly popular, the influence of digitalization on luxury consumption becomes more and more important. Follow-up researches can highlight how digital marketing tactics impact purchasing intentions, and how virtual luxury goods (e.g. NFTs) the luxury goods marketplace.

## 5. Conclusion

This research investigated the relations between peer influence, self-esteem, and luxury consumption behavior. Notably, self-esteem becomes an important factor, and customers invariably improve their social position and self-worth through luxury goods. In China, collective self-esteem significantly impacts luxury consumption, reflecting the importance of social recognition. Peer relationships also

play a crucial role, especially among younger consumers, where peer pressure and social networks influence purchasing decisions.

The study suggests that luxury brands should emphasize their products' symbolic value and engage consumers through social events and experiences to build loyalty. For younger consumers, leveraging social media and influencers is essential. These insights help brands develop effective marketing strategies and contribute to a deeper understanding of consumer behavior in the luxury market.

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