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From connoisseur luxury to mass luxury: Value co-creation and co-destruction in the online environment

Sara Quach[a], Park Thaichon[b,*]

[a] Swinburne University of Technology, Melbourne, Australia
[b] Griffith University, Gold Coast, Australia

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ABSTRACT

This exploratory study examines the processes of value co-creation and co-destruction between luxury brands and consumers from the consumer perspective using the social resource theory. The study adopted a qualitative, inductive approach using a sample of 24 in-depth interviews with luxury customers, both local residents and tourists, in Thailand. Love, status, information, and services are the four main types of resources involved in online interactions between luxury brands and customers. It is acknowledged that customers have different expectations, determining the way which they use their resources in interaction with the brand. In addition, the co-creation and co-destruction of the luxury brand experience include conversations and sophisticated interactions between many parties, such as the brand itself, staff, customers, and other related groups, for example, consumption communities and social network users.

1. Introduction

Sales of global luxury goods market increased to more than €1 trillion (£700 billion) for the first time in 2015 (Kollewe, 2015). Facilitated by global currency variations and constant purchases by “borderless consumers”, the personal luxury goods market, including jewelry, watches, and leather goods, as well as fashion and perfumes, expanded to more than €250 billion in 2015, representing 13% growth over 2014 (D'Arpizio, Levato, Zito, & de Montgolfier, 2015). Although consumer demand for luxury goods seems to be weakening in the West due to economic adversity, encompassing tighter credit policies, property crashes, and the new normal of the world economy (Teather, 2008), the hunger for luxury brands is developing in the emerging economies of Asia, the Middle East, and Latin America (Chadha & Husband, 2010). The current decreasing growth rate and mixed prospects of different luxury segments pose increasing challenges for luxury brand owners. Due to the unique characteristics of marketing in the luxury marketplace, it is important that marketers and academic researchers frequently investigate and study the market thoroughly (Seo & Buchanan-Oliver, 2015).

While Web 2.0 and social media, in particular, have evolved significantly to become an indispensable part of people's lives, many high-end brands are still hesitant about adopting these platforms due to concerns regarding ubiquity. However, some luxury brands, such as Louis Vuitton, Chanel, and Burberry, have decided to boost their online presence in an effort to connect with their audiences, especially Millennials, who are more likely to gravitate toward social media (Bolton et al., 2013). Nonetheless, it has been reported that luxury fashion brands tweet and post less than twice a day on average on Twitter and Facebook, compared to 27 daily posts and tweets from leading food and beverage brands (Ilyashov, 2015). This shows that luxury brands are still cautiously taking their very first steps on the Internet.

The marketing of luxury goods involves a balance between meeting increasing demand in the global marketplace and ensuring the brand's prestige and exclusivity (Bian & Veloutsou, 2007), which can be a challenge in e-commerce and social media. Successful luxury brands need to ensure that customer perceive sufficient value in their goods to compensate for the high price charged, even in economic austerity (Tynan, McKechnie, & Chhuon, 2010). In order to achieve this, it is vital to understand customer value creating processes (Plé & Chumpitaz Cáceres, 2010). According to service dominant logic, the customer is always a co-creator of value, which is postulated as being intrinsically interactional and phenomenological (Vargo & Lusch, 2008). In other words, the value of a good or a service does not exist by itself but is a result of how customers perceive the situational experiences facilitated by that particular good or service (Plé & Chumpitaz Cáceres, 2010; Woodruff & Flint, 2006). On the other hand, it is also imperative to understand how value might be co-destroyed in order to recognize, investigate and possibly resolve the associated consequences

* Corresponding author at: Business 1 (G01) 2.09A, Gold Coast Campus, Griffith University, Parklands Drive, Southport, QLD 4222, Australia.
E-mail addresses: squach@swin.edu.au (S. Quach), p.thaichon@griffith.edu.au (P. Thaichon).

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(Plé & Chumpitaz Cáceres, 2010). A specific examination of value co-creation and co-destruction in a technology-enabled environment is particularly important due to the growth of e-commerce and interactive media (Robertson, Polonsky, & McQuilken, 2014). On the basis of the above discussion, this paper aims to investigate the nature of value co-creation and co-destruction related to online interactions in the context of fashion luxury, one of the fastest growing categories of the luxury sector (D'Arpizio et al., 2015). This research would help to address the current gap in the body of knowledge related to online presence of luxury brands (Tynan et al., 2010) through the lens of service dominant logic.

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The remainder of this paper is organized as follows. First, the literature review is presented and followed by the methodology section which describes how the data were collected and the analysis was conducted. Next, the results of the study are presented. In the subsequent section, findings and theoretical and managerial implications of the current study are discussed. Finally, limitations and future research directions are provided.

2. Literature review

2.1. Luxury brand

Luxury is defined as "anything unneeded" (Sekora, 1977, p. 23), which is established in the context of what society considers necessary, and thus is a comparative and dynamic term (Tynan et al., 2010). The term "luxury" is commonly used by current marketers as a way to differentiate brands and appeal to customers. Moreover, novel expressions are coined in the luxury marketers' literature, for example, "old luxury," regarding the goods per se and determined by the company, and "new luxury," referring to the experiential nature of the good as determined by the customer (Florin, Callen, Mullen, & Kropp, 2007). Following Tynan et al. (2010, p. 1158), this study identifies luxury brands as "high quality, expensive and non-essential products and services that appear to be rare, exclusive, prestigious, and authentic, and offer high levels of symbolic and emotional/hedonic values through customer experiences".

2.2. Online presence of luxury brands

Social media platforms have become popular tools among marketers. Such platforms are built on the ideology and technical foundations of Web 2.0, which allows the creation of user-generated content (O'Reilly, 2005). Luxury brands have tried to maintain their presence on at least one platform, such as Facebook, Twitter, or YouTube (Phan, Thomas, & Heine, 2011). These platforms facilitate communications between brands and consumers, and also among consumers. Active participation and engagement can eventually create capital in terms of knowledge and opinions (Jahn, Kunz, & Meyer, 2012). Empowered by Web 2.0 and social media, in particular, customers are no longer passive "receivers," but engage and act as co-creators of value (Hennig-Thurau et al., 2010; Kozinets, De Valck, Wojnicki, & Wilner, 2010; Libai et al., 2010). Moreover, luxury brands have started embracing e-commerce. Louis Vuitton, Fendi, and the French fashion house Chanel were among the very first to experiment with online retailing. As a result, e-commerce is anticipated to account for 18% of luxury goods sales by 2025 (Chao, 2015).

Furthermore, consumers' satisfaction with a luxury brand's Facebook interface is a positive antecedent of favorable attitudes toward the luxury brand, which in turn influences consumers' interest in online shopping, intention to revisit the brand's Facebook page, and intention to explore the luxury brand's social media before making an offline purchase (Annie Jin, 2012). However, the luxury sector might be facing a considerable challenge as luxury brands have gradually become more commonplace (Chandon, Laurent, & Valette-Florence, 2016). In particular, the Internet poses a particular dilemma, especially when it is considered to constitute "mass marketing" practices, giving rise to "masstige" (mass + prestige) brands (Chandon et al., 2016). This raises a question for luxury brand owners on how to balance an image of exclusivity and increasing popularity (Kastanakis & Balabanis, 2012).

2.3. Value co-creation/co-destruction

Payne, Storbacka, Frow, and Knox (2009) claim that value is not created and provided to the passive customer, but is planted in the co-creation process between the firm and its active customer through interaction and dialogue. The focus of marketing has shifted to a process of co-creating value through the exchange of knowledge and skills with customers (Vargo & Lusch, 2004), and co-producing unique experiences (Prahalad & Ramaswamy, 2004). Vargo and Lusch (2008) underline the importance of both "operant resources" (referring to resources that are capable of acting on other resources, for example, skills and knowledge), and "operand resources" (referring to resources that are acted upon, for example, goods), and how their integration and application creates value through interaction and the exchange of a service. Resource integration enables access to necessary resources and opportunities to obtain new resources for potential recipients (Vargo & Lusch, 2011). Therefore, the value is co-created and leads to the development of the well-being of a system.

On the other hand, Cova, Dalli, and Zwick (2011) suggest that the value formation process that happens between the firm and consumers can also be destructive, which means the value is both co-created and co-destroyed in service interactions. In accordance with Vargo and Lusch (2008, p. 149) definition of value as "an improvement in system well-being", Plé and Chumpitaz Cáceres (2010, p. 431) conceptualize value co-destruction as "an interactional process between service systems that results in a decline in at least one of the systems' well-being (which, given the nature of a service system, can be individual or organizational)".

Furthermore, Smith (2013) also emphasizes a lack of consonance as the source of value co-destruction with a focus on the role of expectations and resources loss. During the interaction, customers (system 1) offer resources, for example, material (e.g. goods), conditions (e.g. social status), self (e.g. self-esteem), social (e.g. support) and energies (e.g. money, information) (Hobfoll, 2011) while receiving the organization's (system 2) value proposition or resource offer (Plé & Chumpitaz Cáceres, 2010). In other words, organizations also take part in this process by providing their resources, for instance, people, technology, and information (Maglio & Spohrer, 2008). There are several scenarios where the customer (system 1) experiences resource misuse and consequently loss of well-being, resulting in value co-destruction. They are: (1) failure of the organization to deliver its value proposition due to its inability to offer expected resources; (2) the customer fail to gain expected/desired resources during the. Resource integration process; (3) the customer encounters an unanticipated loss of accumulated resources; (4) a mix of the fore-mentioned scenarios (Smith, 2013).

In line with this thinking, Echeverri and Skålén (2011) identified value co-destruction as an outcome of providers and customers relying on incongruent elements of practice, for example, when brand and customers fail to match their understanding and expectations in a specific interaction. The resulting insecurity and/or insufficient transparency can lead to unease and nervousness as well as stress which affects negatively on well-being (Moschis, Ferguson, & Zhu, 2011). In other words, due to inappropriate or unexpected behavior, resources are accidentally or intentionally misused, which leads to the discrepancies between the desired and actual states, and eventually value co-destruction (Plé & Chumpitaz Cáceres, 2010). In fact, Tynan et al. (2010) suggest that co-creating value in luxury context requires conversation and sophisticated interaction between the brand owner, staff