Export Competitiveness of Luxury Products: Measurement Scale Development

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Received: 9 February 2020; Revised: 7 May 2020; Accepted: 15 May 2020

Abstract

Doing business internationally brings a number of potential risks and difficulties, and globalization has raised new challenges for firms. With the attempt of business strategy development, competitiveness is a vital success factor of thriving competitive markets. Consumer demand has become the core focus of the luxury products, hence the adoption of distinctive combination of competitiveness factors to address customers’ specific demand is critical for business’s success. Thus, far to our best knowledge, there is no study on the export competitiveness of luxury products. In an attempt to address what is luxury product export competitiveness, this research proposes three dimensions of export competitiveness of luxury products: objective, subjective and collective factors. The objective competitiveness dimension consists of five elements focusing on internal resources and functions. The next dimension is the subjective competitiveness containing customer and market factors. Lastly, the collective dimension refers to external factors such as government-related factors, suppliers and distribution. The proposed measurement scale is developed from existing recent insights from the literature regarding luxury products, competitiveness and exporting research offering a framework for systematically assessing the exporting of competitiveness of luxury products.

Keywords: Luxury Products, Luxury Product Export Competitiveness, Objective Competitiveness Factors, Subjective Competitiveness Factors and Collective Competitiveness Factors

Introduction

Many businesses endeavor to produce the products in order to sell them in the international market, response to consumer’s needs and meet the international demands. In 2019, the Bank of Thailand predicted economic growth to be 4.1% from 3.9%, and export was forecasted to grow at 7%. In the past, Thai exporters have exported a number of agricultural products. Recently, exporting of manufacturing products has been increased and become new potential markets. In terms of manufacturing products, luxury products are considered as one of fast-growing businesses. The luxury market values approximately 1.17 billion euro in 2018 with the overall growth of 5% (D’Arpizio et al., 2018). Luxury goods market has dramatically been increasing worldwide, specially, the increasing of retail sales in many nations such as Japan, South Korea, China, France, Italy, Germany, Canada, Hong Kong, England and United States (Luxury Daily, 2018).

Thailand has a potential to enhance export competitiveness because of excellent resources such as great raw material, well-trained workmanship, innovation design and good business management. Given the scale of the international luxury product market, Thai luxury product exporters have an exceptional opportunity to continue to capture growth. The evolving luxury consumers shaped by different consumer perceptions, social-economic challenges, environmental issues, technology growth, changes in demographic structure, different cultural norms, cause the exporters to turn these massive challenges into meaningful competitiveness. As such, this study aims to identify a new combination of export competitive advantage and resources advantage for managing luxury products successfully. It also proposes a measurement scale for luxury export competitiveness to strengthen the body of knowledge on exporting studies, competitiveness and luxury product market.
Literature Review

Definition of Luxury Products

Vickers & Renand (2003) as well as Keller (2009) refer to the concept of luxury that comprises of 1) excellence quality, (2) high price, (3) scarcity and uniqueness, (4) aesthetics, (5) ancestral heritage and personal history, and (6) superfluous. According to De Barnier et al. (2012), luxury should be considered as the sense of owning extraordinary, outstanding items, expensive, and acceptance by social groups (Heine, 2011). Indeed, luxury product always refers to many special characteristics of product. It should response to customers’ satisfaction in terms of emotion and individual’s need rather than regular products (Ko et al., 2019). Furthermore, luxury product is totally different from non–luxury products in terms of quality of product–price issue, emotion and expectation from luxury product consumers. It is also related to social status, relationship with reference groups. In addition, Hagtvedt & Patrick (2009) state that luxury product offers a high level of symbolic and emotional value through customer experiences as luxury value. Despite luxury product have been defined by numerous researchers, Brun & Castelli (2013) suggest that luxury could be described as something that offers people comfortable, enjoyable, exclusive and personal feelings. This definition is subjective and focusing on individuals. Based on relevant definitions, this study proposes that luxury products can be explained in three dimensions, which are the objective, subjective and collective dimension.

The study also identifies five key elements of luxury products: resources, production, communication, customer-value perception and social identity. As Berthon et al. (2009); Tynan et al. (2010) mentioned, luxury resources refer to an excellent supplier and assortment of raw materials in order to input a great material into operation. This is consistent with Aspers (2010) recognizing that fabric inputs are sourced from suppliers who are known to be reliable. Resources can be referred to tangible assets that include physical assets, finance, raw materials, machinery and inventory and intangible resources, which are brands, patents, trademark, organization’s reputation, culture, knowledge, know–how, good relationship with customer and good relationship with supplier. For luxury products, resources should be strongly valuable, rare, intimate and non–substitute to reflect luxurious aspect. Brand is one of the important key resources of luxury products. Hence, resources of luxury products consist of both tangible and intangible characteristics. Luxury products require different techniques which are exquisite craftsmanship, exclusive technique, innovation design, and material combination considered as luxury production. Luxury products need distinguish communication called luxury communication including touch point, the story behind products and stores as storytellers, mix and match between daily routine and heritage. Customer perception is critical for luxury products’ success. Luxury value perception refers to consumers’ perspective when they perceive or taste the products. Luxury products must be built on elements of symbolic meaning and emotional value, prestigious and authentic. Therefore, how to serve the luxury product under concept of value perception is very crucial. Lastly, social identity refers to the role of celebrities, group of membership, interpersonal influencers, who stimulate customers to spend money purchasing luxury items.

The Concept of Competitiveness

Krugman & Elizondo (1996) described that productivity is dealt with competitiveness. Productivity is the main factor driving growth of industry. Competitiveness can be defined as an ability to complete markets, both domestic and international competition. Resources and management are aspects of firm level competitiveness, transformed into operation (Ketels, 2016). As Ajitabh & Momaya (2004); Bhawsar & Chattopadhyay (2015) mentioned, competitiveness is the combination of resources, process and management such as natural resources,
infrastructure, transforming resources in order to serve consumers’ demand in economic situation. Hence, competitiveness involves with resources. Competitiveness can be divided into three levels; firm, industry and nation. Competitiveness at firm level means ability to produce the product and service more efficient than the competitor. While competitiveness at industry level refers to the ability of nation to compete sustained success or compare to foreign competitor, the nation level of competitiveness is the ability of nation to maintain advantage position in global market in long run (Porter, 1990). At firm level, competitiveness, called company factor, comprises quality of company management, efficiency of company leadership and extent of communication technology utilization. At industry level, it is named as sectoral factor involving customer demandingness, supply of an adequately educated workforce, availability of experienced managers and existence of developed consumer sector. As Eisenhardt & Martin (2000); Zollo & Winter (2002); Zahra et al. (2006); Helfat & Peteraf (2009) pinpoint, competitiveness is complex and more systematically structured in company. According to Barney (1991), recognized value firm’s resources, either tangible or intangible assets, are key driver of competitiveness. In particularly, firm’s resources consist of four unique characters: valuable, rare, inimitable and non-substitute.

**Luxury Products Export Competitiveness**

According to Bruneckiene & Paltanaviciene (2012), trade competitiveness concept closely relates to export competitiveness in terms of international perspective. This paper focuses on only firm level export competitiveness identified as part of national competitive advantage. It often associated with competitiveness of the country at the international level. It relates to the country’s ability to compete within export markets. The significance of export competitiveness deals with ‘resources advantage’ as the firm’s potential to develop the competitive advantage based on resources introduced by resources–based theory (Barney et al., 2011; Kor & Mahoney, 2004; Teece, 2018). Competitiveness normally involves with the potential of internal resources. Internal resources can be tangible or intangible, which are basically component of competitiveness for doing businesses in both domestic and international markets. However, some sources may be specific for export competitiveness. Thus, luxury export entrepreneurs should recognize the sources of firm’s internal resource, transform it into high value-added products, and identify a trend of needed products and up–to–date ones in the market. This is drawn on the resource–based view of the firm. This study, therefore, proposes three dimensions of export competitiveness of luxury products: objective, subjective and collective factors as follows.

**Objective Dimension**

**Luxury Resources and Suppliers of Materials for Luxury Fashion Products**

In luxury industry, all materials must be selected with high quality. Fabric and other inputs are sourced from suppliers who are guaranteed to be reliable (Hennigs et al., 2015). Kapferer (2012) demonstrates that brand reflecting customers’ image designed by the company to identify their product. Brand has shown the image in the heart of consumers that associates with a high level of best quality, rarity, beauty design, and special feeling. The biggest profit come from brand so that brand is the key factor of luxury competitiveness (Kasztalska, 2017). Investment to develop brand is a strong reputation that maintains a high position to achieve luxury status and a key advantage of luxury products.

**Luxury Production**

Production refers to the selection technique which includes combination of contemporary design with exquisite hand craftsmanship, workforce skill, technology, equipment, production knowledge, technology–driven
production, well-trained talent employee skill, strict quality control process, and ability to utilize material with innovation design such as system ready-to-wear and full tailor-made service.

**Communication**

Luxury communication involves touch point, storytelling communication, mix and match between daily routine and heritage. Luxury communication can communicate on celebrity, designer and sponsorship.

**Product Innovation**

As Guan & Ma (2003); Vicente et al. (2015) said, product innovation can be described as the production, new idea, creative design, and new production process. Product innovation is consisted of new material, new product functions and new design. Innovation should be an integral part of business strategy. In terms of luxury fashion industry, innovation could be a part of creativity that represents new design and pattern (Shukla, 2011).

**Quality Management Driven**

Quality management driven is described as ability to produce or allocate resources to produce the products in economic perspective. Quality results from selection of raw material, qualification of workforce, high level of vertical integration and internal quality control system ensure high quality standard and good relationship with suppliers. Quality has to present core benefit of products and product value (Zou et al., 2003).

**Subjective Dimensions**

**Customer–Value Perception**

Luxury value perception can be defined as the aspect of luxury consumer attitudes when they are making decisions to purchase luxury products. Motivation of luxury consumption is not simple because of social aspect, social class, design and quality of product (Godey et al., 2012). Luxury value perception is consisted of four aspects: financial value, functional value, individual value and social value (Wiedmann et al., 2009). Financial value dimension refers to price and investment. High price means high quality in consumer perspective. Functional value dimension refers to the core benefit and utility that reflect customer-based luxury value such as quality, reliability, uniqueness, and durability of the products (Yang et al., 2018). Individual value refers to customer self-identity value such as self-image and materialistic value. Social value is the perceived value in the eyes of the reference group, uplift self-definition and express image public. Finally, luxury product should be created by aspects of customer value perception.

**Luxury Customer Market Behavior**

Firstly, luxury customer market behavior refers to the ability to address to the potential of consumer behavior in market. According to Kayabasi & Mtetwa (2016), it is very difficult to design products that fit cultural and social values of target markets. Luxury markets have higher expectation with respect to the fashionable character of the products. Consumers spend money to purchase products with different reasons. Nowadays, millennial generation continues to grow and become a representative of the largest global consumption in economy. Additionally, millennials are new generation who more likely to consume luxury products (Choo et al., 2012). General market behavior is dealt with common characteristics of clients and geographic locations. Market–specific behavior is the specific national market, business climate, cultural patterns, market system and personal customer (Beleska–Spasova et al., 2012). Luxury customer behaviors are more likely to prefer personalized experiences. Therefore, firms must recognize customer market behaviors.
Export Market Commitment

Export commitment with customers is a significant factor in exporting products to international market. Building customer relationship has a significant effect on firm’s export performance export strategy. Market commitment is comprised of two elements; resources commitment and degree of commitment. Resources commitment is the amount of resources that firms promise to invest into markets. It concerns about tangible and intangible to support firm’s manufacturing. Degree of commitment is the level of firm’s risk and competitors in the market. As Louter et al. (1991); Köksal & Özdül (2010) found, product, market knowledge and market commitment to invest in foreign market are very important factors for international markets. Export market knowledge such as information about export market, customer, competitor, distribution channel is very crucial. Firms have to deeply understand market characteristics and foreign customers since these types of knowledge have positive effect on export competitiveness.

Export Knowledge Activities

This study illustrates the building export competitiveness through knowledge–based of the firm (KBV). Knowledge is the intellectual ability and knowledge possessed by employees and capacity to learn new knowledge. It is embedded in organization through organization cultural, system and workforce skill. Knowledge is one of assets that it is difficult to imitate and complex. There are two dimensions of knowledge: explicit and tacit knowledge. Explicit knowledge stands for document, record, and book. Tacit knowledge stands for experiences, handcrafts, employees’ skills. Knowledge is a part of export activities and one of the most important resources in order to bring company success. Knowledge–based concept explains the increasing of knowledge productivity through workers. For example, employees are well–trained in terms of sales and marketing skill. Exporting needs qualified marketing and sales people to expand businesses in other countries.

Collective (Social) Dimensions

Government Support

Government support refers to additional incentive and infrastructure development to support growth in industry. It involves upgrade export policy in order to help export processes, especially the shipping process, easier. Government may assist with infrastructure improvement and encourage education of labor skill to develop competitive advantage.

Reliable Access to Inputs

Luxury industry requires strong relationships with suppliers because they produce material supply and machinery, for specialized markets. The association and agency are also important to develop specific market clusters. This can bring about the special export processing zone in order to upgrade production techniques.

Luxury Export Sales Network and Distribution

Distribution channel for luxury products can be exclusive or selective local distributors in order to launch the product to local market. Exporters may consider flagship store as the distribution channel for customers in order to provide them the touch of luxury experience. Local distribution is the key element of competitiveness in export markets.

According to concepts explained above, researchers develop a measurement scale of luxury products’ export competitiveness as shown in Table 1:
Our production technique always gets drive to produce luxury products. Our company assimilates workmanship and well–trained talent employee skill. Our production technique always gets ahead of competitor use. We are flexible for adapting production system following consumer’s trend.

### Objective

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<tr>
<th>Dimension</th>
<th>Construct With Underlying Items</th>
<th>References</th>
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<tr>
<td><strong>Communication</strong></td>
<td>We always design new collection with a story behind the products and store as storytellers, mix and match between daily routine and heritage. Our company has a strongly emphasis on luxury brand management concept (i.e. brand positioning, brand image, brand value, brand identity, brand royalty).</td>
<td>Brun &amp; Castelli (2013) Vicente et al. (2015) Ketels (2016)</td>
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### Product Differentiation

1. We always create new products attributed to more functionality.  
2. Our company create products as personalized experiences, lifestyle & requirement, outstanding quality, uniqueness & unforgettable experience.  
3. Our company always gives an innovation research development for product differentiation.

### Quality Management

1. Production is according to the standard of foreign clients.  
2. Our company supports employees’ education and training.  
3. We create a working condition according to the EU standards.  
4. Protection of intellectual right is needed in our business.

### Customer–Value Perception

1. **Financial Value**  
   - Our company can offer high price and high quality to consumer perspective.  

2. **Functional Value**  
   - Our company can design the product that are reliability, uniqueness, and durability of the products, usability value physical, concrete or abstract products dimension, specific purpose of use.  

3. **Subjective Dimension**  
   - Our company responses self–identity value customer’s identity, hedonic value emotional fulfillment, feeling enjoyable, happy, fulfillment of their life, materialistic value possessions as a status signal.
4. Social Value

- Our company can offer the products to group of membership or interpersonal
  influences, prestige value social value in the eyes of the reference group,
  conspicuousness value, uplift their self-definition and express their image public.

Focus on Foreign Markets

1. Ability to present luxury product in international demand perspective is emphasized.
2. Exporters have sufficiency of information essential to enterprise in potential markets.
3. Ability to launch luxury products to expand new entry markets is focused.

Export Market Knowledge

1. Export entrepreneurs’ ability to understand international markets is more important
   than the competitors.
2. Our company understands consumer’s trust in good, character and quality of luxury
   good. The creditability of luxury goods is in international demand.
3. Exporters have sufficient information essential to enterprise in potential markets.

Export Market Commitment

1. Our company has strongly reliability to send the best product to them.
2. Exporters can build a relationship between consumer and company.
3. Setting the policy is the investment in foreign markets
   (i.e. customer-oriented, flexible, correctness).

Export Activities

1. Our company supports export activities.
2. We usually prepare activities for export products.

Social Identity

1. We usually follow group of membership and interpersonal influences.
2. Exporters can inspire customers by using celebrities.
3. We select popular celebrities to promote our products.

Government Support

1. Our company has encountered a problem about infrastructure support, joining in
   trade fair with DTTP.
2. We found the difficulties of export process, especially the shipping process
   (i.e. export document).
3. Our organization needs help from government in terms of export promotion policy.

Collective Dimension

Reliable Access to Inputs

1. We usually monitor reliable access to input (i.e. natural organic, silk, cotton).
2. We always monitor the supply of other utilities.

Licensing and Other Non-Tariff Restriction

1. Our company has a problem about export policy and uncomfortable regulations.
2. We need the export licensing requirement.
3. Export quota are not restricted for our business.

Networking

1. We need the industry cooperation and clustering.
2. Our company has a great networking labor union and merchandise.
3. There are possibilities of close co-operation between business and government
   sector.
Table 1 (Cont.)

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<th>Dimension</th>
<th>Construct with Underlying Items</th>
<th>References</th>
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<tr>
<td><strong>Export Sales Network &amp; Distribution</strong></td>
<td>1. We can select local distributor such as exclusive or selective distributor.</td>
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<td></td>
<td>2. Our company are strongly aware of the level of relationship with distributor.</td>
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<td>3. Efficiency of good partnership is very crucial for our industry.</td>
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<td>4. Opening flagship stores and installing office operation overseas are the best option for our business.</td>
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**Conclusion**

This paper aims to contribute a better understanding of luxury products’ export competitiveness. Luxury products’ export competitiveness measurement scale is developed for strategically managing the business to deliver better value to luxury products’ customers than competitors. The research offers the fundamental understanding based on resources–advantage concept. To enhance firms’ ability to export luxury products abroad successfully, it is crucial to investigate what are export competitiveness. According to reviewed existing conceptualizations, three dimensions of luxury export competitiveness are proposed: objective, subjective and collective factors. For researchers, this measurement scale can provide common measure for further empirical studies, whereas for practitioners, this scale can be a tool to strengthen luxury business potential in the international market. Nonetheless, the suggested three luxury products’ export competitiveness need to be tested further to validate the proposed measurement scale.

**References**


