# The Role of Generative AI in Shaping Millennials and Gen Z's Orientation Toward Luxury Products

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*This study investigates the impact of Artificial Intelligence (AI)-generated promotional content and status motivations on the perception of luxury brands among Millennials and Generation Z. The author adopts a mixed-method research approach that integrates a quantitative survey and structural equation modeling analysis with qualitative Natural Language Processing (NLP). The findings reveal that generative AI promotional content impacts millennials and Gen Z's purchase intention due to its perceived entertainment, transparency, and usefulness. Status motivations had a stronger impact on purchase intention, and demographic characteristics were significantly different in their results. The study is the first to examine the human characteristics of perceived expertise, transparency, and entertainment in an AI context in light of status consumption motivation. As AI is expected to have more human-like characteristics and behavior, testing theories centered on human influence in an AI context is crucial for marketing theory and practice.*

*Keywords: generative AI, luxury products, status consumption, social media, source credibility, consumer behavior, artificial intelligence*

## INTRODUCTION

The allure of luxury products captivates consumers, who seek status, quality, and exclusivity, and marketers, who aim to create narratives that resonate with these desires. Millennials and Generation Z in the United States are increasingly attractive emerging luxury buyers, making it vital to understand. As digital natives, these consumers have high expectations for online experiences.

Research into these generations' purchasing intentions reveals their preferences for experiences, self-expression, and authenticity, influenced by social media and peer recommendations (Pentina et al., 2018; Zhang et al., 2022). Theories like the Theory of Reasoned Action, Social Exchange Theory, Source Credibility Model, and the Theory of Planned Behavior have been crucial in exploring these consumers' attitudes toward luxury brands (Bouvier & Cho, 2022; Lau et al., 2023; Shin et al., 2022; Vigneron & Johnson, 2004).

Despite advancements in understanding these dynamics, the academic debate continues over the essence of luxury branding and the real impact of digital influencers (Eastman et al., 2018; Lou & Yuan, 2019). A significant gap remains in examining generative AI's long-term effect on consumer behavior and brand perception. The increasing use of AI in marketing strategies needs further exploration to assess its effectiveness and implications for luxury brand engagement. The cultural and contextual factors influencing Millennials and Generation Z's luxury orientations, especially outside Western markets, remain underexplored.

The growing investment in generative AI, particularly in marketing applications, is reshaping the consumer landscape, especially for Millennials and Gen Z. A 2023 Gartner survey indicates that 63% of marketing leaders plan to invest in generative AI within the next 24 months, with a majority recognizing its greater rewards than risks (Gartner, 2023). KPMG's survey also underscores its significance, with 78% of respondents identifying generative AI as the top emerging technology for the next 3-5 years, particularly impacting marketing and sales (KPMG, 2023). The market, valued at $10.14 billion in 2022, is expected to reach $1.3 trillion by 2032 (Bhavaraju, 2023).

This surge in generative AI investments and its anticipated economic impact reflects a strategic shift in business approaches, particularly in marketing. As these technologies continue to evolve, they are set to play a crucial role in shaping the marketing strategies targeting Millennials and Gen Z, influencing their orientation towards luxury products.

For researchers, the role of generative AI in luxury marketing offers a new perspective on consumer behavior, particularly its impact on brand perception, loyalty, and purchasing decisions. As AI becomes more common, understanding its influence on consumer psychology, ethical considerations, and long-term brand-consumer relationships becomes crucial.

Thus, this paper aims to enrich the discussion on luxury consumption in the generative AI age. It seeks to understand their motivations and attitudes and the underlying nuances that may influence them, providing theoretical and practical insights for luxury brands to authentically engage with Millennials and Generation Z.

## LITERATURE REVIEW

As seen in TABLE 1, the author found four main lines of thought related to the role of generative AI in shaping consumer behavior and purchase intentions in the luxury fashion industry.

**TABLE 1**
**LITERATURE REVIEW SUMMARY**

| Line of Thought | Studies | Key Findings |
|---|---|---|
| Consumer Behavior and Purchase Intentions in Luxury Fashion | (Isa et al., 2020; Kim & Lee, 2011; Lau et al., 2023). | Hedonic orientation boosts repeat purchases in all channels.<br>Bargain orientation decreases repeat purchases in upscale retailers but increases in discount retailers.<br>Fashion/brand consciousness enhances repeat purchases in upscale retailers.<br>In-home orientation favors online channels.<br>Convenience orientation positively affects purchases on brand websites, off-price retailers, and consignment stores.<br>Utilitarian orientation reduces repeat purchases in off-price retailers and consignment stores. |
| Social Media Engagement and Luxury Brands | (Bouvier & Cho, 2022; Deng et al., 2022; Pentina et al., 2018). | Engagement behaviors on social media driven by motivations such as status and impression management, social interaction, informational needs, and self-presentation.<br>Users engage with influencer-endorsed wine videos focusing on showcasing wine products and features.<br>Generational cohorts show differences in engagement behaviors and topics of interest.<br>Virtual social media influencers significantly influence brand image, trust, and purchase intentions for fast fashion and luxury fashion brands |

| Line of Thought | Studies | Key Findings |
|---|---|---|
| Generational Differences and Consumer Behavior | (Baykal, 2020; Shin et al., 2022; Thangavel et al., 2022). | Importance of integrating online and offline store channels for Gen Z consumers.<br>Value consciousness and convenience orientation as dominant drivers of Gen Z online shopping behavior.<br>Generation Z prioritizes hedonic value and self-identity expression in luxury brands.<br>Influence of family, celebrity, peers, and first experiences with luxury on Generation Z's relationships with luxury brands |
| Brand Consciousness and Luxury Fashion Consumption | (Eastman et al., 2018; Giovannini et al., 2015; Hemantha, 2019; Kautish et al., 2021) | Self-related personality traits influence brand consciousness, luxury fashion consumption motivations, and brand loyalty among Millennials.<br>Instrumental and terminal values impact brand consciousness and behavioral intentions for fashion apparel consumption.<br>Celebrity physical appearance, credibility, and expertise significantly influence Generation Z consumers' purchasing patterns.<br>Positive relationship between status consumption and young adults' purchase intention for luxury fashion items |

There are several areas where earlier studies have disagreed or contradicted each other. One area of debate is the definition and measurement of luxury brands. Some studies suggest that luxury brands should be defined based on traditional characteristics such as exclusivity and high price, while others argue that luxury can be perceived differently by different consumer segments, including Millennials and Generation Z. Another area of debate is the impact of social media and virtual influencers on consumer behavior. While some studies highlight the positive influence of social media and virtual influencers on brand perception and purchase intention, others question the authenticity and effectiveness of these marketing strategies.

Despite these debates, there are areas of consensus among earlier studies. There is a general agreement that Millennials and Generation Z consumers have unique characteristics and preferences compared to previous generations. They prioritize experiences, self-expression, and authenticity in their purchasing decisions. They are also highly influenced by social media, peer recommendations, and online shopping experiences. Additionally, there is consensus on the importance of understanding the motivations and attitudes of these consumer segments, as well as the need for personalized marketing strategies that resonate with their values and preferences.

**Consumer Behavior and Purchase Intentions in Luxury Fashion**

Kim & Lee's (2011) study explores the impact of six shopping orientations on consumers' repeat luxury purchases across eight retail channels. Key findings include: hedonic orientation boosts repeat purchases in all channels; bargain orientation decreases repeat purchases in upscale retailers but increases in discount retailers; fashion/brand consciousness enhances repeat purchases in upscale retailers; in-home orientation favors online channels; convenience orientation positively affects purchases on brand websites, off-price retailers, and consignment stores; utilitarian orientation reduces repeat purchases in off-price retailers and consignment stores. The study by Lau et al. (2023) defends that self-identity predicts affect-based attitudes (passive engagement and active engagement) toward purchasing luxury fashion among young consumers, while social identity predicts cognition-based attitudes (attitude toward celebrity endorsement). Both affect-based and cognition-based attitudes positively influence brand attractiveness, which in turn positively affects purchase intention for luxury fashion among young consumers. Isa et al. (2020) find that impulse purchase orientation, online trust, and online purchase experience significantly influenced consumers'

online purchase intention. Quality orientation also had a moderate effect, while brand orientation did not significantly impact online purchase intention.

**Social Media Engagement and Luxury Brands**

Pentina et al. (2018) aim to understand the different engagement behaviors exhibited by luxury consumers on social media platforms, the motivations driving luxury consumers to engage in these behaviors, and how these engagement behaviors contribute to brand co-creation and the development of brand meaning and perception. The study identifies the engagement behaviors of luxury consumers on social media. These behaviors are driven by a combination of motivations, including status and impression management, social interaction, informational needs, and self-presentation. Deng et al. (2022) investigate the engagement behaviors of social media users on Douyin (TikTok) regarding influencer-endorsed wine videos. The findings indicate that users are most likely to engage with influencer-endorsed wine videos that focus on showcasing wine products and their features. The female group is more likely to engage in influencer topics while the male group contributes more to discussions about the product itself. Additionally, generational cohorts of Gen Z and Gen Y show differences in their engagement, with Gen Z being more interested in alcohol drinking intent and Gen Y contributing more to discussions involving skepticism. Bouvier & Cho (2022) examine the impact of virtual social media influencers (VSMIs) on millennial and Gen Z female consumers' purchase intentions for fast fashion and luxury fashion brands. The study reveals that VSMIs significantly influence brand image, trust, and purchase intentions for both fashion brands. The authenticity and attractiveness of VSMIs were found to influence brand image and trust for fast fashion brands, while authenticity and perceived similarity influenced brand image and trust for luxury fashion brands.

**Generational Differences and Consumer Behavior**

Baykal (2020) explores generational differences in consums' omnichannel buying behavior, focusing on the Gen Z segment. The study emphasizes the importance for retailers to integrate their online and offline store channels to provide the best retail brand experience to Gen Z consumers. Thangavel et al. (2022) identifies value consciousness and convenience orientation as the dominant drivers of Gen Z consumers' online shopping behavior. Four segments were identified: "Economic-quality seekers," "Convenience shoppers," "Deal hunting-convenience seekers," and "Brand and quality-conscious shoppers." Shin et al. (2022) find that Generation Z has a unique and expansive view of luxury, prioritizing hedonic value and self-identity expression. The social marker aspect of luxury was found to be less important to them. The study also highlighted the influence of family, celebrity, peers, and first experiences with luxury on their relationships with luxury brands.

**Brand Consciousness and Luxury Fashion Consumption**

Giovannini et al. (2015) investigate the role of self-related personality traits, brand consciousness, consumption motivations, purchase intention, and brand loyalty in shaping luxury fashion consumption behavior. The findings indicate that self-related personality traits, specifically public self-consciousness and self-esteem, significantly influence Millennial consumers' brand consciousness. This brand consciousness, in turn, influences their luxury fashion consumption motivations and brand loyalty. Kautish et al. (2021) examine the effect of instrumental and terminal values on brand consciousness. The findings reveal that both instrumental and terminal values impact brand consciousness, which in turn affects behavioral intentions for fashion apparel consumption. Instrumental values influence brand consciousness and behavioral intentions more than terminal values. Additionally, brand consciousness mediates the relationship between instrumental/terminal values and behavioral intentions. Hemantha (2019) examines the variables pertinent to celebrity endorsement and the overall perception of consumers toward celebrity endorsements. The study finds that celebrity physical appearance, credibility, and expertise significantly influenced the purchasing patterns of Generation Z consumers. Alluring endorsers were found to be more persuasive, and trustworthiness played a significant role in influencing consumer patterns.

Eastman et al. (2018) find a positive relationship between status consumption and young adults' purchase intention of luxury fashion. Cultural variables, such as collectivism, uncertainty avoidance, power distance, and masculinity, were identified as mediators in this relationship.

**Gaps in Knowledge and Foundation for Research**

There are several gaps in knowledge that future research should address. For example, more research is needed to understand the definition and measurement of luxury brands in the context of Millennials and Generation Z. Additionally, there is a need for more empirical studies to validate and expand upon the findings related to the impact of social media and virtual influencers on consumer behavior. Furthermore, there is a lack of research on the long-term effects of generative AI on consumer behavior and brand perception. While some studies discuss the potential of AI-enabled content analysis and generative AI in marketing strategies, there is a need for empirical research to assess the actual impact and effectiveness of these technologies in shaping consumer attitudes and behaviors. Another knowledge gap is the limited research on the cultural and contextual factors that influence the orientation of Millennials and Generation Z toward luxury products.

Accordingly, this study aims to answer the following questions:

1. How does Generative AI influence the perception of luxury products among Millennials and Generation Z?
2. What are the specific generative AI characteristics that influence Millennials and Generation Z purchase behavior?
3. How does Millennials and Generation Z's status motivation impact their luxury products shopping behavior in light of Generative AI?
4. How do demographic factors of gender, generation, income, and education level impact consumers' perception of AI-generated promotions and purchase intention of luxury products?

## METHODOLOGY

In the context of the role of generative AI in shaping Millennials and Generation Z's orientation toward luxury products, the most commonly used theories include the Theory of Reasoned Action (TRA), Social Exchange Theory, Source Credibility Model, and the Theory of Planned Behavior (TPB). The most common research methods used in the context include surveys/questionnaires, content analysis, and case studies.

The social exchange theory explains that all interpersonal social behavior can be viewed as an exchange of activity, where the consequence of the interaction between individuals is either costly or rewarding. Social media users develop rewarding social relationships by sharing content with their followers, who return appreciation by engaging with the content and rewarding SMIs. Source credibility is defined as the believability of a communicator. The research model includes two main variables: influencer characteristics and consumer purchase intention. Influencer characteristics are further divided into two sub-variables: perceived expertise and perceived trustworthiness (Bouvier & Cho, 2022).

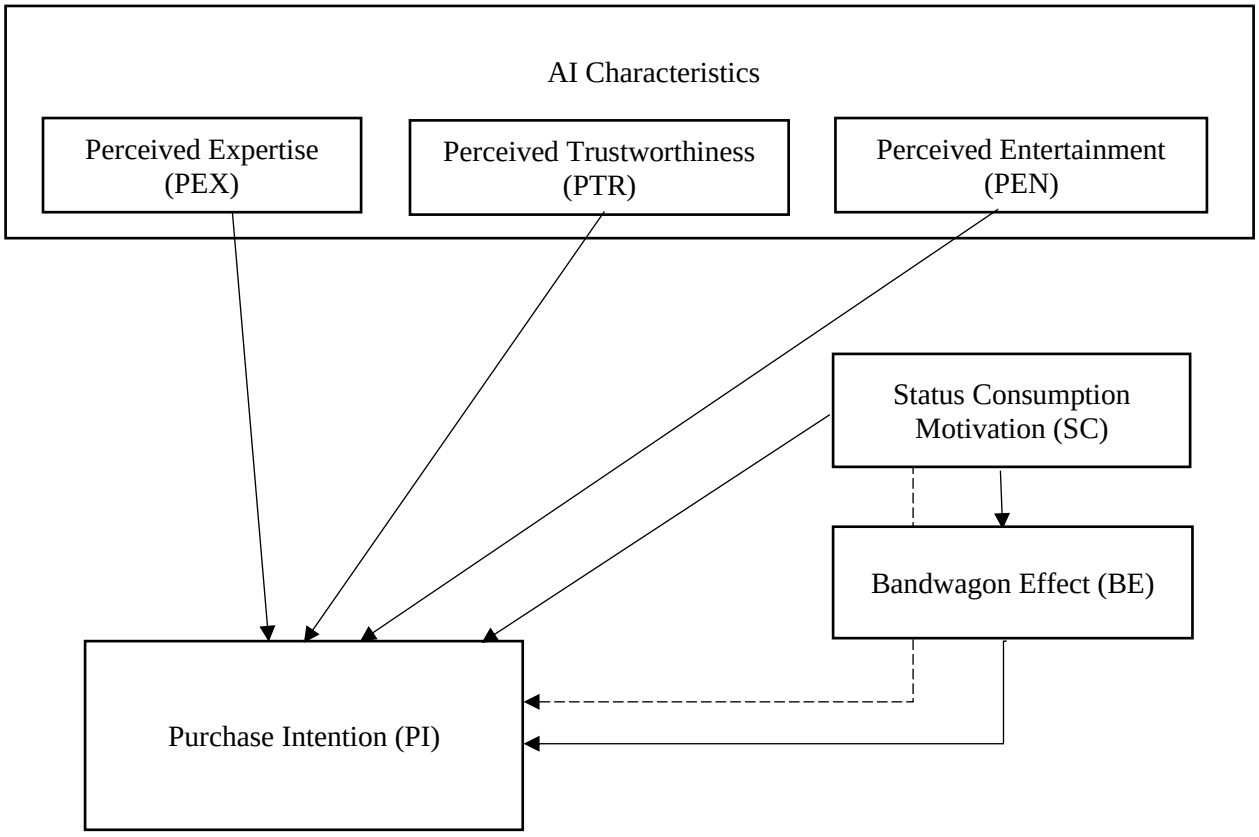
The Source Credibility Model focuses on how the perceived credibility of the communicator (or 'source') influences the effectiveness and persuasiveness of a message. In this context, credibility is typically evaluated based on two key dimensions: expertise and trustworthiness. The model suggests that messages from sources perceived as both knowledgeable and trustworthy are more likely to be accepted and acted upon by the audience (Hemantha, 2019).

The social identity theory proposes a research model that examines the relationship between status consumption and luxury fashion purchase intentions among young adults, incorporating the bandwagon effect and cultural variables. The variables are status consumption, luxury fashion purchase intentions, and cultural variables such as collectivism, consumer independence, uncertainty avoidance, long-term orientation, power distance, masculinity, and the bandwagon effect. (Eastman et al., 2018).

As seen in FIGURE 1, the author adapts (Bouvier & Cho's (2022) social exchange theory and source credibility, replacing influencers with AI-based promotional content, which we denote as 'AI

characteristics'. This encompasses various AI functionalities, such as AI-generated ads, recommendation engines, and AI-driven social media engagement tools. These 'AI characteristics' are broken down into 'perceived expertise (PEX)', 'perceived trustworthiness (PTR)', and perceived entertainment (PEN) as with the influencer characteristics. Following the social exchange theory, the author assumes that Millennials and Gen Z consumers exchange with these AI technologies, where they offer their data and attention in return for personalized and credible product recommendations. In parallel, the author integrates elements from Eastman et al.'s (2018) social identity theory model, incorporating status consumption. The author assumes that status impacts consumers' motivation through luxury fashion, impacting their purchase intentions. The author proposes a model suggesting that AI characteristics and status motivations impact consumer behavior and purchase intention. Moreover, the relationship between status consumption motivation' and consumer behavior is mediated by the Bandwagon effect.

**FIGURE 1**
**RESEARCH MODEL**




***Hypothesis 1 (H1):*** *Generative AI's perceived expertise (PEX), perceived trustworthiness (PTR), and perceived entertainment (PEN) have a significant impact on the purchase behavior of Millennials and Generation Z.*

Deng et al. (2022) and Liu et al. (2022) emphasize the role of technology in enhancing consumer engagement, particularly through visual content and influencer endorsements. This supports the idea that AI characteristics like expertise, trustworthiness, and entertainment can significantly influence young consumers' behaviors, as these factors align with their engagement patterns on social media and preferences for technology-enhanced experiences.

***Hypothesis 2 (H2):*** *Status consumption motivation among Millennials and Generation Z mediates the relationship between their perception of generative AI and luxury product shopping behavior.*

According to Baykal (2020), Lau et al. (2022), and Pentina et al. (2018), the integration of online and offline channels and the role of social media in co-creating brand perception are crucial for luxury fashion retailers targeting younger generations. The status consumption motivation, influenced by self-identity and social identity as found in these studies, likely plays a mediating role in how Millennials and Generation Z perceive and interact with AI-generated luxury brand content.

***Hypothesis 3 (H3):*** *The bandwagon effect mediates the relationship between status consumption motivation and consumer purchase intention towards luxury fashion brands.*

Studies by Giovannini et al. (2015), Kautish et al. (2020), and Kim and Lee (2012) highlight the influence of self-related personality traits and brand consciousness on luxury fashion consumption. This suggests that the bandwagon effect, driven by a desire to align with peer groups and brand consciousness, could mediate the impact of status consumption motivation on purchase intentions, especially among socially driven consumers like Generation Y and Z.

***Hypothesis 4 (H4):*** *Demographic factors such as gender, generation, income, and education level significantly influence the effectiveness of AI-generated promotions and the subsequent purchase intention of luxury products.*

The research by Deng et al. (2022), Pentina et al. (2018), and Zhang et al. (2022) indicates that generational differences significantly shape engagement behaviors and purchasing patterns, particularly in the context of social media and luxury brands. The importance of celebrity influence and TikTok marketing strategies on Gen Z, as well as the impact of self-identity on luxury fashion attitudes and purchase intentions, underscore the role of demographic factors in shaping responses to AI-generated promotions.

The author adopts a mixed-method research approach that integrates both quantitative and qualitative data collection and analysis methods. The author employs a quantitative survey and structural equation modeling analysis to measure the relationships between variables. In addition, the author includes a qualitative open-ended question in the survey and uses natural language processing in analyzing consumers' sentiment towards AI-generated promotional content in their luxury products shopping.

**Survey Questionnaire**

Think of a recent time while shopping online when you received ads or promotional social media posts for luxury products (e.g., designer fashion, high-end personal care, high-end, rare wines, and liquors, luxury and sports cars, etc.), that you believe might have been created by an Artificial Intelligence (AI) system.

On a scale from 1 (Strongly disagree) to 5 (Strongly agree), please indicate your level of agreement with the following statements about that experience...

*Perceived Expertise (PEX): (Adapted from Hemantha (2019))*

1. The AI system provides information that is effective.
2. The AI system provides helpful recommendations.
3. The AI system provides information that is practical.

*Perceived Transparency (PTR): (Adapted from Hemantha (2019))*

4. The AI system operates ethically.
5. The AI system provides authentic information.
6. I find the AI system to be honest.

*Perceived Entertainment (PEN): (Adapted from Cho et al., 2021))*

7. Interacting with AI-generated content and recommendations is fun.
8. The AI-generated content and recommendations are exciting.
9. I find the AI-generated content and recommendations to be delightful.

*Status Consumption Motivation (SC): (Adapted from Eastman et al. (2018))*

10. I would buy a product just because it has status.
11. I would pay more for a product if it had status.
12. A product is more valuable to me if it has some snob appeal.

*Bandwagon Effect (BE): (Adapted from Eastman et al. (2018))*

13. I would buy a luxury product that is chosen by most people as a symbol of achievement.
14. I would buy a luxury product that is worn by many celebrities.
15. I would buy a luxury product that everyone would approve of its choice.

*Purchase Intention (PI): (Adapted from Eastman et al. (2018))*

16. I consider purchasing luxury products recommended by the AI system.
17. I have purchased luxury products based on the AI system's recommendations.
18. I am likely to follow the AI system's recommendations when buying luxury products.
19. I trust the AI system's recommendations when purchasing luxury products.

*Demographic Questions*

20. I am a [Male, Female, Other (please specify)
21. I am a [Millennial, Gen Z, Other]
22. My annual income is [<25k, 25k-$50k, $50-100k, $100-200k, $200-500k, >$500k)
23. My education level is [High school, Some college, vocational/technical, undergraduate degree, graduate degree]

*Open-Ended Question*

24. In what specific ways do you think the future of generative AI could improve your shopping experience for luxury products?

**Sample and Data Collection**

The author collected 227 complete responses from the United States. 140 responses were collected using panel random sampling through an online platform, Pollfish. 87 responses were collected using convenience sampling distributed to email lists promoting the survey on Google Forms. Western Connecticut State University alumni association and Oomiji, a customer relationship management and email marketing platform located in New York, USA, assisted the author in distributing the survey. The data were collected during the period from September to November 2013. The study was approved on 31 August 2023 by the Institutional Review Board at Western Connecticut State University with protocol number 2324-01. All respondents agreed to the approved written informed consent.

## RESULTS

**Frequency of Responses**

Starting with gender distribution, the sample consists of a balanced ratio of males and females (41.9%, n=95), females (47.1%, n=107), and one genderfluid individual. In terms of generational cohorts, the sample is skewed towards Millennials, who make up 74.0% (n=168), followed by Gen Z (16.3%, n=37), Baby Boomers (5.3%, n=12) and Gen X (3.5%, n=8). The most common education level in the sample is an undergraduate degree at 46.3.3% (n=105). Graduate degrees follow at 26% (n=59), then high school at 17.6% (n=40). The vocational or technical college experience is at 7.9% (n=18), and with some college

experience at 0.9% (n=2). The largest income group in the sample earns $50-100K (33.9%, n=77), followed by $25K-$50K earners (28.6%, n=65) and the $100-200K bracket (16.7%, n=38). Less common are incomes below $25K (11.0%, n=25), between $200-500K (4.0%, n=9), over $500K (1.8%, n=4), and those preferring not to disclose (1.8%, n=4), with an unspecified category also at 1.8% (n=4).

**Descriptive Statistics**

As seen in TABLE 2, customers shopping for luxury products find AI-generated promotional content moderately expert ($\bar{x}$=3.4376), Perceived Expertise (PEX), and entertaining ($\bar{x}$=3.2070), Perceived Entertainment (PEN). Also, they are less convinced about its transparency ($\bar{x}$=3.0837), Perceived Transparency (PTR), and the influence it has on their purchase intentions ($\bar{x}$=2.5742), Purchase Intention (PI). Status Consumption Motivation (SC) and the bandwagon Effect (BE) also appear to have a low consensus among respondents, ($\bar{x}$=2.7827) and ($\bar{x}$=2.7151) respectively.

**TABLE 2**
**SUMMARY OF RESEARCH CONSTRUCTS DESCRIPTIVE STATISTICS**

| | N | Minimum | Maximum | Mean | | Std. Deviation | Rank |
|---|---|---|---|---|---|---|---|
| | Statistic | Statistic | Statistic | Statistic | Std. Error | Statistic | |
| **PEX (Perceived Expertise)** | **227** | **1.00** | **5.00** | **3.4376** | **.06365** | **.95904** | **1** |
| PEX1 | 227 | 1 | 5 | 3.42 | .071 | 1.071 | |
| PEX2 | 227 | 1 | 5 | 3.48 | .073 | 1.098 | |
| PEX3 | 227 | 1 | 5 | 3.41 | .073 | 1.095 | |
| **PTR (Perceived Transparency)** | **227** | **1.00** | **5.00** | **3.0837** | **.07050** | **1.06215** | **3** |
| PTR1 | 227 | 1 | 5 | 3.04 | .078 | 1.178 | |
| PTR2 | 227 | 1 | 5 | 3.12 | .080 | 1.212 | |
| PTR3 | 227 | 1 | 5 | 3.10 | .079 | 1.190 | |
| **PEN (Perceived Entertainment)** | **227** | **1.00** | **5.00** | **3.2070** | **.07722** | **1.16348** | **2** |
| PEN1 | 227 | 1 | 5 | 3.29 | .080 | 1.202 | |
| PEN2 | 227 | 1 | 5 | 3.24 | .083 | 1.255 | |
| PEN3 | 227 | 1 | 5 | 3.09 | .084 | 1.271 | |
| **SC (Status Consumption Motivation)** | **227** | **1.00** | **5.00** | **2.7827** | **.07736** | **1.16561** | **4** |
| SC1 | 227 | 1 | 5 | 2.60 | .086 | 1.294 | |
| SC2 | 227 | 1 | 5 | 2.80 | .086 | 1.300 | |
| SC3 | 227 | 1 | 5 | 2.94 | .086 | 1.301 | |
| **BE (Bandwagon Effect)** | **227** | **1.00** | **5.00** | **2.7151** | **.08018** | **1.20801** | **5** |
| BE1 | 227 | 1 | 5 | 2.85 | .089 | 1.348 | |
| BE2 | 227 | 1 | 5 | 2.52 | .091 | 1.371 | |
| BE3 | 227 | 1 | 5 | 2.78 | .090 | 1.362 | |

| | N | Minimum | Maximum | Mean | | Std. Deviation | Rank |
|---|---|---|---|---|---|---|---|
| | Statistic | Statistic | Statistic | Statistic | Std. Error | Statistic | |
| **PI (Purchase Intention)** | **227** | **1.00** | **5.00** | **2.5742** | **.07612** | **1.14691** | **6** |
| PI1 | 227 | 1 | 5 | 2.77 | .082 | 1.237 | |
| PI2 | 227 | 1 | 5 | 2.34 | .087 | 1.305 | |
| PI3 | 227 | 1 | 5 | 2.61 | .086 | 1.296 | |
| PI4 | 227 | 1 | 5 | 2.77 | .089 | 1.334 | |
| Valid N (listwise) | 227 | | | | | | |

**Analysis of Variance**

The analysis of variance (ANOVA) reveals demographic differences in AI-generated promotion perceptions: Men perceive these ads as more expert and entertaining, with transparency at 0.0746 (p = .016) and entertainment at 0.1009 (p = .007). However, gender doesn't significantly impact purchase intentions. Millennials view AI ads as most transparent (F = 2.528, p = 0.042) and entertaining, but generational differences in purchase intentions are insignificant. Vocational-technical groups find AI ads more transparent (M=3.4815) and entertaining (M=3.9074) with marginal significance in education levels (F=2.253, p=0.050 for PTR; F=2.919, p=0.014 for PEN). Lower incomes perceive higher transparency (Mean = 3.6133) and entertainment (Mean = 3.8133) in AI ads, more influenced by bandwagon effect (Mean = 3.1333), with higher purchase intentions (Mean = 3.0667, F = 2.506, p = .023). These findings support Hypothesis 4, underscoring significant demographic impacts on AI ad perceptions but not on purchase intentions.

**Reliability and Intrinsic Validity**

As seen in TABLE 3, the reliability and validity tests for the six factors indicate strong internal consistency and significant relationships among the constructs. The Pearson Correlation coefficients are all above 0.65 The means and standard deviations of the factors indicate varying levels of agreement among the respondents, with Perceived Expertise having the highest mean (3.44) and Purchase Intention the lowest (2.62), suggesting different levels of respondent agreement across these constructs.

**TABLE 3**
**RELIABILITY AND INTRINSIC VALIDITY FOR RESEARCH VARIABLES**

| Factor (Items) | Description | Mean | Std. Deviation | N | Cronbach's Alpha | Pearson Correlation |
|---|---|---|---|---|---|---|
| PEX | Perceived Expertise | 3.44 | 1.088 | 227 | 0.856 | 0.679** |
| PTR | Perceived Transparency | 3.09 | 1.193 | 227 | 0.869 | 0.786** |
| PEN | Perceived Entertainment | 3.21 | 1.243 | 227 | 0.930 | 0.813** |
| SC | Status Consumption Motivation | 2.78 | 1.298 | 227 | 0.880 | 0.763** |
| BE | Bandwagon Effect | 2.72 | 1.36 | 227 | 0.866 | 0.778** |
| PI | Purchase Intention | 2.62 | 1.293 | 227 | 0.903 | 0.855** |

**Correlation is significant at the 0.01 level (2-tailed).

**Exploratory Factor Analysis**

As seen in TABLE 4, the author removed two items from the Purchase Intention (PI) factor (PI3 and PI4) from the model to improve the model and resolve the pattern matrix as three items either had low or double loadings. Table 4 summarizes the model fit tests. The total variance explained by the factors is substantial, with the first factor alone accounting for 26.64% of the variance. This is followed by other factors that cumulatively contribute to 73.608% of the total variance. Notably, the goodness-of-fit test yields a Chi-square value of 71.023 with 49 degrees of freedom, significant at p = .022.

**TABLE 4**
**ADJUSTED MODEL FIT TESTS**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .914 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2839.721 |
| | df | 136 |
| | Sig. | .000 |
| Goodness-of-fit Test | Chi-Square | 71.023 |
| | df | 49 |
| | Sig. | .022 |

As seen in TABLE 5, the adjusted pattern matrix reveals distinct factor loadings, with variables PEX1, PEX2, and PEX3 loading strongly on Factor 1; BE1, BE2, and BE3 on Factor 2; PEN1, PEN2, and PEN3 on Factor 3; SC1, SC2, and SC3 on Factor 4; PTR1, PTR2, and PTR3 on Factor 5; and PI1 and PI2 on Factor 6. The extraction method used was Maximum Likelihood, and the rotation method was Promax with Kaiser Normalization, which converged in 8 iterations.

**TABLE 5**
**ADJUSTED PATTERN MATRIX**

| | Factor | | | | | |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 |
| PEX1 | .807 | | | | | |
| PEX2 | .776 | | | | | |
| PEX3 | .744 | | | | | |
| PTR1 | | | | | .632 | |
| PTR2 | | | | | .852 | |
| PTR3 | | | | | .816 | |
| PEN1 | | | .869 | | | |
| PEN2 | | | .933 | | | |
| PEN3 | | | .792 | | | |
| SC1 | | | | .742 | | |
| SC2 | | | | .882 | | |
| SC3 | | | | .773 | | |
| BE1 | | .836 | | | | |
| BE2 | | .660 | | | | |
| BE3 | | .898 | | | | |
| PI1 | | | | | | .478 |
| PI2 | | | | | | 1.065 |

**Confirmatory Factor Analysis**

As seen in TABLE 6, the analysis involves structural equation modeling of latent variables, each represented by multiple observed variables. All show significant and strong factor loadings, indicating an effective representation of the latent constructs.

**TABLE 6**
**CONFIRMATORY FACTOR ANALYSIS BY STANDARDIZED AND UNSTANDARDIZED REGRESSION WEIGHTS**

| Latent Variables | Estimate | Std.Err | z-value | P(> |
|---|---|---|---|---|
| --- | --- | --- | --- | --- |
| PEX =~ | | | | |
| PEX1 | 1.000 | | | |
| PEX2 | 1.091 | 0.088 | 12.421 | 0.000*** |
| PEX3 | 1.129 | 0.088 | 12.829 | 0.000*** |
| PTR =~ | | | | |
| PTR1 | 1.000 | | | |
| PTR2 | 1.142 | 0.088 | 13.006 | 0.000*** |
| PTR3 | 1.193 | 0.086 | 13.797 | 0.000*** |
| PEN =~ | | | | |
| PEN1 | 1.000 | | | |
| PEN2 | 1.087 | 0.050 | 21.524 | 0.000*** |
| PEN3 | 1.057 | 0.053 | 19.781 | 0.000*** |
| SC =~ | | | | |
| SC1 | 1.000 | | | |
| SC2 | 0.987 | 0.064 | 15.342 | 0.000*** |
| SC3 | 0.967 | 0.065 | 14.892 | 0.000*** |
| BE =~ | | | | |
| BE1 | 1.000 | | | |
| BE2 | 0.980 | 0.070 | 13.924 | 0.000*** |
| BE3 | 1.008 | 0.069 | 14.569 | 0.000*** |
| PI =~ | | | | |
| PI1 | 1.000 | | | |
| PI2 | 0.955 | 0.069 | 13.860 | 0.000*** |

*** Significant at a level less than (0.01).

As illustrated in TABLE 7, all the goodness of model fit tests have significant results. As for the average variance extracted, the p-values (P(>|z|)) are uniformly 0.000, indicating that the results are highly statistically significant.

**TABLE 7**
**THE ADJUSTED GOODNESS OF FIT INDICES IN THE CONFIRMATORY FACTOR ANALYSIS**

| Test | Value |
|---|---|
| Test Statistic (User Model) | 142.627 |
| Degrees of Freedom (User Model) | 104 |
| P-value (Chi-square) (User Model) | 0.007 |
| Test Statistic (Baseline Model) | 2936.750 |
| Degrees of Freedom (Baseline Model) | 136 |
| P-value (Baseline Model) | 0.000 |
| Comparative Fit Index (CFI) | 0.986 |
| Tucker-Lewis Index (TLI) | 0.982 |
| Loglikelihood User Model (H0) | -4891.640 |
| Loglikelihood Unrestricted Model (H1) | -4820.327 |
| Akaike Information Criterion (AIC) | 9881.280 |
| Bayesian Information Criterion (BIC) | 10049.103 |
| Sample-size Adjusted Bayesian Information Criterion (SABIC) | 9893.808 |
| Root Mean Square Error of Approximation (RMSEA) | 0.040 |
| Standardized Root Mean Square Residual (SRMR) | 0.029 |

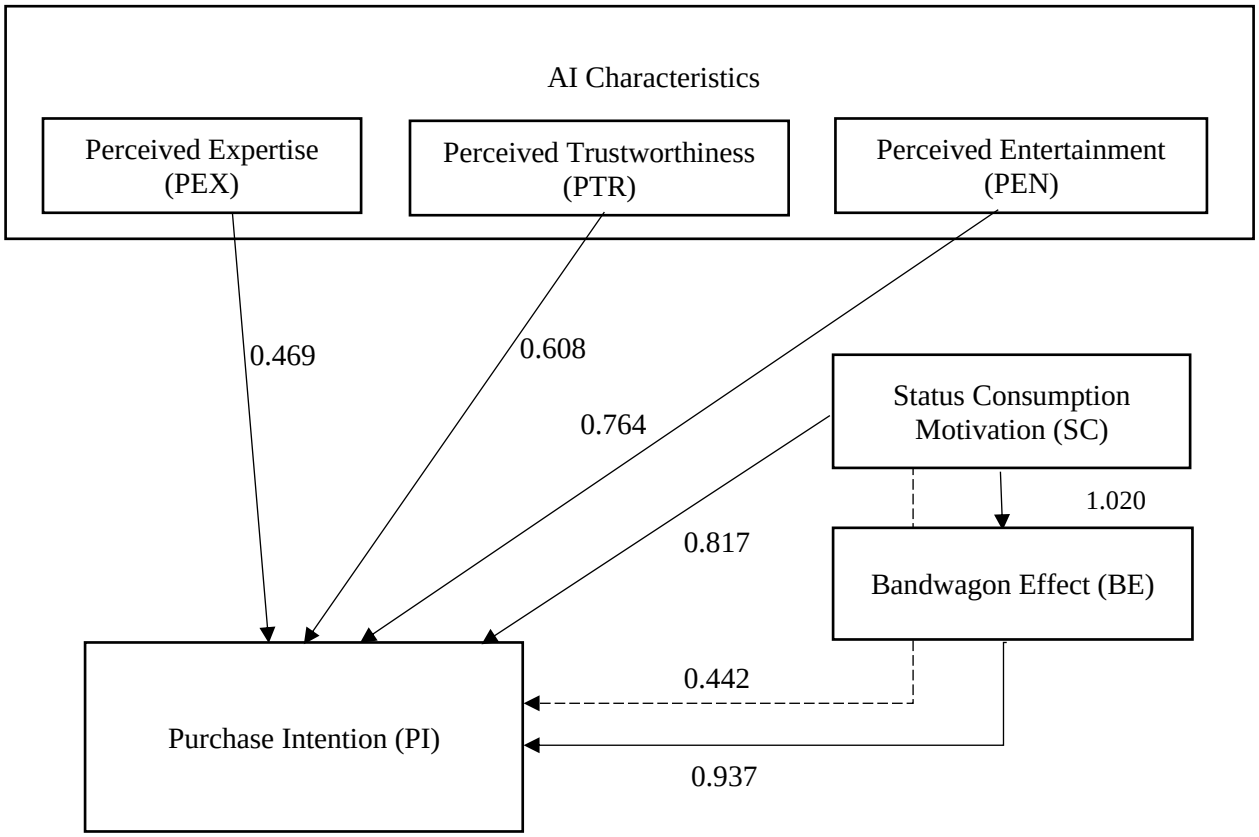
**Effects**

As seen in TABLE 8 and FIGURE 2, the author identifies Perceived Expertise (PEX), Perceived Transparency (PTR), and Perceived Entertainment (PEN) as key characteristics of AI-generated ads that consumers evaluate. The findings show that these factors, along with Status Consumption Motivation (SC) and the Bandwagon Effect (BE), all positively impact Purchase Intention (PI).

**TABLE 8**
**EFFECTS BETWEEN VARIABLES**

| Variables | Estimate | Std. Err | z-value | P(>\|z\|) |
|---|---|---|---|---|
| PEX ~~ PTR | 0.538 | 0.078 | 6.872 | 0.000*** |
| PEX ~~ PEN | 0.629 | 0.087 | 7.258 | 0.000*** |
| PEX ~~ SC | 0.377 | 0.078 | 4.847 | 0.000*** |
| PEX ~~ BE | 0.341 | 0.078 | 4.366 | 0.000*** |
| PEX ~~ PI | 0.461 | 0.081 | 5.659 | 0.000*** |
| PTR ~~ PEN | 0.754 | 0.098 | 7.671 | 0.000*** |
| PTR ~~ SC | 0.521 | 0.089 | 5.866 | 0.000*** |
| PTR ~~ BE | 0.457 | 0.088 | 5.224 | 0.000*** |
| PTR ~~ PI | 0.608 | 0.093 | 6.541 | 0.000*** |
| PEN ~~ SC | 0.620 | 0.100 | 6.184 | 0.000*** |
| PEN ~~ BE | 0.611 | 0.102 | 5.977 | 0.000*** |
| PEN ~~ PI | 0.764 | 0.106 | 7.237 | 0.000*** |
| SC ~~ BE | 1.020 | 0.128 | 7.964 | 0.000*** |
| SC ~~ PI | 0.817 | 0.114 | 7.190 | 0.000*** |
| BE ~~ PI | 0.937 | 0.122 | 7.680 | 0.000*** |

**FIGURE 2**
**EFFECTS BETWEEN VARIABLES AND HYPOTHESIS TESTING**




Starting with PEX, it has a notable positive impact on PI, as indicated by an estimate of 0.461. This relationship, statistically significant with a p-value of 0.000, suggests that when AI ads are perceived as more expert, consumers are moderately more inclined to make a purchase. This underlines the importance of expertise in AI-generated content for influencing consumer behavior. PTR's impact on PI is even more pronounced, with an estimated 0.608. The significance of this relationship, again underscored by a p-value of 0.000, highlights that transparency in AI ads significantly increases purchase intentions. This finding is crucial, as it suggests that clear and open communication in AI-generated ads is key to their effectiveness in persuading consumers. PEN's relationship with PI is the strongest among the perceived AI characteristics, with an estimate of 0.764. The statistical significance of this relationship (p-value of 0.000) emphasizes that the entertainment value of AI-generated ads is a critical factor in influencing consumer purchase decisions. Engaging and entertaining ads have a higher likelihood of leading to purchases, making entertainment a vital element in AI ad design. Therefore, *Hypothesis 1 (H1): Generative AI's perceived expertise (PEX), perceived trustworthiness (PTR), and perceived entertainment (PEN) have a significant impact on the purchase behavior of Millennials and Generation Z,* is supported.

The influence of SC on PI, with an estimate of 0.817, reflects how the motivation to consume for status reasons affects responses to AI ads. The significant correlation (p-value of 0.000) suggests that the stronger the consumer's status consumption motivation, the more likely they are to be influenced by AI-generated advertisements. Lastly, BE shows the highest influence on PI, as indicated by an estimate of 0.937. This relationship's significance (p-value of 0.000) reveals that bandwagon effects, where consumers follow trends and mimic the actions of others, are highly influential in the context of AI-generated ads. This finding indicates that the popularity and acceptance of AI ads can significantly drive consumer purchase intentions. Therefore, *Hypothesis 2 (H2) is supported: Status consumption motivation among Millennials and*

*Generation Z mediates the relationship between their perception of generative AI and their luxury product shopping behavior*.

**Mediation**

As seen in Table 9, the mediation reveals insightful dynamics between Status Consumption Motivation (SC), Bandwagon Effect (BE), and Purchase Intention (PI). The analysis demonstrates that customers' status consumption motivation significantly predicts their susceptibility to the bandwagon effect ($\beta = 0.838$, SE = 0.071, z = 11.849, $p < 0.00$), suggesting that the more customers are motivated by status, the more likely they are to experience the bandwagon effect. The indirect effect of status consumption motivation (SC) on purchase intention (PI) through the bandwagon effect (BE) is calculated as 0.442464. This significant indirect pathway highlights how status-driven motivations can influence purchase decisions indirectly by increasing susceptibility to societal trends and popular behaviors. Therefore, *Hypothesis 3 (H3): The bandwagon effect mediates the relationship between status consumption motivation and consumer purchase intention towards luxury fashion brands.* is supported.

**TABLE 9**
**DIRECT, INDIRECT, AND TOTAL EFFECTS**

| Path | Coefficient | Std. Error | z-value | P-value | Effect Type |
|---|---|---|---|---|---|
| SC -> BE | 0.838 | 0.071 | 11.849 | < 0.001*** | Mediator Path |
| BE -> PI | 0.528 | 0.126 | 4.203 | < 0.001*** | Mediator Path |
| SC -> PI | 0.251 | 0.124 | 2.023 | 0.043** | Direct Effect |
| SC -> BE -> PI | 0.442464 | -- | -- | -- | Indirect Effect |
| Total Effect (SC -> PI) | 0.693464 | -- | -- | -- | Total Effect |

**Sentiment Analysis**

The data collected from the open-ended survey question, *In what specific ways do you think the future of generative AI could improve your shopping experience for luxury products?*, comprising 197 survey responses. This analysis employed TextBlob, a natural language processing tool, to categorize responses into positive (55.84%), neutral (34.01%), and negative (10.15%) sentiments. Further thematic and contextual examination revealed the underlying drivers of these sentiments. Positive sentiments were primarily driven by hopes for enhanced personalization and improved shopping experiences through AI, with a focus on the luxury aspect and AI capabilities. In contrast, negative sentiments stemmed from skepticism about AI's current effectiveness, concerns about authenticity, and uncertainty about AI's role.

## DISCUSSION

The positive impact of perceived expertise, transparency, and entertainment on purchase intentions is consistent with Liu (2023) and Deng et al. (2022), who highlighted the efficiency of AI in content generation and engagement with influencer-endorsed content. This suggests that generative AI's capabilities can enhance the appeal of luxury brands, which is crucial given the importance of engagement behaviors in brand co-creation and perception as discussed by Baykal (2020); Lau et al. (2023); and Pentina et al. (2018). The results also confirm the findings of Giovannini et al. (2015); Kautish et al. (2021); and Kim & Lee (2011). This study found an impact of status consumption motivation on purchase intentions. These earlier studies emphasized the significant influence of self-related personality traits and brand consciousness on luxury fashion consumption, particularly among Generation Y consumers. However, this study suggests that status consumption motivation indirectly contributes to purchase intentions by increasing susceptibility to societal trends and being a direct predictor. Generational differences, with Millennials more influenced by the bandwagon effect, support the findings of Deng et al. (2022); Hemantha (2019); Lau et al. (2023); Pentina et al. (2018); and Zhang et al. 2022), who noted the role of social media

engagement and marketing strategies in attracting and influencing Gen Z consumers. This indicates that while Millennials may be more susceptible to societal trends, Gen Z's engagement may be driven by innovative marketing and their desire for self-presentation and social interaction. This study's results also align with Kautish et al. (2021) and Kim & Lee (2011), who found that values, brand consciousness, and behavioral intentions predict luxury fashion consumption. However, the current study suggests that the direct impact of these factors may be less significant than the indirect impact mediated by the bandwagon effect, indicating a more complex relationship between consumer values and purchase behavior in the context of generative AI.

The current study's observation that perceived expertise does not vary significantly across education levels contrasts with the findings of Lau et al. (2023) and Pentina et al. (2018), who underscored the importance of integrating online and offline channels for Gen Z consumers and the influence of self-identity and social identity on purchase intentions. This suggests that generative AI's expertise is recognized across educational backgrounds, but a comprehensive omnichannel strategy may still be necessary to engage consumers effectively. Gender differences found in the current study, with men perceiving AI-generated ads as more expert and entertaining and having stronger status consumption motivation, contrast with the findings of Hemantha (2019) and Lau et al. (2023), who focused on the influence of celebrity credibility and physical appearance on Generation Z consumers. While the current study did not find these gender differences to significantly affect purchase intentions, it suggests that gender may influence how AI-generated content is perceived and could inform marketing strategies for luxury brands.

The influence of income level on perceptions of transparency and entertainment in AI-generated ads, and the greater influence of the bandwagon effect on lower-income individuals, is a novel finding not directly addressed in earlier studies. This suggests that lower-income consumers may be more reliant on AI-generated content for entertainment and information, making them more susceptible to societal trends, which could be an important consideration for luxury brands targeting this demographic.

**Theoretical Implications**

The findings of this study offer several implications for the theoretical landscape in the context of generative AI and luxury product consumption among Millennials and Generation Z. As AI is expected to have more human-like characteristics and behavior soon, testing earlier theories that are centered on human influence in an AI context is crucial. By integrating the constructs of AI characteristics, status consumption motivation, and the bandwagon effect, this study extends previous theoretical models, including the Theory of Reasoned Action (TRA), Social Exchange Theory, Source Credibility Model, and the Theory of Planned Behavior (TPB). It provides nuanced insights into the role of generative AI in luxury consumption.

Firstly, the study's finding that AI characteristics such as perceived expertise (PEX), perceived trustworthiness (PTR), and perceived entertainment (PEN) directly impact purchase intentions contributes to the Source Credibility Model by introducing generative AI as a novel source of influence. The author suggests that PEN is a significant predictor of purchase intentions, extending the Source Credibility Model to include entertainment as a key factor in the context of AI-generated content. Furthermore, the study's results indicating that status consumption motivation (SC) has both direct and indirect effects on purchase intentions through the bandwagon effect offer an empirical extension to Eastman et al.'s (2012) work on status consumption. The observed generational differences, with Millennials more influenced by the bandwagon effect than Generation Z, add a generational dimension to the Social Exchange Theory. The study suggests that the rewards of engaging with generative AI and luxury brands differ between generations, with Millennials potentially valuing social rewards more highly.

Additionally, the lack of significant variation in perceived expertise (PEX) across education levels, but notable differences in perceived transparency (PTR) and entertainment (PEN), suggests that educational background may influence the cognitive processing of AI-generated content. This insight can be integrated into the Theory of Planned Behavior (TPB), as it highlights the role of background factors in shaping attitudes and perceived behavioral control, which are central to the TPB. Moreover, the gender differences observed in the perception of AI-generated ads and the influence of status consumption motivation and the bandwagon effect could be an important consideration for the Theory of Reasoned Action (TRA). These

findings suggest that gender may play a role in attitude formation and subsequent behavioral intentions, which are core components of the TRA.

**Practical Implications**

*Customer Perceptions Across Different Aspects*

The study indicates that AI-generated content is moderately perceived as expert and entertaining but concerns about transparency may hinder its effectiveness in influencing purchase intentions for luxury products (Kapferer & Bastien, 2009). To address this challenge, marketers should prioritize transparency in AI-generated content to enhance credibility. Building on the entertainment value of such content can also serve to engage these younger generations more effectively. Given the diverse customer perceptions and motivations, a segmented approach that tailors content to specific subgroups could be more effective than a one-size-fits-all strategy.

*Gender Differences*

The observed gender differences, with men perceiving AI-generated ads as more expert and entertaining and having stronger status consumption motivation, suggest that gender-specific marketing strategies may be beneficial (Vigneron & Johnson, 1999). Luxury brands could tailor their AI-generated content to reflect these gendered perceptions and motivations, thereby enhancing the effectiveness of their marketing efforts.

*Generational Differences*

The generational differences observed, particularly Millennials' higher ratings for AI-generated ads, suggest that generative AI strategies should be tailored to align with generational preferences (Williams & Page, 2011). While these differences do not significantly affect purchase intentions, they indicate that Millennials are more receptive to AI-generated content. Marketers could focus on creating AI-driven campaigns that resonate with Millennial values and communication styles to capitalize on this receptivity.

*Influence of Educational Background*

The lack of variation in perceived expertise across education levels suggests that generative AI can be a universally effective tool for conveying complex product information. However, the significant variation in perceived transparency and entertainment with education level, particularly among those with vocational-technical training, implies that educational background should be considered when designing AI-generated content (Smith, 2012). Marketers might benefit from creating more transparent and entertaining content for this demographic to leverage their unique perceptions.

*Impact of Income Level*

The finding that lower-income individuals perceive higher transparency and entertainment value in AI-generated ads and are more influenced by the bandwagon effect has implications for market segmentation and targeting (Noble & Kumar, 2010). Luxury brands could use generative AI to create aspirational content that appeals to lower-income segments, potentially expanding their customer base.

*Overall Impact on Purchase Intentions*

While this study empirically proved that AI characteristics (Perceived Expertise (PEX), Perceived Transparency (PTR), and Perceived Entertainment (PEN)) positively impact luxury products purchase intention, their impact is weaker compared to Status Consumption Motivation (SC) and Bandwagon Effect (BE). In shopping for luxury products, marketers need to find ways to position those characteristics as inspirational to reinforce and achieve status. Looking into the specific AI characteristics, while participants saw that AI-generated content is more useful (PEX) than entertaining (PEN), the latter is found to be the most powerful predictor of purchase intention while PEX is the weakest predictor. This means that marketers should invest more in the entertaining factor of AI-generated promotional content than just relying on making smarter algorithms and useful product recommendations.

## CONCLUSION

In conclusion, this research has illuminated the multifaceted role of generative AI in influencing Millennials and Generation Z's orientation toward luxury products. The findings indicate that the characteristics of generative AI promotional content impact millennials and Gen Z's purchase intention mainly due to its perceived entertainment, transparency, and usefulness. Educational background does not significantly alter the perception of AI's expertise, but it does affect perceptions of transparency and entertainment, suggesting that tailored AI content could be more effective for different educational demographics. Generational differences are evident, with Millennials more susceptible to the bandwagon effect, which is further amplified among lower-income individuals and men, who also perceive AI-generated content as more credible (Eastman et al., 2012). Notably, while perceived expertise, transparency, and entertainment positively influence purchase intentions, the entertainment value exerts the strongest effect, followed by transparency and expertise. Moreover, the indirect effect of status consumption motivation on purchase intention through the bandwagon effect is significant, which aligns with the social identity theory, indicating that status-driven motivations can increase susceptibility to societal trends and popular behaviors (Eastman et al., 2012). In addition, the sentiment analysis revealed that while luxury shoppers may have concerns about the current generative AI's impact on improving their shopping experience, they are optimistic about its future capabilities.

Despite the valuable insights provided by this study, some limitations should be acknowledged. The study's focus on generative AI's role may not fully account for the broader digital ecosystem's influence on luxury product consumption. For future research, longitudinal studies are recommended to better understand the evolving impact of generative AI overtime on consumer behavior. Incorporating behavioral or transactional data to validate self-reported purchase intentions would also be beneficial. Comparative experiments between human and AI-generated promotional content would be beneficial.

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