Literature Review:
Determinants and Dynamics of Luxury Consumption

Avery Petrie
Tatiana Hochstetler
Abigail Castillo

Abstract

The luxury goods market occupies a unique space at the intersection of psychology, marketing, and digital transformation. The drivers, patterns, and consequences of luxury consumption are quickly evolving especially with the rise of digital platforms, increasing social media influence, and generational shifts. This review synthesizes research across several recent articles, using a thematic framework that spans psychological, cultural, and brand-specific factors, along with the powerful impacts of technology and social media.

Psychological Foundations of Luxury Consumption

Emotional Attachment and Identity Formation

Luxury consumption has always been intertwined with consumer psychology, particularly self-identity, self-enhancement, and emotional attachment. Research recognizes that luxury goods offer ways for self-expression and social differentiation; consumers perceive luxury brands as extensions of themselves or as tools to construct their ideal selves (Dubois, Jung, & Ordabayeva, 2021). As many people search to create their own self-identity, it is formed through a desire for status, exclusivity, and social signaling. Dubois et al. (2021) argue that luxury consumption is shaped by inherent tensions between internal motivations such as self-identity and self-worth and external forces such as social status and recognition. Emotional factors also play a decisive role in luxury consumption. Research shows that brand attachment, a bond linking the self to the brand, creates loyalty, willingness to pay, and advocacy (Arya, Sethi, & Hollebeek, 2025). Emotional responses, such as pleasure, arousal, and feelings of accomplishment, emerge from both product experience and brand narratives (Mulya & Asyifa, 2024; Hyun, Park, Hawkins, & Kim, 2024).

Brand Resonance and Decision Drivers

The literature further shows that emotional appeal is a vital attribute for luxury website design, positively influencing satisfaction and purchase intention (Hyun et al., 2024). While luxury goods are often associated with hedonism, purchasing for pleasure, fantasy, and enjoyment, the role of rational factors (quality, price, information) is also significant, especially in categories like luxury fashion (Mulya & Asyifa, 2024). However, findings suggest that for luxury consumers, emotional and experiential aspects, brand reputation, personal experience, and the sensation of using luxury goods outweigh rational concerns such as hedonic motivation or price sensitivity (Mulya & Asyifa, 2024).

Cultural and Social Norms

Status and Social Influence

Luxury consumption is fundamentally about social signaling and achieving social status. The display of exclusivity, rarity, and high price points allows consumers to elevate themselves within their reference groups, communicating prestige and social superiority (Dubois et al., 2021; Mrad, Karimi, Tóth, & Christodoulides, 2022). Elite consumers, such as ultra-high-net-worth individuals (UHNWIs), pursue luxury not only for outward display but also for distinction within their in-group. (Mrad et al., 2022). They are looking not only to stand out to the average person but to be recognized and respected by their peers.

Exclusivity, Conspicuousness, and Cultural Capital

Luxury consumption is aligned with the search for exclusivity and validation through in-group and out-group signaling. In the context of consumer behavior, signaling pertains to how consumers use or purchase products or brands to convey their identity, social status, or group affiliations. “Specifically, consumers consider the brands used by members of in-groups (to which one belongs) and aspirational groups (to which one wants to belong) as integral parts of themselves, accepting their meanings and forming positive self-brand connections, and tend to purchase products marked with those brands to manifest association with such groups” (Raimondo, 2022). In luxury, in-group signaling helps consumers to publicly display their affiliation with other luxury buyers, an exclusive group. The prevalence of status signaling validates that exclusivity, either constructed through physical scarcity or virtual access limitation, is a key element of luxury value (Dhaliwal, Singh, & Paul, 2025). Social capital, membership within a group, and cultural capital, information, refinement, and awareness of 'the codes' of luxury, distinguish mass consumers from upscale luxury buyers (Mrad et al., 2022). The authors used an abductive approach to analyze their interviews. First, they identified key concepts in the transcripts and assigned codes to them. Next, they grouped similar codes into broader themes and combined their knowledge with patterns they found in the data. This process helped them uncover important insights about how the ultra-wealthy individual experiences luxury. The codes of luxury that were derived from this study include: social exclusivity, distinction through physical and digital distancing, rare emotional experiences, and fulfilling a sense of entitlement. These codes, in combination with high quality products and higher prices, complete a consumer’s luxury experience.

Brand-Specific and Product-Specific Attributes

Brand Equity, Prestige, and Experience

Solid literature demonstrates that customer-based brand equity (CBBE), such as brand awareness and loyalty, are key to luxury brands. Brand awareness and loyalty are both antecedents and outcomes of brand satisfaction and repurchase intention (Hyun et al., 2024). Perceived prestige—the symbolic worth of a brand—also induces consumer preference and willingness to pay a premium (Dhaliwal et al., 2025), and is closely tied to product quality and experience. Product quality, which is material excellence, reliability, and higher-order design, is another key motivator of luxury buying intent (Mulya & Asyifa, 2024; Dhaliwal et al., 2025). Tactile and affective physical experience reinforces exclusivity and joy, as many customers care more about experience than about functional qualities (Mrad et al., 2022), further contributing to the perceived prestige of luxury brands. With the online revolution in luxury retail, website attributes such as emotional appeal, design, customer service, and efficiency have turned into online brand experience and equity drivers (Hyun et al., 2024). Customer service and emotional appeal, particularly, are the most valued among luxury consumers, shaping both behavior and attitudes. Luxury shoppers expect fantastic customer service because they intend to spend large amounts of money and expect to have special, catered shopping experiences, unlike non-luxury shoppers whose primary concerns lie in maximized value for their money. When buying luxury items, customers want knowledgeable staff who can explain why these products are worth the high price and make them feel connected to the brand. Research shows that great customer service directly builds brand loyalty among luxury shoppers, which is why high-end brands often focus on creating memorable experiences rather than quick transactions. While everyday retailers prioritize efficiency, luxury brands succeed by making customers feel important and understood throughout their shopping journey from start to finish.

Digital Transformation and Social Media

The Role of Social Media and Online Brand Equity

Social media has amplified the social aspect of luxury consumption. Instagram, in general, is a hub for luxury fashion marketing, peer influence, and trend-setting (Djafarova & Bowes, 2021). Social network sites, particularly Instagram, have revolutionized the communication strategies of luxury brands. As described in the business journal article " Determinants of Positive Consumer Affect Toward Luxury Brands' social media posts on sustainability", luxury brands must find a balance between prestige and exclusivity, and broader availability and access. Social network sites promote brand visibility and, in turn, reduce exclusivity, as extended online reach erodes a brand's distinction. Despite this, proper implementation of "phygital" (physical + digital) experiences and interactive augmented reality (AR) content enhance consumers' warmth, competence judgments, and subsequent attachment to the brand (Arya et al., 2025). Augmented Reality (AR) is technology that adds computer-generated elements (like images or information) to what you see in the real world. For example, it lets a consumer use their phone to virtually try on clothes, or see how furniture would look in their home before buying it.

The Power of Influencers and Hashtags

Social media influencers are the new status leaders, shaping luxury perceptions, though their influence is mediated through perceived authenticity and trust (Djafarova & Bowes, 2021; Arya et al., 2025). Influencers serve to enhance the appeal of prestige and exclusivity as middlemen between brands and aspirational consumers (Djafarova & Bowes, 2021; Eastman, Shin, Jain, & Wang 2024). Hashtags and user-generated content enable viral sharing and a sense of community membership, but the most credible sources are peer-generated, not brand-generated content.

According to a recent study, 4.2 billion people worldwide actively use social media platforms (Kemp, 2022). As the usage of social media continuously increases, many brands are taking advantage of this new terrain of advertisement. Advertisements, as a whole, generally contain 4 pillars: informativeness, deceptiveness, entertainment, and irritation (Efendioğlu & Durmaz, 2022). These foundational aspects of advertisement, namely informativeness, deceptiveness, and entertainment make social media platforms the perfect mode of transmission for brands to spread awareness and generate revenue. The use of social media influencers in advertising allows viewers and potential consumers to watch the product in question being used in real time, giving them information about the product, its uses, its quality, and more, while typically including a factor of entertainment, like trending audios, video, eye-catching visuals, and humor. Deceptiveness, a generally negative aspect of advertisement, is also widely prevalent in social media marketing, while credibility is a valued trait. Credibility, while difficult to precisely define or measure, typically consists of trust and expertise (Rieh, et. al, 2014). It is through these traits that brands benefit from social media and influencer advertising. Influencers spend time buildings audiences by creating content curated for a particular audience. During this time, parasocial relationships are often developed between the influencer and their audience. Because of this perceived relationship, advertisements and reviews from these influencers are more likely to be regarded to viewers as a recommendation from a friend, rather than a marketing tactic. Social media influencer's "embedded advertising messages are often perceived as honest opinions and therefore have strong persuasive power" (Balaban, et. al, 2022). This trust from viewers is vital when brands are trying to influence potential consumers to commit to a purchase, especially an expensive, luxury purchase.

Shifting Digital and Economic Environment

Increased Brand Visibility and Challenges

The virtual space amplifies the visibility of the brand and desire for it by consumers but erodes the exclusivity of the brands, more individuals are able to "see" luxury but the feeling of privilege in owning it can be diluted (Eastman et al., 2024). Furthermore, the COVID-19 pandemic further energized digital uptake, leading to a surge in impulse purchase and changing consumers' expectations of luxury brands' online presence (Djafarova & Bowes, 2021). Social media has brought about a dramatic shift in purchasing behavior, with spontaneous fashion buying on the rise, especially among Gen Z females (Djafarova & Bowes, 2021). The S-O-R model (Stimulus-Organism-Response) well describes how Instagram ads, opinion leader posts, and peer images act as stimuli, inducing positive affective states that result in spontaneous luxury buying.

Social Responsibility and Sustainability

Because luxury brands have started to broadcast their sustainability efforts and values online more, consumer desire is now for both prestige along with moral compatibility and perceived brand ethics (Eastman et al., 2024). Social responsibility and transparency are essential to luxury branding today, particularly among younger, more educated consumer segments. The study conducted in this article, provided 7 different causal conditions pertaining to how much luxury brands discussed sustainability and their efforts and how brands utilized social media to get their message across. This study found that what was most important to consumers in terms of positive consumer affect, was “Environmental Effect Post Day” and “Message Elements”. This shows us that consumers like to see live-footage of different sustainability initiatives and care about the message being spread in the caption when they are choosing the types of brands they want to support.

Synthesis Across Themes

The complexity of luxury brand consumption arises from the intricate interplay between internal motivations, cultural narratives, brand-specific characteristics, and digital transformations. At the psychological level, consumers are driven not only by hedonic desires or status signaling but by deeper identity-based motivations. Luxury goods serve as vehicles for self-construction, emotional fulfillment, and validation, both personal and social. These inner drivers are not isolated but are heavily influenced by external forces, particularly cultural norms and societal expectations.

Cultural and social frameworks provide the context within which these individual motivations are shaped and expressed. In many societies, luxury brands are imbued with symbolic capital, representing success, taste, and exclusivity. The desire for distinction is enacted through conspicuous consumption and affiliation with high-status brands. However, in today’s fragmented and globalized world, the expression of luxury is increasingly multifaceted. While some consumers pursue overt displays of wealth, others gravitate toward more subtle expressions of luxury, such as sustainability, craftsmanship, or personalization, reflecting shifting social codes and generational values.

Brand and product-specific attributes serve as the tangible and intangible carriers of luxury value. Design, scarcity, heritage, and prestige all contribute to how consumers perceive and experience a brand. Yet, luxury today is not defined solely by product quality or price point. The experiential dimension, how a brand makes the consumer feel, how it tells a story, and how it aligns with their aspirations, has become just as critical. Emotional branding, immersive retail environments, and sensory engagement are increasingly key to fostering long-term loyalty and differentiation in a saturated market.

Overlaying all of these dynamics is the accelerating impact of digital transformation. Social media, e-commerce, influencer marketing, and augmented reality have fundamentally reshaped how consumers discover, evaluate, and interact with luxury brands. These platforms offer both opportunities and challenges: while they allow for unprecedented access and engagement, they also threaten traditional notions of exclusivity and elevate the risk of brand dilution. Digital touchpoints must now carry the same sense of refinement, emotional richness, and personalization that once belonged solely to in-store experiences.

What binds these four spheres together is the growing importance of emotional resonance and narrative coherence. Consumers are no longer satisfied with transactional luxury; they seek meaningful interactions, values-based alignment, and aspirational storytelling. A luxury brand's success depends on its ability to integrate psychological appeal, cultural relevance, product excellence, and digital fluency into a seamless, compelling identity. Moreover, modern consumers, especially Millennials and Gen Z, expect brands to reflect broader societal concerns, such as environmental sustainability, diversity, and social justice. Thus, luxury consumption is no longer just about self-indulgence or exclusivity; it is about belonging to a community, participating in a value system, and experiencing authenticity at every touchpoint.

In essence, luxury is evolving from a symbol of individual status to a multidimensional expression of emotional, social, and ethical identity. The convergence of personal desires, cultural context, brand storytelling, and digital interactivity defines this transformation. To remain relevant, luxury brands must navigate these intersecting forces with agility, depth, and emotional intelligence.

Conclusion

Consumption of luxury today is very multidimensional. It is rooted in inherent psychological impulses, social and cultural environments, product and brand attributes, and is increasingly facilitated by social and digital media technology. Brands seeking to build equity and loyalty must thus offer more than exclusivity or product quality, they must build significant emotional connections, create immersive experiences, and communicate values that align with their consumers' sense of identity and social consciousness. With the digital era increasingly remapping consumption patterns, it is important that researchers and practitioners of luxury marketing understand these complex, interconnected forces.

References

Arya, V., Sethi, D., & Hollebeek, L. D. (2024). Using Augmented Reality to Strengthen Consumer/Brand Relationships: The Case of Luxury Brands. Journal of Consumer Behaviour, 1. https://doi.org/10.1002/cb.2419

Balaban, D. C., Szambolics, J., & Chirică, M. (2022). Parasocial relations and Social Media Influencers' persuasive power. exploring the moderating role of product involvement. *Acta Psychologica*, *230*, 103731. https://doi.org/10.1016/j.actpsy.2022.103731

Dhaliwal, A., Singh, D. P., & Paul, J. (2020). The consumer behavior of luxury goods: a review and research agenda. Journal of Strategic Marketing, 33(1), 66–92. https://doi.org/10.1080/0965254X.2020.1758198

Djafarova, E., & Bowes, T. (2021). 'instagram made me buy it': Generation Z impulse purchases in fashion industry. *Journal of Retailing and Consumer Services*, *59*, 102345. https://doi.org/10.1016/j.jretconser.2020.102345

Dubois, D., Jung, S., & Ordabayeva, N. (2020). The psychology of luxury consumption. Current Opinion in Psychology, 39, 82–87. https://www.sciencedirect.com/science/article/pii/S2352250X20301196

Eastman, J. K., Shin, H., Jain, V., & Wang, X. (2024). Determinants of positive consumer affect toward luxury brands' social media posts on Sustainability: A FSQCA approach. *Journal of Business Research*, *183*, 114871. https://doi.org/10.1016/j.jbusres.2024.114871

Efendioğlu, İ. H., & Durmaz, Y. (2022). The impact of perceptions of social media advertisements on advertising value, Brand Awareness and brand associations: Research on generation Y instagram users. *Transnational Marketing Journal*, *10*(2), 251–275. https://doi.org/10.33182/tmj.v10i2.1606

Hyun, H., Park, J., Hawkins, M. A., & Kim, D. (2024). How luxury brands build customer-based brand equity through phygital experience. Journal of Strategic Marketing, 32(8), 1195–1219. https://doi.org/10.1080/0965254X.2022.2052937

Kemp, S. (2024, August 28). *Digital 2021: The latest insights into the "state of Digital."* We Are Social USA. https://wearesocial.com/us/blog/2021/01/digital-2021-the-latest-insights-into-the-state-of-digital/

Lina, Y., Hou, D., & Ali, S. (2022). Impact of online convenience on generation Z online impulsive buying behavior: The moderating role of Social Media celebrity. *Frontiers in Psychology*, *13*. https://doi.org/10.3389/fpsyg.2022.951249

Mrad, M., Karimi, S., Tóth, Z., & Christodoulides, G. (2022). Elite luxury experiences: customer and managerial perspectives. Journal of Marketing Management, 38(13/14), 1339–1368. https://doi.org/10.1080/0267257X.2022.2078860

Mulia, D., & Asyifa, S. (2024). Factors that Influence the Purchase Intention of Luxury Fashion. Dinasti International Journal of Digital Business Management (DIJDBM), 5(2), 400–407. https://dinastipub.org/DIJDBM/article/view/2258/1567

Raimondo, M. A., Cardamone, E., Miceli, G. “Nino,” & Bagozzi, R. P. (2022). Consumers’ identity signaling towards social groups: The effects of dissociative desire on brand prominence preferences. *Psychology & Marketing*, *39*(10), 1964–1978. https://doi.org/10.1002/mar.21711

Rieh, S. Y., Morris, M. R., Metzger, M. J., Francke, H., & Jeon, G. Y. (2014). Credibility perceptions of content contributors and consumers in social media. *Proceedings of the American Society for Information Science and Technology*, *51*(1), 1–4. https://doi.org/10.1002/meet.2014.14505101022

Twitchell, J. B. (2002). *Living it up: Our love affair with luxury*. Columbia University Press.