



The effect of a limited-edition offer following brand dilution on consumer attitudes toward a luxury brand



Hyunju Shin^{a,*}, Jacqueline K. Eastman^a, David Mothersbaugh^b

^a Department of Marketing, College of Business, Georgia Southern University, P.O. Box 8154, Statesboro, GA 30460, United States

^b Department of Marketing, Culverhouse College of Commerce and Business Administration, University of Alabama, P.O. Box 870225, Tuscaloosa, AL 35487-0225, United States

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ABSTRACT

This research examines the impact of a luxury limited-edition offer in the face of core brand image dilution of a luxury brand. Through utilizing two millennial subgroups (college- vs. post-college age) as research participants in two studies, the findings suggest that in a brand dilution condition, the limited-edition product enhances consumers' attitudes toward the luxury brand and that these effects are more pronounced for consumers with a higher self-presentation motive. We also find that college-age millennials are more strongly influenced by social influences than post-college age millennials. The implications for academic researchers and luxury brand retail managers are discussed.

1. Introduction

Luxury brands are often tempted to employ step-down brand extensions or offer affordable luxuries to increase profitability by capturing a broad range of consumers (Kapferer and Bastien, 2009; Mundel et al., 2017). Although these strategies enable luxury brands to leverage their most important asset – the brand name – a reduced consumer evaluation or acceptance of the core brand due to diluted brand image is inevitable (Dubois and Paternault, 1995; Kapferer and Bastien, 2009).

While prior research has examined distancing (Kim et al., 2001) and sub-branding (Milberg et al., 1997; Phau and Cheong, 2009) to avoid brand dilution or releasing new product introductions (Luo et al., 2010) to recover from brand dilution, several researchers have noted research gaps pertaining to recovering a luxury brand image from brand dilution (e.g., Cooper et al., 2015; Hagtvedt and Patrick, 2009; Radon, 2012; Štrach and Everett, 2006). In the meantime, many luxury brands have implemented limited-edition (LE) products because consumers believe that scarce products are of better quality and value (Balachander and Stock, 2009; Stock and Balachander, 2005). Furthermore, possessing an LE product allows luxury consumers to signal their own uniqueness, wealth, and high status (Amaldoss and Jain, 2008; Chan et al., 2015; Gierl and Huettl, 2010; Mittal et al., 2016). The previous literature has viewed scarcity as the main characteristic of LE products (e.g., Jang et al., 2015; Stock and Balachander, 2005). We suggest that luxury LE products are also more expensive than a brand's regular offers (i.e., high

price), equipped with unique and rare features, and have a high status within the product line due to exceptional craftsmanship demonstrated in the LE product (i.e., high status). Therefore, the LE product fosters a perception of exclusivity, which is a critical dimension of a luxury brand (Fionda and Moore, 2009; Vigneron and Johnson, 2004). The objective of the current study is to propose the limited-edition offer as an important luxury brand strategy for recovering core brand image dilution. In addition, we empirically examine its role in enhancing consumers' attitudes toward the luxury brand in terms of satisfaction, repurchase intention, and positive word-of-mouth (WOM) intention, which are considered "important customer-oriented outcome variables" (Jang et al., 2015, p. 989). Given the lack of research on the role of the LE strategy in the luxury market (Balachander and Stock, 2009), this paper contributes to the literature by illustrating how the use of the LE offer may overcome brand dilution in the luxury market.

Furthermore, the current study examines the effect of a LE product on brand interest in the case of a luxury brand's core image dilution. Brand interest, associated with the level of curiosity about the brand, is an important outcome variable that has a critical influence on future contact intentions with the brand (Machleit et al., 1993). In doing so, we examine the moderating role of consumer's self-presentation motive (Wilcox et al., 2009) as an individual difference variable in the evaluation of LE products on brand interest. Prior research has indicated that consumers' attitudes toward a luxury brand may serve a self-presentation function (i.e., the brand is a status symbol), self-expression function (i.e., the brand reflects his or her personality), or

* Corresponding author.

E-mail addresses: hshin@georgiasouthern.edu (H. Shin), jeastman@georgiasouthern.edu (J.K. Eastman), dmothers@cba.ua.edu (D. Mothersbaugh).

both (Shavitt, 1989). While consumers with a self-presentation motive respond more favorably to extrinsic aspects of products such as image or product form, consumers with a self-expression motive are more responsive to intrinsic aspects of products such as reliability (Snyder and DeBono, 1985). Since LE products emphasize extrinsic aspects rather than intrinsic aspects of the luxury brand offer, we focus on consumers' self-presentation motive (Wilcox et al., 2009) to observe if any difference in the level of brand interest exists among those who have high versus low self-presentation motive at the introduction of a limited-edition offer when there is brand dilution.

To test the hypotheses, this study invites millennial consumers as research participants in a scenario-based experiment utilized in a luxury brand retail context. The millennial market is key for luxury marketers to understand (Mundel et al., 2017; Schade et al., 2016) due to its size and financial worth (Cudmore et al., 2010). The size of this cohort is estimated to be up to 92 million consumers (Stanley, 2013), representing the largest consumer generation in history (U.S. Census, 2015), and they are expected to spend more than \$200 billion annually and more than \$10 trillion in their lifetimes (Nelson, 2012). Research also illustrates that millennials are more interested in status consumption than other generations, such as baby boomers (Eastman and Liu, 2012). Furthermore, as the literature suggests that there may be differences within a generational cohort between younger and older members of that generational cohort (Reisenwitz and Iyer, 2007), younger college-age and older post-college-age millennials may have different motivations toward luxury brands (Mundel et al., 2017) as well as general differences in consumption behavior and preferences (Noble et al., 2009). While most studies examining consumer behaviors of millennials utilize college-age millennials as a proxy for millennial consumers (e.g., Larson et al., 2016; McCormick, 2016; Mundel et al., 2017), such consideration restricts the comprehensive understanding of the consumer behaviors of millennial consumers in the luxury branding context. Study 1 utilizes college-age millennials as research participants, while Study 2 utilizes post-college-age millennials, with both studies utilizing the same experimental design to provide a richer picture of the millennial generation's response to a LE product. Thus, this research aids luxury retail managers in understanding both college-age and post-college-age millennials' responses to a LE product.

The paper is organized as follows. We first review relevant research on millennials and luxury consumption, luxury brand management and brand dilution, and the theoretical underpinning of the role of LE products in luxury branding to develop our hypotheses. Next, we present the research method and analysis of results from two studies. Finally, we discuss the contributions of this research, the managerial implications of our results given the rapid growth of the luxury market in today's marketplace, and the research limitations and directions for future research.

2. Relevant literature and hypothesis development

2.1. Millennials and luxury consumption

The millennial generation has been defined as those born from 1977 to 2000 (Norum, 2003). There are currently 11.8 million millennials with annual incomes greater than \$100,000 (Faw, 2012). Millennials are the largest potential luxury market and will replace the baby boomer market starting around 2018 (Baron, 2015; Danzinger, 2015; Faw, 2012). More importantly, millennials are increasing their spending on luxury products more than any other age group (Baron, 2015; Mundel et al., 2017; Schade et al., 2016).

In addition to their enormous group size and purchasing power, millennials are more consumption-oriented and sophisticated shoppers than their predecessors as they are more connected globally through the internet (Jackson et al., 2011). Further, this generation is also seen as the most protected and indulged generation, with an inability to delay gratification (Tucker, 2006). Millennials are more influenced by the

symbolic aspects of luxury (O'Casey and Frost, 2002), more motivated to consume for status (Eastman and Liu, 2012), and more prestige-sensitive (Moore and Carpenter, 2008). To keep up with fashion trends and their peers, millennials spend money rather than save it (Morton, 2002). This tendency to spend money to signal status to other people "makes millennials very attractive consumers for the luxury good market" (Mundel et al., 2017, p. 69). The literature also suggests that brand is a key element of purchasing a luxury product, particularly for younger consumers (Chao and Schor, 1998), though there is a need for empirical research in this area (O'Casey and Frost, 2002; Shukla, 2010).

2.2. Luxury brand management and brand dilution

Brand management in essence entails maintaining consistency and positive brand associations in brand communication (Keller, 1993; Park et al., 1986). Commitment to a specific brand concept entails providing brand cues consistent with the brand concept (e.g., Shin et al., 2016). Providing cues that are inconsistent with a brand concept decreases brand evaluation (Aaker, 1990; Kim et al., 2001) and results in a dilution of the core brand image (Loken and John, 1993).

Empirical evidence shows that brand dilution has been observed more in luxury brands than non-luxury brands (Hagtvedt and Patrick, 2009; Kim et al., 2001). The management of a luxury brand is unique as marketers must balance competing pressures to satisfy increasing demand while safeguarding the brand's exclusivity (Fionda and Moore, 2009; Kapferer, 2014; Parment, 2008). When the luxury brand is no longer seen as exclusive, unique, or uncommon (Berger and Ward, 2010), its value is decreased. In the same vein, when a luxury brand introduces a step-down vertical extension to capture a broader range of consumers, inconsistent information about the level of price and quality weakens favorable core brand beliefs and ultimately results in a less favorable core brand evaluation (Kim et al., 2001).

While researchers have investigated the role of possible preventive strategies to avoid brand dilution, such as distancing (Kim et al., 2001) and sub-branding (Milberg et al., 1997; Phau and Cheong, 2009), as well as the role of new product introduction to enhance the diluted brand image (Luo et al., 2010), much of the extant research on brand dilution and enhancement has focused on non-luxury brands (Reddy et al., 2009). Furthermore, although the negative consequences of luxury brand dilution have been documented (e.g., Hagtvedt and Patrick, 2009; Reddy and Terblanche, 2005; Štrach and Everett, 2006), there is no luxury brand-specific crisis response strategy that captures the unique aspects of luxury brands (Cooper et al., 2015). Recently, launching a LE product has become a popular strategy for many luxury brands (Jang et al., 2015), and the LE product is regarded as the most notable example of utilizing scarcity by limiting supply (Gierl and Huettl, 2010). Previous research on scarcity has often indicated that such a strategy has a positive impact on the consumer evaluation of and attitudes toward the brand (e.g., Gabler and Reynolds, 2013). However, the role of the LE in brand dilution has yet to be investigated. Thus, our study empirically investigates the efficacy of the LE offer to enhance consumer attitudes, thereby generating useful managerial insights to address luxury brand dilution.

2.3. Theoretical underpinnings for the role of limited-edition (LE) products in luxury branding

The theoretical underpinning for the consideration of the role of LE products in luxury branding first must consider scarcity in terms of commodity theory. The construct of scarcity has primarily utilized commodity theory in that consumers want a product or commodity more when it is unavailable or hard to obtain (Brock, 1968). Commodity theory, however, is not appropriate in terms of LE products because while consumers may find the LE product difficult to purchase, many other options in the same product category are also available. Moreover, commodity theory does not explain why LE products are

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