Connecting Luxury Homes with Right-Minded Consumers
JaeHwan Kwon, PhD, Yuri Seo, PhD, and Dongwoo Ko, PhD

Combatting a Stigma Begins with You
Sven Mikolon, PhD, Glen E. Kreiner, PhD, and Jan Wieseke, PhD

How Customer Satisfaction Affects Employee Job Satisfaction
Alex R. Zablah, PhD, Brad D. Carlson, PhD, D. Todd Donavan, PhD, James G. Maxham, III, PhD, and Tom J. Brown, PhD

The Importance of Motivation to Career Success
Keo Mony Sok, PhD, Phyra Sok, PhD, and Luigi M. De Luca, PhD

INSIDER: 2 Chairs: The Secret that Changes Everything
Courtney A. Harris, MBA Candidate

INSIDER: Emotional Agility
Austin Taylor, MBA Candidate
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Luxury is a rapidly growing market, with an estimated 5% annual growth rate (Bain and Company 2015). Consumers seek luxury products and luxury homes for many reasons, not limited to increasing self-image, pursuing quality, a need to conform, or a desire to stand out. For example, in real estate, some consumers purchase a home because it is in an exclusive neighborhood, while others will buy the same home because of its proximity to a good school. One primary factor that affects how consumers view luxury is implicit-self theory: how malleable do individuals believe their personalities to be? Our research examines how a consumer’s view of this theory can affect his/her preference for luxury, and how advertisers, marketers, and real estate agents can use this information to increase the likelihood that consumers respond positively to luxury, increasing your chances of a sale.

Why Luxury?

While there is a wide array of motivators that affect consumer preference for luxury, such motivators can ultimately be categorized into two groups: functional and nonfunctional. Customers seeking luxury products or luxury homes for functional reasons are interested in how the brand or the neighborhood meets their needs in practical ways – design, and durability, for example. Other customers prefer luxury products or luxury homes for nonfunctional reasons – the brand or neighborhood reflects values and attributes they wish to take on, as well. Most previous research is focused on a consumer’s motivations for purchasing luxury products. Our research seeks to fill a gap by focusing on how messaging – through advertising and selling processes -- can affect the consumer’s desire to purchase a luxury product or luxury home. We focus specifically on how a consumer’s perception of change (particularly with regard to personality) can affect his/her preference for a luxury product or home. Are those who believe personality is malleable more likely to purchase luxury products than those who believe personality is fixed? Which group is more likely to purchase luxury products with the consideration for functional values over nonfunctional values? These are the questions we seek to answer in our research. The results provide valuable information that real estate agents can use to help clients respond more positively to luxury homes.
Implicit-Self Theory

Psychologists define implicit-self theory as dealing with how people view their ability to change. In this context, we focus on implicit-self theory as it relates to personal traits. Do people believe their personality is fixed and unchangeable? Or do people believe that their personality can change as they go through life? This first view, that personality is unchangeable, is called entity theory. Individuals ascribing to this view believe they cannot change their personalities. The second is incremental theory. People of this view believe that their personal attributes can change as they go through life. An individual will always show preference for one of the theories over the other in the long run, but recent research suggests that movie clips, or even short print advertisements, are effective at temporarily activating one theory over another, even if it happens to be the recessive belief for that individual. Thus, if a consumer typically believes that personality is unchangeable, a targeted advertisement could temporarily activate his/her belief that personality is malleable.

There are two primary ways that consumer views of implicit-self theory can affect their preference for a luxury brand or a luxury home. First, the way consumers view their own personality affects how they view luxury products and homes. Since entity theorists do not believe there is anything they can do to change their personality, they are likely to use external means, such as a product or brand, to “enhance” their personality as they wish to be perceived. Second, since subscribers of these theories usually project their views of malleability to other individuals and organizations, as well, consumers who believe their own personality is unchangeable will also believe that a brand’s characteristics are also consistent. Considering this, we would expect entity theorists to make purchases based on nonfunctional characteristics of the brand. According to entity theorists, a brand that makes high quality watches probably makes high quality clocks because its pursuit of quality is unchanging. So instead of focusing on functional attributes like quality, an entity theorist is free to evaluate the product based on its symbolic values. Thus, we would expect that entity theorists are mostly concerned with the symbolic attributes of a brand or a home.

Since incremental theorists believe that they can change their own personalities, they do not need to rely on external means to enhance their characteristics to others. Additionally, consumers who ascribe to an incremental view would also believe that the attributes of a brand can change across time and across products. So, they would likely spend more time examining the functional attributes of each product.

Because luxury brands are typically evaluated for their nonfunctional qualities, we hypothesize that entity theorists are more likely to want to purchase luxury brands and luxury homes than are incremental theorists. Additionally, for the two reasons described above, we predict that entity theorists are also more likely to gravitate toward the symbolic aspects of a brand or home rather than the functional attributes.
Our Study

We conducted several studies to test our hypotheses. First, we wanted to determine whether or not entity theorists actually prefer luxury brands to those who hold to incremental theory perspective. Evidence from this first study suggests that this is true. Second, we sought to expand that relationship and determine if holding an entity theory view causes a person to prefer luxury brands. We found that when we primed, or strategically encouraged, participants to hold the entity view, they were more likely to prefer luxury brands. Next, we wanted to see if the results from our first two studies were consistent across various buying situations. Is an entity theorist as likely to prefer luxury when purchasing a gift for someone else? The results of this study revealed that yes, entity theorists prefer luxury and nonfunctional values, even when purchasing for others. Our next study focused on whether entity theorists gravitated towards the symbolic attributes of a brand as opposed to the functional attributes. This study confirmed our expectations that, yes, entity theorists tend to prefer nonfunctional attributes of a brand. Finally, we tested whether or not advertisers can temporarily “prime” consumers to ascribe to one implicit-self theory over the other. We found that yes, advertisers can indeed prompt viewers to temporarily hold to entity theory, even if they typically hold to incremental theory.

Implications to Real Estate

Different consumers can view luxury homes in different manners, and even the same consumer can view a luxury home differently depending on how the luxury home is framed by real estate agents. For entity consumers, luxury is about image or a symbolic value, whereas for incremental theorists, it is about functional values. Real estate agencies and construction/development companies can use this information to create efficient persuasion strategies in different situations. If an agent is working with entity buyers, he or she can focus on presenting luxury real estate as a symbolic property in the neighborhood or when the market is stable. The same property can be positioned as fulfilling a client’s needs, like convenience, security, location, or cutting-edge technology, if the agent is working with incremental buyers, or in situations when the market is fluctuating and dynamic. In order to determine what type of client an agent is working with, the agent might consider asking a few questions. “Do you think a
person’s personality is fixed? Or does a person grow and change over time?” “Which of these qualities is more important to you when searching for a home: a beautiful exterior or a functional floorplan?” An agent might pay attention to the attributes a client says she is looking for in a home. Are these more symbolic? Or are they functional? Determining which type of consumer you are working with can help you present luxury real estate in a way that will encourage the client to respond more positively.

So, one option is to determine if your client is an entity theorist or an incremental theorist, and adjust your strategy accordingly. However, there is another option. Research on self-theories shows that people have both self-theories (entity vs. incremental) simultaneously in their mind, although one or the other is more dominant depending on the context. Consequently, either self-theory could be easily activated by targeted marketing efforts. So, rather than trying to identify whether a client is entity or incremental in nature, a real estate agency could try to activate either of the self-theories and match it with the positioning of the luxury property. For example, if you are presenting a home that has many functional features, you would want to prime your client to temporarily subscribe to incremental theory. This could be accomplished by framing the situation for clients like this: “Your life is constantly changing. Our agency is committed to changing with you, and to helping you find a home that meets your ever-evolving needs.” The agent would then present the functional attributes of the home. Our research shows that clients in this scenario would be more likely to respond positively to the functional features of the home, even if they have previously preferred more symbolic attributes. This is good news for real estate agents, since it enables you to choose options for your clients from a wider selection of homes.

Conclusion

Consumers are drawn to luxury products for a variety of reasons, which typically fall into two categories: functional and nonfunctional. How clients view their ability to grow and change over time affects which set of attributes they will prefer in a luxury product. Real estate agents can use this knowledge to present homes in a way that will elicit a more positive response from clients.

Recommended Reading


References

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