



Explaining and predicting purchase intentions following luxury-fashion brand value co-creation encounters



Eunha Choi ^a, Eunju Ko ^{a,*}, Angella J. Kim ^b

^a Department of Clothing & Textiles, Yonsei University, Samsung Hall 313, Yonsei University 50 Yonsei-ro, Seodaemun-gu, Seoul 120-749, Republic of Korea

^b Department of Apparel Merchandising & Management, California State Polytechnic University Pomona, 3801 West Temple Avenue, Pomona, CA 91768, USA

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ABSTRACT

This study investigates luxury brand value co-creation processes. The authors use a mixed method approach to examine the relationships among encounter attributes, consumer value, brand value, and purchase intentions. In-depth interviews with Chanel customers reveal their reactions to their digital marketing and art marketing value co-creation experiences. Structural equation modeling analysis shows that the experiences influence customer value, customer value then influences brand value, and brand value then influences purchase intentions. Findings suggest that marketers should emphasize emotional and experiential aspects during customer–brand interaction encounters.

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1. Introduction

In modern marketing, value is sometimes one of the most important elements of brand success. Value comes from consumers' perceptions regarding whether the brand has provided positive shopping experiences (Schechter, 1984) and has fulfilled their personal expectations. When customers perceive that a brand offers what they need and want, value is created (Gilbreath, 2010). In the past, companies have created value by providing goods and services that meet customers' expectations and meet company goals. The consumer role was to passively accept and then evaluate company offerings. Now the trend is toward emphasizing customers in planning and executing business activities. Consequently, value is created via business-to-customer (B2C) interactions. Brand activities involving customer participation allow customers to engage with brands to assure that the brands improve their lives (Mun, 2011).

The most important element of the value co-creation process in which customers actively participate in brand-related activities, is an *encounter*, where learning and communication interactions between brands and customers take place (Koo & Rha, 2012; Woodside & Ko, 2013). Various brand-related activities such as marketing events allow interactions between brands and customers for creating value (Koo & Rha, 2012) and are important value co-creation encounters.

The luxury fashion market has been particularly attracted to value co-creation. The most challenging task for the long-lasting success of

luxury fashion brands is to communicate value by providing novel value and building strong customer bonds (Choi, Ko, Kim, & Mattila, 2015; Kim & Ko, 2010a, 2012) through unique interactions differentiating them from the competition. To create novel values, luxury fashion brands have focused their marketing efforts on digital communication and art encounters (Heine & Berghaus, 2014; Tynan, McKechnie, & Chhuon, 2010), using Internet, social media, and digital technologies as marketing tools (Dhaoui, 2014). Customers can learn about brands for making smarter consumption decisions through B2C interactions via various online platforms.

In addition to using digital technologies, luxury fashion brands collaborate with famous artists to launch limited editions as a way of integrating art into various brand-related activities (Kim, Ko & Lee, 2012). For example, the Murakami Takashi Louis Vuitton collection and Chanel's sponsorship of artistic charity events for the Foundation of AIDS Research were innovative marketing strategies combining art and luxury to enhance brand images and satisfy customers' emotional needs. The focus on digital technologies and art provides opportunities for customers to participate in brand-related activities and create additional value.

Although many companies encourage customers to participate in value creation activities, empirical research is lacking to show how B2C interactions co-create values. The process of value co-creation and its impact on customers is particularly critical for the success of luxury fashion brands. Given the limited empirical study in the area of luxury brand value co-creation, this study attempts to explore luxury brand value co-creation using a mixed method approach. Study 1, a qualitative investigation focusing on luxury fashion brand marketing activities as

* Corresponding author.

E-mail addresses: lovetoday23@hotmail.com (E. Choi), ejko@yonsei.ac.kr (E. Ko), akim@cpp.edu (A.J. Kim).

encounters of value co-creation, explores value co-creation encounters and their attributes. Study 2, a follow-up, quantitatively examines the relationships among encounter attributes, customer value, brand value, and purchase intention to explain the process and influence of value co-creation encounters.

2. Value co-creation

Some researchers view the concept of value co-creation from various angles, but the common understanding is that customers actively participate in creating brand values (Payne, Storbacka, Frow & Knox, 2009; Prahalad & Ramaswamy, 2004; Vargo & Robert, 2004) by interacting through marketing encounters such as product or brand-related activities. Koo and Rha (2012) explain that interactions between brands and customers are independent but recursively interrelated value co-creation processes. That is, customers experience the brand and then form perceptions of brand values. Brand managers then learn about the perceptions and selectively apply them to develop better products or services. When customers accept newly provided products or services, they ultimately contribute to value co-creation.

Payne, Storbacka, and Frow (2008) emphasized the importance of creating experiential relationships between brands and customers. Value co-creation means that customer emotional, cognitive, and behavioral experiences are the basis of the value, impressions, recognition, and internalization they accord to the brand.

2.1. Encounters of value co-creation

An encounter is the point of interaction, touch point, or contact with a brand that then determines the value co-creation. Products or services customers purchase from the brand are the basis of value co-creation encounters (Koo & Rha, 2012) in addition to physical experiences in retail venues, promotional events, or online websites where brands and customers communicate and interact.

Value co-creation encounters include both cognitive and emotional experiences (Anderson, 1995; Gentile, Spiller, & Noci, 2007; Payne et al., 2008; Schmitt & Simonson, 1997). A brand's social media platform is an example of a value co-creation encounter where the brand and its customers interact cognitively to learn about and share brand/product-related information; they also interact emotionally in sharing their common interests.

2.2. Luxury fashion brand value co-creation

In the luxury market, competition means that brands must distinguish their unique characteristics through distinctive brand-related marketing (Kim, Ko, Xu & Han, 2012; Ko & Megehee, 2012). Luxury fashion brands widely adopt value co-creation encounters to provide novel interactions and innovative experiences (Lee, Ko, & Megehee, 2015). Tynan et al. (2010) qualitatively examined corporate marketing activities in the luxury brand market. They found that important corporate art-related activities that contribute to value co-creation include art-inspired products, artistically constructed store facilities, artist collaborations, arts and exhibitions (e.g., photography, movies), and artist support. Important brand networking/communication activities include digital communications (e.g., online communities, blogs, SNSs, mobile applications), one-to-one sales representative–customer interactions, and customer relationship management (Park, Song, & Ko, 2011).

3. Customer value and brand value

Brand–customer interactions yield both customer value and brand value (Gentile et al., 2007; Kim, Ko, Xu et al., 2012). When customers interact with brands, they gain both utilitarian and hedonic values (Addis & Holbrook, 2001). In luxury fashion brand consumption, they particularly derive social, hedonic, conspicuous, and self-expressive

values in addition to practical values (Tynan et al., 2010; Vigneron & Johnson, 1999; Lee et al., 2015; Woodside & Ko, 2013).

Brand–customer interactions also yield performance-related outcomes including sales and market share, positive brand images, and brand loyalty (Gentile et al., 2007). Brand assets are the intangible and ultimate outcome brands expect to gain in return for their business activities. Yoo and Donthu (2001) identified three dimensions of brand assets: brand loyalty, quality recognition, and brand recognition. They focused on marketing activities as encounters of value co-creation that created brand loyalty and brand recognition.

4. Study 1

Study 1 was a qualitative exploration of luxury fashion brand value co-creation to identify the attributes of luxury fashion brand value co-creation encounters. Luxury fashion brands are defined as brands that have global reputations, inspire customer desires, and are associated with tradition and innovation (Tynan et al., 2010). Hermes, Chanel, and Louis Vuitton were considered because they are commonly ranked in luxury brand indexes (i.e., L2 Think Tank's Gen Y Prestige Brand Ranking's, 2010; Millward Brown's Top 100 Most Valuable Global Brands's, 2012). Chanel was finally selected to represent luxury fashion brands in the research because it best met the selection criteria: 1) the brand is a leader in the luxury fashion industry; 2) the brand has a successfully established cultural tradition; 3) many people can share the brand's culture but the brand will retain its exclusiveness as a luxury brand.

4.1. Sampling and data collection

Using purposive sampling, snowball sampling techniques, and in-depth interviews, the researchers recruited ten Chanel customers, in their 20s and 30s, from the Seoul metropolitan area. All participants were active, loyal Chanel customers who were fully aware of the brand culture. They owned at least two leather bags from the brand's main product category and had shoes, apparel, and cosmetics from other categories. They had also participated in Chanel's brand-related special events (see Table 1 for the participant characteristics).

Following Patton's (1990) interview guide approach, semi-structured in-depth interviews were conducted regarding encounters of value co-creation and their attributes. The study focused on marketing encounters of value co-creation, so the interviewers asked about customer experiences with the marketing activities. We first asked about Chanel's recent encounters allowing customers to interact with the brand and then asked about interaction experiences. The participants were asked to speak freely about various experiences related to the brand. Interviews were audio-recorded and lasted 1–2 h depending on how much experience the interviewees had to report.

4.2. Results

To identify participants' encounter experiences, we asked, “Does Chanel use remarkable attempts to deliver customer value?” “What brand-related activities do you and Chanel use to communicate/interact?” “How do you share your experiences with Chanel?” Participants emphasized Chanel's digital marketing and art marketing activities, as expected.

4.2.1. Digital marketing

Participants said that their recent interaction with Chanel took place through online communication value co-creation encounters. Participants' experience communicating with or about Chanel online through digital communication encounters were classified as *brand-driven platforms* (i.e., official home pages, official blog pages, and official social network services sites; SNSs) and *customer-led online communities and personal blogs* (Park et al., 2011). Participants visited both brand-driven and customer-led online communication venues almost daily and participated in brand-related communications. Their activities included

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