

**SOCIOECONOMIC DETERMINANTS OF DEMAND FOR LUXURY GOODS IN  
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\*Corresponding author's email: [oiwegbu@unilag.edu.ng](mailto:oiwegbu@unilag.edu.ng)**Abstract**

*This study examines the socioeconomic determinants of demand for luxury goods in Yaba, one of the densely populated areas of Lagos. Specifically, it investigates the impact of consumers' income level, family size, religion, gender variations, and price levels on their decision to purchase luxury goods. The study uses self-administered and online questionnaires to collect data. The data was estimated using the Binary Logistic Regression (BLR) estimation technique. The findings show a positive influence of income level on the demand for luxury goods, whereas price level, gender and family size had a negative influence. Although religion has a positive impact, it is insignificant. The implication from the findings shows that an individual's income level is crucial in determining the choice of luxury goods. Therefore, macroeconomic instability or policies that can cause job loss and income reduction can as well hurt demand for luxury goods. The study, therefore, recommends that there should be consistent payment of income for income earners and macroeconomic policies and a stable environment that can boost the income of self-employed consumers.*

**Keywords:** Socioeconomic Factors, Luxury Goods, Binary Logistic Regression Analysis (BLR), Yaba-Lagos

**JEL Classifications:** D12; O12

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**Introduction**

The consumption of luxury goods has increased significantly globally recently. Goods like designer clothing, jewellery, vehicles and other assortments usually of the expensive kind are now being purchased on a much wider scale and at higher rates. As of the year 2020, the luxury goods market had a value of over 200 billion euros (about 249 billion dollars) (Sabanoglu, 2021). The apparent increase in luxury goods consumption is perhaps a result of luxury goods becoming more "accessible" to individuals of lower and medium income levels and social standing (Bain & Company, 2015). Luxury goods are goods whose demand for them increases as consumers' income rises. They are quite different from necessity goods in that while both experiences an increase in demand relative to an increase in income, luxury goods demand has a higher portion of income allotted to its consumption.

Luxury goods are goods that have a high income elasticity of demand. The higher the consumer's response to a change in income, the more elastic the demand. It is this feature that differentiates luxury goods from other "expensive" goods. It is important to note that income elasticity of demand is not constant but rather changes with income level (Ragan, 2020). "Luxury" as a term refers to more than just the price of a product or service when compared to other products in the same product category, luxury goods seemingly have some features or qualities that place them above their more "regular" counterparts. Be it in quality, or comfort, luxury goods are tailored to fit a certain narrative that fosters positive brand association while maintaining a competitive market share (Chapman & Dilmeri, 2022). The quest of making luxury goods more accessible led the firms that deal with them to expand their business into emerging and developing economies, Nigeria included. Nigeria, in particular, has a population of about 200 million people (United Nations, 2019). The country's population size provides the luxury market with a large number of potential buyers including the wealthy class such as the company directors, prominent politicians and elites, and the low-income members of the populace.

Apart from the income levels, potential buyers are diverse in terms of gender, religion, tribe and family size. Therefore, the objective of this study is to investigate how these factors affect the demand for luxury goods in the study area. Given this, the study aims to also analyse the demand behaviour of a specific group of consumers.

Luxury goods are usually very expensive, and as such the income levels of the potential consumers could be a limiting factor to their demand (Ergun, 2021). Individuals with low-income levels would be less inclined to purchase luxury goods. The willingness of a consumer to purchase luxury goods at a particular price could also affect its demand. Thus, the availability of money without the willingness to purchase luxury goods at a particular price could greatly affect its demand. Besides, the demand for luxury goods among consumers may be influenced by religious viewpoints on spending and ownership of 'worldly possessions'. This is because religious perceptions that are austere or simple could discourage demand for luxury items as they are seen to be unnecessary. Gender perception, as well as societal norms on luxury goods, affects the perception of which gender generally spends on or purchases luxury goods. Societies that perceive luxury goods to be tailored more toward female consumers would have a significant portion of the demand for luxury goods be female and little to no presence of demand from male consumers.

This study thus extends the traditional factors (price, income and price of other related commodities, etc) that could affect the demand for luxury commodities to empirically examine if family size, religious practices and gender differences can affect the extent of demand. From the foregoing, this study examines the impact of income level, family size, religious practices, gender differences and price levels on consumers' decisions to purchase luxury goods. The research questions answered in this study are to what extent do consumers' income level, family sizes, religion, gender variations, and price levels affect their decision to purchase luxury goods in Yaba?

This study is unique as it examines the determinants of luxury goods in the post-COVID-19 surge era. Other studies (Akinfotire & Karaduman, 2016; Lysonski, 2013; Yoon et al., 2012) examined the perception of consumers to what determines their demand for luxury goods, to the best of our knowledge, few studies have examined how the dynamics have changed in the post-COVID era, thus, the need for this study. More importantly, the existing studies (Ergun, 2021; Delpal, 2021; Kelleci, 2022) that examined how the demand for luxury goods has changed in the post-COVID era only considered high-income countries – France, Spain, Turkey and Romania, no study has examined its determinant in lower-middle-income countries like Nigeria. The knowledge of the determinants of demand for luxury items will help the potential buyers with their choices and the demand for the goods. This study would help the active producers of luxury brands or goods to better reposition their branding strategies to capture the targeted market and boost sales. With this study, the impact of the variables discussed influences the demand for luxury goods. Understanding how variables such as pricing, income, gender, religion and family background can influence the consumer buying behaviour of luxury goods is essential to ensuring the effective execution of strategy by luxury brands.

The scope of the study extends to students and the working-age population of residents in the Yaba area of Lagos who know luxury goods and has at least made such purchases once. The remaining section of this study is categorised into four sections. Section two is the literature review, section three is the research methodology, and section four is the presentation and analysis of results. The conclusion and policy implications are contained in the last section.

## **Literature Review**

### ***Conceptual and theoretical review***

There are various definitions for luxury goods; yet, the idea appears to be difficult to describe due to its subjective nature and complexity (Wiedmann, Hennigs & Siebels, 2007). According to Kapferer (2012), luxury is a subjective concept. The notion of luxury is seemingly based on individual perspective as Chevalier and Mazzalovo argue that "the luxury of someone is not necessarily the luxury of another person" so a widely accepted definition is unattainable. Luxury goods are goods whose demand rises higher than the increase in income so that spending on the good becomes a greater proportion of total

spending. In contrast to necessity goods, where demand grows at a slower rate than income, luxury goods have a more proportionate increase in demand for income. The terms 'luxury good' and 'superior good' are often interchanged and have the characteristics of Veblen goods.

When compared to other goods, luxury goods have a high demand elasticity of income. The budget spent on luxury increases in tandem with household income for these goods. Depending on the price elasticity of demand, the commodities are classified as either luxury or necessity. As the prices of goods considered necessities increase, there is a corresponding decrease in demand. Similarly, as luxury goods prices rise, demand for them falls (Kemp 1998). If we categorize products according to how they are used, then we might be classifying cars as necessity goods instead of luxury goods; this will be very common in rural areas of an economy that experience challenges in their road mode of transportation. However, for countries or regions that are cities which have a multimodal mode of transportation, then the use of cars might be considered a luxury product (Vickers & Renand, 2003).

Depending on their distinguishing characteristics, luxury goods can be classified in a variety of ways. According to Siying (2014), luxury goods are classified into three categories based on access to cost of production and manufacturing capacity. These are affordable, average and exclusive priced luxury goods. Affordably priced goods are those luxury commodities that are cheap/inexpensive and can be purchased by many consumers irrespective of their income level. In most situations, luxury goods are goods which cannot be easily assessed by low-income earners but are selectively offered to a certain group of consumers. Exclusive luxury goods are those goods that can only be purchased by extremely wealthy consumers who have the financial resources to make the purchases. These types of luxury goods have unique manufacturing specifications and at exorbitant costs.

Additionally, luxury goods can be grouped into three main categories, these are old, new and common (Allèrès, 1990). The old luxury products are expensive and are majorly consumed by a group of elites because of some specific features. This type of categorisation shares a common feature with exclusive-priced luxury goods. The new luxury goods come with better and improved interactive features which attract more customers compared to the old luxury goods. Customers that have a high tendency of purchasing luxury goods go for the new luxury goods due to their durability. Common luxury goods have functional features like quality and price instead of sensual features, and they are the most common compared to the other categories.

Two theories are considered in this study, the Veblen effect and the Snob effect (see, Leibenstein, 1950). The Veblen effect as developed by Veblen (1899) arises when consumers are prepared to pay a higher price for a functionally comparable good. The foundation of recent iterations of this idea is that pricing increases utility. Veblen observed that a higher price is frequently correlated with a perception of higher quality. Therefore, a price increase is interpreted as an indication of high quality. This theory did not obey the law of demand strictly because Veblen goods are high-end items for which demand grows as the price rises. The Veblen effect along with other related effects such as the bandwagon effect and the Snob effect is known as interaction effects. This is because their impact on demand is dependent on the variety of other commodities, their costs, and whether they can be used as replacements for the items in the issue.

The Snob effect is a microeconomic phenomenon in which persons with a low-income level demand the same class of goods with a high-income level. In contrast to most other microeconomic models, the "Snob effect" allows a positive demand curve rather than the conventional downward-sloping demand curve for ordinary products. The urge to acquire one-of-a-kind or pricey items led to this dilemma. The price of a commodity directly determines the quality consumers attach to such exclusive luxury goods. Oftentimes, the economic worth of these items is usually high, while their practical usefulness is low. The higher the Snob value of a good, the less its demand. Some of the goods that have the Snob effect include unique art pieces, premium apparel, and jewellery. Economic literature has debated if these classes of goods fit the Snob value requirement, although, it varies from person to person. For example, because of a specific engine specification, aesthetics, and handling, a consumer might fairly claim to

have purchased a luxury automobile. While this is true in certain circumstances, the desired effect can frequently be obtained by purchasing a less costly version from a trustworthy manufacturer. These high-end products frequently wind up as factory refurbished items are sold at a discount rate in stores or web stores. Additionally, this cast doubts on the product's genuine value. Finally, superficial characteristics such as exclusivity and brand recognition might entice rich buyers to make purchasing decisions.

### *Empirical review*

Luxury consumption, unlike the customary one, has drawn many economists' attention. This has an outside and non-monetary effect. Therefore, economists and marketers can use the knowledge gained through research to understand the luxury consumption behaviour of different customers of different age groups. The studies by Bauer, Wallpach and Hemetsberger (2011); Roper et al. (2013) opined that luxury goods are not different from the current demand of the consumers, except the price level or the financial and social capabilities of the consumer determine the demand for such goods.

Roper, Caruana, Medway and Murphy (2013) argue that the concept of luxury depends on the consumer, as each consumer has their own subjective and experience-based interpretations of what luxury goods are. Using the expository style of investigation, the study explains that luxury goods are to a large extent, social constructs which arise due to the perception of consumers or what they regard as a luxury good or not. Aliyev and Wagner (2018) examined the intention of consumers to purchase luxury goods and the study discovered that the socialists do not consider the hedonistic value of goods before making the purchasing decision. However, for the capitalists, the hedonistic value of a luxury good affects their desire to demand a luxury good.

Pino et al. (2019) examined the determinants of the demand for luxury goods in the Indian and US market. The study found that brand awareness is a significant determinant of the demand for luxury goods. The demand for goods with low brand awareness is lower than the extent of the demand for goods with high brand awareness. Also, the study noted that the level of income set aside for consumption determines the extent of demand for luxury goods. Surprisingly, the demand for luxury goods in middle-income countries like India is higher than the demand for luxury goods in high-income economies like the United States.

Choo, Moon, Kim and Yoon (2012) examined how consumers assess the value of luxury goods. To achieve the objectives, a survey research design was employed while online surveys through the administration of questionnaires were used in retrieving the relevant information that is required to achieve the research objectives. Confirmatory factor and analysis and structural equation modelling were employed in analysing the data obtained. The result of the study shows that the hedonistic value (s aesthetic, pleasure and experiential values) of goods determine how consumers perceive commodities as luxury goods. The brand of the product was also found to be an important determinant of consumers' perception of a luxury good. More importantly, the quality of service delivery, customer relationship and extent of after-sales services determine what consumers consider luxury goods.

Another dimension of the socialists suggests that people are influenced by the opinions and experiences of others when buying luxury goods. In particular, young consumers might decide on buying a fashionable product by assessing the opinions of their friends. However, families have a clear effect on the buying decisions of young consumers who do not make money and live off their parents' income (Kembau & Mekel, 2014). Vel et al., (2011) examined the determinants of luxury purchases in the United Arab Emirates. The study used a survey research design and a tailored interview guide to retrieve the relevant data. The study was further analysed using descriptive statistics such as the means, maximum and minimum scores. The result found that when it comes to the purchasing of luxury items, the Emirates are heavily affected by social considerations, and they feel that consumption of luxury goods reveals an individual's social position. They further noted that the culture and lifestyle that everyone is exposed to have a significant impact on their demand for luxury items and these explain the purchasing habits of luxury buyers in the United Arab Emirates.

Amatulli and Guido (2011) examined the underlying factors that influence the buying decision of Italian customers concerning the acquisition of luxury fashion products. The study retrieved relevant data that answer the research objectives using a survey research design while the instrument of retrieving the data is a structured interview. The data was analysed using the means-end chain (MEC) estimation technique. The result of the study showed that customers satisfied their inner desires by purchasing high-end fashion items. Shukla and Purani (2012) conducted a cross-national study to investigate the perceptions of consumers on the demand for luxury goods in a cross-national circumstance. The study examined two distinct consumer economies, one collectivist and the other individualistic, and compared views of luxury values among Indian and British customers. Five parameters were considered in the study. The study employed a correlation matrix and the Chi-Square estimation technique in validating the hypothesis. The data indicated that certain luxury value judgments strongly impact all customers, regardless of culture or country, although there is a significant variance in the degree of effect. The findings also revealed that, as compared to customers in individualistic markets, buyers in collectivist markets use simple selection factors for the aim of measuring the merits of a premium brand. The study's conclusions will assist brand managers in the luxury market in developing rational, well-organized, and cohesive long-term worldwide strategies.

Gil, Kwon, Good and Johnson (2012) carried out a study to understand teens' perceptions and attitudes toward luxury brands. A survey questionnaire was created to collect data from high school students in the city of Santos, Brazil. Data were retrieved from 558 students with age brackets between 12 years and 19 years who are all students between grades 7 – 12. The study investigated how social factors, teens' personalities and peer pressure impact teenagers' demand for luxury brands. To analyse the study, a structural equation model was employed while confirmatory factor analysis was used in estimating the structural equation model. The findings from the study show that the desire for materialism is one of the significant factors that determine the desire of teenagers to purchase luxury brands not neglecting peer pressure influence also. Le Monkhouse, Barnes and Stephan (2012) examined how two different cultural values (face-saving and group orientation) affect customers' perception of the demand for luxury goods in East Asia by concentrating on four East Asian markets. A survey research design was used in collecting data from a panel of 70 experts who were participants in a focus group discussion (FGD) while questionnaires were administered to 443 consumers in Beijing, Tokyo, Singapore and Hanoi. To validate the hypotheses, correlation matrix and Chi-Square test estimation techniques were employed. The findings from the study showed that conspicuous and hedonic consumption was strongly influenced by face-saving value across all four East Asian markets and on the other hand, superior quality, and the unique dimensions of luxury brands also affect their perception of the demand for luxury goods.

Walley, Custance, Copley and Perry (2013) investigated the key determinants of luxury products of United Kingdom customers. To achieve the objectives, the study employed a survey research design and used a tailored interview in retrieving information from the respondents. In achieving the result, a confirmatory factor analysis estimation technique was used to analyse the data retrieved. The findings from the study showed that the concept of luxury goods impacts the purchasing decision of United Kingdom customers in five different ways, these are its effect, status, characteristics, involvement and gifting. The findings of the study should help advertising agencies and product developers to understand the content of luxury goods and how it appeals to consumers. Godey et al. (2013) analysed the perception of young people who are luxury brand consumers from six different countries. A survey research design was employed in validating the hypothesis. Questionnaires were administered to 233 respondents while the data retrieved were analysed using the Analysis of Variance (ANOVA), F-statistic and the post-hoc Duncan tests. The result of the study revealed that there are various factors that young consumers consider as a constituent of a luxury brand. Amongst these are its exclusivity, prestigious, elitist and desirable in Italy while in France, they consider how prestigious, expensive, elitist and exclusive the products are. In Germany, young consumers consider a brand luxury based on how exclusive, desirable, expensive and prestigious the products are. In China, young consumers consider a brand a luxury based on how prestigious, extravagant, expensive and conspicuous the products are. For a product to be termed luxury in Japan, young consumers consider how expensive,

prestigious, exclusive and sophisticated the product is. In the USA, attention is placed on how exclusive, prestigious, desirable and extravagant a product is before it is considered a luxury.

The study by Nwankwo, Hamelin and Khaled (2014) examined the critical factors that determine consumer values, motivation, demand and purchase of luxury goods in Morocco. The study employed a survey method of investigation and used a questionnaire to retrieve information from 400 respondents in the locality. To analyse the data, a logistic regression estimation technique and correlation matrix were employed. The result from the study revealed that intention to buy luxury goods, motivation and personal values have a high degree of relationship while religious influence reduces the tendency of making a purchasing decision on luxury goods. Also, the result noted that gender biasedness is a significant factor that determines the intention to buy luxury goods. Ayupp, Ling and Tudin (2013) investigated the factors affecting the purchasing behaviour of Malaysian university students concerning the demand for luxury items. This study's participants were undergraduate students enrolled at Malaysian public universities. Of the five Malaysian public institutions, 400 students were interviewed using a self-administered questionnaire. When purchasing luxury items, Generation Y (Millennials, the young generations born in the early 2000s who are familiar with the internet, using mobile devices and social media) buyers were shown to pay little attention to the quality dimension and simply assume that premium brand names are a sign of and promise greater quality. This revealed that Generation Y was more interested in labels and logos or symbols than product practicality.

From the empirical review, the factors that determine the demand for luxury goods cut across many variables. Some of the variables are economic such as price and income, while some are social factors such as family size, gender, religion, culture and societal norms as well as other variables including brand awareness, hedonistic value and self-value analysis. Various approaches were taken by the researchers, including surveys, questionnaires, data analysis and comparisons to arrive at the final variables they consider to determine the purchase of luxury goods. While the core of the study focuses more on the socioeconomic factors, it would be important to note the other factors acknowledged in the works of the researchers reviewed are equivalently relevant; this is to establish wide different perspectives on the factors that determine the demand for luxury goods.

## **Methodology**

### ***Theoretical framework***

The Veblen theory propounded by Thorstein Veblen is the selected theory upon which the framework of this research is built. The Veblen theory shows the willingness of a consumer to pay a higher price for a functionally equivalent good. The theory explains that there are certain conditions in which consumers are willing to pay a higher price to purchase certain goods and services which negates the traditional law of demand. According to Veblen, these actions lead to conspicuous consumption by individuals. The Veblen effect like other theories of consumption is a study of conspicuous consumption and does not capture all the socioeconomic factors being considered in this study. It rather focused on the purchasing aspect of the demand rather than the other plausible societal factors as well as the economic ability to pay as significant determinants of the demand for luxury goods; this thus limits the general applicability of the theory. Another limitation would be that the findings of this study would not be explainable or fully rooted in the assumptions of the chosen theory. Other theories which can augment the Veblen theory are the "Practical theory" as it links human actions with societal and environmental interactions, but, because it doesn't have its roots in economics which is the core of the study, it was eventually not considered.

### ***Research design, data and instrument***

The survey research design is employed in retrieving the relevant data used in answering the research objective, a special type of quantitative research design. The survey design allows the researcher to retrieve first-hand information from the field which is quantitative and employed in analysing research objectives. Amongst the five research philosophies available in research methodology (positivism, pragmatism, interpretivism, realism and postmodernism), the study employed the pragmatic research philosophy. The pragmatic research philosophy is appropriate as the approach begins by establishing a

research problem and then subsequently designs strategies that can be adopted in addressing the research problem (Saunders et al., 2019).

The data collection instrument used in this study is a questionnaire. The questionnaire is an instrument that retrieves tailored information from the respondents while the responses are based on the questions asked. To retrieve relevant information, the questionnaire was not an open-ended type questionnaire. Questionnaires are a means to have varying perspectives and opinions on a topic thus giving greater validity to it as each response cannot be interpreted wrongly by the researcher. The anonymity granted by questionnaires also guarantees respondents that they are free to give their opinions without fear of ridicule or scrutiny. This enhances the chances that their responses would be genuine. Questionnaires are undoubtedly the most flexible tool for collecting both qualitative and quantitative information. Questionnaires are also the preferred method of data collection as they are economical both for the researcher and the respondent in regards to time, effort and cost. As opposed to interviews, questionnaires do not require personal visits to each respondent nor does it allow the researcher to add personal bias or prejudiced views (Abe & Iwegbu, 2019).

To effectively capture the responses and information required, the questionnaire had to be structured into two sections. The first section includes questions that capture the demographic features of the respondents such as their sex, age, marital status, educational qualifications, income level, family size, location of residence, ethnicity and religion. This data is important as it captures the socio-demographic features of respondents, a critical feature that helps in understanding the potential determinants of the demand for luxury goods. For the variables in section A, codes were assigned to the responses to convert the qualitative information into quantitative information. For example, in the religious coding, 1 is for Christianity, 2 is for Muslims and 3 is for Traditional worshippers/others. The second section is based on questions that illicit information on the awareness and demand for luxury goods; determinants of the consumption of luxury goods and the rationale behind their consumer behaviour. The responses to the questions in this section are on a 3-point Likert scale; these are yes, I do; No, I do not; and I'm not sure. Physical distribution methods were employed in administering the research question.

The questions to be answered by the respondents have been tailored in such a way as to give a clear understanding to ensure the responses are accurate, free from ambiguity and as informed as they can be. It is to be noted that while secondary data exists on the purchase of luxury goods around the world, for this study, primary data was selected as a viable strategy due to the aforementioned varied perspectives which would give a fairer and more accurate depiction of the rationale behind each consumer's choice to purchase luxury goods. There are two types of data available in research, numerical data and categorical data (Saunders et al., 2019). The numerical data are ratio scales which are continuous and can be ranked. Two types of categorical data also exist in literature; these are nominal data (they are data that cannot be ranked and is not continuous) and ordinal data (data that are not continuous but can be ranked). Both nominal scale data and ordinal scale data are employed in this study. The variables and their measures are presented in table 1.

Table 1: Variables and their Measures

S/N	Variable	Measure
1	Sex	Nominal scale
2	Age	Ordinal scale
3	Marital status	Nominal scale
4	Employment status	Nominal scale
5	Location of residence	Nominal scale
6	Average monthly income	Ordinal scale
7	Religion	Nominal scale
8	Family size	Ordinal scale
9	Ethnicity	Nominal scale
10	Educational qualification	Ordinal scale
11	Determinants of luxury goods	Ordinal scale

Source: Authors' compilation

### Study area

For this research study and to capture a truly varied consumer perspective per interaction, the residents of Yaba, Lagos have been selected to be the population in focus. Yaba has a varied population of residents but, the copies of the questionnaire were administered to tertiary students whose schools are within the axis of Yaba Local Community Development Area (LCDA). The Yaba area of Lagos is densely populated and presents a myriad of opportunities to successfully capture a decent sample size from which data were gathered. The presence of tertiary institutions, firms and other organisations ensures the category in focus that is, students and members of the working class were adequately captured as well. The population of the study used is that of Lagos mainland which is 317,890.

### Sampling and sample size

To determine the study's sample size, a non-probability sampling method was used. This is because the entire population does not have an equal chance of being selected. To get an adequate sample size, a sampling method must be implemented. To this end, the purposive sampling technique is selected for implementation. The study used the Yamane (1967) sampling method to determine the sample size. Yamane (1967) sampling method formula is illustrated below:

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size; N is the population of the study; e is the margin of error in the calculation. The required sample size is calculated by using the population of Lagos mainland of which Yaba LCDA is a part. The population of Lagos mainland is 317,890. The margin of error is set at 0.06(6 per cent).

Therefore, the required sample size is  $n = \frac{317,890}{1 + 317,890(0.06)^2} n = 277$ . For the study, primary data was

collected. 80% of the copies of the questionnaire were distributed to students whose hostels are outside the University campus while the remaining 20% of the copies of the questionnaire were distributed to the working population.

### Method of analysis

To estimate the data collected, a series of techniques were used. To achieve the set objectives, descriptive statistics such as frequency tables and percentages, and binary logistic regression are employed. In testing the hypothesis, the binary logistic regression estimation technique is employed. Binary logistic regression is a statistical technique used to predict the relationship between predictors (our independent variables) and a predicted variable (the dependent variable) where the dependent variable is binary (e.g., sex, gender). The reliability and validity tests were carried out using the Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Cronbach's Alpha estimation methods.



Table 2: Validity and Reliability Test

Measure	Definition	Value
KMO and Bartlett's Test	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.582
	Approx. Chi-Square	913.773
	Bartlett's Test of Sphericity: D.F.	105
	Bartlett's Test of Sphericity: Sig.	0.000
Validity Test	Cronbach's Alpha	0.793

Source: Authors' Field Survey (2021).

The Kaiser-Meyer-Olkin Measure of Sample Adequacy from Table 2 has a 0.582 adequacy estimation. The nearer the value is to 1, the more adequate it is. Therefore, 0.582 signifies an average level of adequacy of the sample. The Cronbach's Alpha test shows how valid the items in the questionnaire are individual without negating the rest. Table 2 has an estimated value of 0.793. This shows that the items have great reliability as the highest attainable value is 1.

**Presentation and Analysis of Results**

This section presents a descriptive analysis of the data collected from the respondents through the questionnaire. It includes the presentation of the demographic features of the respondents as well as the analysis of research objectives that were earlier stated in the first chapter. Then, the study conducted the estimation using binary logistic regression, this was used to test and validate the research hypotheses. A total of 277 copies of the questionnaire were distributed while 208 were completed, retrieved and coded, this shows a response rate of 75.1 per cent which is fair.

***Demographic features of respondents***

This section presents the demographic features of the respondents concerning age, income, gender, family size, religion, ethnicity, educational qualification, location of residence, employment status and marital status. The following Table 3 below depicts the frequency count, percentage, mean, standard deviation, skewness and kurtosis of the aforementioned variables to give an insight into the respondents captured by the questionnaire.

Table 3: Demographic Features of Respondents in Yaba, Lagos

S/N	Variable	Scale	Freq.	Per cent.	Mean	S.D.	Skew.	Kurt.
1	Gender	Male	90	43.3	1.57	0.50	-0.27	-1.94
		Female	118	56.7				
		Total	208	100.0				
2	Age Group	15-29 years	176	84.6	1.26	0.67	2.70	6.54
		30-39 years	15	7.2				
		40-59 years	12	5.8				
		Above 59 years	5	2.4				
		Total	208	100.0				
3	Marital status	Married	25	12.0	4.42	1.31	-2.12	2.76
		Divorced/Separated	1	.5				
		In a relationship	18	8.7				
		Single	164	78.8				
		Total	208	100.0				
4	Employment status	Student	133	63.9	1.52	0.82	1.56	1.74
		Self-employed	50	24.0				
		Employed	16	7.7				
		Unemployed	9	4.3				
		Total	208	100.0				
5	Location of Residence	Within Yaba LCDA	46	22.1	2.01	0.68	-0.02	-0.80
		Outside Yaba LCDA but within Lagos	113	54.3				
		Outside Lagos	49	23.6				
		Total	208	100.0				
6	Average monthly income	Below N30,000	89	42.8	1.68	0.68	0.68	0.14
		N30,000-N100,000	98	47.1				
		N100,001-N200,000	19	9.1				
		Above N200,000	2	1.0				
		Total	208	100.0				
7	Religion	Christian	171	82.2	1.20	0.46	2.22	4.33
		Islam	32	15.4				
		Traditional/Others	5	2.4				
		Total	208	100.0				
8	Family size	Below 4	28	13.5	2.14	0.69	0.61	0.80
		4-6	132	63.5				
		7-9	39	18.8				
		9 and above	9	4.3				
		Total	208	100.0				
9	Ethnicity	Yoruba	112	53.8	1.79	1.06	1.19	0.10
		Igbo	59	28.4				
		Hausa	6	2.9				
		Minority	31	14.9				
		Total	208	100.0				
10	Educational Qualification	Secondary school certificate	19	9.1	2.47	0.84	0.35	-0.53
		BSc.	58	27.9				
		Students	131	63.0				
		Total	208	100				

Note: Freq.= Frequency, Percent = Percentage, S.D.= Standard Deviation, Skew. = Skewness, Kurt = Kurtosis.  
Source: Authors' Computation (2021)

The results in Table 3 show that there is little disparity when it comes to gender distribution, the low standard deviation of 0.5 as well as a percentage distribution of 43.3 per cent male and 56.7 per cent female shows that there is no gender bias in the distribution of respondents. This is necessary to ensure that results capture an adequate and fair representation of the respondents. The results in Table 3 also

show that a significant percentage of the respondents (84.6%) are between the ages of 15 and 29. The majority of the respondents are single (78.8%), mostly students (63.9%) with the majority living outside Yaba LCDA but within Lagos (54.3%).

The majority of the respondents are students (63.0%), 9.1 per cent have secondary school certificates while 27.9 per cent are Bachelor of Science (B.Sc.) degree holders. This shows that almost half of the respondents are students. Of the total number of respondents, only 7.7 per cent are employed, this leaves 24 per cent who are self-employed and the remaining 63.9 per cent are students. This implies that a significant portion of the respondents is dependents who gain income through indirect means for example parents.

From the results in Table 3, it can be deduced that the average monthly income of most respondents falls within the ranges of below ₦30,000, and ₦30,000 to ₦100,000, this is 42.8 per cent and 47.1 per cent respectively. This shows that the majority of the respondents (89.9%), are either earning below the minimum wage or a bit above it. Only a few (1%) earn above ₦200,000 and 9.1 per cent earn between ₦100,001 and ₦200,000. This shows that a wage gap exists between respondents who are also potential consumers of luxury goods. Christianity seems to be the dominant religion among the respondents as 82.2 per cent of the respondents are Christian, while Islam, traditional and others have a minor 15.4 per cent and 2.4 per cent respectively. Most respondents are from families of four to six members (63.5%), implying that the average household consists of at least four members and at most 6. Yoruba ethnic group is the most dominant of the ethnic groups captured with 53.8 per cent, Igbo at 24.4 per cent, Hausa at 2.9 per cent and the minority are 14.9 per cent. The demographic data analysed gives a picture of economic agents who are mostly youth, students, Christian, Yoruba, single, live outside Yaba LCDA but within Lagos from families that have four to six members and earn an average income of ₦30,000 to ₦100,000.

***Descriptive analysis of research objectives***

This section presents an analysis of the research objectives. Once again relying on the estimation techniques, we can analyse the research objectives which are to investigate the impact of the income levels of consumers, family size, religion, gender differences and price levels on the consumer’s decision to purchase luxury goods.

Table 4: Results of Descriptive Statistics

S/N	Variable	Scale	Freq.	Mean	S.D.	Skew	Kurt.
1	Do you know what a luxury good is?	Yes, I do	200	96.2	1.063	0.327	5.392
		No, I do not	3	1.4			
		I'm not sure	5	2.4			
		<b>Total</b>	<b>208</b>	<b>100.0</b>			
2	Have you ever purchased a luxury good?	Yes, I have	148	71.2	1.385	0.657	1.469
		No, I have not	40	19.2			
		I'm not sure	20	9.6			
		<b>Total</b>	<b>208</b>	<b>100.0</b>			
3	How often do you purchase luxury goods?	Always	2	1.0	3.567	0.825	-0.14
		Often	13	6.3			
		Sometimes	84	40.4			
		Rarely	83	39.9			
		Never	26	12.5			
		<b>Total</b>	<b>208</b>	<b>100.0</b>			
4	Do you consider luxury goods more expensive than others?	Cheap	2	1.0	3.063	0.787	-0.23
		Relatively expensive	52	25.0			
		Expensive	85	40.9			
		Very expensive	69	33.2			
		<b>Total</b>	<b>208</b>	<b>100.0</b>			

Note: Freq.= Frequency, S.D.= Standard Deviation, Skew= Skewness, Kurt= Kurtosis.  
 Source: Authors’ computation (2021).

The results in Table 4 show that 96.2 per cent of the respondents know what a luxury good is; this eliminates the possibility of subsequent answers being based on ignorance and uncertainty or the possibility of being misled. 71.2 per cent of the respondents have purchased a luxury good before, 19.2 per cent have not and 9.6 per cent were not sure. This implies that 71.2 per cent of the respondents had the available means to purchase luxury goods, while 19.2 per cent do not have the means to purchase luxury goods and 9.6 per cent are uncertain about whether they have bought a luxury good before or not. This uncertainty could be linked to the uncertainty of the respondent as to what a luxury good is in the first place.

From the results in Table 4, 40.4 per cent of respondents purchased luxury goods sometimes and rarely (39.9%). This means that while they could afford them, most respondents only had the means to purchase luxury goods occasionally or seldom purchased at all. 6.3 per cent and 1 per cent of the respondents often and always luxury goods, respectively, this indicates that 7.4 per cent (in total) had enough means or income to frequently purchase luxury goods. 12.5 per cent of the respondents have never purchased a luxury good, most likely owing to a lack of means or sufficient income. Luxury goods are considered to be expensive by 40.9 per cent of the respondents, whereas 33.2 per cent consider luxury goods to be very expensive, 25 per cent consider them relatively expensive and 1 per cent considers them cheap. This perception most likely stems from the disparity in their ability to purchase luxury goods. Thus, those with the most available means or income (the 1%) likely view luxury goods as cheap, while the others with less income (25%, 33.2% and 40.9%), see luxury goods as expensive goods.

#### **Results of the determinants of the demand for luxury goods**

In this section, we present a binary logistic regression that was estimated to validate the Null hypothesis which is that: the demand for luxury goods is not significantly determined by income, family size, religion, gender and price level. The dependent variable is the purchase of luxury goods which is binarily represented as (1) for those that have purchased a luxury good and (0) for those that have never purchased what they perceive to be a luxury good. The results in Table 5 present the estimation from the binary logistics regression.

Table 5: Regression Results of the Determinants of the Demand for Luxury Goods in Yaba, Lagos

Variables	Coeff.	S.E.	Wald	Df	Sig.	Exp(B)
Income	0.437	0.245	3.190	1	.074	1.549
Family size	-0.163	0.226	.521	1	.470	.849
Religion	0.085	0.345	.060	1	.806	1.088
Gender	-0.339	0.324	1.094	1	.296	.713
Price level	-0.295	0.203	2.106	1	.147	.744
Constant	1.892	1.107	2.923	1	.087	6.634
Cox & Snell R Square	0.038					
Nagelkerke R Square	0.054					
-2 Log likelihood	241.899					
Variables in the equation Wald Test	0.000					
Omnibus Chi-Square Test	0.155					

a. Variable(s) entered on step 1: Income, Family size, Religion, Gender, Price level.

Source: Authors' computation (2021).

The dependent variable is an expression of the intention to demand luxury goods, while part of the independent variables are ordinal scales which are income, price level and family size while the remaining (religion and gender) are nominal scales. From the results in Table 5 (using binary logistic regression), it can be deduced that income positively affects the demand for luxury goods. The higher the income, the more inclined the consumer would be to purchase luxury goods. The family size of the consumer does not encourage the demand for luxury goods. This is likely because consumers would rather use their disposable income to satisfy the pressing needs of their families. This leaves little or no way for the consumer to consider spending on luxury goods, which would be considered frivolous.

Price levels have an insignificant and negative effect on the demand for luxury goods, although this is a result that follows the law of demand, thus we expect the Snob effect to affect the demand for luxury goods. Therefore, at higher price levels, consumers are less likely to demand luxury goods unless the goods are being purchased for their intrinsic values. These intrinsic values are part of the core assumptions of the Veblen and Snob effect theories. The results also indicate that family size does not encourage the demand for luxury goods. This result thus supports the previous findings of Vel et al., (2011) and Kembau and Mekel, (2014). Both findings postulate that the size of the family has strong effects on the buying decisions of consumers. Findings about income and price levels cannot be directly compared with the findings of other researchers in the empirical review as these variables do not seem to be in particular areas of focus in the works reviewed.

### Conclusion

This study examines socioeconomic determinants of luxury goods; specifically, the objectives of the study are to investigate the impact of consumer income levels, family sizes, religion, gender differences and price levels on the consumer's decision to purchase luxury goods. The study used self-administered and online questionnaires to collect data from the respondents and Binary Logistic Regression was used to analyse the data gathered from the questionnaire. The results showed that income levels positively affect the demand for luxury goods whereas family size does not encourage the demand for luxury goods. Traditional religious practitioners are more likely to demand luxury goods than Christians or Muslims, female consumers are less likely to demand luxury goods but still consume a considerable amount of luxury goods and Price levels have a significant effect on the demand for luxury goods. The higher the price levels the less likely consumers would demand luxury goods.

From the findings, we can conclude that; a larger family size discourages the intention to demand luxury goods while the female gender is less likely to demand luxury goods, these are however statistically insignificant. Price level remains a negative predictor of the demand for luxury goods while only income is a positive and significant predictor of the demand for luxury goods. For religion, the traditional followers are more likely to show an intention to buy luxury goods. Active agents of luxury brands should consider streamlining their targeted market to Men, who practice traditional religion, have a sizeable income and most likely have a small family size instead of women.

The policy implication of this study is that an increase in the disposable income of individuals depends on greater economic growth and foreign inflows, which result in greater demand for luxury goods. Firms that produce luxury goods are thus advised to identify the parts of Lagos that have high-income earners and aggressively campaign for the purchase of luxury goods. The expensive nature of luxury goods is a negative predictor of the intention to demand luxury goods. Thus, firms must ensure that the differentiating factor of a luxury good is not principally in its prices. The social and demographic features of individuals also determine the extent of their demand for luxury goods. Thus, in designing and choosing luxury goods, producers must ensure that they are goods mostly used by the male gender and that they are not meant for Christians and/or Muslims but for traditional worshippers.

During the study, some factors determine the demand for luxury goods that were not covered. These could be further researched by future researchers as mentioned below. The study did not focus on factors such as brand perception, hedonistic values, the influence of the media, and other psychological variables as they were not strictly economic. Future research that focuses on the consumer's psyche and rationality could explore these variables. Larger sample size could also be beneficial to further study, as it should provide a more varied result than the one presented in this study.

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