

## Online Brand Image, Luxury Value Perception and Brand Equity

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### Abstract

Brand image generates value for luxury companies and helps build long term brand equity. Many luxury brand companies nowadays adopt mass marketing approach with embedding luxury code to prevent their prestige brand image from being diluted. It is crucial for marketers, against a background of online brand-consumer communication, understanding the fast-changing luxury consumers' perception of luxury brands. This study highlights the developments in the existing literature on the issues of brand image on consumer perception of luxury value and brand equity. The main purpose of this paper is to develop a plausible theoretical framework with several hypotheses to help the future investigation of the effect of online brand image on brand equity and consumer perception of luxury value. Finally, this paper discusses the new framework at the theoretical level before contributing to research. It is proposed that brand image exerts considerable influence on brand equity. Besides, consumer perception of luxury value has a mediating effect on the relationship between online brand image and brand equity of luxury brands. This study will provide relevant information for luxury marketers to assist in shaping online brand image and building brand equity. On the other hand, the research propositions of the paper are drawn from the extant literature and theoretical discussion, which requires empirical testing.

### Keywords

Luxury Branding, Brand Image, Perceived Value, Brand Equity

### Introduction

It is seen that there is a growing academic's attention on luxury research from various aspects (Ko et al., 2019). Numerous marketing works of literature have taken luxury terms relating to consumer perception and buying behaviour (e.g. Ku & Lin, 2018). However relatively limited attention is given to luxury brand equity and its antecedents, which are important for luxury brands, as one of the purest branding examples (Keller, 2009), to be more competitive and profitable in the long run.

According to Ansary and Nik Hashim (2017), a favourable brand image helps build brand equity. As one of the vital aspects of the brand, the brand image refers to how customers and others perceive the brand (Aaker, 1996). It is a key factor for directing consumers' decision-making

process (Kotler et al., 2016) by helping customers assemble information, discriminate brands, and create purchase intention (Shukla, 2011). More recent empirical studies carried out by Anselmsson, Bondesson and Johansson (2014) and Munir, Humayon and Ahmed (2017) have confirmed an explicit interest in non-product-related customer perceptions that add value to a product or service often resulting in the ability to charge a price premium, which is an important psychological association of luxury brand. Thus, brand image is one of the crucial competitive advantages that generate value for luxury brand companies (Keller, 2009).

This paper aims to summarize the existing luxury literature on brand images impact on luxury value perception and brand equity and to present a theoretical framework which incorporates several key hypotheses. The newly formulated framework is then discussed, before drawing out research contributions and managerial implications.

Luxury brands rely on a highly selective communication channel to create their luxury value perception. However, in a changing business environment driven by globalization and the internet, luxury marketing is faced with new challenges. The luxury brands that were intended only for the elite social class have been lowering their barrier for the mass market, which arouses the "luxurification of society" and the adoption of mass communication by luxury companies (Chandon, Laurent & Valette-Florence, 2016). Online communication is a powerful tool for a company's mass communication strategy. However, the over-exposure in the online setting poses the risk of diluting the value of brands. It is unknown how online communication affects luxury value perception and brand equity. This lack of knowledge could cause online branding to be less effective and even brand status to be eroded.

## Background

### *Brand Equity*

Brand equity has been used both by scholars and practitioners as an important measurement to evaluate the power of a brand and also the impact of brand investments in the long-term brand performance of management decision (Kapferer, 2008). It is one of the most valuable intangible assets that companies have, so to optimize its value has arisen as a top management priority (Keller & Lehmann, 2006). However, there is still a lack of consensus about the conceptual foundation, measures and essence of this complex and multitude paradigm (Davicik, Vinhas da Silva & Hair, 2015; Maio Mackay, 2001).

This inconclusive discussion is partly due to the wide array of definition and different perspectives provided by researchers (Christodoulides & de Chernatony, 2010). While some researchers examine brand equity from financial perspective by focusing on the monetary value and incremental cash flows for the company due to a brand's name (Anderson, 2011), other researchers discuss from the consumer point of view, namely consumer-based brand equity, by focusing on measurements of brand equity based on consumer behaviour (Buil, de Chernatony & Martínez, 2013). However, Yoo, Donthu and Lee (2000) concluded that most existing studies that examine brand equity do not separate brand equity from its dimensions, resulting in difficulties to provide constructive recommendation for building and improving brand equity. They, therefore, propose the concept of overall brand equity as a unidimensional construct.

### ***Brand Image and Online Brand Image***

Brand image is defined as “the perceptions and beliefs held by consumers, as reflected in the associations held in the consumer’s memory” (Kotler et al., 2016). More explicitly, brand image is a multidimensional construct formed by a set of brand associations that may refer to beliefs, ideas or feelings that consumers hold (Keller, 2013). Brand associations are informational nodes that are linked to the brand in the consumer's memory and are key elements to create strong brand equity (Keller, 2013). Brand image is therefore regarded as a salient aspect of marketing activities. Companies compete on the ability to create a strong, favourable, and unique image of the brand in consumers' memory through marketing programs (Mabkhot, Shaari & Salleh 2017).

To sustain their prestige brand image while increasing their accessibility, luxury companies focus on media innovation and media-driven persuasion (Cristini et al., 2017). Online communication plays a key role in media strategy, so it is crucial to understand the effectiveness of communication in an online context. Many researchers have examined how digital communication channels such as Facebook and Micro-blog (Chou, 2017), and elements such as e-Word-of-Mouth and share affect the purchase intention, customer satisfaction, and customer loyalty (Elseidi, 2016), as well as on how online retailing affect luxury brand image, purchase intention and consumer perception (Susanne, 2014).

### ***Online Brand Image Model***

Today’s consumers are faced with varieties of brands competing in the same category which are provided with similar functional features. Companies, therefore, endow their brands with emotional value to differentiate. This is in line with Syed Alwi and Da Silva (2007)’s study which views the brand image as a more emotional construct relating to consumer feelings and reactions towards a brand. He developed a multi-dimensional online brand image model, based on Davies et al. (2004)'s Corporate Character Scale, involving agreeableness (pleasant, friendly, agreeable, supportive), innovation (daring, trendy, cool, exciting, imaginative, innovative, technical), chic (refined, prestige, elegant), informality (open, easy-going, simple, straightforward) and competence (reliable, secure). Accordingly, this personification approach is adopted by this study to examine the dimensions of luxury online brand image. Thus, we hypothesise that:

H1: Online brand image on Agreeableness (H1a), Innovation (H1b), Informality (H1c), Chic (H1d), and Competence (H1e) have a significant effect on brand equity.

### ***Theory of Consumption Value***

The theory of consumption value explains the reason why consumers choose one brand over another by including five consumption values influencing consumers’ choice behaviour (Sheth, I. Newman & Gross, 1991). This theory was further developed by Sweeney and Soutar (2001) into a four-dimension scale including emotional, social, functional (quality/performance) and functional (price/value for money) values. They argue that price and quality should be measured respectively as functional subdimensions that contribute separately to perceived value. The theory of consumption values is one of the most cited theory for the conceptual model of the perceived value study. These values may be used as a predictor for consumer behaviour, and also an indicator of a brand or product's ability to satisfy consumer's needs because consumers decide to purchase a product the consumers perceive as being of great value for them (Sheth et al., 1991).

### ***Luxury Value Perception***

According to Doss, Phau and Robinson (2013), when purchasing luxury brands, consumers do not evaluate primarily the functional or economic value but the psychological values, such as hedonism and symbolism. Consequently, it is vital for luxury brand researchers to understand the consumers' motivation and value perception related to their buying behaviour of the luxury product (Wiedmann, Hennigs & Siebels, 2009; Vigneron & Johnson, 2004). Previous researches have reached a consensus that luxury value perception is a multi-dimensional construct, for example, Vigneron and Johnson (2004)'s framework of Brand Luxury Index (BLI) and Wiedmann, Hennigs and Siebels (2007)'s four dimensions scale of luxury value perception. These frameworks have been tested empirically in various settings such as different countries, cultures, genders, generations, and markets.

Brand images help contribute to people's perception of the value of a product (Jackson, 2004). Several empirical studies have explored the relationship between brand image and perception of value. The value manifests in various forms such as higher perceived quality, greater willingness to pay a price premium and better brand reputation (e.g. Cho, Fiore & Russell, 2015; Munir et al., 2017; Syed Alwi & Da Silva, 2007), which are all key traits characterizing luxury brands. Thus, this study hypothesizes:

H2: Online brand image on Agreeableness (H2a), Innovation (H2b), Informality (H2c), Chic (H2d), and Competence (H2e) have a significant effect on luxury value perception.

Aligning with studies of consumer perceived value, the linkage between luxury value perception and brand equity is well established under various settings in literature. Empirical studies in both product and service reveal that luxury value perception is positively related to brand equity dimensions e.g. brand loyalty and perceived quality (Palacios, 2016). Thus, this study hypothesizes:

H3 Luxury value perception has a significant effect on brand equity.

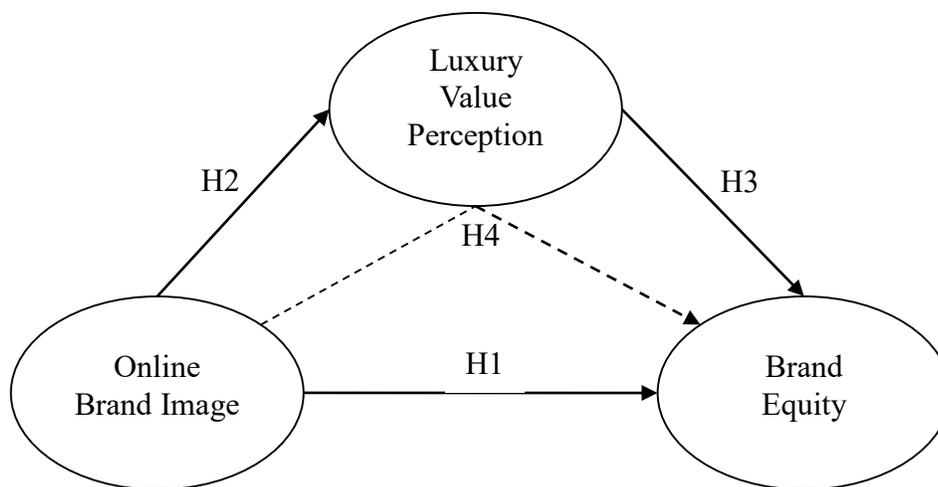
H4 Luxury value perception has a mediating effect on the relationship between brand image dimensions (H4a Agreeableness, H4b Innovation, H4c Informality, H4d Chic, H4e Competence) and brand equity.

### **Gaps in Current Studies**

Luxury brands compete on the ability to create a prestige brand image, which often relies on the brand-consumer communication. However, luxury branding researchers have given limited attention to the various dimensions of online brand image on luxury value perception and thereby influence the brand-building process. This lack of knowledge reveals a gap between what we know about consumers' perception of luxury brands and how online communication contribute to perception. The theoretical framework is shown in the figure below.

Based on the literature, this paper provides the following recommendations for future research. Further research could be conducted to test empirically this proposed framework, such a study including samples from rapid developing Asian countries, or a cross-country comparison study. A future study could also investigate the moderating effect of luxury value perception on the relationship between online brand image and brand equity. Moreover, luxury value perception

is a multi-dimensional construct, further studies thus could examine the brand image effect on its various dimensions.



Notes: Direct effect   
 Indirect effect (Mediation)

Proposed Theoretical Framework

### Conclusions

Luxury brand companies rest lag behind in adopting online communication. One major reason is that the inclusive nature of the internet challenges what they believe is to maintain their innate quality. Despite luxury online branding is getting much more attention than a decade ago, we find a lack of study on how the brand image conveyed in online context affect consumers perception of a luxury brand and brand equity. With the help of previous literature, this paper discusses the conceptual level the framework of online brand image dimensions on brand equity and also the mediating effect of luxury value perception.

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