THE ASSOCIATION BETWEEN PERCEIVED EXCLUSIVITY AND YOUNG CONSUMERS’ WILLINGNESS TO PAY MORE FOR LUXURY BRANDS

Xujia Wang (Libby)
School of Marketing, Curtin Business School
Curtin University

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Corresponding author:

Xujia Wang (Libby)
School of Marketing, Curtin Business School
Curtin University
GPO BOX U1987
Perth, WA 6845
Australia
Tel (+61 8) 9266 3882
Fax (+61 8) 9266 3937
Email: 18705225@cbs.curtin.edu.au
The Association between Perceived Exclusivity and Young Consumers’ Willingness to Pay More for Luxury Brands

ABSTRACT

The purpose of this study is to examine the concept of Brand Exclusivity in the contemporary luxury market environment. Specifically, this study aims to provide a theoretical framework and a well-validated measurement for the Theory of Brand Exclusivity. Both tangible luxury brand attributes (e.g., Premium pricing, Selective distribution & Limited Editions), as well as intangible brand features (e.g., Brand Reputation and Brand Prominence) will be accessed to provide a solid theoretical basis for the concept of Brand Exclusivity. Moreover, the relationship between consumers’ perceived exclusivity and their willingness to pay more for luxury will also be examined to provide managerial benefit for luxury practitioners. For method, the current study will adopt an exploratory mixed method research design. A total of 1200 participants’ responds will be collected to gain a comprehensive understanding of the role of exclusivity in affecting young consumers’ luxury purchasing behaviours. The main contribution of the present paper is to provide a theoretical underpinning framework and conceptualization for Brand Exclusivity which has not been previously well-defined and investigated in marketing research. Findings of this research will share insights on how to achieve brand exclusivity in practice which is meaningful for both luxury businesses and academics.

INTRODUCTION

With the emergence of e-commerce and the expansion of international market, luxury products have become more and more accessible than ever before. It has been estimated that the global luxury consumers have reached 330 million in 2015 (Enscog, 2015), and the size of luxury market has achieved more than $965 billion in 2014 (Bain & Co., 2014). In particular, luxury fashion industries have witnessed a total of 7% increase in the past two years, with a predicted 2%-3% extra growth through 2020 (Bain & Co., 2016). Several mass-luxury fashion brands including Michael Kors, Fossil Group and Pandora have been rated as the fastest-growing luxury goods companies from 2012 to 2015 (Deloitte, 2016).

Further, it is also found that younger generations and middle-class consumers have become an
importance driving force for the growth of personal luxury consumptions such as fashion clothing, watches, handbags and other accessories (Deloitte, 2016). Although it seems that luxury brands have enjoyed promising market returns and expanded customer segments, it has also posed a new challenge for many luxury industries to retain prestigious brand image (Kapferer & Basrien, 2012). That is, how to keep maintaining the uniqueness of brand identity and exclusivity when luxury selling in today’s market is virtually open to anyone, without any selectivity (Bjørn-Andersen & Hansen, 2011). Hence, it is of great interest and importance to understand how luxury brands could restore its exclusivity while continuing to increase potential sales and market share.

OBJECTIVES

The purpose of this study is to understand key brand dimensions underlying the concept of Brand Exclusivity in today’s luxury market. It will examine the effectiveness and significance of brand exclusivity within young Australian consumer segments in order to understand its impact on luxury fashion purchasing intentions and willingness to pay more.

More specially, the proposed study will address the following research questions:

1. To examine the key antecedents that could contribute to Brand Exclusivity in luxury fashion industry.
   - To investigate how tangible brands features including price, limited supply and selective distribution influence the achievement of brand exclusivity.
   - To investigate how intangible features including brand reputation and brand prominence influence consumers’ perception of brand exclusivity.

2. To develop a scale measuring consumers’ perception of Brand Exclusivity

3. To investigate the relative importance of brand exclusivity on influencing young consumers’ purchase intentions and willingness to pay more for luxury brand.
BACKGROUND

The Dynamic of Luxury: Sell More or Being Exclusive?

Traditionally, for classic luxury brands such as Louis Vuitton, Chanel and Hermes, specific marketing barriers have been used extensively to ensure luxury keeps a distance from the mass consumptions, so as to maintain the uniqueness and distinctiveness of brand (Catry, 2003; Radon, 2012). The ultimate goal is to keep brand status as ‘luxury’ so that their products are widely desired to create perceived exclusiveness and emotional value (Kapferer, 2012; Troung & Wiedmann & Hennigs, 2013). In particular, the leverage of high prices, selective distribution and limited supply are the most commonly used strategies in luxury branding to achieve exclusivity (Catry, 2003; Keller, 2009; Kapferer & Valette-Florence, 2016).

Nowadays, luxury consumptions are no longer restricted to the traditional well-off elite; it involves a new market based with the increased purchasing power of young, modern, well-paid, and spendthrift people (Twitchell; 2003). With the increased level of popularity in luxury consumption, many luxury brands decide to target the expanded clientele by making their products more accessible by extending their product lines or engaging in downscale extensions (Catry, 2003; Truong & McColl, 2011). Scholars use terms such as “mass affluence” (Nunes, Johnson, & Breene, 2004), “democratization” (Rémaury, 2002) and “masstige luxuries” (Silverstein & Fiske, 2003) to describe the large-scaled mass-marketization process in luxury. This phenomenon of increased accessibility of luxury goods is particularly pronounced in “mass-luxury” fashion industry due to its dynamic nature and high visibility level (Chow, Fung, & Ngo, 2011; Park, Rabolt & Jeon, 2008).

It is undoubted that aspirational buyers who hold great passion for luxury is reshaping the traditional luxury industry. At the same time, it also poses a concern of whether or not current “accessible” luxury is still “true luxury” (Catry, 2013; Radon, 2012). In fact, the challenge faced by today’s luxury is, how to adapt sales without losing the its innate nature of exclusivity.

Young Consumers in Luxury Fashion Consumption

It has been suggested that there will be a continuous growth in demand for personal luxury goods including leather goods, watches and cosmetics in the next five years (Deloitte, 2016). The main drivers of this growth are associated with the development of accessible online shopping system, and the emergence of new affluent market segments represented by younger
consumers who are conscious about fashion trend and brand status (Morton, 2002; Bryck, 2003). The rise of purchasing power among middle-class, younger consumer segments in developing countries such as China and India have also been investigated extensive in current literature (Okonkwo, 2009; Tyan, McKechnie & Chhuon, 2010). Recent research shows that luxury fashion purchasing is very popular among young consumers in Asia for self-rewarding and gifting purposes (Morton, 2002; Bryck, 2003; Xu & McGehee, 2012). The major psychological motivations are generally for the enhancement of interpersonal relationships (Kyung et al., 2012), social status (Vazifehdust & Reihani, 2013) and a reflection of personal taste (Gao et al., 2009)

**Marketing Strategies for Brand Exclusivity**

There are scholars arguing that brand exclusivity is still alive, and that it still can be achieved in an ‘accessible’ marketing environment by means of developing a ‘Seductive’ route relating to intangible and experiential brand elements (e.g., Catry, 2003; Kapferer, 2012; Kapferer & Valette-Florence, 2016; Keller, 2009; Radon, 2012). Many researchers believe that current luxury market is transforming from its traditional “Selection” consumption model to a new “Seduction” and experiential luxury model that goes beyond the “artificial rarity” of limited supply and exclusive distributions (Kapferer, 2012; Kapferer & Valette-Florence, 2016). The process of co-creativity and interactivity have been seen as important elements for creating unique and memorable luxury experiences for each individual consumer (Kapferer, 2008; Keller, 2009; Radon, 2012). For example, they suggested that luxury brands should direct their focus toward creating meaningful communication strategies by introducing the beauty of design, the perfection in craftsmanship, and the superior services associated with brands (Kyung et al., 2012; Park et al., 2008).

**Conventional Strategies for Exclusivity**

**Luxury Pricing**

Luxury price is an illustration of an integrated value beyond what has been offered by industrial mass production (Kapferer and Bastien, 2009). Godin (2009) describes luxury as “needlessly expensive” to capture the essential characteristic of premium price in luxury brands. In luxury, price is also thought as a symbol for a cluster of brand intangible characteristics such as legend, prestige and history (Kapferer, Klippert, & Leproux, 2014). Vigneron &Johnson’s (2004) research found that the extent to which a luxury product is considered as exclusive or not, has been partly determined by its cost. Furthermore, consumers engaging in conspicuous
consumption generally attach a greater attention to price because of their intentions to impress others (Vigneron and Johnson 2004). Although it should be admitted that a luxury market positioning is not necessarily equals to a high price positioning, there is a general consensus that a premium price is a typical sign that differentiated luxury products from other product categories (Jackson 2001; Kapferer 2008).

**Selective Distribution**

Luxury goods manufacturers generally follow a carefully controlled distribution via a selective channel strategy. Selective distribution is related to the fact that the luxury brand is perceived as not widely distributed and that its store carries a selective atmosphere that able to convey the magic of the brand (Dion & Armould, 2011). Further, Moore & Birtwistle (2010) and Okonkwo (2008) also state the importance of controlling the manufacturer, particularly within license agreements, to ensure that the brand positioning is not compromised. Exclusive and selective distributions have been adopted so that the brand has control over the choice of locations and store decoration to ensure their luxury identity is clearly communicated to the audience (Kapferer, 2012).

**Limited Editions**

Limited editions, and the impacts they have over consumer behaviour, have been studied empirically in a number of contexts including luxury fashion industries (e.g. Balachander and Stock 2009; Amaldoss and Jain 2010; Gierl and Huettl 2010; He, et. al 2010) and premium wine manufactures (e.g. Cartry, 2003; Herpen, Pieters & Zeelenberg, 2014). Early research conducted by Verhallen & Robben (1995) suggested that restricted availability of goods (e.g., products are only available for certain individuals), and limited goods (e.g., due to material and ingredient scarcity) will both enhance the desirability of the brand due to need for uniqueness, social status and sense of achievement. Further, scarce products from luxury brands are considered as social signalling cues to help distinguish elite consumers from others (Stock & Balachander, 2005).

**Contemporary Strategies for Exclusivity**

**Brand Reputation**

Brand reputation is the overall image of a brand that conveys meaningful information about
brand status, expected product quality and price (Shelnes, 1993). Instead of focusing on communicating detailed knowledge of a specific product or product line, brand reputation often concerns with overall symbolic value of brand name and brand image.

In luxury, the term “Reputation” typically infers the embedded power of prestigious brand to convey its authenticity, prestige status and uniqueness in design (Tynan et al., 2010). It refers to the unique accomplishment inherent to the brand, which includes (1) the highest quality and performance of its products, (2) positive evaluations and great brand image among its consumers, (3) signal of unique brand features such as history, craftsmanship and tradition (Dubois & Czellar, 2002; Steenkamp, Batra & Alden, 2003).

**Brand Prominence**

Generally speaking, brand prominence can be defined as a marketing strategy focusing on generating the non-utilitarian value of a brand through various audiovisual media forms (Brechman, Bellman, Schweda, & Varan, 2015; Christodoulides, Michaelidou, & Li, 2009). In luxury consumption, brand prominence is used to reflect the conspicuous nature of a brand and its symbolic value (Han, Nune, & Dreze, 2010; Lee and Faber, 2007; Nelson, 2002). It emphasizes the importance of communicating brand status and distinctive brand features in order to produce more status-related values for target classes of consumers (Cowley & Barron, 2008). This concept is particularly relevant in luxury fashion brands that are most likely to associate with value-expressive purchases in order to demonstrate personal taste (Matthes, Schemer & Wirth, 2007).

Previous research has shown that found that through adequate advertising, the prominence of a brand is able to accumulate brand awareness and brand interest among potential consumers (Cowley & Barron, 2008; Nairn & Fine, 2008). It will also help to effectively convey brand identities to the public, which is crucial for one seller or group of sellers and to “differentiate them from those of competitors” (Kotler 1998; p. 442). However, it should be noted that too much deliberately inserted information may activate cognitive defences against the persuasion from a previously preferred brand (Nairn and Fine, 2008).
SIGNIFICANCE

This research could be seen as a preliminary attempt of addressing brand exclusivity as a singular concept and examining its application in real-world settings. It will provide meaningful insight for both scholars and luxury practitioners on understanding the achievement of exclusivity in today’s luxury market.

- **Theoretical significance**: The current study will have three theoretical contributions. First, it clarifies the diversity of brand exclusivity within different contexts and creates a specific conceptualization of brand exclusivity focusing on luxury branding. Secondly, it is the first study aimed at establishing a theoretical framework for brand exclusivity, which could be systematically tested and validated in future studies. Thirdly, it will extend Kapferer (2016)’s framework on the concept of Abundant Rarity, making the comparison between Rarity and Exclusivity more plausible.

- **Methodological significance**: This is the first study that creating a scale for assessing Brand Exclusivity. It is the first measurement that regarding the concept of exclusivity as a unitary construct. This methodological contribution can add further examination of brand exclusivity not just within the context of luxury brands, but is also thought to be applicable and robust across different research contexts. Further, this study will incorporate both tangible and intangible brand attributes as key antecedents and moderators, which will provide valuable information on the significance of brand-related dimensions on predicting the perception of exclusivity.

- **Practical/ Managerial significance**: This research will offer meaningful managerial insights for brand managers, brand strategists and adverting agents. Firstly, it will help luxury managers to understand the best practices to achieve brand exclusivity in today’s competitive market environment. It will also offer marketing insights as to what may trigger young consumers’ perceived exclusivity and their purchase intentions for luxury brands. It will also provide valuable information for luxury practitioners to set up efficient strategic plans and implementations to balance market sales and brand exclusive image.

RESEARCH METHOD

Research Paradigm

The proposed research paradigm has been listed below. The selection of brand attributes
have been adapted from the ‘Selection and Seduction’ Routes of the “Abundant Rarity” concept proposed by Kapferer (2016).

Research Design

The current study will implement a classic exploratory mixed methods research design that combines both qualitative and quantitative approaches to assess the theme from different perspectives (Tashakkori and Teddlie 2010). Specifically, a sequential mixed method will be used, with the qualitative scale development of brand exclusivity conducted first (Phase 1), followed by the quantitative data examination for the relationships between key antecedents and consumers’ perception of exclusivity (Phase 2). The mixed method design allows combination of various strategies such as survey and case study (Denzin and Lincoln, 2011), which is suitable for fulfilling the purpose of this research.

Research Instrument

Data will be collected partially via existing scales (see Table 1), and through the newly developed scale to measure Brand exclusivity. In addition, respondents’ demographic information will be recorded using online questionnaires.

Table 1. Key constructs and measurement

<table>
<thead>
<tr>
<th>Reference</th>
<th>Construct</th>
<th>Scale</th>
<th>No. of Items</th>
<th>α</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kapferer (1998)</td>
<td>Brand Reputation</td>
<td>Renown Scale</td>
<td>6</td>
<td>0.808</td>
</tr>
<tr>
<td>Dubois et al (2001)</td>
<td>Brand Prominence</td>
<td>Distinction Scale</td>
<td>7</td>
<td>0.845</td>
</tr>
<tr>
<td>To be developed</td>
<td>Brand Exclusivity</td>
<td>Perceived Exclusivity</td>
<td>--</td>
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