



## The impact of brand penetration and awareness on luxury brand desirability: A cross country analysis of the relevance of the rarity principle



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### ARTICLE INFO

#### Keywords:

Luxury  
Dream  
Rarity  
Penetration  
Awareness  
Negative-binomial regression

### ABSTRACT

The global market for luxury brands has witnessed sustained growth in the last two decades, driven by purchases from emerging economies such as China and rising upper middle classes. Because luxury is associated with rarity and exclusivity, fears arise about whether continued growth might dilute the leading luxury brands' desirability. Prior studies offer conflicting results about the effect of greater market penetration on luxury brands' desirability; it appeared negative in the USA but not in Asia, today's highest growth luxury markets. The present research analyzes 3200 luxury consumers' perceptions of 60 major brands across six Eastern and Western countries, both emerging and mature. The overall effect of increased market penetration on luxury desirability remains negative, while the impact of awareness remains always positive. This confirmation of the rarity principle has notable implications for marketing luxury brands that seek to sustain their dream value.

### 1. Introduction

Once a niche sector, accessible only to the wealthy, luxury has become a thriving market, aiming at a vastly enlarged clientele, encompassing the upper middle class. After the 2008 economic crisis, the personal luxury market began to grow again, reaching a rate of 30% between 2011 and 2016 (Bain & Co., 2017). Although mature countries remain the most important luxury markets, because of their purchasing power and the flow of incoming tourists, future growth is elsewhere, in the fast-rising, emerging countries. For example, the Chinese domestic market for personal luxury goods currently ranks third worldwide (at 17.9 billion €), just after Japan (22 billion €), but already having bypassed France (17.1 billion €) and Italy (17.3 billion €). The United States remains the top market (82 billion €) (Bain & Co., 2017). These figures only measure domestic sales, yet modern consumers also shop elsewhere in the world. Bain and Co. (2017) estimates that Chinese consumers represent 31% of all purchases of personal luxury goods in the world (Japanese 10% and other Asians 10%), when considering what they buy both domestically and abroad while traveling.

Luxury, once the ordinary of extraordinary people, has become the extraordinary of ordinary people too. Thus, the luxury market is changing, and it appears likely to continue doing so, with global shifts across national borders. Existing, predominantly Western luxury brands, therefore, must determine if their traditional luxury

management approaches still apply among Eastern consumers. One major question for the managers of highly successful luxury brands is defining how well and how far they can generalize the notion that luxury brands' desirability rests on maintaining some form of rarity and exclusivity, thus on controlling the growth of brand penetration. Continued growth and rarity seem two opposed notions.

To date, the academic literature has mainly focused on luxury measurement (Vigneron & Johnson, 1999; Wiedmann, Hennigs, & Siebels, 2007; de Barnier, Falcy, & Valette-Florence, 2012; Kapferer & Valette-Florence, 2016a, 2016b), on diverse reactions to marketing-mix variables such as price (e.g. Kapferer & Laurent, 2016; Parguel, Delecolle, & Valette-Florence, 2016) or on luxury brand commitment antecedents (e.g. Shukla, Banerjee, & Singh, 2016). However, in their everyday life, brand managers are more concerned with the performance of their brand: how to create growth yet maintain its luxury status. They monitor the growth of brand awareness and the overall penetration of their brands on the market seen as a whole and are sensitive to how these two parameters interact with the desirability for luxury brands. In a sense, this point of view corresponds to a paradigmatic shift from the study of individuality to the analysis at an aggregate level of the interplay of brands operating on the markets.

One single pioneering study, conducted more than twenty years ago in the United States and replicated in France, concluded that greater market penetration dilutes the desirability of luxury brands

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(Dubois & Paternault, 1995), but this effect did not arise in two replication studies conducted in Singapore or Hong Kong, a disconfirmation which seems to limit the generalizability of the rarity principle to western clients. Asian consumers would be not at all the same from that respect? This is the research gap we address: theory and management need to know if the rarity principle is tied to the western culture (quite individualistic) and does not apply in Asia, or if it is a global principle. A cross country replication of the US seminal study was designed to provide an unambiguous answer. Consequently, our research focus is exclusively located at an aggregate level, trying to analyze what the interplay is between luxury brand awareness and luxury brand penetration in order to keep fueling the dream for luxury brands.

Compared to the pioneering American study of Dubois and Paternault (1995), our contribution is hence threefold. First, it is a replication in the USA, twenty years after the original study: since then, many American luxury brands have been growing fast (Coach, Michael Kors, Tory Burch, Polo Ralph Lauren, etc.) and moulded public perceptions of luxury in this country. Secondly, we extend this research to Asian countries as well as European ones and South America, including mature countries as well as emerging countries, which are the great challenge for the future of the luxury industry. Thirdly, it represents an improvement as to the measurement procedures, the statistical models and the respondents' sample selection. Our results do confirm the hypothesis of the universality of the rarity principle, also known as the 'dream equation'. However, they go one step further by showing that if the overall tendency remains the same whatever the country, subtle differences occur according to the culture, economic development of the corresponding countries and the maturity of the luxury market in these countries. Yet, our research does not aim at investigating the possible intervening processes, but aims in priority at assessing or not the validity of the rarity principle across countries and cultures, among luxury buyers.

From a conceptual standpoint, our contribution refers to three main theoretical approaches. First, it mostly rests on Brock's commodity theory on the psychological effects of scarcity. Secondly, it also rests on cultural differences between the western culture and the Asian one (for instance as far as the need for uniqueness is concerned). Thirdly, it makes reference to bandwagon effect versus snob effect theory. Bandwagon effects (when one's choice follows the choice of the many) should be prevalent in countries where conformity is rewarded (such as China) or in new markets, where the consumers have not enough confidence in their own choice. Snob effects may appear in luxury mature markets where new riches need to differentiate themselves and adopt newer and lesser known brands with less penetration.

Our results point out that although the dream equation seems to hold true whatever is the country, hence extending the seminal work of Dubois and Paternault (1995) to other countries than the USA, cultural differences exist between mature countries (France, Germany and Japan) and emerging ones (Brazil and China). Moreover, complementary and innovative statistical analyses shed light on the existence of thresholds of brand awareness and penetration beyond which the impact of awareness and of penetration are fully operating on the desirability of the brand, its dream value. Ultimately, and with regards to those thresholds, managerial illustrations are provided per countries and per brands.

Below, we first provide an overview of the theoretical background relied on as to the interplays between luxury growth, luxury desirability, and cultural differences and rarity. We then present our research objectives, the methodology and the different stages involved in the subsequent analyses. The article then details the main theoretical as well as managerial contributions and concludes with a discussion of further research avenues that warrant attention.

## 2. Theoretical development

In the following sections, we shall address the core points of luxury growth, luxury brand desirability, the moderating role of cultural differences and the rarity principle.

### 2.1. The challenge of luxury growth

Despite ongoing discussions about its precise meaning, the general concept of luxury is familiar and quite clear, even if one person's luxury is not identical to another person's (Berry, 1994). It refers to high quality, hedonistic products, often handmade, that express tradition or heritage and are sold in selective environments, at a price far beyond their functional utility, such that they are associated with taste, elegance and the elite (Vigneron & Johnson, 1999; Kapferer & Bastien, 2012). Luxury value consists of two elements: luxury for the self (self-reward, self-pampering, self-elevation) and luxury for others, which stems from the emotional pleasure of flaunting prosperity. According to self-congruency theory (Sirgy, 1982), luxury buyers can either buy luxury brands for themselves in order to satisfy their private self or for others to fulfill their social self. Hence, luxury brands serve signaling functions (Sundie et al., 2011), such that the rarity or exclusivity of a luxury product adheres to its buyers. This function is especially important in fast growing economies with a rising class of new rich who seek to make strong statements about their own success (Han, Nunes, & Dreze, 2010).

The challenge of luxury brands thus is to sustain the notion of dream of privilege and exclusivity even as they diffuse and grow in popularity. This is all the most important today as many luxury brands can be called mega-brands: they dominate in terms of market share, of retail distribution and brand awareness (Solca, Bertini, & Fan, 2013). Unlike fast-moving consumer goods, which seek to extend their penetration and grow their sales constantly (Sharp, 2010; Romaniuk & Sharp, 2016), luxury diffusion should seek to remain limited, to maintain the sense of rarity. Yet, growing inherently means selling to more people, increasing the penetration of the brand, whether through more stores, more product lines, e-commerce sites, communication or more accessible prices. Thus, there is an inherent risk that growth might dilute the desirability of the leading luxury brands, on the basis of the following paradox: the higher the dream, the higher the sales, but the higher the sales, the lower the dream.

### 2.2. Why more sales create less desirability

All definitions of luxury relate to some form of rarity and exclusivity. Historically, luxury products were reserved for the aristocracy, then later spread to the happy few or the rich who wished to emulate them (Berry, 1994). Only recently has luxury growth relied on extensions of sales to the upper-middle class. Despite this extension, perceived rarity and exclusivity remain underlying factors of the luxury concept. De Barnier et al. (2012) factor analyzed three widely used luxury perception scales and note that they share one convergent dimension: elitism. Thus, luxury value is based on perceived rarity and the feeling that not everyone can or should possess a specific luxury product or brand.

Although the term "commodity" accordingly seems remote from luxury concerns, Brock's (1968) commodity theory is pertinent because it addresses the psychological effects of scarcity and asks: Why does scarcity enhance the desirability of anything that can be possessed? For Brock, the possession of scarce products creates value through feelings of personal distinctiveness and uniqueness, because possessions are an extension of the self (Belk, 1988). In addition, people might prefer not to look like everyone else, as suggested by need for uniqueness theory (Fromkin, 1970; Snyder & Fromkin, 1980). Lynn (1991) tests these assumptions and shows that the stronger the need for uniqueness, the more scarcity enhances value, especially for products purchased mainly

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