The Advantage of Low-Fit Brand Extensions: Addressing the Paradox of Exclusive Brands

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We examine high-fit versus low-fit downward brand extensions in the domain of luxury and symbolic brands. Adding a novel brand membership perspective, we demonstrate that low-fit extensions can reinforce, rather than dilute, the brand image because these extensions do not allow their users to claim membership into the brand community.

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All that Glitter! Motivation for Luxury Consumption from Multiple Perspectives

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Paper #1: Impact of Status Maintenance Motivation and Political Ideology on Luxury Consumption
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Paper #3: Quenching the Desire for Luxury: Successful Lower-end Luxury Brand Extensions Satiate Brand Desire
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Paper #4: The Advantage of Low-Fit Brand Extensions: Addressing the Paradox of Luxury Brands
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SESSION OVERVIEW

“Let me be surrounded by luxury, I can do without the necessities!”
-Oscar Wilde

With a revenue growth twice that of global GDP, the luxury industry, expected to reach €250 billion threshold this year, has received a lot of recent managerial and academic attention (Bain 2013). Particularly, central to researchers had been the question of what motivates people to consume luxury goods. Three main motivations for luxury consumption have been identified as (1) signaling status, (2) expressing one’s identity, and (3) boosting self-contentment (Belk 1985; Han, Nunes, and Dreze 2010; Richins 1987; Veblen 1899). In this session, we seek to deepen our understanding of what motivates luxury consumption by bringing together four papers examining each of these drivers more in depth, from multiple perspectives.

The session will start with a focus on examining how motivation to signaling status impacts luxury consumption. The first paper by Kim, Park and Dubois, extends our current understanding on how status motivation impacts luxury consumption by distinguishing status-maintenance motivation from status-enhancement motivation and explores how the two status motivations interact with political ideology to impact luxury consumption. Grewal, Stephen and Coleman will then move the discussion forward to the second motivator, motivation to express one’s identity. Using a highly marketing-relevant context, social media, the authors show that expressing one’s ideal-self through online affiliations with luxury products on social media (e.g., Pinterest) reduces desire for luxury by enhancing psychological ownership of luxury brands.

Shifting discussion from non-owners to owners, the last two papers examine the role of the third motivator, self-contentment, in luxury consumption. In the third paper, Patrick and Prokopec propose that whether owning a downward-extended luxury product increases or decreases desire for luxury products depends on whether one’s desire can be contented with owning a downward-extended luxury product (i.e., desire specificity). Finally, Bellezza and Keinan demonstrate that low-fit downward brand extensions (e.g., Ferrari video game) as compared to high-fit downward brand extensions (e.g., Ferrari city car) enhance the brand image by boosting self-contentment for luxury brand owners.

Across an integrated set of four papers, we explore a coherent theme of what motivates one to consume luxury brands from multiple perspectives, building connections from one motivator to another and from non-owners to owners. Furthermore, we seek to advance connections with managers by presenting four papers that are highly practical and managerial. First paper explores a variable (political ideology) that is easy to be identified and utilized for managers while the second paper focuses on a highly marketing-relevant context, social media and the last two papers address the dilemma often faced by managers of luxury brands, namely, how to extend the market without diluting brand power. Altogether, this session raises a question of how different motivators interact with characteristics of consumers (e.g., political ideology and social media activity) and brand (e.g., brand structure and extension) to ultimately shape consumers’ desire for luxury brands. We believe our session will attract audiences from diverse background including researchers in motivation, branding, conspicuous consumption and social class as well as managers of luxury brands.

Impact of Status Maintenance Motivation and Political Ideology on Luxury Consumption

EXTENDED ABSTRACT

In marketing, it is well established that people consume luxury goods to signal status (e.g., Han, Nunes, and Dreze 2010; Richins 1987; Veblen 1899). Accordingly, the use of status appeal is easily found in advertisements. For example, Audi tells consumers to ‘update your status’ with their car while BMW tells consumers that ‘the symbol on your hood is more than a logo—it’s a reminder’. While the two luxury cars make similar appeals related to signaling status, the two differ in their messages greatly. Audi motivates consumers to improve and enhance their status with their car whereas BMW motivates consumers to remember and retain their status with their car. This distinction corresponds to what researchers in management have recognized as distinct dynamics of status (Chen, Peterson, Phillips, Podolny, and Ridgeway 2012) which we refer to as status-enhancement motivation and status-maintenance motivation. While prior research has recognized the two as distinct, little is known about how the two compare to each other, therefore, in this research, we fill this gap by exploring the two jointly in our studies.

Research on motivation has shown that focusing on discrepancy to the desired state is more motivating than focusing on the current state (e.g., Carver and Scheier 1990, 1998; Koo and Fishbach 2010). In our context, these findings suggest that consuming luxury brands to reach a desired state (i.e., status-enhancement motivation) would be more motivating than consuming luxury brands to keep the current state (i.e., status-maintenance motivation). Contrarily, in this research, we propose that this dynamic depends on one’s belief system, political ideology which varies from liberal to conservative. According to Jost and his colleagues (2003), political ideology is a powerful belief system that stems from one’s motivation to see the world as preferred and can have consequential impacts on variety aspects of life. Relevant to our theorizing, they have shown that political conservatism is adopted as motivation to keep the world sta-
bibilized increases. Given that consuming luxury goods to maintain current status matches well with the core motivation of political conservatism, we posit that political conservatism enhances valuation for luxury brands when they are consumed for status-maintenance motivation as compared to status-enhancement motivation. Across four studies (three reported here), we demonstrate that status-maintenance motivation as compared to status-enhancement motivation increases one’s preference for luxury goods as political conservatism increases.

In Study 1, we test our main argument that status-maintenance motivation as compared to status-enhancement motivation increases preference for luxury brands as political conservatism increases. Participants first indicated their political conservatism on a 7-point scale (1=extremely liberal; 7=extremely conservative). Afterwards, they were randomly assigned to one of the two status motivation conditions and wrote about 2-3 ways by which they can maintain (improve) their social standings. Subsequently, participants proceeded to a purportedly unrelated task on brand evaluations. Participants evaluated three luxury and three non-luxury automobile brands and indicated how much they desire purchasing a car from each brand. In the analysis of this study and all the studies afterwards, we controlled for variables which prior research has shown to influence preference for luxury such as age, gender, income, education and ethnicity, however, our results do not change with or without covariates (Chevalier and Mazzalovo 2012; Graham, Haidt, and Nosek 2009). As expected, the interaction between status-motivation type and political conservatism was significant (p=.032). Most importantly, a floodlight analysis revealed that status-maintenance motivation increased preference for luxury brands significantly more than status-enhancement motivation when political conservatism was high, starting at .7 SD above the mean of political conservatism (β=.31, p=.049). However, this difference disappeared when political conservatism was low (p=ns @-1SD).

In order to address shortcomings that could arise with using real brands, in Study 2, we test our hypothesis using a hypothetical brand. The procedure was similar to study 1, except this time, instead of brand evaluation, participants read a print ad of a headphone framed as luxury versus non-luxury and indicated their willingness-to-pay for the headphone. A three-way GLM on WTP with status-motivation and product framing as categorical variables and political conservatism as a continuous variable revealed a significant three-way interaction (F(1,295)=5.66, p=.018). Crucially, the two-way interaction between status-motivation and political conservatism was significant in the luxury condition (F(1,144)=9.25, p=.003), but not in the non-luxury condition. Consistent with findings from Study 1, status-maintenance motivation increased WTP for a luxury headphone significantly more than status-enhancement motivation when political conservatism was high, starting at .3 SD above the mean of political conservatism (β=.2645, p=.035), but this difference disappeared when political conservatism was low (p=ns @-1SD).

Finally, we test our hypothesis using a real automobile purchase dataset from 38,939 automobile buyers who disclosed their political ideology. Building on prior research suggesting that higher SES individuals have motivation to maintain their current status whereas lower SES individuals have motivation to enhance their current status (Ellemers, van Knippenberg, de Vries, and Wilke 1988), we used current SES as a proxy for whether status-maintenance versus status-enhancement motivation is salient. Consistent with results from prior two studies, republicans purchased more luxury cars when status-maintenance as compared to status-enhancement motivation was salient (i.e., high current SES), but no such difference was found for liberals. In sum, we provide converging evidence for our argument that status-maintenance motivation as compared to status-enhancement motivation leads to higher preference for luxury brands as political conservatism increases.

How Pinning Nordstrom Means Buying Macys: The Relationship of Social Media, Self-Concept, and Luxury Purchase Intentions

EXTENDED ABSTRACT

Past research has demonstrated that consumers use luxury products as a way to affiliate with desired reference groups and to signal self-concepts (Berger & Ward, 2010). With social media, consumers can affiliate with luxury brands online. As social media has been shown to fulfill a variety of social needs such as self-expression and self-presentation (Gosling et al., 2007), it stands to reason it can also fulfill ownership needs. Psychological ownership can provide many of the same benefits to consumers as traditional ownership (Pierce et al., 2003). Therefore, the rise of social media sites that allow consumers to engage with brands in visual and customizable formats has allowed consumers to curate self-images of themselves through luxury brands and products online.

The purpose of the current research is to demonstrate how social media allows consumers to engage with luxury brands in a way that promotes psychological ownership and identity signaling; lowering purchase intentions of luxury products. We believe that when social media enables consumers to visually curate their ideal-self through products and brands, this enhances psychological ownership of luxury products and fulfills identity signaling purposes that have been traditionally associated with luxury, negating the need for purchase.

Study 1 (N = 52) tested the effect of self-concept on WTP for luxury with a 2 group design (self-concept: actual, ideal). Participants were all Pinterest users who pinned 5 “luxury” items that represented who they actually are (actual-self) or who they wish to be (ideal-self). Afterwards, participants were shown a Louis Vuitton suitcase and asked to provide their WTP. Participants in the ideal-self condition were willing to pay significantly less for the suitcase compared to those in the actual-self condition, B=−276.98, t(50)=−2.253, p=.029. This study suggests that when consumers feel a general sense of luxury ownership, it will decrease preference for luxury goods only when they have made the connection of their ideal-selves to luxury.

Study 2 (N=125) explored the moderating role of public versus private signaling of luxury. In a 2 (self-concept: actual, ideal) x 2 (signaling: public, private) design, participants imagined engaging with a new Facebook feature that showcases brand preferences. The feature was described as either “private for their eyes” or “public to their whole social network”. Participants then found 5 items that represented their actual or ideal-self that they would add to this feature. Afterwards, participants, in a seemingly unrelated survey, were shown a map of a regional mall. They were asked to indicate stores they wanted to shop at. Using a zero-inflated Poisson to analyze the number of luxury stores chosen, we found a significant interaction where participants in the ideal-self condition chose less luxury stores than those in the actual-self condition only when the new feature was public, (B=−.707, χ²(4) = 5.10, p=.024).

Study 3 (N=330) explored the role of network size on luxury purchase intentions. In a 2 (self-concept: actual, ideal) x 3 (signaling: full network, close network, private) design, participants engaged with the same stimuli as study 2. We had an additional “close network” condition where the app could only be seen by designated “close friends/family”. We found a significant interaction for willingness to pay for the Louis Vuitton suitcase, F(5,324)=4.385, p=.013.
Looking at the simple effects, we found no significant differences in WTP for the private or close-network conditions. In the full-network condition, participants in the ideal-self condition were significantly less willing to pay for the suitcase (M=148) than those in the actual-self condition (M=324), p=.002. These two studies provide support for the idea that ideal-self presentation online only negatively impacts luxury purchase intentions when there is a public affiliation with luxury.

Study 4 (N=49) explored the moderating role of psychological ownership. Pinterest users interacted with their existing boards in a 2 group design (self-concept: actual, ideal). Afterwards, participants were asked about their sense of ownership of the board’s contents and in a seemingly unrelated survey were then shown a mall to indicate store choices. Using a zero-inflated Poisson to analyze the number of luxury stores chosen, we found a significant main effect of self-concept. Participants in the ideal self-condition chose less luxury stores than those in the actual-self condition, (B=-0.46, χ^2 (2) = 6.14, p=.013). Testing the proposed moderation of measured psychological ownership for luxury purchase intentions, we found that the direct conditional effect of self-concept on purchase intention through psychological ownership was negative and significant but only at average and higher (+1SD) levels of psychological ownership.

Study 5 (N=286) explored varying levels of “ownership” online to determine what ownership is necessary for decreased luxury purchase intentions to occur. Pinterest users were randomly assigned in a 3(ownership: pin, like, control) x 2 (self-concept: actual, ideal) design. Participants found 5 pins that represented their actual or ideal-self; and were either allowed to pin them, like them, or paste them into our survey. We found a significant interaction for the WTP for the Louis Vuitton suitcase; F(5,280)=3.091, p=.047. Looking at the simple effects, we only found a significant difference in WTP for the pinning (i.e. full ownership) condition. Participants in the ideal-self condition were WTP significantly less for the suitcase (M=248) than those in the actual-self condition (M=573), p=.018. These two studies provide support for the idea that ideal-self presentation online only negatively impacts luxury purchase intentions when there is felt-psychological ownership of luxury.

To our knowledge, this set of studies represents a first attempt to consider how different consumer identities can impact luxury consumption preference based on online self-curation. These studies indicate self-representation online can impact luxury purchase intentions. Interestingly, representing one’s ideal self-concept in social media appears to lead to lower purchase intentions specifically for luxury goods only when there is public signaling and a feeling of psychological ownership for luxury.

**Quenching the desire for luxury: Successful lower-end luxury brand extensions satiate brand desire**

**EXTENDED ABSTRACT**

The desire that luxury evokes makes consumers all over the world aspire for luxury products and contributes to the success of the nearly $273 billion luxury industry (Reuters 2013). For luxury brand managers it is a balancing act to maintain the desire for a luxury brand on one hand and to expand and grow to be profitable on the other. One growth strategy managers have adopted involves the launch of lower-end line and brand extensions to expand the market and reach a larger consumer base (Kapferer and Bastien 2009).

Luxury products are those that provide extra pleasure and flatter the senses all at once (Kapferer 1997). Luxury brands, unlike functional brands, are fueled by desire and evaluated based on affective considerations (Yeung and Wyer 2005) and the promise of pleasure (Hagtvedt and Patrick 2009). When managers introduce lower end extensions it is based on the assumption that when a consumer gets a taste of the luxury product, it simply whets her appetite, leaving her wanting more. The current research demonstrates the flaw behind this assumption to identify when this strategy might backfire.

We argue that a luxury brand can be diluted by a successful brand extension when the lower-end extension is able to satiate the consumer’s desire for the luxury brand experience. Specifically, we identify two factors, desire specificity and prior ownership that influence whether a successful brand extension can dilute the luxury brand.

Desire specificity is defined as the fixation of consumers’ desire onto a specific product/s in the brand portfolio. It is well established that when consumers focus on a specific desired object, little else can interfere with that yearning (Belk, Ger and Askegaard 1996, 2003; Belk 1997, 2000; Freund 1971, Baudrillard 1972). If desire for the brand is specifically focused on one or more products in the brand portfolio, then brand dilution is minimized. In contrast, if consumers’ desire is generally directed to the brand, then the brand may be experienced through any lower-level extension, and the potential for brand dilution is heightened.

Prior brand ownership also secures brand desire. People value objects they own more than objects they do not, which affects the appeal of the good (Aggarwal 2004; Aggarwal and Law 2005; Belk 1988; Gawronski, Bodenhausen and Becker 2007). Consequently, successful extensions of luxury brands are more likely to result in decreased purchase intent for brand non-owners.

We investigate these assertions in a set of three studies (two reported here for space considerations). Study 1 (N = 109), desire specificity was manipulated between subjects. Participants were asked to imagine that Marie dreamed of owning the signature Chanel suit (anything from Chanel). All participants were told to imagine that Chanel introduced a new purse at a price of €210. We then assessed the likelihood to buy the desired, more expensive, Chanel product that they had always desired to own (1 = very unlikely, 7 = very likely). A repeated measured analysis with the likelihood to buy the desired parent brand before and after the introduction of the extension as the within-subject factor, and desire specificity as a between subject factor revealed a significant interaction, F (1, 107) = 4.003, p < .05. Simple main effects analysis revealed that there was only a significant drop in the likelihood to buy the originally desired parent brand for the participants in the no specific desire condition (5.84 versus 5.38, p < .007); participants in the specific desire condition did not experience any change (5.30 vs. 5.31, p < ns).

In Study 2 (N = 106), we operationalize desire specificity in terms of the presence or absence of a flagship product and use two luxury brands (Chanel and Chloe) that fit this criterion (based on a pretest). The design was a 2 (Desire specificity: Brand with Signature/Brand with No-signature) X 2 (Own: Yes/No) experiment, in which desire specificity was manipulated and ownership was measured. In the flagship condition (no-flagship condition), participants were told that they dreamed of owning the signature Chanel 2.55 bag (anything from Chloe). A Chanel/Chloe new leather bracelet at a price of €199 was introduced. All measures were similar to study 1. A repeated measures analysis with the purchase intent as a within-subject factor, and desire specificity and ownership as between subject factors. We observed a significant three-way interaction (F (1.96) = 6.145, p < .015); we observed that only the Chanel (flagship) owners did not experience any change in their likelihood to purchase the desired signature product in the future (5.58 vs. 5.42, p < ns). Chloe owners (no-flagship), Chanel non-owners and Chloe
non-owners experience a significant drop in their likelihood to buy the desired product in the future after seeing the new extension (5.00 vs. 3.73, \( p < .01 \); 6.09 vs. 5.18, \( p < .025 \); 5.05 vs. 4.49, \( p < .008 \)). Diminished desire for the brand mediated the effect of desire specificity on purchase intent, using conditional process modeling (Hayes 2012; model 8). Results revealed that diminished desire mediated the effect of desire specificity (i.e. specific versus non-specific) on drop in purchase intent for non-owners but not for owners.

Given the current trend in the luxury industry to introduce lower end extensions, this research provides theoretically grounded and managerially relevant insights to this practice.

The Advantage of Low-Fit Brand Extensions: Addressing the Paradox of Exclusive Brands

EXTENDED ABSTRACT

Managing exclusive and luxury brands poses an inherent trade-off. Brand managers need to generate growth by extending the customer base to new segments and new markets; yet, this increased popularity and prevalence can paradoxically hurt the brand and threaten its prestige image. In particular, downward brand extensions of luxury brands may cause brand dilution and compromise the long-term equity of the brand. Indeed, several luxury brands (e.g., Burberry, Pierre Cardin, Bulgari, Gucci, Tiffany) extended their brands to multiple products and struggled with the resulting overexposure of the brand.

Contrary to the view that downward brand extensions and their users are a threat to brands, recent work (Bellevza and Keinan 2014) demonstrates that users of these extensions can enhance the brand’s prestige when they are perceived as brand tourists (i.e., fans and admirers of the brand, who are not perceived to claim in-group status into the brand community). Building on the brand tourists’ conceptualization and on research on brand membership, we consider responses to high-fit (same product category as the parent brand) versus low-fit (different product category than the parent brand) downward brand extensions of luxury brands. For example, we examine reactions to a Ferrari city car (high-fit) versus a Ferrari video game (low-fit). We propose that low-fit downward brand extensions can reinforce, rather than dilute, the brand image and generate a positive brand tourism effect because these extensions do not allow their users to claim membership into the brand community. We examine the conditions under which low-fit extensions serve as proof of value for the brand, making it more aspirational without compromising its attainability in the eyes of existing customers of the brand.

To ensure high external validity of our findings, the majority of our studies examine the reactions of real consumers to brands they actually own or use (e.g., Ferrari car owners, Harvard College students, Tough Mudder participants). Moreover, all of our stimuli are based on real branding dilemmas and brand extension scenarios.

In a pilot study conducted with 39 real owners of Ferrari cars (within-subjects) recruited at a luxury automobile event, we find that two high-fit extensions (a Ferrari museum and a Ferrari video game) are liked more and have more of a positive impact on the brand image than a high-fit extension (a Ferrari city car).

In Study 1 we investigate the reactions (between-subjects) of 350 participants who completed the Tough Mudder race (a 12 mile run with military-style obstacles). We find that Tough Mudders like a low-fit extension (Tough Mudder gear) more than two high-fit extensions (Soft Mudder and 5K Mudder races). Interestingly, we detect a significant interaction between the manipulation and the brand patriotism scale (Bellevza and Keinan 2014), a measure of attachment to the brand (\( b = .69, t(346) = 33.07, p = .005 \)). The positive response to low-fit extensions is driven by those Tough Mudders particularly attached to the brand (scoring high on brand patriotism). Moreover, in a mediation analysis, we find that the low-fit extensions elicit positive reactions among Tough Mudders because these products don’t allow their users to claim membership to the Tough Mudders’ brand community (indirect effect = .13; 95% CI = .028 to .296).

In a between-subjects design conducted with 238 lab participants, Study 2 controls for the specificities of the product category of extension. Participants are either assigned to being owners of Montblanc fountain pens or students at Oxford College. We then manipulate the category of extension (online course on the art of writing vs. ballpoint pen). As predicted, we find a significant cross-over interaction (\( F(1, 232) = 23.3, p < .001 \)) such that for Montblanc the online course (low-fit extension) is liked more than the ballpoint pen (high-fit extension), whereas for Oxford University the ballpoint pen (low-fit extension) is liked more than the online course (high-fit extension).

Study 3 tests the reactions of 139 Harvard College undergraduates to three different sets of downward brand extensions: HarvardX, Harvard Extension School, Harvard Summer Program (3 high-fit); Harvard Magazine, Harvard reading glasses, Harvard ties (3 low-fit); Harvard shampoo, Harvard laundry bags, Harvard pajamas, Harvard sunglasses, Harvard chocolate, Harvard soft drinks (6 very low-fit). We find that low-fit extensions are liked more than high-fit extensions, as long as the level of fit is not ridiculously low (\( F(2, 773) = 74.47, p < .001 \)).

Finally, in Study 4 we replicate the main effect and mediation results by manipulating (rather than measuring) the extent to which the users of the downward brand extensions can claim membership into the brand community. Even in this study, we use two existing brands (Louboutin for female and Bally for male) and assign participants (N. 297) to product ownership.

We are currently exploring two additional boundary conditions of the effect pertaining to the nature of the brand (luxury brand vs. mainstream brand) and respondents’ ownership status (whether they own the brand or not).

In conclusion, our findings address the paradox of downward brand extensions for exclusive and luxury brands. We demonstrate that low-fit extensions can enhance the brand image in the eyes of the existing customers because these products do not allow their users to claim membership to the exclusive brand community.

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