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Innovative Concepts in Luxury Marketing

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Summary of the Dissertation

Over the past two decades, nearly every company in each industry has been confronted with a number of environmental shifts. Rapid technological developments, increasing digital transformation, and evolving consumer preferences and tastes are creating a new competitive landscape where traditional marketing strategies are under threat (Kannan & Li, 2017; Leeflang, Verhoef, Dahlström, & Freundt, 2014). While for some industries the process of adaptation to these new realities has been relatively smooth, the luxury industry which is known for its exclusive character and resistance to innovations, has experienced dramatic challenges (Hennigs, Wiedmann, & Klarmann, 2012; Okonkwo, 2009). This dissertation investigates innovative concepts of luxury marketing associated with luxury firms' strategic decisions and capabilities designed to overcome current market dynamism, to meet growing customer expectations, to improve firms' marketing performance, and to achieve sustainable competitive advantage. The three papers outlined below address the distinctive nature of this industry and introduce new concepts in luxury marketing management.

Paper 1 examines the luxury goods industry as a prominent example of a specific strategic competitive arena, a concept which has been recently introduced into the strategic management literature. It shows that to successfully compete in the luxury arena, firms must complement their general marketing capabilities with the arena-specific ones. This study conceptually derives and empirically tests the impact of luxury arena-specific capabilities on firm performance and assesses their relative importance compared to that of general capabilities. *Paper 2* focuses on the firms' strategic decisions with regard to the design of luxury goods. It introduces the concept of product design extravagance as a new luxury aesthetic design element, which reflects the evolving consumer tastes with regard to product design and corresponds to the current trends in luxury market. The paper also investigates the role individual differences, such as consumers' personality traits and personal motives, play in the

formation of their product design preferences. Finally, *Paper 3* addresses the importance of superior digital customer experience creation for luxury firms. Specifically, it investigates how luxury firms can effectively integrate new digital technologies into their everyday marketing practices to enhance and differentiate a unique luxury customer experience. In this regard, a set of luxury-specific digital customer experience capabilities which firms must develop in addition to the general digital capabilities are proposed in this paper.

Content of the Specific Papers

In Paper 1, I rely on the concept of the strategic competitive arena, which has been increasingly replacing the term industry in management research, specifically on the background of increased cross-industry competition. Respectively, this paper focuses on luxury competitive arena, which has traditionally included competitors of various products and services such as yachts, clothing, travelling, etc. which compete to satisfy customer needs specific in this arena (i.e., need for status and need for quality). I propose that possessing general marketing capabilities is not sufficient for success in a particular strategic competitive arena, such as the luxury arena. Rather, more specific arena-related marketing capabilities are needed. I test these propositions by means of a large-scale managerial survey of firms potentially competing in the luxury arena. I additionally assess the relative mediating effects of both general and arena-related marketing capabilities between a firm's strategic intent to deliver specific customer value and its marketing and firm performance. Furthermore, I test how the mediating effects change under the conditions of high environmental turbulence. I find a stronger mediating effect of luxury arena-related as compared to general marketing capabilities between a firm's strategic intent and its marketing performance (customer management performance). I also find that the mediating effect of arena-related marketing capabilities increases under the conditions of high customer-related turbulence. At the same time, the mediating effect of general marketing capabilities turns out to be higher in the conditions of low customer-related turbulence as compared to high customer-related turbulence. This study makes a significant contribution to the marketing literature as it extends the knowledge on marketing capabilities by applying an innovative, competitive arena-based perspective. The study identifies the relevant marketing capabilities that really drive firm's performance in the luxury arena. It also expands the research on dynamic competition, as the findings demonstrate the important role of arena-related marketing capabilities as a buffer against environmental dynamism, namely, customer-related turbulence. Above that, the study is also of high practical relevance as it provides insights for managers on how firms can deal with intensified cross-industry competition and the disruption in their established business models by new arena entrants. The key implication is that firms should invest significant efforts to identify, build, and enhance their arena-related capabilities.

In Paper 2, I introduce product design extravagance as a new aesthetic design element, which is especially relevant in the context of the luxury goods industry, whereas prior insights have only focused on brand prominence (visibility and size of logo). By means of a field study based on real world data from luxury consumers, I empirically prove that extravagance is a key element of luxury product design as consumers exhibit a high probability of wearing extravagantly designed luxury products. I further investigate the drivers that shape consumer design preferences. Specifically, I draw on the identity-signaling and self-congruity perspectives and prior insights on luxury and everyday consumer aesthetics, and suggest that consumers' preferences for specific aesthetic design elements (product design extravagance and brand prominence) are induced by two fundamental personality traits: extraversion and openness to experience. Additionally, I propose the mechanism under which consumer preferences are formed, which implies that these traits trigger two underlying motivations in luxury consumption: the need for status and the need for uniqueness, which in turn shape consumer preferences in the choice of different types of luxury product designs (no logo vs.

prominent logo and plain vs. extravagant design). By means of a large-scale empirical study of luxury consumers, I provide empirical evidence on the impact of consumer personality and motives on consumer aesthetic design preferences. This study demonstrates that extravagant luxury product design is preferred by extraverted individuals for satisfying their need for status and individuals open to experience for satisfying their need for uniqueness. In contrast, prominently marked luxury brands are chosen by extraverted individuals, who are driven by status motives. These findings are highly relevant for both academics and luxury managers. Thus, by introducing the concept of extravagance, this study provides a more comprehensive understanding of product design aesthetics in luxury, which is better suited to reflect the reality of luxury product design options and consumers' choices. Furthermore, this paper extends the limited knowledge on the drivers of consumers' aesthetic choices, such as consumer personality traits, and sheds the light on the process through which consumer aesthetic preferences are formed. Last but not the least, the study provides evidence that product design aesthetics have high strategic importance for luxury firms. In this regard, marketers should consider the significant role of consumer personality traits and motives when deciding on the product design elements. This should also be carefully regarded when designing the communication strategy of a luxury brand.

Paper 3 takes a closer look at customer experience management of luxury firms in the era of digitalization, and the resulting evolving customer shopping behavior and expectations. In this paper, I investigate which digital capabilities luxury firms require to develop in order to enhance and differentiate superior customer experience associated with luxury goods while balancing the tradeoff between a brand's exclusive image and its wide accessibility in the digital space. In this regard, based on the insights from prior literature in luxury marketing, I argue that luxury brands delivering specific customer value such as status, uniqueness, functional or hedonic value should design their digital customer experience in such a way that it enhances the perceived luxury brand’s value for customers. Thus, it is proposed that for luxury firms it is not enough to possess general digital customer experience capabilities (i.e., which are valid across different industry contexts) but they also require to acquire additional luxury-specific digital capabilities which will enable them to enrich the luxury brand’s perceived value. Based on a qualitative study with senior digital marketing managers of luxury brands, this paper identifies four digital customer experience capabilities specific for the luxury industry. The key contribution of this paper is its contingency approach to customer experience and the related firm’s digital capabilities. This study provides empirical evidence that digital customer experience management in the luxury industry is different from that of non-luxury due to the specific perceived customer value of luxury goods, and for its realization luxury firms must employ specific digital customer experience capabilities. By defining these capabilities, this study provides important strategic insights for academics and luxury marketing managers on how to design uninterrupted luxury experience across multiple digital touch points and channels.

PAPER I

How to Succeed in Competitive Arenas:

The Important Role of Arena-Related Marketing Capabilities

ABSTRACT

The authors argue that possessing general marketing capabilities is not sufficient for successful strategy implementation in a particular strategic competitive arena. In addition, arena-related marketing capabilities are needed. The authors focus on the luxury arena and compare the relative importance of luxury arena-related vs. general marketing capabilities for firm performance. Furthermore, they examine how the role of arena-related marketing capabilities is affected by the environment and especially environmental turbulence. The authors identify four luxury arena-related marketing capabilities: perfection in product creation, exclusive pricing, luxury-congruent story-telling, and luxury brand inspiration. A large-scale managerial survey of competitors in the luxury arena confirms a prominent role of arena-related marketing capabilities and shows their increased relevance under high environmental turbulence.

INTRODUCTION

In 2015, Apple Inc. released the Apple Watch. One version, the 18-karat gold Apple Watch Edition, was priced between $10,000 and $17,000. By doing so, Apple tried to enter the luxury market, competing with Cartier, Louis Vuitton, and Rolex. However, the greatest innovator in the computer and smartphone market failed to make a name for itself in the luxury market. Less than two years after the golden Apple Watch Edition was introduced, it was discontinued and removed from the Apple website. In a similar competitive situation, Volkswagen's luxury Phaeton sedan (launched in 2002) never met sales target of 20,000 cars annually. It took until 2016 for Volkswagen to finally ax the Phaeton project with only about 84,000 cars sold in 14 years and a cumulative loss of $2.7 billion. In contrast, in 2016, the luxury giant Louis Vuitton Moet Hennessy (LVMH) successfully introduced the luxury smartwatch ‘TAG Heuer Connected’. In its first year, LVMH sold out all of its 60,000 units. The huge success of this product launch led the TAG Heuer’s CEO to forecast their total sales to rise 8 percent to 10 percent in 2017 (Gretler, 2017). Similarly, in alternative contexts, Wal-Mart has recently achieved considerable success in the digital movie business with their streaming service Vudu, and Amazon is currently entering the grocery business with the purchase of Whole Foods with many wondering how this will change the face of competition. Likewise, Google’s new self-driving car will likely have a major impact in the transportation industry.

Many other examples could be cited, but what these illustrate is that companies are increasingly entering new competitive arenas that are outside of their traditional core business. The key question that arises is why some companies like Apple fail in a specific competitive arena (i.e., luxury) while others like LVMH thrive. Unfortunately, traditional explanations for marketing success or failure fall short of providing sufficient insights into this important question. The key research objective in this area has been to identify generalizable marketing capabilities (e.g., pricing, selling, etc.) across different industry settings and heterogeneous strategic contexts which help firms achieve a sustainable competitive advantage and increase performance by delivering a superior customer value (Ramaswami, Srivastava, & Bhargava, 2009; Vorhies & Morgan, 2003, 2005; Vorhies, Orr, & Bush, 2011).

The central proposition of our paper is that possessing general marketing capabilities is not sufficient for achieving success in a particular strategic competitive arena for both new entrants as well as incumbents. For example, Apple and Volkswagen have excelled in general marketing capabilities which enabled them to thrive in their traditional arenas; however, they failed in a new strategic competitive arena due to a lack of other, more specific marketing capabilities that drive performance in a particular strategic context (in this case, the luxury competitive arena). While many incumbents in a competitive arena may be aware of the important role of these arena-relevant capabilities, many less successful competitors and especially new entrants may underestimate these capabilities and overestimate general marketing capabilities and other resources (e.g., technological advantages). Against this background, the key objective of our study is to gain an understanding of how companies can compete in strategic arenas by applying both general and arena-related marketing capabilities in order to generate customer value. In light of the increasing strategic relevance of the concept of a competitive arena, we introduce the idea of arena-related marketing capabilities and posit the following research questions: (1) What is the relative importance of arena-related vs. general marketing capabilities for firm performance? and (2) How is this role of arena-related marketing capabilities affected by the environment and especially customer-related turbulence?

The concept of a competitive arena has recently gained increased attention in the field of strategic management (McGrath, 2013; Moran, 2015; Storbacka & Nenonen, 2012). A competitive arena is defined by very specific customer needs which can be satisfied by various competitors from different industries with alternative products and services. For example, in the luxury arena, one of the defining customer needs is the need to signal social status to others (Han, Nunes, & Drèze, 2010; Wilcox, Kim, & Sen, 2009). In this competitive arena, numerous rivals with heterogeneous industry backgrounds such as watches, jewelry, automobiles, yachts, clothing, etc. compete to satisfy this customer need with very different products and services, and by doing so, deliver luxury value to the customers (Keller, 2009). Other examples of competitive arenas include entertainment, telecommunication, and transportation.

In our study, we extend the knowledge on marketing capabilities by introducing the increasingly relevant concept of a competitive arena as an important contingency variable into the established capabilities-performance framework. This new, arena-oriented approach to the role of capabilities for firm performance is innovative for several reasons. First, we suggest that general marketing capabilities are necessary but not sufficient for success. We argue that within a specific competitive arena, arena-related marketing capabilities are a prerequisite for the creation of customer value. We therefore propose that these capabilities play an important role as a mediator between strategic intention and firm performance. We examine this notion in the context of the luxury arena. Second, we test how the effect of arena-related capabilities on performance changes under different environmental conditions. Specifically, we examine whether this mediating role becomes even more important under the conditions of high environmental turbulence (rapidly changing customer preferences).

In light of these points, our study makes a number of important contributions to the existing literature. First, in contrast to prior research which identified general marketing capabilities across different competitive arenas, we argue that for competitors within the luxury arena, arena-related marketing capabilities are a stronger driver of performance than general marketing capabilities. Thus, we adopt a new contingency (competitive arena-based) approach to the role of marketing capabilities in the creation of competitive advantage and achievement of performance in a particular competitive arena such as the luxury arena.

Second, we are the first study to conceptually discuss and empirically examine marketing capabilities that are relevant for a particular competitive arena—the luxury arena. Prior research on strategy implementation in luxury marketing has focused on anecdotal evidence and has not systematically empirically examined the role of luxury-relevant marketing capabilities for firm performance (Kapferer & Bastien, 2012). We therefore expand the current body of knowledge on luxury marketing in two ways. First, we identify luxury-relevant marketing capabilities based on an extensive qualitative study among senior luxury managers. Then, in a large-scale empirical survey, we empirically establish which marketing capabilities are needed to create customer value in the luxury competitive arena.

Third, we expand the current body of research on dynamic competition by examining how arena-related marketing capabilities contribute to performance under the conditions of high vs. low customer-related turbulence. While prior research has stressed the role of dynamic capabilities (which are rather general and not arena-related) as buffers against environmental dynamism (Helfat & Peteraf, 2003), our concept of arena-related capabilities provides new insights on how to cope with dynamism. In particular, our study examines customer-related turbulence as a potential moderator and proposes that in the situation of high customer-related turbulence, arena-related marketing capabilities become even more important drivers of firm performance as compared to stable environments. This implies that in a dynamic environment, arena-related marketing capabilities enable firms to better understand the drivers of customer value and deal with change.

Finally, we contribute to the marketing strategy literature by providing an implementation perspective on competitive arenas. Whereas prior research related to competitive arenas has been conceptual in nature, our study empirically tests the mediating role of arena-related marketing capabilities for successful strategy implementation within the competitive arena.

CONCEPTUAL FRAMEWORK

In our study, we examine the importance of luxury arena-related marketing capabilities vs. general marketing capabilities for successfully competing in the luxury arena. In order to do so, we analyze the role of these capabilities in the implementation of a strategy that intends to deliver luxury value to customers (see Figure 1).

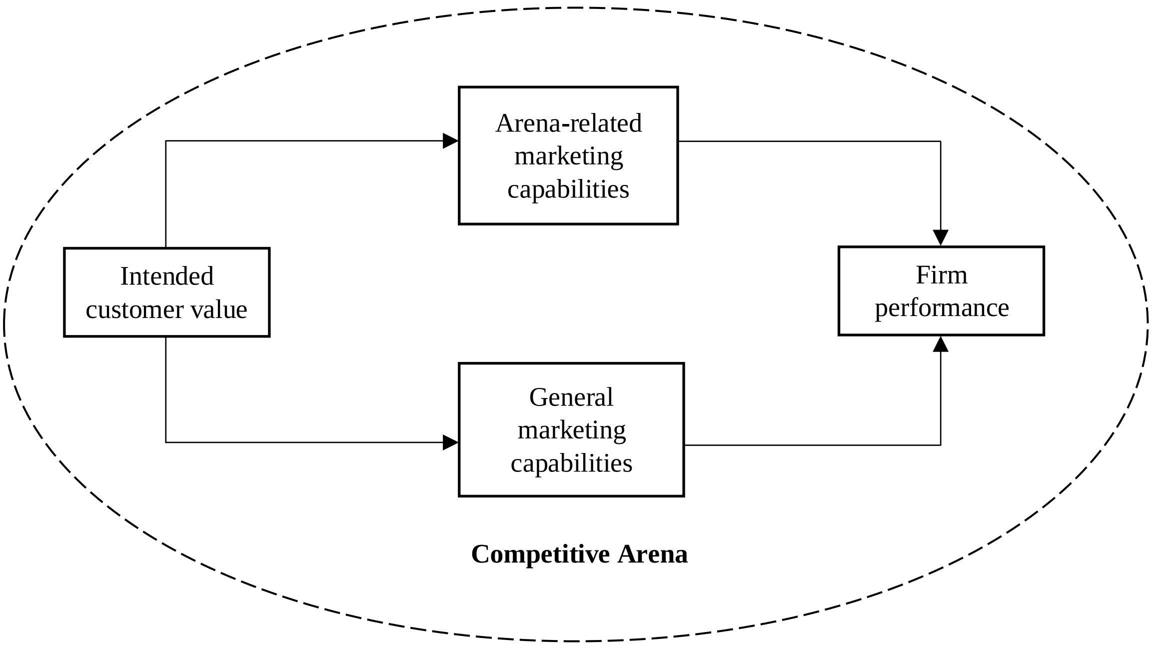


Figure 1. Conceptual framework

In other words, in our framework we take an implementation perspective, in which an intended luxury value strategy is implemented via marketing capabilities which then results in marketing performance.

Competitive arena

The first element of our conceptual model is the competitive arena which is related to the concept of industry but at the same time distinct. Conventionally, in the strategic management literature, the industry has been the point of reference for competition. Firms within the same industry try to outcompete each other and in order to do so formulate industry-specific competitive strategies. According to (Porter, 1998, p. 34): 'Firms, through competitive strategy, seek to define and establish an approach to competing in their industry…'. Accordingly, each distinct industry requires a separate strategy (Porter, 2008). However, in recent years, cross-industry competition has increased dramatically (Prahalad & Ramaswamy, 2003). As a result, some strategy researchers have taken a broader perspective and have warned about the risk of being too industry-focused. According to McGrath (2013): 'Companies define their most important competitors as other companies within the same industry, meaning those firms offering products that are a close substitute for one another. This is a rather dangerous way to think about competition' (McGrath, 2013, p.9). Instead, firms should take a cross-industry perspective on competition by defining competitive arenas based on the needs of their target customers (McGrath, 2013).

The concept of a competitive arena has been discussed by several researchers (Day, 2004; McGrath, 2013; Storbacka & Nenonen, 2012), who generally agree that competitive arenas are multidimensional as they are determined by several facets (including, e.g., targeted segments of customers with specific needs and an array of products or service categories). Building on this prior research, we define a competitive arena as follows: A *competitive arena* is determined by various competitors who try to satisfy certain customer needs by offering alternative products and services. The main idea is that within a competitive arena, the same customer needs can be satisfied by heterogeneous competitors with different industry backgrounds. Hence, the core element of a competitive arena is a set of customer needs. Generally, all firms that are able to deliver value by satisfying arena-specific customer needs may possibly enter the corresponding competitive arena which results in the cross-industry nature of competition.

While prior research has focused on the conceptualization of competitive arenas and the corresponding phenomenon of cross-industry competition (Day, 2004; McGrath, 2013; Schmidt, Makadok, & Keil, 2016), there is a lack of research on how to actually compete in strategic arenas and which capabilities are required to successfully deliver customer value in the respective arena. In our framework, we examine this research question from a marketing perspective and focus on arena-related marketing capabilities. The relevance of such a focus can be supported by the managerial literature on luxury marketing. Here, it has been emphasized that doing business in the luxury arena is very different from the non-luxury arena and requires distinct luxury marketing capabilities (Hoffmann & Coste-Manière, 2012; Kapferer & Bastien, 2012). However, this managerial literature mainly provides anecdotal evidence and does not interpret the issue of luxury marketing capabilities based on theoretically and empirically sound studies.

Intended luxury value

The concept of customer value is regarded as key source of competitive advantage (Day, 1990; Slater, 1997; Woodruff, 1997). There is consensus that customer value is subjectively perceived and that this perception involves a trade-off between what customers receive (e.g., quality, benefits, worth) and what they give up to acquire and use a product (e.g., price, sacrifices) (Woodruff, 1997). The benefits that customers receive result from the satisfaction of customer needs and motives (including, e.g., functional, emotional, social, aesthetic, or hedonic motives) (Hirschman & Holbrook, 1982; Holbrook, 1999; Sweeney & Soutar, 2001).

In the context of the luxury arena, we focus on intended luxury value as the independent variable in our framework. It is the luxury managers' strategic intention to deliver luxury value to their customers and, by doing so, they compete against their rivals in the luxury arena. Luxury value results from the satisfaction of certain customer needs and motives which are dominant among customers in the luxury arena. In order to determine these luxury-specific needs and motives, we draw on the literature on luxury consumption. Prior research has identified two main customer motives underlying the consumption of luxury. The first are social motives which refer to consumers' need to signal status (wealth and social standing) to others via the acquisition of luxury goods (Fuchs, Prandelli, Schreier, & Dahl, 2013; Han et al., 2010; Veblen, 1899). The second are utilitarian (i.e., functional) motives related to the superior quality of luxury products and services (Holbrook, 1999; Wilcox et al., 2009). Accordingly, we distinguish two dimensions of intended luxury value: status value and superior quality value.

Luxury arena-related marketing capabilities

In our conceptualization of luxury arena-related marketing capabilities, we integrate insights from prior research and management literature in the field of luxury marketing with the findings from our own exploratory study which we conducted in order to gain a better understanding of this under-researched topic. To identify relevant luxury arena-related capabilities, we applied a key informant technique in which a small number of especially knowledgeable informants were interviewed in detail about the issue in question (N. Kumar, Stern, & Anderson, 1993). We targeted as key informants high-level senior executives of luxury companies, who should be knowledgeable about their brand. We conducted 21 in-depth interviews with those key informants. Initially, we contacted the executives by means of a postal invitation letter. Those who agreed to participate received a marketing textbook and the results report of the qualitative study as incentives. The sample of this qualitative study comprised managers of firms from various industries such as cosmetics, cars, textile and accessories, watches, jewelry, food, etc. The companies were of different age, ranging from 159 years old to only 3 years old (for more details on our interview partners see Appendix A).

The face-to-face interviews lasted between one and two hours. In the first part of the interview, we asked the respondents to name and describe the factors which in their opinion, have made their brand successful. Additionally, we encouraged them to reflect on which unique capabilities have made their success possible. In the second part of the interview, we asked the senior executives to recall the times when the brand performance declined and then to identify the capabilities that helped them to overcome the difficulties.

We analyzed the interviews using the procedures recommended by the qualitative research literature (Corbin & Strauss, 2015; Locke, 2001). Based on the interview analysis and the insights from the literature on luxury marketing, we were able to identify four key luxury arena-related marketing capabilities: (1) perfection in product creation, (2) exclusive pricing, (3) luxury-congruent story-telling, (4) luxury brand inspiration.

Perfection in product creation. The first luxury arena-related capability refers to the internal skills and processes needed to create and maintain the highest quality products and services. This capability is essential for luxury marketing since matching and even exceeding customer expectations with regard to product excellence is imperative to justify the high price of luxury goods (Keller, 2009). Following statements from our interviews illustrate the high importance of perfection in luxury product creation: ‘High quality of the package and of the ingredients is important for the consumers. We must be able to offer an excellent product. For example, we use exclusive active ingredients encased in opalescent white caviar pearls to create a highly effective skin cream of superior quality. Consumers can really see results when using this cream already after four weeks' (Expert F). 'Details are an essential part of luxury. We pay a lot of attention to details to ensure the luxuriousness of our products' (Expert G). We interviewed the CEO of a mechanical luxury golf watch which has a superior product performance. Thanks to its special shock absorber, it can be worn during golfing without the movement being damaged from the vibrations. The CEO stated: 'The product quality of our golf watch is truly extreme–our watchmakers succeeded in creating the first and only mechanical luxury watch that can be worn during playing golf' (Expert O).

Based on our conceptual considerations and the findings from our qualitative study, we define perfection in product creation as the ability to create products and services on a top level of quality and which perform excellently in every detail. Luxury companies scoring high on this capability possess leading expertise with regard to their products and services and are able to master even very complex manufacturing and service delivery processes.

Exclusive pricing. This second luxury arena-related capability refers to a company's ability to successfully implement and maintain high price levels in the market. Following interview statements illustrate this capability: 'We see our ability to keep up a high price for our product as a key success factor, because sometimes a high price is more important for our customers than other product characteristics' (Expert G). 'Discounts won't help in the long run and can be a cause of a failure. Therefore, we train our sales people to be able to negotiate high prices with our customers' (Expert E). 'Sales let the brand appear as cheap; therefore, we do not engage in such sales-relating pricing activities' (Expert F).

Against this background, we define exclusive pricing as the ability to establish and maintain an exclusive high-price strategy for all products and services over time and across all geographical markets, and even to significantly increase prices (pricing power).

Luxury-congruent story-telling. Story-telling, or narratives, as an effective means of communication has been well documented in marketing and consumer psychology. For example, it was found that ads that tell stories are able to involve and entertain consumers and also to attribute the meaning to a brand in the consumers' mind (Escalas, 2004). While this capability may play a role also for non-luxury brands, luxury brands usually cannot do without intriguing stories. The importance of story-telling in the luxury context can be illustrated by the following statements from our interviews: 'The more expensive a product, the more you must elevate the story about the product and its elite character. We must create a world of imagery which makes the exclusivity of the product creation visible. If you spend a 100,000 on a ring, it must be more than just beautiful' (Expert S). The CEO of a cosmetics company said: 'Telling the story is an art. The story should be very emotional and fit the image of luxury' (Expert F). Another manager added: 'The key thing is having a strong brand story which is differentiated from your competitors. Purchasing luxury goods is mainly an emotional process, an aspirational process, and therefore you need to have a very strong story-telling around the brand which goes from the emotional to the rational' (Expert K). 'Our customers buy not just a watch but a legendary story which makes them feel good and which they can also tell others to impress them. Therefore, we created our legendary Golf Watches series. These watches are much more than just fine timepieces. They are authentic witnesses of great moments in golf. Each watch case is made from the original clubs of champions golfers and can be linked to one of the authentic irons used by great names to win major tournaments' (Expert O).

Against this background, we define luxury-congruent story-telling as the ability to create unique and memorable stories which are relevant and highly appealing to the consumers of luxury brands.

Luxury brand inspiration. The association between luxury and passion can be clearly traced in the literature on luxury marketing (Merk, 2014; Quintavalle, 2012). Our interviews show that employees are the soul of a luxury company and in order to transfer their inspiration to the end consumers, they have to be truly inspired and convinced of the brand themselves. Several quotes include: 'Inspiration is a very important factor. All employees must be very passionate about the brand and I think we are really good in making our employees love our brand. Actually, this already starts in the hiring process. Here, we are able to attract candidates that are extremely passionate about our brand' (Expert C). 'The key success factor of our brand is the inspiration of our employees. Therefore, we put special efforts in motivation workshops and special events in order to ignite and further strengthen the inspiration for our brand among our employees, in the sales force, and among employees without direct customer contact' (Expert U). 'Passion is central for us; it starts from the General Manager who further inspires the employees of the company' (Expert U).

Based on these findings, we define luxury brand inspiration as the ability to develop and diffuse passion among the employees in the organization. This capability shows how effectively a company is able to ensure that its employees love and are strongly emotionally attached to the brand, so that they can inspire the consumers of the luxury brand.

General marketing capabilities

For the choice of the general marketing capabilities we relied on the conceptualization of marketing capabilities proposed in the existing research (Ramaswami et al., 2009; Vorhies & Morgan, 2005; Vorhies et al., 2011). Out of the various marketing capabilities conceptualized in these studies, we focused on four main capabilities that are related to the four P’s: product development, pricing, selling, and marketing communication. Product development refers to how skilled the company is in the development and market launch of new products and services. Pricing denotes the ability of the company to monitor the pricing environment and to do an effective job of pricing its products and services. Selling refers to the selling management and selling skills of the company. Marketing communication indicates how good the company is in managing its corporate image, reputation, and public relations, as well as in developing and executing advertising programs.

Performance outcomes and contingencies

In our framework, the outcome measures comprise two aspects of firm performance: customer-related performance and overall firm performance. Our first performance variable customer-related performance is captured by customer management performance. It refers to the perceived ability of the business unit managing the brand to satisfy and retain customers (Moorman & Rust, 1999; Ramaswami et al., 2009). Achieving increased customer satisfaction and loyalty is generally viewed as a first consequence of using marketing capabilities for customer value delivery (Day, 1994). The increased customer-related performance then leads to an improved market-related performance (Reinartz, Krafft, & Hoyer, 2004) which is the downstream performance variable in our framework. While our first performance variable refers to customers’ attitudes and opinions, the second performance variable pertains to customers’ behavior and actions; it is therefore measured with indicators that, e.g., include growth in the number of customers, market share, and sales revenue (Moorman & Rust, 1999; Vorhies & Morgan, 2005).

Finally, our conceptual framework includes a contingency variable – customer-related turbulence which is defined as the level of change with regard to customers and their preferences (Jaworski & Kohli, 1993). Prior research has treated such turbulence as an important environmental variable that moderates the relationship between a company's market orientation and performance (Diamantopoulos & Hart, 1993; Jaworski & Kohli, 1993; Kirca, Jayachandran, & Bearden, 2005; Slater & Narver, 1994). A company that acts in a highly turbulent market environment faces the need to adapt its products and services to the rapidly changing consumer preferences (Jaworski & Kohli, 1993). In the context of our study, customer-related turbulence is used in order to examine whether arena-related marketing capabilities or general marketing capabilities are more important for a successful adaptation of companies to volatile consumer preferences in the luxury competitive arena.

HYPOTHESES DEVELOPMENT

In our framework, we focus on intended luxury value as a strategy variable. In order to achieve marketing performance, intended value strategy has to be implemented by delivering luxury value to the customers which requires certain marketing capabilities. Such an implementation perspective is in line with the literature on customer value, which has argued that capabilities serve as an implementation tool required for successful value delivery (Woodruff, 1997). Similarly, the resource-based view of the firm also follows this perspective and suggests that developing capabilities aligned with the intended strategy drives performance (Day, 1994; Morgan, Katsikeas, & Vorhies, 2012; Slotegraaf, Moorman, & Inman, 2003).

Our first two hypotheses refer to this idea of luxury value implementation via capabilities. The rationale is that arena-related and general marketing capabilities serve as mediators between the intended luxury value strategy and performance. The background of this rationale is rooted in the literature on the creation of customer value. In order to generate customer value, marketers have to provide customer perceptions of value through the marketing-mix elements (V. Kumar & Reinartz, 2016). The basis for this value creation are marketing capabilities, both general and arena-related. This is tested in H1 and H2. Our key proposition, however, is that while general marketing capabilities are important, arena-related capabilities are more critical in generating customer value. This proposition is tested in H3.

H1a refers to the implementation of intended status value (the first sub-dimension of luxury value) via luxury arena-related marketing capabilities. Luxury arena-related marketing capabilities contribute towards the implementation of status value as follows. First, perfection in product creation as a component of these capabilities supports the implementation of intended status value. The resulting superiority of luxury products and services is noticed not only by their owner but also by others in his or her social network. They are impressed and attribute a higher social status to the owner of the luxury product. Exclusive pricing also serves as an effective tool for luxury companies to implement the intended status value. Several studies on luxury marketing posted that a high price contributes to the image of rarity and inaccessibility of a product (Keller, 2009; Vigneron & Johnson, 2004). Therefore, consumers use a high price as an indicator of prestige, increasing the social status of the owner of the luxury product (Wiedmann, Hennigs, & Siebels, 2009). Furthermore, luxury-congruent story-telling also contributes to higher status. Stories told about luxury brands often emphasize agentic ideals which refer to ambition, power, and striving for superiority in a social hierarchy (Abele & Bruckmüller, 2011). As an example, luxury brands often tell stories about their aristocratic historical origin in order to appeal to status-conscious customers (Kapferer & Bastien, 2009). Therefore, luxury-congruent story-telling is a way to attribute exclusivity and a higher status to the brand and its customers. Finally, luxury brand inspiration also contributes to the implementation of the status value. Firms with this capability succeed in igniting brand love and passion among their employees, many of whom interact with (potential) customers. Thus, those highly engaged employees enable the exclusivity of the brand experience required for the transfer of social status from the brand toward its customers (Quintavalle, 2012). In other words, authentic passion helps luxury brands to convey the sincerity of their luxury image and related social status towards the consumer, as truly passionate employees are the most credible brand ambassadors (Beverland, 2005). Thus, we postulate:

H1a: Luxury arena-related marketing capabilities mediate the positive effect of intended status value on customer-related performance.

Hypothesis H1b refers to the implementation of intended superior quality value (the second sub-dimension of luxury value) via luxury arena-related marketing capabilities. Luxury arena-related marketing capabilities contribute towards the implementation of superior quality value as follows. According to our conceptualization, perfection in product creation refers to a firm's skills to create products and services of a top-level quality. Therefore, this capability enables luxury firms to deliver superior quality value. These considerations are consistent with the more general literature on the skills required for the implementation of a quality strategy (Ahire, Golhar, & Waller, 1996). Exclusive pricing capability also contributes to the implementation of perceived superior quality value. Traditional marketing literature has long examined price as one of the most important extrinsic cues that consumers use as a signal of quality (Zeithaml, 1988). Studies in luxury marketing also confirmed that a high price has a strong positive impact on perceived high product quality (Keller, 2009; Vigneron & Johnson, 2004). Luxury-congruent story-telling is another effective tool that enables the implementation of superior quality value. In luxury marketing practice, stories are successfully used to illustrate the high standards of craftsmanship, manufacturing excellence, and the resulting superior quality of the brand and its products (Kapferer & Bastien, 2012). Luxury brand inspiration is a central prerequisite for a superior customer brand experience, especially at the point of sale which is often owned and operated by the brand itself (e.g., brand-owned flagship stores and high-end boutiques). This leads us to the following hypothesis:

H1b: Luxury arena-related marketing capabilities mediate the positive effect of intended superior quality value on customer-related performance.

Prior research has found that general marketing capabilities significantly contribute to the implementation of various strategies. These include, e.g., corporate strategies such as intended market orientation (Morgan, Vorhies, & Mason, 2009; Murray, Gao, & Kotabe, 2011); competitive strategies such as differentiation and cost leadership strategy (Vorhies, Morgan, & Autry, 2009), marketing strategies such as product innovation strategy (Ramaswami et al., 2009) and export marketing strategy (Morgan et al., 2012). Furthermore, numerous studies have established a positive link between general marketing capabilities and firm performance (for an overview see Kozlenkova, Samaha, & Palmatier, 2014). There is a consensus, that marketing capabilities have this positive impact on performance because they enable firms to acquire and use market knowledge to deliver superior customer value (Krasnikov & Jayachandran, 2008). Overall, general marketing capabilities represent a set of routines which contribute to value delivery in a broad range of strategic contexts. Stated differently, these capabilities serve as the 'basics of marketing' and are a key prerequisite for the successful implementation of any strategy.

Transferring this perspective to our context of competitive arenas, we argue that in line with arena-related marketing capabilities, general marketing capabilities also contribute to the implementation of customer value as intended by managers. General marketing capabilities are required because they enable a firm to develop new product offerings, implement appropriate pricing policies, develop targeted marketing communications, and focus selling efforts to meet customer needs. Furthermore, the transfer of benefits to current and potential customers is proposed to be highly dependent on these general marketing capabilities (Vorhies et al., 2009). Therefore, we argue that in the luxury arena, intended luxury value is effectively implemented by firms with strong general marketing capabilities because these capabilities facilitate customer perception of the status value and/or superior quality value that comes with firm's products and services. Thus, we hypothesize:

H2a: General marketing capabilities mediate the positive effect of intended status value on customer-related performance.

H2b: General marketing capabilities mediate the positive effect of intended superior quality value on customer-related performance.

If H1 and H2 both hold and the two sets of marketing capabilities mediate the positive relationship between intended luxury value and customer-related performance, the interesting question arises which of the two paths is stronger. In other words, are arena-related or general marketing capabilities more important for successful competition in a specific competitive arena? This research question relates to the key contribution of our study: it addresses the important research gap concerning the question which marketing capabilities are required in different strategic contexts and especially in the luxury competitive arena. Our hypothesis H3 refers to this research question and when developing it we take a perspective that is well-established in strategic management research: according to strategy researchers, a certain intended strategy requires a specific organizational design (including structure, processes, and capabilities) in order to be successfully implemented (Amburgey & Dacin, 1994; Williamson & Chandler, 1964). Such a contingency perspective on strategy implementation is somewhat distinct from the resource-based view on marketing capabilities, according to which highly valuable marketing capabilities (resources) lead to a competitive advantage and therefore increase performance (Day, 1994). In our study, we follow the contingency approach and argue that competitive advantage in a competitive arena calls for more than the possession of capabilities. Rather, success requires first to recognize the key customer value or need that drives competition in the competitive arena. Then, the intention to deliver this value should become the key strategic direction of the firm. The corresponding value delivery strategy then determines the marketing capabilities needed for the successful delivery of this value to the customers in the strategic arena. As a consequence, the marketing capabilities required for value delivery should differ from arena to arena (given that in the various arenas, different customer values are dominant). This approach is consistent with prior research which has called for a strategic contingency perspective on firm capabilities (Song, Di Benedetto, & Nason, 2007).

Against this background, we argue that luxury arena-related marketing capabilities should be more effective at delivering luxury value (i.e., the value that is most important for customers in the luxury arena) than general marketing capabilities. We therefore hypothesize:

H3a: The mediating effect of marketing capabilities in the relationship between intended status value and customer-related performance will be relatively stronger for arena-related capabilities than for general capabilities.

H3b: The mediating effect of marketing capabilities in the relationship between intended superior quality value and customer-related performance will be relatively stronger for arena-related capabilities than for general capabilities.

Previous research on the capabilities-performance link has discussed the moderating role of environmental factors. On a very general corporate level, it has been argued that there are certain organizational capabilities—dynamic capabilities—that enable a firm to effectively cope with environmental dynamism (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997). In the more specific context of marketing, it has been found that the positive effects of marketing resources and capabilities on firm performance also depend on contingency factors related to the firm's environment (Grewal & Tansuhaj, 2001; Song, Droge, Hanvanich, &

Calantone, 2005). For example, it has been argued that in highly turbulent environments, certain marketing capabilities such as a firm's market orientation, have a higher impact on firm performance (e.g., Diamantopoulos & Hart, 1993; Kirca et al., 2005). In line with this perspective, (Day, 2011) stresses the importance for market-driven firms to develop adaptive marketing capabilities that enable the anticipation of trends and faster adjustments to key changes in the market.

In our context, arena-related marketing capabilities enable a firm to create arena-related value for its customers. Various competitors within the same strategic arena compete against each other by trying to deliver the specific customer value that defines the corresponding competitive arena, e.g., status and superior quality value in the case of the luxury arena. We argue that customer needs underlying the arena-specific value may be relatively stable. However, related customer preferences are more likely to change more frequently. As an example, in the luxury arena, the customer need to signal status to others is relatively fundamental and thus, rather stable. However, customers' preferences for the type or design of luxury products used to signal status may be more prone to change (e.g., preferences for fur coats as a status symbol have significantly changed over time). If we accept this idea that customer preferences for alternative ways to deliver arena-specific customer value are not stable over time, arena-related marketing capabilities should enable firms to adapt to and deal with the corresponding customer-related dynamism. This is certainly the case with arena-related marketing capabilities that we identified in our qualitative study: the development and maintenance of perfection in product creation, keeping up exclusive price levels, the continuous creation of passion, and coming up with convincing stories require adaptive (non-static) marketing capabilities. Based on these considerations, in a highly dynamic market environment, arena-related marketing capabilities should play a more prominent role for the creation of arena-specific customer value. These leads us to the following hypotheses:

H4a: The mediating effect of luxury arena-related marketing capabilities in the relationship between intended status value and customer-related performance will be stronger in an environment of high customer-related turbulence as compared to a low customer-related turbulence context.

H4b: The mediating effect of luxury arena-related marketing capabilities in the relationship between intended superior quality value and customer-related performance will be stronger in an environment of high customer-related turbulence as compared to a low customer-related turbulence context.

When it comes to the familiar capabilities of the marketing mix formulation (i.e., our general marketing capabilities), it has been argued that they are rather static (Day, 2011)—they refer to the implementation of the 4P's and the corresponding basic marketing activities. However, they do not extend to imagining new ways for delivering customer value (Day, 2011) and therefore, may be less effective in buffering the organization against environmental dynamism. However, in a rather stable market environment, these general marketing capabilities are likely to be effective in creating and delivering customer value and should therefore increase firm performance (Morgan, Vorhies, et al., 2009; Vorhies & Morgan, 2005). Therefore, we argue:

H5a: The mediating effect of general marketing capabilities in the relationship between intended status value and customer-related performance will be stronger in a more stable environment of low customer-related turbulence as compared to a high customer-related turbulence context.

H5b: The mediating effect of general marketing capabilities in the relationship between intended superior quality value and customer-related performance will be stronger in a more *stable environment of low customer-related turbulence as compared to a high customer-related turbulence context.*

Effective customer management implies that firms are doing a better job than competitors in increasing the scope of relationships with customers (Ramaswami et al., 2009). Prior research has well established that customer satisfaction and effective customer relationships lead to higher revenues and influence the profitability of the firm (Anderson, Fornell, & Lehmann, 1994; Reinartz et al., 2004). Thus, we hypothesize that customer management performance is likely to enhance overall firm performance which is captured by market-related indicators such as sales, market share, and market growth:

H6: Customer-related performance has a positive impact on overall firm performance.

To control for the possibility of variance across different companies, we entered firm size captured by the number of employees in the company and brand age as controls. This enables us to account for mean differences of customer-related performance across different firms.

STUDY DESIGN AND DATA ANALYSIS

Data collection and sample description

For this study, the data was collected by means of a large-scale mail survey of managers who answered our questions concerning the specific brand for which they were responsible and concerning the business unit that manages this brand. For this purpose, we identified the specific sectors in which firms potentially compete in the luxury arena (i.e., clothing and shoes; cosmetic products; food, indulgences, and non-alcoholic beverages; furniture, carpets, lamps; jewellery and watches; motorcycles, automotives and accessories; sporting goods; textiles and mattresses; tobacco and alcoholic beverages; various devices). We obtained a list of all 5,546 firms that are registered in Switzerland in the above-mentioned sectors from a commercial provider. Since we focused on product brands targeting consumers, we visited the website of each firm and excluded firms operating in the B2B sector as well as all service providers and retailers, which resulted in 2,231 firms. In order to ensure that our sample contains a sufficient number of companies with both low and high degrees of intended luxury value strategies (i.e., high and low intended status value/superior quality value), we classified the 2,231 companies as either potentially 'luxury' or 'non-luxury' based on our webpage inspection. Here, we referred to the specific characteristics of luxury brands (i.e., high price, exclusive design of the website and product presentation etc.) which we identified by preliminary literature research (Kapferer & Bastien, 2012; Vigneron & Johnson, 2004). 1,170 companies were classified as 'non-luxury' and 1,061 as 'luxury'. Both groups were addressed in the survey. The managers responsible for the respective brand were identified either through the same provider or via online professional platforms such as LinkedIn, Xing, or through the companies' websites. Subsequently, we sent these individuals a personalised invitation letter to participate in the study and a printed questionnaire. As incentives, we offered managers a benchmark report, a marketing textbook as well as a cosmetics set or a cigar box manufactured by leading luxury brands. To prevent sampling bias, we sent out questionnaires to all 2,231 companies, followed by two reminders, one and two months later. We received 270 responses, out of which only 88 were in the class 'non-luxury'. In order to increase the number of responses from the 'non-luxury' class and prevent a non-response bias, we approached another 149 managers of the 'non-luxury' companies through personal contacts and social media platforms, which resulted in 45 additional responses. The final sample of 315 companies comprises small, medium, and large firms with an average number of employees of 275.

Key respondent bias. We were successful in reaching top- and middle-level managers. Thus, 62.7% of our respondents indicated their job titles as CEO, general manager, or president of the company and 30.3% as marketing manager, communication manager, sales manager, or brand manager. On average, the managers in the sample were in the company for 12 years and responsible for their brand for 9 years. Thus, the overall informant characteristics such as the hierarchical position, the functional position, and the number of years in the company suggest a reliability of key informant responses (Homburg, Klarmann, Reimann, & Schilke, 2012). We also assessed the informants' competency by directly asking them to score themselves on a seven-point Likert scale on the item 'How skilled did you feel while answering this questionnaire?' (1 = 'low skilled' and 7 = 'high skilled') and eliminated the responses from seven managers who reported a competency of only 1 or 2 (Slater & Kwaku, 2004). The mean score on this question was 5.5, providing an evidence of the respondents' competency.

Common method bias. To prevent common-method bias, we employed the procedural techniques described in (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). When designing the survey, we separated the measurements by using different scale anchors for the items related to intended customer value, marketing capabilities, and customer-related turbulence (from 'totally disagree' to 'totally agree') and for the items related to performance ('much worse than competitors' to 'much better than competitors'). We also ensured the participants a complete anonymity of their responses in order to reduce evaluation apprehension (Podsakoff et al., 2003). Before sending out the questionnaire, we sent a pre-test version to eleven brand managers and occasionally improved the item wording based on their feedback. This helped us to diminish biases based on an ambiguous or vague item construction (Podsakoff et al., 2003; Tourangeau, Rasinski, & D'Andrade, 1991).

Model specification and assessment

Model variables description. The constructs in our theoretical framework that flow into the statistical model are represented by latent variables. STATUS represents intended status value, QUALITY represents intended superior quality value, CMPERF refers to customer management performance, PERF to overall firm performance, and TURB corresponds to customer-related turbulence. Also, each of the eight capabilities, luxury arena-related or general, is represented by a latent variable. In our conceptualization, we regard luxury arena-related capabilities as a set that collectively mediates the intended value-performance relationship, and the latent variable LUX represents this set of capabilities. In a similar manner, the variable GEN represents the set of the four general marketing capabilities described in our conceptual framework. We further include firm size (SIZE) and brand age (AGE) as control variables, which both may affect customer-related performance.

The variables STATUS, QUALITY, CMPERF, PERF, TURB, and those representing the eight individual capabilities are modelled as reflective measures. Both GEN and LUX are modelled as formative measures since they represent composites of individual capabilities (R. Bagozzi, 1994). Such a formative specification is in accordance with prior literature which has suggested formative relations between the four elements of the marketing mix as parts of an overarching construct (Diamantopoulos & Winklhofer, 2001; Henseler, Ringle, & Sinkovics, 2009).

The measurement scales for QUALITY and for each capability of LUX consist of newly generated items, whereas those for STATUS, CMPERF, PERF, TURB, and each capability of GEN are empirically validated items from prior research. An overview of the scales is provided in the Appendix B. All items are measured with seven-point Likert-scales anchored by ‘totally disagree’ and ‘totally agree’ except for the performance measures. Those are anchored by ‘much worse than competitors’ and ‘much better than competitors’. To develop the new scales we followed the framework proposed by Churchill (1979). First, we generated an item pool based on the findings from the qualitative study and prior literature. We then pretested the resulting questionnaire with six senior marketing executives from luxury firms and five from non-luxury firms for comprehension, logic, and relevance. Based on their feedback, we modified the scales.

Latent variable scores of the eight individual capabilities (four luxury arena-related and four general marketing capabilities) and of TURB were calculated as arithmetic means of the related item scores. Scores of STATUS, QUALITY, CMPERF, PERF and of the formative variables LUX and GEN were computed as weighted sums of their indicators. The weights were not fixed a priori but determined by the partial least squares algorithm of the package 'plspm' of the statistics software R (for the weights see Appendix C). That algorithm takes into account the latent variable interrelations. The weights were applied to standardized indicator scores to obtain the standardized latent variable scores. SIZE and AGE were calculated as logarithms of the item scores firm size and brand age, respectively. Responses of 58 managers were eliminated from the dataset due to missing values in at least one questionnaire item which resulted in 250 usable responses.

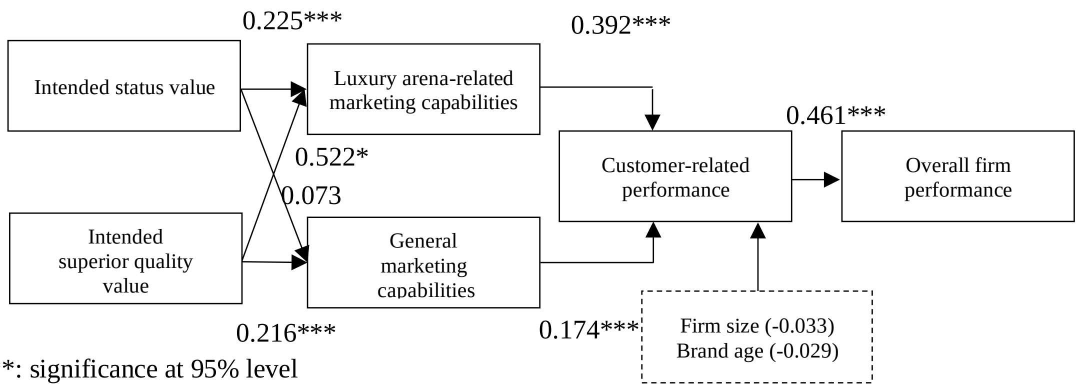
Measurement assessment. We assessed the measurement of the latent variables in two different ways depending on whether the variable is of the reflective or the formative type. Appendix C and Appendix D provide an overview of the measurement assessment of the reflective variables. Here, we checked the unidimensionality by computing the first and second largest eigenvalues of the correlation matrix of item scores. In each case, the prominently large first eigenvalue demonstrates the predominance of a single factor which empirically justifies the reflective nature of the variable. Additionally, each item exhibits high values of squared correlation with the respective latent variable. In fact, the squared item-latent variable correlations are always greater than 0.50 except for three items, where it is still above 0.34 (see Appendix C). Thus, at least 50 per cent of the variance of most items is explained by the variance of the corresponding latent variable. After proving the unidimensionality, we checked the reliability of each reflective variable via its coefficient alpha. Alpha was calculated for the means of items in case of the individual capabilities and TURB, and for the weighted sums in case of the variables STATUS, QUALITY, CMPERF, and PERF. It represents a lower bound of the composite reliability of each latent variable under rather weak statistical assumptions (Crocker & Algina, 2009). The values of alpha are all above 0.7 (see Appendix D), so they exceed the recommended thresholds (R. P. Bagozzi & Yi, 1988) with the exception of customer-related turbulence which is very close to this value (alpha is 0.686, which is very close to the threshold).

For formative variables, unidimensionality is not a relevant issue. Indicator-latent variable correlations may be low or high which, however, is insignificant for the quality of the measurement. In our case, the squared correlations between LUX and GEN and their respective indicators show rather low values which empirically supports the formative model type. To assess the reliability of the formative variables, we took into consideration that items (single capabilities) are in general from different content domains (since they represent different aspects of the marketing mix). The reliability of a weighted sum can be computed from the variances and reliabilities of the constituents (Nunnally & Bernstein, 1994). We inserted our values for the lower bounds of reliabilities of the individual capabilities to obtain the lower bounds for the reliabilities of the latent variables LUX and GEN which resulted in the values of 0.932 and 0.886, respectively. The reliabilities of these two variables are therefore sufficiently high. Finally, we compared the correlations of indicators with latent variables. We found that each indicator is stronger correlated with its linked latent variable than with other latent variables in the model.

Assessment of model relations. Since our model includes formative variables, we assessed the hypothesized relations between the variables in the model by means of the partial least squares algorithm. Thereby, all direct effects were assumed to be linear without an intercept. We computed confidence intervals of the effects in different ways. Thus, we computed studentized intervals for the direct effects obtained by means of individual linear regressions. Furthermore, we used a bootstrap algorithm to obtain confidence intervals for the direct effects, for the hypothesized mediation effects, and for the differences of these mediated effects. For each bootstrap calculation, 2000 resamples were generated out of the latent variable scores and two different types of confidence intervals were computed, namely basic and percentile intervals (for the statistics background see (Davison & Hinkley, 1997).

RESULTS

Figure 2 illustrates the results of the model regressions (corresponding confidence intervals are shown in Appendix E). Table 1 summarizes the results of the mediation analysis.



**: significance at 95% level
***: significance at 99% level

Figure 2. Linear regressions (direct effects)

Table 1. Mediation analysis

Effect	Est.	Quantiles Method	2.5%	5%	10%	90%	95%	97.5%
STATUS → LUX → CMPERF	0.088	basic	0.025	0.038	0.051	0.121	0.128	0.134
		percentile	0.042	0.048	0.055	0.125	0.138	0.151
QUALITY → LUX → CMPERF	0.205	basic	0.104	0.125	0.144	0.258	0.273	0.286
		percentile	0.123	0.137	0.151	0.266	0.285	0.305
STATUS → GEN → CMPERF	0.013	basic	-0.013	-0.0088	-0.0026	0.026	0.029	0.033
		percentile	-0.0079	-0.0037	-0.0005	0.028	0.034	0.039
QUALITY → GEN → CMPERF	0.038	basic	-0.0071	0.0016	0.011	0.060	0.065	0.068
		percentile	0.0067	0.010	0.015	0.065	0.074	0.082
(STATUS → LUX → CMPERF) - (STATUS→GEN→CMPERF)	0.075	basic	0.0091	0.020	0.034	0.111	0.119	0.129
		percentile	0.022	0.031	0.040	0.116	0.130	0.141
(QUALITY → LUX → CMPERF) - (QUALITY→GEN →CMPERF)	0.167	basic	0.056	0.077	0.100	0.231	0.248	0.262
		percentile	0.073	0.087	0.103	0.234	0.257	0.278
(STATUS → LUX → CMPERF) / (STATUS → GEN → CMPERF)	6.91	percentile	1.67	2.02	2.73			
(QUALITY → LUX → CMPERF) / (QUALITY→GEN→ CMPERF)	5.45	percentile	2.14	2.45	2.91			

Note: Products of two effects are bootstrapped to obtain quantiles on mediated effects. Results are reported for the basic and percentile methods. Differences of products are bootstrapped using the same methods. For the ratios of products, for statistical reasons only the lower bounds using the percentile method are computed.

With regard to the mediating effect of luxury arena-related marketing capabilities (H1), our results provide support for H1a and H1b. Specifically, arena-related marketing capabilities mediate the positive relationship between intended customer value (both, status and superior quality value) and customer-related performance at 95 per cent confidence level (the path coefficients are 0.088 for status value and 0.205 for superior quality value, respectively, see Table 1). Thus, arena-related marketing capabilities are indeed an important mediator between intended customer value and customer-related performance in the luxury arena.

The mediating role of general marketing capabilities in the relationship between intended luxury value and customer-related performance (H2) was supported partly. General marketing capabilities mediate the positive effect of intended superior quality value on customer-related performance (H2b) at the 90 per cent confidence level using the percentile method and at 80 per cent using the basic method, with a path coefficient of 0.038 (see Table 1). The mediating effect of general marketing capabilities between the intended status value and customer-related performance (H2a) is not significant. Thus, the results suggest that general marketing capabilities only marginally contribute to the implementation of superior quality value and do not contribute to the implementation of intended status value.

The hypothesis H3 addressed the relative impact of the two sets of capabilities. The results are consistent with the findings above: the mediating effect of marketing capabilities in the relationship between intended status value and customer-related performance (H3a) is significantly stronger for arena-related capabilities than for general capabilities at the 90 per cent confidence level, the difference in path coefficients being 0.075 (see Table 1). Similarly, the mediation effect of arena-related capabilities in the relationship between intended superior quality value and customer-related performance (H3b) is stronger than that of general capabilities. The difference between the path coefficients is 0.167 and is significant at 95 per cent confidence level. H4 and H5 proposed a moderating influence of customer-related turbulence on the relationship between intended customer value and customer-related performance mediated by marketing capabilities. Table 2 summarizes the results of the moderation analysis.

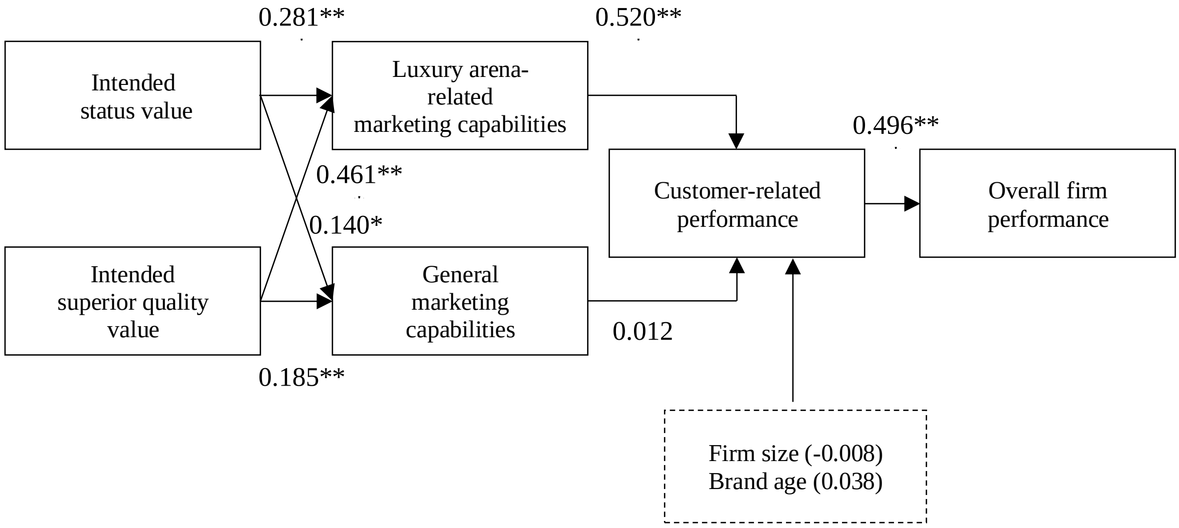
The results support H4a: the mediating effect of luxury arena-related marketing capabilities in the relationship between intended status value and customer-related performance is significantly stronger in an environment of high customer-related turbulence as compared to a low turbulence context at 90 per cent confidence level with the percentile method and at 80 per cent with the basic method. This difference is 0.103. This suggests that arena-related marketing capabilities gain on importance in the context of high market dynamism. The hypothesized relationships H4b, H5a were not significant. Concerning H5b (the mediating effect of general marketing capabilities in the relationship between intended superior quality value and customer-related performance), the analysis shows statistical significance of the hypothesized effect at the 80 per cent confidence level (see Table 2). Here, the difference of path coefficients between high and low customer-related turbulence subsamples is -0.076. This implies that the mediating effect is stronger in a more stable market environment than in the context of high customer-related turbulence. Additionally, we present and further discuss the results for the two subsamples: high and low customer-related turbulence (see Figure 3). The results of the linear regressions and corresponding confidence intervals are presented in Appendix F (high turbulence subsample) and Appendix G (low turbulence subsample).

Table 2. Moderation analysis

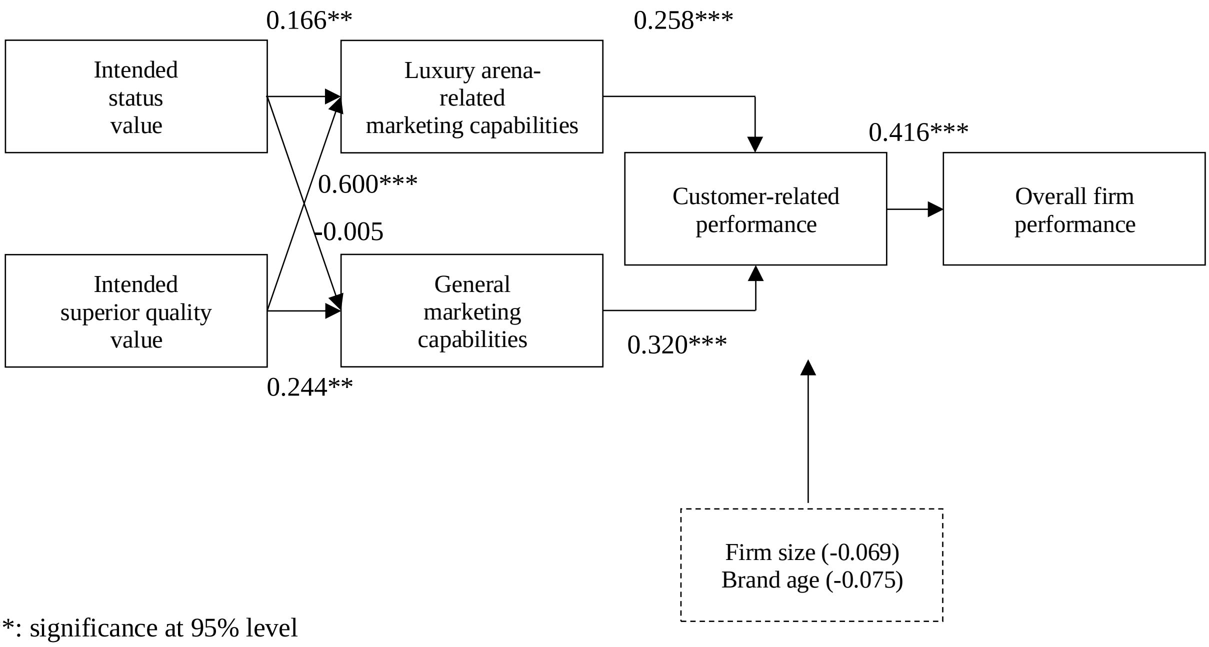
Effect	**Est.**	**Quantiles**						
		Method	**2.5%**	**5%**	**10%**	**90%**	**95%**	**97.5%**
STATUS → LUX → CMPERF	0.103	basic	-0.017	0.0054	0.031	0.174	0.195	0.212
		percentile	-0.0059	0.011	0.032	0.176	0.201	0.223
QUALITY → LUX → CMPERF	0.085	basic	-0.084	-0.057	-0.027	0.200	0.234	0.263
		percentile	-0.094	-0.065	-0.031	0.196	0.226	0.253
STATUS → GEN → CMPERF	0.0034	basic	-0.061	-0.049	-0.036	0.041	0.055	0.066
		percentile	-0.059	-0.048	-0.034	0.042	0.056	0.068
QUALITY → GEN → CMPERF	-0.076	basic	-0.154	-0.144	-0.130	-0.010	0.012	0.030
		percentile	-0.182	-0.164	-0.142	-0.022	-0.0082	0.0019

Note: The differences of mediated effects for the high and low customer-related turbulence subsamples are bootstrapped. Results are reported for the basic and percentile methods.

High customer-related turbulence subsample



Low customer-related turbulence subsample



**: significance at 95% level
***: significance at 99% level

Figure 3. Moderation analysis (linear regressions)

Although, as shown before, the mediating effect of luxury arena-related marketing capabilities in the relationship between intended status value and customer-related performance is significantly higher in the context of high as compared to low customer-related turbulence, it is still worth mentioning that this effect is positive in both subsamples. The path coefficients are 0.146 and 0.043 for the high and low customer-related turbulence subsamples, respectively. Similarly, though the analysis did not show any significant difference in the two subsamples for the mediating effect of arena-related marketing capabilities in the relationship between superior quality value and customer-related performance (H4b was not supported), it is notable that this effect remains significantly positive under different environments. The path coefficients are 0.239 and 0.155 for the high and low customer-related turbulence subsamples, respectively. This implies that the role of arena-related marketing capabilities for the implementation of intended superior quality value is substantial in the context of both, low and high customer-related turbulence.

Regarding the mediating effect of general marketing capabilities, the results show that this effect is significant (basic 80 per cent, percentile 90 per cent) in the relationship between intended superior quality value and customer-related performance in the context of low customer-related turbulence (see Appendix G). In the context of high customer-related turbulence, the mediating effect disappears (see Appendix F). Thus, the results suggest that general marketing capabilities are effective for the implementation of intended superior quality value under the condition of low customer-related turbulence. However, this effect is not significant under the condition of high customer-related turbulence. In the relationship between intended status value and customer-related performance, the mediating effect of general marketing capabilities remains insignificant across both subsamples. Therefore, general marketing capabilities are not effective for the implementation of intended status value.

Finally, we proved the effects of customer-related performance on overall firm performance in our model (H6). As expected, customer-related performance has a strong positive effect on firm performance (0.461) which is significant at the confidence level of 95 per cent (bootstrapping) and 99 per cent (studentized) (see Appendix E). In all calculations, we controlled for the effects of firm size and brand age on customer-related performance that showed to be not significant (see Appendix E).

DISCUSSION AND IMPLICATIONS

In a competitive arena, various rivals from different industries try to satisfy certain customer needs with alternative products and services. Thus, the concept of a competitive arena is well-suited to reflect the increasingly important phenomenon of cross-industry competition. Based on conceptual considerations and a qualitative study among 21 top-managers of luxury brands, we identified and operationalized a set of arena-related marketing capabilities that drive customer-related and overall firm performance within the luxury competitive arena. By means of a large-scale survey, we empirically tested the link between arena-related marketing capabilities and firm performance. Additionally, we compared these performance implications of luxury marketing capabilities with the impact of general marketing capabilities on firm within the luxury arena and empirically confirmed a more important role of arena-related relative to general marketing capabilities. Furthermore, we examined how customer-related turbulence moderates the mediating role of marketing capabilities in the relationship between intended customer value and performance. We found that in a highly dynamic market environment, arena-related marketing capabilities gain relevance for strategy implementation and firm performance. These findings generate important theoretical and managerial implications and result in promising avenues for future research.

Academic implications and directions for future research

In line with our research questions, we developed a framework on the role of arena-related marketing capabilities for strategy implementation and performance and advance knowledge in four major ways. First, we take an innovative perspective on marketing capabilities by linking them to the concept of a competitive arena. Prior research has usually tried to identify generalizable marketing capabilities that drive firm performance across different industry settings (Krasnikov & Jayachandran, 2008; Morgan, Slotegraaf, & Vorhies, 2009). In contrast to such a broad perspective, our approach is more focused. We identified arena-related capabilities that drive performance within a certain competitive setting, in our case, the luxury arena. Here, arena-related marketing capabilities proved to be a stronger predictor of performance than general marketing capabilities. This finding underlines the academic relevance of the concept of arena-related capabilities for explaining firm performance. Our study illustrates the importance of going beyond traditional marketing capabilities in trying to understand how to create customer value in competitive arenas. In other words, the possession of general marketing capabilities alone is not sufficient to achieve firm performance.

Second, our study contributes to the luxury marketing literature where prior research has focused on specific marketing decisions such as intended luxury product design (Han et al., 2010). With regard to the luxury arena-related marketing capabilities needed to implement such strategic decisions, prior researchers have relied on anecdotal evidence and have not systematically examined the role of luxury-related marketing capabilities for firm performance in a large-scale quantitative study (Kapferer & Bastien, 2012; Keller, 2009). Also, many prior publications in this area are primarily descriptive and do not involve theory-driven, empirical studies (Kapferer & Bastien, 2012). Our research is the first to provide a theoretical framework and empirical evidence on what really drives value creation in the luxury arena.

Third, prior research on organizational capabilities has emphasized the importance of dynamic capabilities which enable companies to successfully compete in turbulent environments and, therefore, in addition to general marketing capabilities, drive organizational performance (Eisenhardt & Martin, 2000; Teece et al., 1997; Winter, 2003; Zahra, Sapienza,

& Davidsson, 2006). This research has pointed out that dynamic capabilities are essential to cope with changes in the environment (e.g., shifting customer preferences). Our study provides a new perspective on how to succeed in such a dynamic competitive context. Specifically, arena-related capabilities can serve as a buffer against customer-related turbulence and also may help to seize the opportunities that come with increased dynamism. Our findings show that a firm with a high level of arena-related marketing capabilities excels in creating high value to its customers, and even more so, when customer preferences are changing. In other words, firms with arena-related marketing capabilities are better able to understand the drivers of customer value and anticipate changes in the market.

Fourth, we make a contribution to the marketing strategy literature where the phenomenon of cross-industry competition in competitive arenas has been of interest (Day, 2004; McGrath, 2013). Most of the previous work in this area has focused on strategy formulation. In contrast, we provide an implementation perspective by focusing onto the question which marketing capabilities are needed to succeed in a specific competitive arena (luxury arena). Our results show that in order to successfully implement intended luxury value for customers, competitors in the luxury arena require luxury-related marketing capabilities. Managerial interviews revealed that the importance of this implementation perspective is well recognized in business practice. Thus, our study supports the academic relevance of taking a strategy implementation perspective also in the context of the emerging concept of competitive arenas.

Our study also has implications for future research. First, we argue that our contingency perspective on marketing capabilities should play a more prominent role. As an example, future researchers may examine the marketing capabilities required to succeed in other competitive arenas (e.g., the entertainment or the communication arena). Furthermore, they may not only address the competitive arena but also broader competitive settings as contingencies: should companies develop distinct marketing capabilities across different cultures and countries, across institutional contexts such as B2B vs. B2C or marketing of physical products vs. services? By doing so, the reasons for competitive outperformance will be better understood than by focusing only on general marketing capabilities which may not sufficiently explain why some firms fail while others thrive in certain strategic contexts.

Second, the concept of arena-related marketing capabilities can provide valuable insights on how to successfully compete in a dynamic environment. While we focused on customer-related turbulence, future studies should also consider other aspects of environmental dynamism and examine the role of further potential factors that moderate the relationship between arena-related capabilities and performance. Such factors could be, e.g., technological turbulence (Zhou & Wu, 2010) or competitive intensity (Auh & Menguc, 2005).

Third, while we demonstrated the relevance of the concept of competitive arenas in the context of marketing capabilities and performance, future research in marketing strategy should expand on the role of competitive arenas also in other areas. As an example, from a competitive dynamics perspective, it could be interesting to examine market defense strategies (e.g., (Kuester, Homburg, & Robertson, 1999) in order to better understand the dynamics of cross-industry competition in competitive arenas. Key questions might be: How can incumbents of a competitive arena successfully defend their position against new entrants (who may even have disruptive business models)? Which factors drive the success of new entrants to the arena? What is the role of arena-related marketing capabilities in these contexts?

Finally, we focused on concrete luxury marketing capabilities required to succeed in the luxury competitive arena. Future research in luxury marketing should also examine additional organizational variables that drive performance in the luxury arena. These variables may relate to organizational culture and cultural values, to organizational structure, and organizational systems and processes.

Managerial implications

Our research also provides managers with valuable insights. First, a critical management task is to decide which organizational capabilities to emphasize (Day, 1994). Our study shows that arena-related marketing capabilities have a strong impact on organizational performance and are even more important than general marketing capabilities. Whereas luxury incumbents may be aware of this idea (as revealed in our qualitative study), many less successful competitors in the luxury arena and especially new entrants may still underestimate these capabilities and overestimate general marketing capabilities. However, based on our findings, we can calculate the ratio of the mediating effects of arena-related to general marketing capabilities for both types of intended customer value. The results show that for intended status value, the mediating effect of luxury arena-related capabilities between intended status and customer-related performance is at least 2.02 times stronger (lower 95 per cent confidence bound) than the mediating effect of general marketing capabilities. The same holds true for intended superior quality value: the ratio of the mediating effects is at least 2.45 at the 95 per cent confidence level (see Table A.1). This suggests that managerially, arena-related capabilities are essential for success in the luxury arena, as they cannot be easily substituted with higher general marketing capabilities. So, when a firm builds its capabilities, it needs to weigh the significant difference in mediating effects that we have identified against the costs of acquiring those capabilities. Against this background, a key managerial implication is that firms should invest significant efforts in identifying, building, and enhancing their arena-related capabilities.

Second, our study provides insights on how firms can deal with intensified cross-industry competition. When managers try to cope with disruption of their established business models by new entrants to their strategic arena, they may be well advised to actively focus on delivering customer value by enhancing their arena-related marketing capabilities. As an example, traditional luxury watch manufacturers can respond to threats from new technologies such as smart watches by not only embracing the innovative technology but also by enhancing their luxury marketing capabilities (e.g., luxury brand inspiration, luxury-congruent story-telling, etc.).

Third, our concept of arena-related capabilities and the corresponding measurement scales can serve as a valuable tool for the analysis of the competitive environment. By monitoring and assessing the arena-related marketing capabilities of both competing incumbents and new entrants to the competitive arena, managers can evaluate their own strategic position and the competitive threat from the analyzed competitors. If, for example, a new competitive entrant seems to excel with regard to arena-related capabilities, that new entrant is a much higher threat to incumbents and should be taken much more seriously. A great example of this in the luxury arena is Tesla. This company ignites a lot of passion among its employees who then transmit this to their customers (strong luxury brand inspiration capability). Also, Tesla is able to implement high prices in the market place (exclusive pricing capability). Thus, based on the general insights from our research, Tesla should be viewed as a serious competitor in the luxury arena and therefore a threat to traditional luxury automotive manufacturers.

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Appendix A: Sample characteristics of the qualitative study

Company	Industry	Senior executive position	Founded
Company A	Luxury accessoires	CEO	1984
Company B	Luxury accessoires	Country general manager	1854
Company C	Luxury cars	Managing director and member of the executive board	1914
Company D	Luxury cigars	Senior vice president global marketing and innovation	1967
Company E	Luxury cosmetics	General manager	1946
Company F	Luxury cosmetics	CEO and president	1954
Company G	Luxury cosmetics	Co-founder and chief operating officer	2011
Company H	Luxury food	CEO	1898
Company I	Luxury food	CEO	2007
Company J	Luxury mobile phones	CEO	2011
Company K	Luxury skis	CEO	2003
Company L	Luxury spirits	CEO and Founder	2010
Company M	Luxury textile	Owner	1894
Company N	Luxury textile	Creative director	1904
Company O	Luxury watches	CEO	2005
Company P	Luxury watches	CEO	1884
Company Q	Luxury watches	Chairperson of the advisory board and ex-CEO	1980
Company R	Luxury watches	CEO	2010
Company S	Luxury watches and jewelry	CEO	1854
Company T	Hospitality	Managing director	1899
Company U	Hospitality	General manager and area director	1957

Appendix B: Scales overview

Intended status value (STATUS)

It is our strategic intention that our brand makes consumers feel better-off than others.

It is our strategic intention that our brand makes consumers feel they have high status.

It is our strategic intention that our brand helps consumers signal more prestige.

Intended superior quality value (QUALITY)

It is our strategic intention that our brand has a superior design and quality.

It is our strategic intention that our brand has an excellent performance.

It is our strategic intention that our brand performs best.

It is our strategic intention that our brand is excellent in every detail.

Luxury arena-related capabilities (LUX)

Perfection in product creation

We offer consumers an outstanding product quality and a superior level of service.

We ensure the excellent performance of our products and services.

We preserve and maintain superior production/service know-how.

We make sure that every detail in our goods and services is perfect.

We excel in creating exclusive products and services, e.g., by using premium and rare materials and components.

Exclusive pricing

We ask high prices for our products/services in the marketplace.

We maintain stable prices for our products/services and avoid price discounts in the marketplace.

We implement a consistent high-price strategy across all our geographical markets.

We have the pricing power in the marketplace to increase the prices for our products and services over time.

Luxury-congruent story-telling

We provide the brand with unique and compelling stories.

We tell memorable stories which ignite passion for our brand in consumers.

Through our brand-related story-telling, we sell dreams to consumers.

We tell stories that are appealing and highly relevant for consumers.

We tell stories that effectively transmit our brand identity.

Luxury brand inspiration

We make sure that our employees are fully and ultimately convinced of our brand.

We make sure that our employees love our brand.

We ignite passion for our brand in our employees so that they can inspire customers and consumers.

General marketing capabilities (GEN)

Product development

We successfully develop new products/services.

We effectively develop new products/services to exploit R&D investment.

We successfully implement test marketing of new products/services.

We successfully launch new products/services.

Pricing

We have good knowledge of competitors' pricing tactics.

We do an effective job of pricing products/services.

We consistently monitor competitors' prices and price change.

Selling

We give sales people the training they need to be effective.

We successfully build and use sales management planning and control systems.

Our sales people have good selling skills.

We have good sales management skills.

We provide effective sales support to the sales force.

Marketing communication

We effectively develop and execute advertising programs.

We have good advertising management and creative skills.

We have good public relations skills.

We have good brand image management skills and processes.

We are good at managing corporate image and reputation.

We establish and maintain high prices also for our entry-level products.

Customer management performance (CMPERF)

Image/reputation

Consumer satisfaction

Consumer retention

Overall performance (PERF)

Market share growth

Growth in sales revenue

Acquiring new consumers

Sales

Profitability

Market share

Reaching financial goals

Customer-related turbulence (TURB)

In our kind of business, consumers' product preferences change quite a lot over time.

Our consumers tend to look for new product all the time.

New consumers tend to have product-related needs that are different from those of our existing consumers.

Appendix C: Measurements overview and scales assessment

Indicator	Squared correlation	Indicator weight
Intended status value (STATUS) *(adapted from Fuchs, Prandelli, Schreier and Dahl, 2013)*		
It is our strategic intention that our brand makes consumers feel better-off than others.	0.912	0.341
It is our strategic intention that our brand makes consumers feel they have high status.	0.947	0.354
It is our strategic intention that our brand helps consumers signal more prestige.	0.938	0.341
Intended superior quality value (QUALITY)		
It is our strategic intention that our brand has a superior design and quality.	0.635	0.308
It is our strategic intention that our brand has an excellent performance.	0.804	0.291
It is our strategic intention that our brand performs best.	0.663	0.277
It is our strategic intention that our brand is excellent in every detail.	0.757	0.307
Luxury arena-related marketing capabilities (LUX)		
Perfection in product creation	*0.730*	*0.549*
We offer consumers an outstanding product quality and a superior level of service.	0.715	
We ensure the excellent performance of our products and services.	0.729	
We preserve and maintain superior production/service know-how.	0.682	
We make sure that every detail in our goods and services is perfect.	0.642	
We excel in creating exclusive products and services, e.g., by using premium and rare materials and components.	0.654	
Exclusive pricing	*0.483*	*0.367*
We ask high prices for our products/services in the marketplace.	0.655	
We maintain stable prices for our products/services and avoid price discounts in the marketplace.	0.343	
We implement a consistent high-price strategy across all our geographical markets.	0.768	
We have the pricing power in the marketplace to increase the prices for our products and services over time.	0.573	
We establish and maintain high prices also for our entry-level products.	0.713	
Luxury-congruent story-telling	*0.382*	*0.186*
We provide the brand with unique and compelling stories.	0.773	
We tell memorable stories which ignite passion for our brand in consumers.	0.861	
Through our brand-related story-telling, we sell dreams to consumers.	0.819	
We tell stories that are appealing and highly relevant for consumers.	0.831	
We tell stories that effectively transmit our brand identity.	0.756	
Luxury brand inspiration	*0.401*	*0.254*
We make sure that our employees are fully and ultimately convinced of our brand.	0.860	
We make sure that our employees love our brand.	0.883	
We ignite passion for our brand in our employees so that they can inspire customers and consumers.	0.904	
General marketing capabilities (GEN)		
Product development capability *(adapted from Vorhies and Morgan 2005)*	*0.873*	*0.752*
We successfully develop new products/services.	0.698	
We effectively develop new products/services to exploit R&D investment.	0.645	
We successfully implement test marketing of new products/services.	0.609	
We successfully launch new products/services.	0.735	
Pricing capability *(adapted from Vorhies and Morgan 2005)*	*0.232*	*0.169*

Indicator	Squared correlation	Indicator weight
We have good knowledge of competitors' pricing tactics.	0.761	
We do an effective job of pricing products/services.	0.542	
We consistently monitor competitors' prices and price change.	0.762	
Selling capability (adapted from Vorhies and Morgan 2005)	*0.265*	*0.108*
We give sales people the training they need to be effective.	0.668	
We successfully build and use sales management planning and control systems.	0.635	
Our sales people have good selling skills.	0.567	
We have good sales management skills.	0.727	
We provide effective sales support to the sales force.	0.736	
Marketing communication capability (adapted from Vorhies and Morgan 2005)	*0.417*	*0.249*
We effectively develop and execute advertising programs.	0.575	
We have good advertising management and creative skills.	0.704	
We have good public relations skills.	0.633	
We have good brand image management skills and processes.	0.713	
We are good at managing corporate image and reputation.	0.657	
Customer management performance (CMPERF) *(adapted from Ramaswami, Srivastava, and Bhargava 2009)*		
Image/reputation	0.698	0.441
Consumer satisfaction	0.716	0.372
Consumer retention	0.677	0.384
Overall performance (PERF) *(adapted from Moorman and Rust 1999; Vorhies and Morgan 2005)*		
Market share growth	0.700	0.177
Growth in sales revenue	0.724	0.199
Acquiring new consumers	0.616	0.250
Sales	0.674	0.182
Profitability	0.443	0.155
Market share	0.569	0.137
Reaching financial goals	0.563	0.174
Customer-related turbulence (TURB) *(adapted from Jaworski and Kohli 1993)*		
In our kind of business, consumers' product preferences change quite a lot over time.	0.696	
Our consumers tend to look for new product all the time.	0.681	
New consumers tend to have product-related needs that are different from those of our existing consumers.	0.478	

Note: Indicator weights are calculated with an iterative partial least squares algorithm using the package “plspm” of the statistics software R. The squared correlation between each indicator and the corresponding latent variable is reported in the second column.

Appendix D: Assessment of the reflective variables

Construct (Variable)	Alpha	1Ev	2Ev
Intended status value (STATUS)	0.964	2.797	0.131
Intended superior quality value (QUALITY)	0.865	2.862	0.604
Luxury arena-related marketing capabilities (LUX):			
Perfection in product creation	0.867	3.452	0.548
Exclusive pricing	0.838	3.056	0.773
Luxury-congruent story-telling	0.940	4.041	0.372
Luxury brand inspiration	0.933	2.647	0.217
General marketing capabilities (GEN):			
Product development	0.827	2.702	0.629
Pricing	0.773	2.066	0.604
Selling	0.872	3.336	0.591
Marketing communication	0.867	3.285	0.851
Customer management performance (CMPERF)	0.778	2.095	0.516
Overall performance (PERF)	0.887	4.304	0.983
Customer-related turbulence (TURB)	0.686	1.863	0.769

Appendix E: Linear regressions (direct effects), full sample

	Goodness of fit					Quantiles								
Effect	**R2**	***p*-value**	**Est.**	**t-stat.**	***p*-value**	**Method**	**Boot. mean**	**Boot. type**	**2.5%**	**5%**	**10%**	**90%**	**95%**	**97.5%**
STATUS → LUX	0.382	0.000	0.225	4.36	0.000	studentized			0.123	0.140	0.158	0.291	0.310	0.326
						bootstrap	0.227	basic	0.124	0.141	0.157	0.287	0.306	0.329
								percentile	0.120	0.143	0.163	0.292	0.308	0.326
QUALITY → LUX			0.522	10.13	0.000	studentized			0.421	0.437	0.456	0.589	0.608	0.624
						bootstrap	0.527	basic	0.399	0.418	0.441	0.596	0.613	0.628
								percentile	0.417	0.431	0.449	0.604	0.627	0.646
STATUS → GEN	0.060	0.000	0.073	1.15	0.250	studentized			-0.052	-0.032	-0.008	0.155	0.178	0.199
						bootstrap	0.073	basic	-0.038	-0.023	-0.0032	0.150	0.170	0.189
								percentile	-0.042	-0.024	-0.0029	0.150	0.170	0.185
QUALITY → GEN			0.216	3.40	0.001	studentized			0.091	0.111	0.135	0.298	0.321	0.342
						bootstrap	0.220	basic	0.068	0.097	0.127	0.293	0.315	0.332
								percentile	0.101	0.118	0.140	0.306	0.336	0.364
LUX → CMPERF	0.248	0.000	0.392	6.22	0.000	studentized			0.268	0.288	0.311	0.473	0.496	0.516
						bootstrap	0.392	basic	0.251	0.273	0.301	0.484	0.507	0.530
								percentile	0.254	0.276	0.299	0.482	0.510	0.532
GEN → CMPERF			0.174	2.77	0.006	studentized			0.050	0.070	0.093	0.254	0.277	0.297
						bootstrap	0.172	basic	0.045	0.066	0.090	0.264	0.291	0.313
								percentile	0.034	0.056	0.083	0.257	0.281	0.302
SIZE → CMPERF			-0.033	- 0.50	0.617	studentized			-0.162	-0.141	-0.117	0.051	0.075	0.096
						bootstrap	-0.029	basic	-0.183	-0.162	-0.128	0.054	0.079	0.101
								percentile	-0.167	-0.145	-0.120	0.063	0.096	0.118
AGE→ CMPERF			-0.029	-0.46	0.647	studentized			-0.154	-0.134	-0.111	0.052	0.076	0.096
						bootstrap	-0.029	basic	-0.155	-0.131	-0.108	0.048	0.068	0.086
								percentile	-0.144	-0.127	-0.106	0.050	0.073	0.097
CMPERF → PERF	0.213	0.000	0.461	8.20	0.000	studentized			0.351	0.368	0.389	0.534	0.554	0.572
						bootstrap	0.460	basic	0.351	0.367	0.388	0.537	0.554	0.571
								percentile	0.352	0.369	0.386	0.535	0.555	0.572

Note for Appendices E-G: Four separate fits are performed using scores for latent variables as calculated with the indicator weights in Appendix C. The R2 and the p-value of the F-statistics of each fit are reported. We list the estimated effects, t-statistics, p-values, 2.5%, 5%, 10%, 90%, 95%, and 97.5% studentized quantiles as well as bootstrap mean and quantiles obtained using the bootstrap basic and percentile methods.

Appendix F: Linear regressions, high customer-related turbulence subsample

	Goodness of fit					Quantiles								
Effect	**R2**	***p*-value**	**Est.**	**t-stat.**	***p* -value**	**Method**	**Boot. mean**	**Boot. type**	**2.5%**	**5%**	**10%**	**90%**	**95%**	**97.5%**
STATUS → LUX	0.384	0.000	0.281	3.92	0.000	studentized			0.139	0.162	0.189	0.373	0.400	0.423
						bootstrap	0.280	basic	0.134	0.158	0.184	0.379	0.407	0.434
								percentile	0.128	0.155	0.183	0.378	0.404	0.428
QUALITY → LUX			0.461	6.62	0.000	studentized			0.323	0.346	0.371	0.551	0.576	0.599
						bootstrap	0.468	basic	0.293	0.315	0.346	0.557	0.585	0.608
								percentile	0.313	0.336	0.365	0.575	0.606	0.628
STATUS → GEN	0.081	0.003	0.140	1.69	0.093	studentized			-0.024	0.0030	0.033	0.246	0.276	0.303
						bootstrap	0.138	basic	-0.021	0.0036	0.034	0.247	0.276	0.302
								percentile	-0.023	-0.0031	0.032	0.245	0.276	0.300
QUALITY → GEN			0.185	2.31	0.022	studentized			0.027	0.053	0.082	0.288	0.318	0.344
						bootstrap	0.192	basic	-0.016	0.020	0.059	0.289	0.315	0.339
								percentile	0.031	0.055	0.082	0.312	0.351	0.387
LUX → CMPERF	0.286	0.000	0.520	6.13	0.000	studentized			0.352	0.379	0.410	0.629	0.660	0.687
						bootstrap	0.517	basic	0.349	0.378	0.405	0.642	0.673	0.704
								percentile	0.335	0.366	0.397	0.634	0.661	0.690
GEN → CMPERF			0.012	0.14	0.891	studentized			-0.163	-0.134	-0.102	0.126	0.159	0.187
						bootstrap	0.012	basic	-0.180	-0.155	-0.121	0.143	0.179	0.208
								percentile	-0.184	-0.154	-0.119	0.146	0.179	0.204
SIZE → CMPERF			-0.008	-0.092	0.927	studentized			-0.189	-0.160	-0.126	0.109	0.143	0.173
						bootstrap	0.0024	basic	-0.235	-0.201	-0.161	0.123	0.175	0.207
								percentile	-0.223	-0.192	-0.140	0.144	0.184	0.218
AGE → CMPERF			0.038	0.42	0.674	studentized			-0.139	-0.110	-0.077	0.152	0.185	0.214
						bootstrap	0.037	basic	-0.133	-0.104	-0.071	0.144	0.170	0.193
								percentile	-0.118	-0.095	-0.069	0.146	0.179	0.208
CMPERF → PERF	0.235	0.000	0.496	6.49	0.000	studentized			0.345	0.370	0.398	0.595	0.623	0.647
						bootstrap	0.497	basic	0.343	0.368	0.398	0.591	0.617	0.640
								percentile	0.353	0.375	0.402	0.595	0.625	0.650
STATUS →			0.146			studentized								
LUX → CMPERF						bootstrap	0.146	basic	0.040	0.060	0.080	0.209	0.223	0.235
								percentile	0.057	0.069	0.083	0.212	0.232	0.253
QUALITY →			0.239			studentized								
LUX → CMPERF						bootstrap	0.242	basic	0.105	0.131	0.156	0.311	0.330	0.342
								percentile	0.137	0.149	0.168	0.323	0.348	0.373
STATUS →			0.0017			studentized								
GEN → CMPERF						bootstrap	0.0013	basic	-0.033	-0.025	-0.017	0.021	0.030	0.039
								percentile	-0.036	-0.027	-0.017	0.021	0.028	0.036
QUALITY →			0.0023			studentized								
GEN → CMPERF						bootstrap	0.0019	basic	-0.043	-0.033	-0.023	0.028	0.039	0.048
								percentile	-0.044	-0.034	-0.023	0.028	0.038	0.047

Appendix G: Linear regressions, low customer-related turbulence subsample

Effect	Goodness of fit					Quantiles								
	R2	*p* -value	Est.	t-stat.	*p*-value	Method	Boot. mean	Boot. type	2.5%	5%	10%	90%	95%	97.5%
STATUS → LUX	0.395	0.000	0.166	2.24	0.027	studentized			0.019	0.043	0.070	0.261	0.289	0.313
						bootstrap	0.166	basic	0.032	0.058	0.083	0.246	0.269	0.296
								percentile	0.036	0.063	0.085	0.249	0.273	0.300
QUALITY → LUX			0.600	7.75	0.000	studentized			0.446	0.471	0.500	0.699	0.728	0.753
						bootstrap	0.608	basic	0.415	0.439	0.473	0.702	0.727	0.753
								percentile	0.447	0.472	0.497	0.727	0.760	0.784
STATUS → GEN	0.048	0.066	-0.0054	-0.05	0.957	studentized			-0.204	-0.171	-0.134	0.124	0.160	0.193
						bootstrap	-0.005	basic	-0.162	-0.137	-0.111	0.099	0.128	0.160
								percentile	-0.170	-0.138	-0.110	0.100	0.126	0.151
QUALITY → GEN			0.244	2.34	0.021	studentized			0.038	0.071	0.110	0.379	0.418	0.451
						bootstrap	0.249	basic	0.017	0.056	0.102	0.367	0.401	0.431
								percentile	0.058	0.088	0.123	0.387	0.433	0.472
LUX → CMPERF	0.257	0.000	0.258	2.77	0.007	studentized			0.073	0.104	0.138	0.379	0.413	0.443
						bootstrap	0.258	basic	0.054	0.090	0.125	0.384	0.421	0.453
								percentile	0.064	0.096	0.133	0.392	0.427	0.462
GEN → CMPERF			0.320	3.65	0.000	studentized			0.147	0.175	0.207	0.433	0.466	0.494
						bootstrap	0.323	basic	0.131	0.166	0.197	0.440	0.476	0.504
								percentile	0.137	0.164	0.201	0.443	0.474	0.510
SIZE → CMPERF			-0.069	-0.75	0.458	studentized			-0.253	-0.223	-0.189	0.050	0.085	0.115
						bootstrap	-0.066	basic	-0.286	-0.247	-0.204	0.049	0.076	0.096
								percentile	-0.234	-0.214	-0.187	0.066	0.109	0.148
AGE → CMPERF			-0.075	-0.84	0.404	studentized			-0.253	-0.224	-0.190	0.040	0.073	0.102
						bootstrap	-0.079	basic	-0.253	-0.216	-0.183	0.042	0.075	0.103
								percentile	-0.253	-0.225	-0.192	0.033	0.066	0.103
CMPERF → PERF	0.185	0.000	0.416	5.01	0.000	studentized			0.252	0.278	0.309	0.523	0.554	0.581
						bootstrap	0.418	basic	0.233	0.263	0.298	0.529	0.565	0.599
								percentile	0.233	0.267	0.304	0.534	0.570	0.600
STATUS →			0.043			studentized								
LUX → CMPERF						bootstrap	0.043	basic	-0.015	-0.0040	0.010	0.072	0.077	0.081
								percentile	0.0049	0.0087	0.013	0.075	0.090	0.101
QUALITY →			0.155			studentized								
LUX → CMPERF						bootstrap	0.157	basic	0.0015	0.033	0.064	0.233	0.256	0.273
								percentile	0.037	0.054	0.077	0.246	0.277	0.308
STATUS →			-0.0017			studentized								
GEN → CMPERF						bootstrap	-0.002	basic	-0.059	-0.048	-0.036	0.033	0.045	0.058
								percentile	-0.061	-0.048	-0.036	0.033	0.045	0.056
QUALITY →			0.078			studentized								
GEN → CMPERF						bootstrap	0.082	basic	-0.030	-0.0092	0.015	0.127	0.138	0.144
								percentile	0.013	0.019	0.030	0.141	0.166	0.187

PAPER II

To Bling or Not to Bling:
The Role of Personality in Shaping Consumers' Aesthetic Preferences for Luxury Goods

"To me, beauty is the wonder of wonders. It is only shallow people who do not judge by appearances."

Oscar Wilde

ABSTRACT

This paper explores the role consumers' personality traits and motives play in setting their aesthetic preferences. Drawing on identity-signaling and self-congruity theory and prior insights from the literature of everyday consumer aesthetics, we conceptually discuss and empirically examine the role that two personality traits: extraversion and openness to experience, play in shaping consumer preferences regarding two aesthetic design elements of luxury brands: brand prominence and design extravagance (a new aesthetic design element introduced by this study into the literature). More specifically, we find that the personality trait extraversion promotes the consumer's desire for status, which then leads to an aesthetic preference for logo-laden and extravagantly designed brands. Openness to experience associates with the desire for uniqueness and lies behind a penchant for design extravagance. Finally, we discuss the theoretical implications of this idea for consumer aesthetics and luxury research, its practical implications for luxury marketing, and future research directions.

INTRODUCTION

Research on aesthetic product design is an important stream in the area of everyday consumer aesthetics (Patrick, 2016). A number of studies have investigated the relevance of aesthetic product design elements in different product categories, such as household goods, food, home decorating, automobiles, and even the financial services industry (Liu, Li, Chen, & Balachander, 2017; Patrick & Hagtvedt, 2011; Sevilla & Kahn, 2014; Townsend & Shu, 2010; Wu, Samper, Morales, & Fitzsimons, 2017). Aesthetic product design has also been recognized as a key source of value in the luxury industry, where the art-like aesthetic appeal of luxury goods is viewed as highly important, often even as more important than their functional value (Dion & Arnould, 2011; Nueno & Quelch, 1998). Some luxury products, such as the Hermes Birkin bag, the Chanel tweed suit, or the Burberry trench coat, have remained legendary for decades because of the aesthetic appeal of their iconic design (Alexander, 2018).

However, despite our recognition that style is an important source of value for luxury products, there are two key research deficits. First, prior research in luxury has provided very limited conceptualization of product design aesthetics. Second, knowledge of what drives particular consumer preferences for product design aesthetics and actual purchasing behavior is scarce.

Concerning the first research deficit, scholars have focused primarily on one element of luxury product design–brand prominence–categorizing brands with a big, highly discernible logo or recognizable pattern as loud, or conspicuous, and brands with a more subtle, discreet, logo as quiet, or inconspicuous (e.g., Han, Nunes, and Drèze 2010). However, current trends in the luxury industry show that such a focus on logo size is by far too limited to fully reflect the complexity of design aesthetics in luxury. As illustrated in Figure 1, examples from the latest collections of well-known luxury brands show that their products even with a small or no logo can still be perceived as very loud and conspicuous. In other words, the current conceptualizations of loudness of aesthetic design in luxury needs to be broadened. As an example, both Versace coats (see Figure 1) do not have a logo, however the coat on the right is much more extravagant in its product design and therefore, much louder than the coat on the left. Prior research has overlooked the issue of extravagance of product design and therefore, can only provide limited guidance for managers on how to design luxury brands.

Christian Louboutin (http://us.christianlouboutin.com)

Versace (www.versace.com)

Saint Laurent (www.ysl.com)

Figure 1. Examples of luxury products with small or no logo and with plain (left) versus extravagant (right) designs

Against this background, our study addresses this research opportunity and introduces a new aesthetic design element–extravagance of product design–which is especially relevant for luxury goods. Thus, we complement the focus of prior research on logo size with the new design element.

Out of the second research deficit (determinants of consumers' aesthetic choices), the following question arises: What are the drivers shaping consumer preferences toward different aesthetic design options? In general, prior research on consumer aesthetic preferences has emphasized the importance of individual consumer differences, such as his or her personality traits, for product choice (Bloch, 1995; Holbrook, 1986). Several studies, both on everyday consumer aesthetics (e.g., Bell, Holbrook, and Solomon 1991; Holbrook 1986; Yang, Zhang, and Peracchio 2010) as well as in luxury marketing (Janssen, Vanhamme, & Leblanc, 2017; Kang & Park, 2016; Kastanakis & Balabanis, 2014; Kauppinen-Räisänen, Björk, Lönnström, & Jauffret, 2018), have shown that personality plays an important role in the formation of design preferences. However, our knowledge in this area still remains incomplete, largely because researchers have often used rather simplistic approaches to measure personality. To address this shortcoming we adopt a more widely used approach from personality psychology, the Big Five personality model (Goldberg, 1990). This model holds that five traits (extraversion, agreeableness, openness to experience, conscientiousness, and neuroticism) can explain most aspects of human personality. Many empirical studies within personality psychology have confirmed the usefulness of this model but unfortunately, aesthetics and luxury marketing researchers have overlooked its value.

Furthermore, prior research on aesthetics preferences which have studied individual differences have provided little understanding on the processes by which personality ultimately influences these preferences (Patrick, 2016). Personality psychology researchers have emphasized that consumer personality is best understood in terms of personal motives, goals, or strivings (Baumgartner & Pieters, 2008; Roberts & Robins, 2000). With regard to these motives prior research on why consumers purchase luxury brands has generally discussed consumers' need for status (e.g., Fuchs et al. 2013; Geiger-Oneto et al. 2013) and need for uniqueness as key drivers (e.g., Bian and Forsythe 2012; Kastanakis and Balabanis 2014). Accordingly, the role of such motives should also be regarded more attentively in the formation of consumer aesthetic preferences.

Our conceptual framework is depicted in Figure 2. We propose that consumer preferences for specific aesthetic design elements (product design extravagance and brand prominence) are driven by two fundamental personality traits from the Big Five model: extraversion and openness to experience. In addition, we suggest the mechanisms underlying this effect. Specifically, we argue that personality traits trigger two underlying motivations in luxury consumption, the need for status and the need for uniqueness, which in turn shape consumer preferences in the choice of different types of luxury product designs (no logo vs. prominent logo and plain vs. extravagant design).

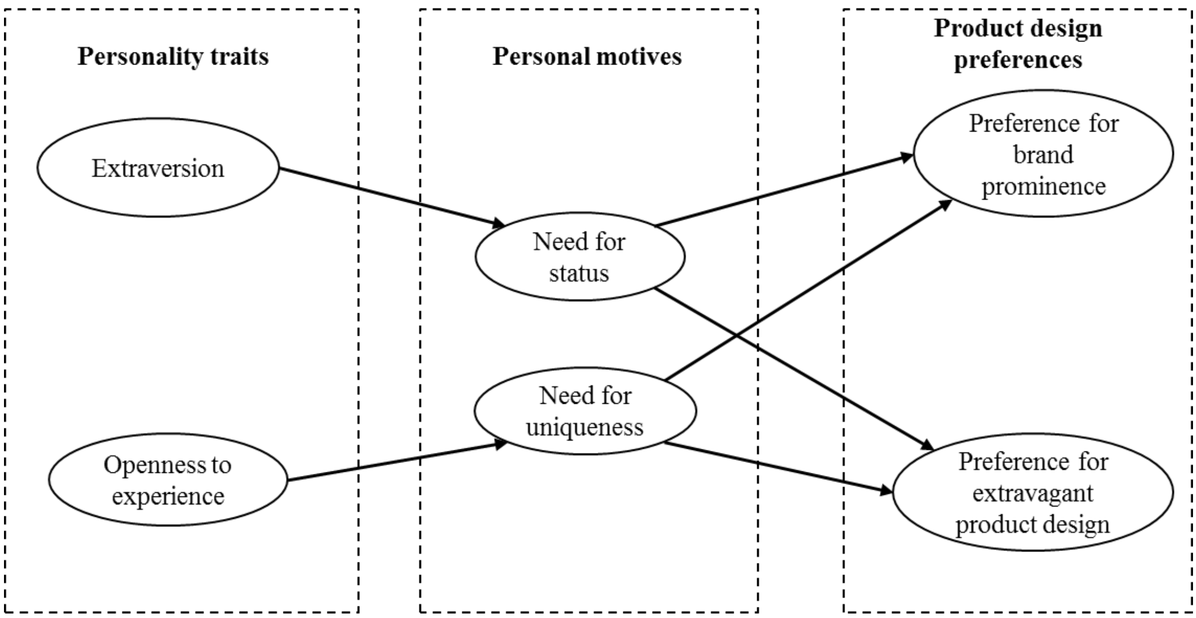

Figure 2. Conceptual framework

This paper makes three theoretical contributions. First, we introduce extravagance as a new aesthetic element of product design. We specifically investigate its relevance in the context of luxury goods. By doing so, we provide a more comprehensive conceptualization and understanding of product design aesthetics in luxury, that better reflects the reality of design options and consumers' choices. Second, we demonstrate the effects of two fundamental personality traits in the formation of consumer preferences towards aesthetic design elements (extraversion and openness to experience), which have been neglected both in everyday consumer aesthetics and luxury marketing literature. Here, we expand the limited knowledge base concerning the drivers of consumers' aesthetic choices, which is highly relevant for both academics and luxury managers. Third, we enhance the knowledge of the role consumer personality plays in shaping his/her aesthetic design preferences by providing specific insights on the processes through which consumer aesthetic preferences are formed. We show that the personality trait extraversion promotes the consumer's desire for status, which then leads to an aesthetic preference for brands with visible logos and extravagant designs. Openness to experience associates with the desire for uniqueness and lies behind a penchant for design extravagance. These findings contribute both to the luxury marketing literature and to the research on everyday consumer aesthetics by improving our understanding on how individual differences and especially personality ultimately influence consumers' design preferences.

THE RELEVANCE OF EXTRAVAGANCE AS AN ELEMENT OF AESHTETIC PRODUCT DESIGN IN LUXURY

Prior research on product design aesthetics in the context of luxury has centered on a single element–brand prominence. These studies argue that a big or small brand marking or logo is the main differentiating criterion between the two types of design (Han et al., 2010; Rucker & Galinsky, 2009; Wang & Griskevicius, 2014; Wilcox, Kim, & Sen, 2009). They associate small logos they with more inconspicuous (quiet) brands; big logos with louder, more garish brands.

But Milan, we have a problem: how can we explain the fact that many of today's loud luxury goods don't have prominent logos? Lately, there have been several studies which suggest that we need a more nuanced view on luxury brand conspicuousness or loudness. This implies that the understanding of loud versus quiet luxury design should not be limited to the issue of logo but comprises other aesthetic design elements. Thus, Janssen et al. (2017) classify sober and muted colors as elements of quiet luxury brands and more shocking colors as elements of loud luxury brands. Similarly, Eckhardt, Belk, and Wilson (2015) discuss general overt design aesthetics that differentiate loud versus quiet brands. They define inconspicuous brands as those associated with more subtle and refined products, and conspicuous brands as those that have a flashier set of products. Consider the real-life example of two celebrities: Paris Hilton and Kate Hudson (Figure 3). Both wear no-logo luxury brands. However, despite the absence of logos, the overall appearance of the brands is quite different: one (worn by Paris Hilton) is rather loud, while the other (worn by Kate Hudson) is quiet.

Figure 3. High status individuals wearing extravagant versus plain luxury brands

Against that background, we propose that in addition to logo size, the extravagance of product design contributes to the loudness of luxury brands and should be considered as another element of luxury aesthetics. The adjective *extravagant* stands for the "unusual, unsuitable" and "diverging greatly" (*Oxford Dictionary,* https://en.oxforddictionaries.com/definition/extravagant) or as "lacking in moderation, balance, and restraint" (*Merriam-Webster's dictionary*, https://www.merriam-webster.com/dictionary/extravagant). We conceptualize the extravagance of product design as the combination of various design features, such as unusual product form, bold colors, rare or exotic materials and other distinctive elements that altogether contribute to form an extraordinary (but nevertheless aesthetic) product design that stands out.

Regarding the drivers of preferences towards design elements in luxury, prior research has also taken a logo-centered approach. Here, the focus has been on status motives as the main determinant of preferences towards conspicuously branded products (Han et al., 2010; Lee, Ko, & Megehee, 2015; Ordabayeva & Chandon, 2011; Wilcox et al., 2009). Researchers found that consumers engaging in consumption of luxury brands with clearly visible and recognizable brand markings (logo) do so with the intent of eliciting particular inferences about their social status (Han et al., 2010). However, social status alone cannot explain consumer preferences for extravagant product design, as the wardrobes of the two heiresses in Example 3 suggests. Instead, it seems to us that the answer must lie more in the personality.

In order to provide empirically substantiated evidence for our theoretical considerations, we designed a field study. Our study had two objectives in mind: (1) to examine field data on the differences in consumer preferences regarding brand prominence and extravagance as elements of luxury product design; (2) to investigate whether social status can explain preferences for both design elements. Based on a publicly available listing of high net worth individuals (e.g., Forbes, businessinsider.com), we generated a list of 200 wealthy people.

These individuals were divided into two groups by their social status (high vs. low) which was assessed based on their personal economic history. Individuals who inherited and maintained their wealth over at least two generations were categorized as having a high social status (i.e., "old money") whereas individuals whose wealth has been acquired within their own generation as having a low social status (i.e., "new money"). This grouping was in line with the categorization proposed by Han et al. (2010). In this manner, we were able to identify one hundred high status individuals (78% female, M_{age} = 35.1 years, SD = 11.5 years) and one hundred low status individuals (43% female, M_{age} = 42.6 years, SD = 12.4 years).

In a further step, we collected photos of each person on the list wearing a luxury outfit in everyday situations, excluding photos of individuals in special settings such as social or public events. For this purpose, we used Instagram accounts or looked for a photo taken by paparazzi. Three independent judges, blind to the actual purpose of the study, were employed to code the photos. The judges were instructed to rate the outfit of the person in the photo based on logo visibility (logo present/not present) and extravagance of product design (extravagant/not extravagant). When a brand logo was not present on the picture, judges were asked to indicate whether they still recognize the brand based on a signature pattern, motif, color, or any other brand identification symbol. This allowed us to additionally control for brand recognition. Both variables, logo visibility and brand recognition, were subsequently combined to measure brand prominence. We assessed inter rater reliability by calculating average Cohen's Kappa across all rater pairs (Light, 1971). The average kappa for brand prominence was 0.89, indicating almost perfect agreement, and 0.75 for extravagance of product design indicating substantial agreement (J. R. Landis & Koch, 1977). In view of such strong agreement between raters in their outfit assessments, we averaged the results.

Using a binary logistic regression, we regressed brand prominence on social status, and the two control variables age, and gender. We found a significant effect of social status on brand prominence ($\beta_{exp} = 0.35$, $z = -2.78$, $p < 0.01$), indicating that "new money" individuals' tendency to wear products with visible logo is higher than that of "old money" individuals. We estimated predicted probabilities for each group of consumers and found a 32.9% probability, 95% CI [0.229, 0.428] for "new money" individuals and 14.5% probability, 95% CI [0.075, 0.215] for "old money" individuals, to wear products with a prominent logo. Additionally, the results revealed a significant effect of gender on brand prominence ($\beta_{exp} = 2.99$, $z = 2.73$, $p < 0.01$), indicating that women have a higher probability of wearing brands with prominent logo than men ($P_{female} = 30.3\%$, 95% CI [0.218, 0.387] vs. $P_{male} = 12.7\%$, 95% CI [0.053, 0.201]). Age had no significant effect on brand prominence ($\beta_{exp} = 0.99$, $z = -0.46$, $p = 0.65$).

Next, using the same set of independent variables, we ran a second binary logistic regression with the extravagance of product design as a dependent variable. In contrast with logos, social status did not show any significant effect on design extravagance. We additionally estimated predicted probabilities of wearing products with extravagant product design for each group of consumers in our celebrity pool and found a 55.5% probability, 95% CI [0.447, 0.662] of "new money" individuals to wear extravagant designs and a 42.1% probability, 95% CI [0.315, 0.527] of "old money" individuals to wear designer products with an extravagant product design. The results also indicated that women ($\beta_{exp} = 3.69$, $z = 3.91$, $p < 0.01$) have a higher probability of wearing brands with extravagant design than men ($P_{female} = 60.8\%$, 95% CI [0.520, 0.697] vs. $P_{male} = 29.6\%$, 95% CI [0.189, 0.403]). Age had no significant effect on design extravagance.

This study provided us with an opportunity to test our propositions based on real world data from luxury consumers and observe their actual preferences towards luxury product designs. We drew three conclusions from this study. First, extravagance of product design proved to be a key element of luxury product design, since both groups of consumers exhibited high probability of wearing extravagantly designed luxury brands. Second, our study confirmed earlier research that the preference for brand prominence can be explained by a person's social status with high-status individuals (”old money”) choosing no-logo brands and lower-status individuals (“new money”) choosing brands with a prominent logo. In contrast, social status failed to explain consumer preferences for extravagant versus more restrained luxury product design.

If status anxiety can't explain the preference for extravagantly designed products, what might? In the next section, we propose that its roots may lie not in economics but in personality.

HYPOTHESES DEVELOPMENT

The idea that personality is an important predictor of purchasing behavior has a long history in consumer research (Kassarjian, 1971). In accordance with the identity-signaling perspective, consumers use products and brands for self-expression purposes, in other words, to signal 'who they are' (Belk, 1988; Berger & Heath, 2007). In this sense, consumers use their material possessions as signals, which allow other people to make certain inferences about the personality of the owner (Burroughs, Drews, & Hallman, 1991). Moreover, the self-congruity perspective suggests that when choosing a product, consumers make a psychological comparison between their self-image and the image of this product and tend to choose a product that is congruent to their personality (Sirgy, 1982). This allows them to either maintain a positive self-image or enhance it. Consistent with this theorizing, studies in consumer research have shown that individuals prefer products and brands that they perceive to have images or personalities like their own (Aaker, 1999; P. C. M. Govers & Schoormans, 2005; Malär, Krohmer, Hoyer, & Nyffenegger, 2011). Also, prior research in aesthetics has suggested that design and aesthetic characteristics of a product are an essential part of overall product appearance and product personality (Brunel & Kumar, 2007; P. Govers, Hekkert, & Schoormans, 2003). Hence, aesthetic design elements should be used for identity-signaling purposes and their choice should be determined by consumer personality.

In the framework of the Big Five model of personality, we specifically focus on two traits, extraversion and openness to experience which prior research has shown relate positively to hedonic consumption (Matzler, Bidmon, and Grabner-Kräuter 2006), which is closely related to luxury (Hagtvedt & Patrick, 2009). We further argue that these traits will drive consumer preferences for specific design elements not directly, but through underlying personal motives, which were shown to be closely related to these personality traits by prior research in personality psychology (e.g., Major, Turner, and Fletcher 2006).

Our first set of hypotheses relates to the impact of the personality trait extraversion on preferences for logo prominence and design extravagance through the personal motive: need for status. Under the Big Five model, extraversion is associated with being sociable, assertive, energetic, adventurous, enthusiastic, and outgoing (John & Srivastava, 1999). Previous research has demonstrated the importance of life goals such as achievement, power, and social ascension among extraverted individuals (Roberts & Robins, 2000). Extraverts draw attention to themselves and to their positive attributes, and effectively use their social skills to attain higher status, especially influence and respect, among other group members (Anderson, John, Keltner, & Kring, 2001). Extraversion also was found to be strongly associated with prestige (Cheng, Tracy, & Henrich, 2010) and has been shown to be a significant predictor of status spending (i.e., the amount of spending in high-status categories such as foreign air travel, golf, and art institutions) (B. Landis & Gladstone, 2017).

Against this background, we propose that the personality trait extraversion will have a positive impact on consumer preferences for extravagant design and brand prominence mediated by the personal motive–need for status. An extravagant design will help extraverted individuals to stand out and draw attention, while highly visible luxury logos will enable them to display their status and prestige. Based on these considerations, we hypothesize:

H1: Extraversion leads to a higher consumer preference for extravagant design through increasing need for status.

H2: Extraversion leads to a higher consumer preference for brand prominence through increasing need for status.

Our second set of hypotheses refers to the impact of openness to experience on consumer preferences toward aesthetic design elements via the need for uniqueness. The Big Five personality trait “openness to experience" is related to ideas, fantasy, aesthetics, feelings, actions, and values (John & Srivastava, 1999). Individuals with high scores on openness are original, come up with new ideas, and value artistic, aesthetic experiences; moreover, they have higher preferences for novelty and variety (Matzler et al., 2006). Prior research has shown that openness to experience is closely associated with creativity, originality, and need for uniqueness (Dollinger, 2003). Open individuals have a higher sense of personal uniqueness and seek out to maintain their individuality (Şimşek & Yalınçetin, 2010). Prior research has also proposed that consumers with a high need for uniqueness place a greater emphasis on expressing themselves, establishing an independent identity, and using distinguishing products (Snyder, 1992). Thus, unique products like luxury brands are often used as a means of achieving uniqueness (Tian, Bearden, & Hunter, 2001).

Against that background, we propose that openness to experience will have a positive impact on consumer preferences for extravagant design and brand prominence mediated by the personal motive–need for uniqueness. Extravagant designs characterized as artistic, creative, and original will be preferred by open individuals as they especially value these product features. In a similar manner, highly visible luxury logos will enable open individuals to express their individuality by explicitly signaling their brand preferences/brand choice. Thus, we hypothesize:

H3: Openness to experience leads to a higher consumer preference for extravagant design through increasing need for uniqueness.

H4: Openness to experience leads to a higher consumer preference for brand prominence through increasing need for uniqueness.

MAIN STUDY: HYPOTHESIS TESTING

The goal of the main study was to test H1-H4. First, we generated and pretested the stimuli for our independent variables: brand prominence and extravagance of product design. Next, we employed a 2x2 between-subjects experimental design with brand prominence (high vs. low) and extravagance of product design (high vs. low) as factors.

Stimuli Development

To generate the stimuli for our main study we visited the websites of leading luxury brands (e.g., Channel, Prada, Dolce & Gabbana, Louis Vuitton, and Gucci) and collected the pictures of the products from their latest collections (which were available on company's website in December 2017/January 2018) for male and female customers. We included three types of products in our analysis: handbags, pullovers, and sneakers. We used these products because they fall into the ready-to-wear category. These lines are marketed to the general public, equally popular among women and men, and designed to be worn in everyday life. For each product category, we chose two similar product options that differed in their extravagance of design. For each chosen pair we then created their alternatives, with and without logo, using a graphics editor. Thus, for each product category, we had four alternatives (2 brand prominence x 2 extravagance of product design). By means of an online survey, we then pretested these products on brand prominence and extravagance of product design. Brand prominence was measured with two items adapted from Han, Nunes, and Drèze (2010) and extravagance was measured with eight items which were developed during our qualitative study with the managers of luxury brands (see Appendix A). Examples of items include "*This bag really stands out because of its extraordinary patterns and interesting prints*" and "*The design of this bag is quite eccentric*" (for the items used in the pretest and scale validation summary see Appendix B). Six hundred fifty-six panelists from Amazon Mechanical Turk and a specialized Qualtrics panel participated in the pretest (337 female participants rated products for women, and 319 male panelist rated products for men). To estimate the differences between various product options we ran repeated measures ANOVA. Finally, based on the results we selected three products (i.e., handbag, pullover, and sneakers) for men and women (see Appendix B). We assured that product options did not differ in their level of aesthetic appeal. As a manipulation check for the level of aesthetics, participants reported, on 7-point Likert scales (1 = 'not at all', 7 = 'very much'), the extent to which they agreed that a product was beautiful, artistic, pretty, and aesthetically appealing (Wu et al., 2017).

Method

As the context of our study is luxury goods, we focused on high-income individuals. We employed a specialized Qualtrics panel to recruit high net worth individuals. At the beginning of the survey, participants were asked to report their annual household income on a 7-item scale (i.e., seven income categories according to US taxable income rates for the year 2017) and were qualified for the study if they fall into the four higher income categories (e.g., (4) $153,101 –

$233,350, (5) $233,351 – $416,700, (6) $416,701 – $470,700, (7) $470,701+ – for married individuals filling joint returns). Four hundred eighty-nine panelists participated in the online study (51.1% female, M_{age} = 42.5 years, SD = 15.9 years) with an average income $M_{income\ category}$ = 4.45, SD = 0.86. First, participants were shown pairs of high-end products that had been selected during the pretest (i.e., pairs of handbags, pullovers, and sneakers). The products were paired in such a way that they differed either in terms of brand prominence (prominent logo vs. no logo) or in terms of the extravagance of product design (extravagant vs. plain). Participants were told that all products could be acquired for the same price and asked to rate which option they would be more likely to purchase using a 7-point Likert scale (1 = 'higher preference for no logo' or 'higher preference for plain design'; 7 = 'higher preference for a prominent logo' or 'higher preference for extravagant design'). Each participant indicated his/her preferences for each independent variable.

After providing their preferences, participants were asked to answer a set of personality questions covering extraversion, openness, need for uniqueness, and need for status. Measurements were made on 7-point scales (1 = 'totally disagree', 7 = 'totally agree'). All personality measures were adapted from past research. To measure extraversion and openness, we used the scales developed by John and Srivastava (1999). Need for status was measured with a scale from Eastman, Goldsmith, and Flynn (1999) and need for uniqueness with a shorter version of Tian, Bearden, and Hunter (2001) scale (Ruvio, Shoham, & Makovec Brenčič, 2008). We also collected demographic information (i.e., age, gender, and annual household income).

Consumer preferences for brand prominence and extravagance of product design were each measured with the corresponding product choice. An overview of all items used in the study is presented in Appendix C.

Results

To test our hypotheses, we ran a structural equation model using STATA 15. The measurement model showed a good model fit ($\chi2$ = 1547.16; *df* = 677; $\chi2$/df = 2.29; p = 0.00; RMSEA = 0.05; SRMR = 0.05; CFI = 0.93; TLI = 0.93). We assessed reliability of the set of indicators at the construct level by examining the values of Cronbach's *a,* which was higher than the recommended value 0.07 for all constructs, and index of construct reliability which was also greater than the recommended value of 0.07 (Netemeyer, Bearden, & Sharma, 2003). We assessed construct validity by examining the value of the average variance extracted (AVE) for the set of indicators and tested discriminant validity of the constructs using the Fornell and Larcker (1981) criterion: we found that AVE for all constructs was higher than the squared correlation between the focal constructs. Therefore, our measures showed strong reliability and validity. Construct-level statistics results are presented in Table 1 (for Item-level statistics see Appendix C).

Table 1. Constructs-Level Statistics

Constructs	*M* (SD)	Cronbach's *a*	AVE	CR
Extraversion	4.37(1.16)	0.86	0.57	0.87
Openness to experience	4.81(.91)	0.90	0.57	0.90
Need for status	3.52(1.54)	0.92	0.76	0.93
Need for uniqueness	3.95(1.50)	0.94	0.56	0.93
Consumer preferences for brand prominence	4.04(1.77)	0.84	0.47	0.84
Consumer preferences for extravagant product design	2.87(1.71)	0.83	0.39	0.79

The structural model showed a satisfactory model fit ($\chi2$ = 1917.56; *df* = 755; $\chi2$/df = 2.54; p = 0.00; RMSEA = 0.06; SRMR = 0.09; CFI = 0.91; TLI = 0.90). As predicted by H1 and H2 extraversion positively associates with the need for status ($\beta = 0.49$, $p < 0.01$) which leads to higher consumer preferences for extravagant product design ($\beta = 0.18$, $p < 0.01$) and for brands with a prominent logo (β = 0.35, p < 0.01). Thus, H1 and H2 were supported indicating a significant effect of extraversion on consumer preferences toward extravagant product design mediated by need for status (total mediating effect: β = 0.09, p < 0.05) as well as on consumer preferences for brands with visible logos mediated by need for status (total mediating effect: β = 0.17, p < 0.01).

With regard to the effect of openness to experience, the results revealed that openness strongly associates with the need for uniqueness (β = 0.73, p < 0.01) which leads to higher consumer preferences for extravagant product design (β = 0.19, p < 0.01). Thus H3 was supported (total mediating effect: β = 0.14, p < 0.01). H4 was not supported (total mediating effect: β = 0.06, p = 0.19). Additionally, we found a significant effect of gender on consumer preferences for brands with visible logos (β = 0.13, p < 0.01) as well as on preferences toward extravagant designs (β = 0.13, p < 0.05), indicating that female prefer more conspicuous brands. The effect of age was significant in the case of extravagant product design (β = -0.17, p < 0.01), but not for the preferences for brand prominence (β = -0.07, p = 0.18), indicating that younger consumers have higher preferences for extravagant product design.

GENERAL DISCUSSION

This research suggests that personality shapes consumer preferences for aesthetic design elements of luxury goods, namely brand prominence and extravagance of product design. First, we established the relevance of extravagance as an element of aesthetic product design based on real-world data. We observed that some luxury consumers exhibit strong preferences for extravagantly designed luxury brands, whether they have high or low brand prominence. We further demonstrated that consumers' social status based on type of wealth ("old money" vs. "new money") cannot explain their preferences towards extravagant product design. Our study confirmed past researchers' finding that consumers' social status is a strong predictor of preference towards brand prominence (visibility and size of logo). Overall, our field study showed that conspicuous luxury product design is more than the issue of logo visibility and size but it also includes the extravagance of product design. In our large-scale empirical study of luxury consumers, we demonstrated that consumer personality drives preferences for aesthetic design elements of luxury goods via underlying personal motives: need for status and need for uniqueness. Specifically, we showed that extraverted consumers buy “loud” brands (i.e., with prominent logos and/or extravagant design) as a way to satisfy their need for status, whereas consumers open to experience buy brands with extravagant design driven by their need for uniqueness. In summary, our study provides a new perspective on product design aesthetics and corresponding consumer choices in the context of conspicuous consumption, uncovering the mechanisms linking fundamental consumer personality traits and motives with specific aesthetic design elements of luxury brands.

Theoretical Implications and Directions for Future Research

Our study makes a number of important theoretical contributions. First, our research broadens the knowledge of the impact of personality on consumers’ purchasing decisions. We show the important role two Big-Five personality traits, extraversion and openness to experience, play in the formation of consumer preferences for aesthetic design elements and by doing so broaden the limited knowledge base on the determinants of consumers’ aesthetic choices. Prior research on individual differences in that area has focused mainly on gender and age (Patrick, 2016; Patrick & Peracchio, 2010) but neglected the importance of key personality traits. Our findings are also relevant for research in luxury, where prior work has neglected the role of the Big Five in shaping consumers’ aesthetic design preferences.

Second, we extend the knowledge of consumers’ aesthetic design preferences by providing specific insights into the processes through which those are formed. More specifically, we show that two personal motives, need for status and need for uniqueness, are triggered by two specific personality traits (extraversion and openness to experience). These motives then drive consumers' aesthetic product design choices.

Third, we contribute to the literature on everyday consumer aesthetics by introducing extravagance as a product design element. While prior research has focused on other aesthetic elements such as colors and patterns (Buechel & Townsend, 2018), product shape (Sevilla & Kahn, 2014), or packaging (Krishna, Cian, & Aydınoğlu, 2017), to the best of our knowledge, the extravagance of product design has not been examined until now. This new element broadens our understanding of conspicuous product design for luxury products, where prior research has taken only a narrow approach focused on logo size.

The findings from our current work suggest a number of directions for future research. First, future research could examine further personality-related variables in the context of product design aesthetics. For example, personality traits such as narcissism (Kang & Park, 2016) and self-identity (Janssen et al., 2017) have been explored as drivers of consumer aesthetic preferences in the context of logo conspicuousness but not in a broader aesthetics context. Future studies could examine their impact on design extravagance and other possible design elements, as well.

Furthermore, social psychology has shown that the self is a malleable construct and that people influenced by social roles and cues act differently in different situations (Aaker, 1999). In other words, the extent to which a personality trait is expressed varies by the social context. For example, it is known that extraverts try to fit in to their social network and do not display status if they are around those with a lower socioeconomic status (Casidy, 2012). Future research could use social context as a moderator to examine how extraverts exhibit their product design preferences in different situations. Similarly, a public versus private consumption situation (Ratner & Kahn, 2002) may influence the aesthetic decisions of both extraverts and people open to experience.

Third, while we showed that extravagance of product design is an important aesthetic design element in the luxury domain, future research could examine whether this element is also relevant in the context of mass-market brands. Zara, H&M and other brands often mimic the latest trends presented in the collections of leading luxury brands and offer some highly extravagant pieces. In this context, it will be interesting to examine how consumers evaluate these trends and which factors drive their preferences towards extravagant design. Here, an interesting moderator can be segment mimicry, the degree to which the design mimics the luxury segment (Liu et al., 2017).

A fourth future research direction could examine the interplay between consumer personality, aesthetic preferences, and brand personality (Aaker, 1999). Prior research has shown that visual elements of product design such as asymmetry or colors influence consumer's perceptions of brand personality (Bajaj & Bond, 2018; Labrecque & Milne, 2012). Future studies in this area could explore how brand personality perceptions induced by visual aesthetic stimuli are affected by specific consumer personality traits. Such work could also elucidate the role a brand's perceived personality plays in the relationship between a consumer's personality traits and his or her specific aesthetic design preferences.

Managerial Implications

Our research has important implications for practitioners as well. Generally, the findings suggest that managers should be very deliberate in their product design-related strategic decisions and may be well advised to weigh the choice of the design elements of products that are consumed in a social context (e.g., luxury goods are publicly consumed so that other consumers can see them) very carefully because individual personality traits will strongly affect consumers' product design choice.

Managers are also well advised to introduce various degrees of design extravagance into their product assortment. This recommendation expands the prior view that luxury brands should develop product lines with a different degree of brand recognition (Han et al., 2010), such as a loud product line with a big logo or other highly recognizable decorative elements and a quiet product line with subtle markings recognizable only to fellow "insiders." Our findings suggest that in addition to varying brand prominence, managers have a greater variety of design options to choose from based on the interplay of brand conspicuousness and extravagance of product design. In business practice, we can already observe that traditional luxury brands successfully adopt such strategies, such as working with radical designers (Marc Jacobs and Louis Vuitton), for example, or introducing rather extravagant special editions (BMW i8 2017). However, many luxury brands still generally choose one profile: either invisible markings and plain design (e.g., Bottega Veneta) or prominent markings and opulent design (e.g., Gucci). Taken together, this study's results suggest that luxury brands should be more adventurous with regard to the interplay of logo size and extravagant design.

Furthermore, when defining the design of luxury products and related communication activities, managers should consider the personality traits of consumers who may buy these products. For example, knowing that extraverted consumers are likely to choose loud products with a big logo and extravagant design, luxury brands may develop product lines that score high on both brand conspicuousness and design extravagance, and adapt their communication activities accordingly. By contrast, to reach consumers that score high on openness to experience, marketers could develop products with inconspicuous markings but still extravagant design and tailor their communication for these specific ends. Applying such a strategy would allow luxury brands to attract broader customer segments.

In summary, our study provides evidence that product design aesthetics have high strategic importance. Related design decisions should be taken on a top strategic level in management. Product design should be carefully planned and not left to chance. It should be seen as an important strategic success factor in the marketing of luxury goods, specifically in the context of conspicuous consumption.

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Appendix A: Qualitative Study: Conceptualization of Luxury Product Design Elements

In order to conceptualize relevant elements of aesthetic product design in the context of luxury goods, we conducted in-depth face-to-face interviews with twelve managers of major luxury brands as key informants who are particularly knowledgeable about the topic in question (Kumar, Stern, & Anderson, 1993). We followed the purposeful sampling approach that implies selecting cases that are rich on information for the research objective (Patton, 1990). The overview of the informants is presented in Table A.1.

Table A.1 Overview of the Key Informants

Brand	Year of Founding	Industry	Position
Expert A	1968	Watches and jewelry	Head of Marketing
Expert B	1998	Men's apparel	CEO
Expert C	1981	Watches and jewelry	Director Regional Brand Management
Expert D	1895	Jewelry	Executive Vice President Strategy
Expert E	1948	Leather goods	Account Manager Wholesale
Expert F	1991	Fashion	Director Sales International
Expert G	2012	Watches	CEO/Partner
Expert H	1888	Watches and jewelry	Head of Marketing
Expert I	1851	Fashion	CEO EMEA/Head Global Sales Operations
Expert J	1871	Fashion	CEO
Expert K, L	2013	Fashion	CEO, Chief Designer

The exploratory interviews were semi-structured. The experts were asked to report on their perceptions on brand with product design that are visually "loud" versus "quiet", specifically deliberating the differences between the two. The interviews lasted on average 30 minutes and were subsequently transcribed and interpreted in order to derive the relevant elements of luxury product design (such as logo, colors etc.). Qualitative content analysis followed the rules of inductive category formation procedure (Mayring, 2016). The aim of this procedure is to summarize categories directly from the interview material itself, not from theoretical considerations. Thus, we broke down the amount of the transcribed verbatim into first-order categories based on their specific properties; we then grouped them to build main categories (Mayring, 2016). Two main categories emerged from the interviews.

As expected, brand prominence was one of the elements of product design which has been frequently mentioned by managers. The insights from our qualitative interviews supported the idea of prior research that brand prominence refers to the size and the visibility of brand logo (e.g., Han et al. 2010; Wang and Griskevicius 2014; Wilcox et al. 2009).

Another relevant element of a loud luxury product design was extravagance. The attributes of extravagant design are prominent product forms, massive elements, innovative and modern layouts, unusual materials, and shrill colors (very strong, flashy, and bold colors). In contrast, managers stated that quiet product design is about fine forms, decent elements, fashion-neutral layouts, and very decent and dim colors. Managers viewed extravagance of product design as highly relevant for consumer choice, in some cases even more important than brand prominence. This statement was supported by the idea that even lacking a highly recognizable visible marking such as a logo or a pattern, a luxury brand may still be perceived as very loud due to its screaming product design. Table A.2 provides a few examples of the qualitative data, the coding, and the design elements emerged from the data.

Table A.2 Examples of Data from Qualitative Interviews

Qualitative data example	**First-Order Categories**	**Main Categories**
Experts A, D: “Loud branding means a big logo” Expert B: “Big Polo Ponies for example would be very loud. Logos are the easiest thing to make loud. The monogram that is big and very visible I would call loud. Small monograms I wouldn’t speak of as very loud, so it’s just a matter of size.”	Logo size	Brand prominence
Expert I: “Brands which are easily recognizable are loud. Like Burberry plaid, it’s their signature. Not everyone knows how the logo looks like but everyone recognize the plaid. Same like Gucci with the ‘GG’, or Louis Vuitton with the monogram or the ‘LV’.”	Brand recognition	
Expert E: “Loud and quiet luxury is not just about branding (logo) but colors and design. […] you communicate through the logo but also through the style” Expert A: “Loud brands have many strong styling elements, many bling-bling elements”	Strong styling elements	Extravagance of product design
Expert J: “We just came out with a loud collection which is very colorful.” Expert F: “Loud brands bring some intense colors and tension.” Expert H: “The color also adds to the product to be noticed from the distance, such as gold color, or something with a lot of stones, something that really shines.”	Intense colors, shine	
Expert B: “There is a loud design. It is more like this of Gucci and Roberto Cavalli, when it is very “in your face”. […] I wouldn’t count a Birkin bag as loud, but if it is a Birkin bag made out of alligator then it becomes very loud.” Expert G: “Our brand is very loud luxury for sure, because we use very unconventional materials, we mix materials which are not supposed to be seen together.”	Exotic and unconventional materials	
Expert A: “Quiet has a very simple, pure, minimalistic design, it’s very smooth. If you see our products, it’s a very classical style. […] it’s a very organic design, very sleek lines. […] On the opposite, a loud brand has sparkling design elements.”	Sparkling design elements	
Expert A: “If you take, for example the Chanel bags: they don’t have the Chanel logo big like that, but you recognize it from the pattern, it’s not the logo, the pattern makes it loud. Even if they are not using the logo maybe it’s the loudest brand.”	Loud patterns	
Expert J: I would consider loud to be noisy, it is a bit flashy. It is extremely opulent, maybe extraordinary. Maybe a bit exaggerated.”	Flashy, extraordinary and exaggerated	

Appendix B: Stimuli Development: Pretest for the Main Study

To generate the stimuli for our main study we pretested 21 products (7 pullovers, 7 handbag, and 7 pairs of sneakers) for women and 15 products (6 pullovers, 3 laptop bags, and 6 pairs of sneakers) for men. Three hundred thirty-seven female panelists from Amazon Mechanical Turk and a specialized Qualtrics panel rated female products and three hundred nineteen male panelists rated the products for men. Participants rated the products based on their brand prominence and extravagance of product design (see table B.1). Each participant rated three products with its four options.

Table B.1 Scales Used in the Pretest

Constructs and their items
Brand prominence (adapted from (Han et al., 2010))
How prominently does this product display its brand name or logo?
To what extent is the X brand recognizable here (i.e., the product is clearly identifiable as an X brand product)?
Extravagance of product design
This product has strong and bright colors that catch one's eye.
This product is made of unconventional materials.
This product really stands out because of its extraordinary patterns and interesting prints.
This product has quite unusual and bright design elements that attract attention.
The design of this product is quite eccentric.
The design of this product is truly extraordinary.
The design of this product is flashy and unconventional.

We assessed reliability of the scales by examining the values of Cronbach's *a* across all products used in the pretest which was higher than the recommended value 0.07 for both construct (Netemeyer et al., 2003).

We ran repeated measures ANOVA to compare means for brand prominence and extravagance of product design between four options for each product. We have chosen the products which had no significant difference ($p > 0.05$) in terms of brand prominence between option 1 and option 3 and between option 2 and option 4, and no significant difference in terms of extravagant design between option 1 and option 2 and between option 3 and option 4. The stimuli selected for the main study are presented in Table B.2. We subsequently measured the perceived aesthetics for each product and found no significant differences between product options for all targeted products used in the main study.

Table B.2 Stimuli Selected for the Main Study and Descriptive Statistics

Option 1	Option 2	Option 3	Option 4
			
1.67(1.08)[1] 2.05(1.01)[2] N = 45 4.35(1.78)[3] N = 42	6.53(0.77) 2.31(1.09) N = 45 4.43(1.59) N = 41	2.17(1.37) 5.04(1.25) N = 45 5.00(1.42) N = 41	6.43(0.87) 5.18(1.01) N = 45 4.84(1.35) N = 40
			
1.08(0.52) 1.55(0.73) N = 45 3.12(1.72) N = 42	6.43(1.26) 1.85(1.03) N = 45 3.11(1.66) N = 41	1.28(0.91) 5.29(1.06) N = 45 3.93(1.50) N = 41	6.36(1.05) 5.39(1.00) N = 45 4.07(2.00) N = 41
			
1.93(1.54) 1.69(1.22) N = 51 3.79(1.87) N = 42	6.31(1.14) 1.84(1.29) N = 51 4.16(1.78) N = 41	2.57(1.81) 5.52 (0.98) N = 51 4.19(1.68) N = 41	6.12(1.30) 5.50(0.92) N = 51 4.38(1.77) N = 41
			
1.33(1.13) 1.93(1.22) N = 41 4.21(1.37) N = 42	5.40(1.32) 2.17(1.34) N = 41 4.70(1.21) N = 43	1.40(1.20) 5.14(1.37) N = 41 4.09(1.69) N = 42	4.96(1.51) 5.19(1.22) N = 41 4.20(1.67) N = 43

			
1.54(1.34) 1.96(1.29) N = 37 3.71(1.69) N = 42	5.96(1.04) 2.19(1.35) N = 37 3.75(1.54) N = 43	1.47(1.14) 5.40(0.92) N = 37 4.17(1.49) N = 42	6.07(1.31) 5.37(1.02) N = 37 3.84(1.96) N=43
			
1.51(1.23) 2.13(1.31) N=38 3.92(1.64) N = 42	5.64(1.37) 2.34(1.44) N=38 4.06(1.58) N = 43	1.62(1.40) 5.69(1.26) N=38 3.58(1.56) N = 42	5.33(1.41) 5.83(0.87) N=38 3.38(1.97) N=43

Note: Numbers in the table represent following values:
[1] *M* (SD) for brand prominence
[2] *M* (SD) for extravagance of product design
[3] *M* (SD) for perceived aesthetics

Appendix C: Main Study: Scales Overview and Item-Level Statistics

Constructs and their items	***M* (SD)**
Extraversion (John and Srivastava 1999):	
I see myself as someone who...	
is talkative.	4.53 (1.93)
is full of energy.	4.76 (1.54)
generates a lot of enthusiasm.	4.74 (1.57)
has an assertive personality.	4.56 (1.72)
is outgoing, sociable.	4.72 (1.75)
Openness to experience (John and Srivastava 1999):	
I see myself as someone who...	
is original, comes up with new ideas.	5.04 (1.65)
is curious about many different things.	5.54 (1.46)
is ingenious, a deep thinker.	5.34 (1.43)
has an active imagination.	5.32 (1.50)
is inventive.	4.95 (1.57)
values artistic, aesthetic experiences.	5.07 (1.61)
likes to reflect, play with ideas.	5.20 (1.42)
Need for status (Eastman, Goldsmith, and Flynn 1999):	
I would buy a product just because it has status.	3.40 (2.03)
I am interested in new products with status.	3.87 (2.01)
I would pay more for a product if it had status.	3.70 (2.04)
A product is more valuable to me if it has some snob appeal.	3.34 (2.01)
Need for uniqueness (a shorter version of Tian, Bearden, and Hunter (2001) adapted by Ruvio, Shoham, and Makovec Brenčič 2008):	
I often combine possessions in such a way that I create a personal image that cannot be duplicated.	4.08 (1.91)
I often try to find a more interesting version of run-of-the-mill products because I enjoy being original.	4.41 (1.82)
I actively seek to develop my personal uniqueness by buying special products or brands.	4.20 (1.84)
Having an eye for products that are interesting and unusual assists me in establishing a distinctive image.	4.45 (1.83)
When it comes to the products I buy and the situation in which I use them, I have broken customs and rules.	3.97 (1.89)
I have often violated the understood rules of my social group regarding what to buy or own.	3.68 (1.95)
I have often gone against the understood rules of my social group regarding when and how certain products are properly used.	3.78 (1.94)
I enjoy challenging the prevailing taste of people I know by buying something they would not seem to accept.	3.88 (1.95)
When a product I own becomes popular among the general population, I begin to use it less.	3.77 (1.96)
I often try to avoid products or brands that I know are bought by the general population.	3.75 (1.91)
As a rule, I dislike products or brands that are customarily bought by everyone.	3.72 (1.91)
The more commonplace a product or brand is among the general population, the less interested I am in buying it.	3.77 (1.88)

PAPER III

Digitization of Customer Experience in Luxury: Challenges and Capabilities

ABSTRACT

Creating superior customer experience is critical for firm performance. Modern technological advancements and rapid digitalization opened up numerous opportunities for firms to enhance and differentiate customer experience. At the same time, to adjust to the new digital reality, firms must rethink their traditional customer experience strategies and develop new digital capabilities. While recent academic and business studies have made first attempts to identify digital customer experience capabilities generalizable across industry-contexts, our study takes a contingency perspective and investigates which capabilities are required to create a superior customer experience in a particular industry. Specifically, we focus on the luxury goods industry, characterized by a specific customer value that is different from that of non-luxury goods. Based on the insights from prior luxury marketing literature as well as on qualitative interviews with senior digital marketing executives of various luxury firms, we identified four luxury-specific digital customer experience capabilities which help luxury firms to create superior customer experience that facilitates luxury customer value delivery. We then derive theoretical and practical implications, and propose directions for future research.

INTRODUCTION

Customer experience creation as a key management objective has been extensively emphasized by marketing scholars and managers (Edelman & Singer, 2015; Homburg, Jozić, & Kuehnl, 2017; Lemon & Verhoef, 2016). Prior research in this field has suggested that strong customer experience positively influences customer satisfaction, loyalty and overall firm performance (Grewal, Levy, & Kumar, 2009; Mascarenhas, Kesavan, & Bernacchi, 2006; Puccinelli et al., 2009).

Recent technological developments and rapid digitalization have significantly changed the way firms must think about superior customer experience creation and the related marketing and management strategies. First, digital technologies have enabled several companies to radically alter traditional industries. As an example, digital disruptors like Uber and Lyft have transformed the ride-sharing industry into a seamless, on-demand experience. Similarly, Airbnb has changed the way consumers travel and look for accommodations. Second, consumers themselves have become more digitally savvy and increasingly connected across devices (such as tablets, smartphones, desktops, etc.) via multiple touch points (Leeflang, Verhoef, Dahlström, & Freundt, 2014). Today consumers leverage technical innovations for everything, from shopping, social sharing, to entertainment, and make active use of social media to communicate with firms as well as with other consumers (Edelman & Singer, 2015; A. Kumar, Bezawada, & Trivedi, 2018). As a result, pervasive digital technologies integrated in everyday consumers' lives have transformed prior understanding of customer experience (Parise, Guinan, & Kafka, 2016), accelerating the need for manufacturers in every industry to adapt to the new digital reality and redefine their customer focused marketing strategies, to respond to higher customer expectations.

Some traditional consumer goods companies like Nike, LEGO, and Volvo have been very successful in developing new digitization capabilities and skills required to create superior customer experience and have become digital leaders in their industries (Bonnet, 2013; Sawy, Amsinck, Kraemmergaard, & Vinther, 2016; Svahn, Mathiassen, & Lindgren, 2017). While these mass-market sector companies have timely recognized digital opportunities, there is an industry that has been long lagging behind – the luxury industry.

For luxury companies, the recognition of digital advantages for the creation of customer experience has been facing a very slow adaption process (Hennigs, Wiedmann, & Klarmann, 2012; Okonkwo, 2009). Focusing on a profound rationale of strong brand values and traditions, this industry has been characterized as crisis-resistant and has enjoyed a constant growth over the years (Deloitte, 2017). Considering this fact and enjoying these privileges, many luxury firms have not seen the need to go digital and have been reluctant to technical innovations. For example, leading luxury brands such as Versace and Prada, have only published their first corporate websites in 2005 and 2007 respectively (Okonkwo, 2009), and surprisingly, several luxury brands do not even have a direct e-commerce channel to date. This reluctance primarily stemmed from concerns that the online environment and emerging digitalization may undermine consumers' high touch luxury experience, and therefore, diminish the specific luxury value of a brand in the eyes of the beholders (Hennigs et al., 2012).

However, recently, this low commitment attitude of luxury firms towards the integration of advanced internet technologies and accompanying interactive digital tools in their marketing practices has been changing (Deloitte, 2017). This altering mindset has been mainly driven by the changing consumer purchasing behavior and the evolving expectations with regard to shopping experiences. Current market trends clearly show that luxury consumers expect luxury brands to provide an immersive digital experience (Remy, Catena, & Durand-Servoingt, 2015), making the need for luxury companies to go digital evident. Thus, the ongoing shift in luxury marketing is obvious – pivoting from physical products and services towards seamless digitized customer experience. Here, the key questions are: (1) which capabilities are required for luxury firms to excel in customer experience creation in the digital era, and (2) given the specific characteristics of luxury products, are these capabilities different from those required for mass-market firms?

While to the best of our knowledge there have been no studies on digital capabilities required to create a strong customer experience in the luxury context, there are some first insights on digital customer experience capabilities in general. As an example, Edelman & Singer (2015) have conceptualized four capabilities for the effective customer journey design, which are automation, proactive personalization, contextual interaction, and journey innovation. Another work has empirically derived a set of dynamic firm's capabilities needed to continually renew customer experience (Homburg et al., 2017). Despite these initiations, knowledge in this area remains largely incomplete. While the proposed capabilities have been conceptualized as industry-spanning, it is still unclear if these are sufficient in different industry contexts or if some other additional context-specific capabilities are required. In this regards, literature on luxury marketing has emphasized that customer experience in luxury is different from that of mass-market sector due to the unique nature of luxury consumption that is determined by the specific value that customer perceives when engaging with luxury goods. According to prior literature, the consumer purchases luxury goods for the sake of status, uniqueness, functional and hedonic motives (e.g., Atwal & Williams, 2009; Vigneron & Johnson, 1999; Wiedmann, Hennigs, Klarmann, & Behrens, 2013). However, to the best of our knowledge, no study has yet provided any insights on customer experience capabilities required to sustain this unique luxury brand's value in the digital space.

Against this background, our study addresses this research opportunity by examining which digital customer experience capabilities are required in the luxury industry. By means of a qualitative study supplemented by insights from the literature on luxury marketing, we first explore the specific challenges luxury firms face in the context of digitization and then identify four capabilities, which can be used to successfully deal with these challenges: luxury-affine online content creation, excellence in omni-channel experience creation, selective digital exposure, and intelligent digital personalization. Our study suggests that together with the general customer experience capabilities proposed by prior research, luxury firms must also develop these additional capabilities which are better suited for delivering specific customer value in luxury. Our conceptual framework is depicted in Figure 1.

Figure 1. Conceptual Framework

By doing so, we contribute to the literature in several ways. First, we contribute to the literature on customer experience capabilities by introducing a new set of capabilities pertaining to the design of digital customer experience. While prior research has considered the capabilities on a more general management level related to e.g., monitoring and adaptation of touch points (Homburg et al., 2017), we derive insights on the specific skills related to the design of digital customer experience. We therefore also respond to the call for more research in this area (Lemon & Verhoef, 2016). Second, in contrast to prior research, we take a contingency perspective and show that customer experience is context-specific. Thus, we propose that in the luxury industry, customers perceive specific value in the consumption of luxury goods. Therefore, together with general capabilities, luxury firms require to develop additional industry-specific capabilities in order to be able to deliver superior customer experience. By doing so, we also make a significant contribution to the luxury marketing literature where prior research on the strategic management of customer experience has been very limited.

The reminder of this paper is organized as follows. First, we summarize the existing insights on the customer experience concept and related management principles and capabilities. Next, we elaborate on the specific characteristics of customer experience in the luxury industry and discuss the challenges related to digitization in luxury. We further present our methodology and findings. We conclude by highlighting the theoretical implications, defining promising venues for future research and making practical recommendations for luxury managers.

THEORETICAL BACKGROUND

Customer Experience and Related Firm's Capabilities

The value of "experiential aspects" in consumption (e.g., symbolic, hedonic, aesthetic) directed toward the pursuit of consumer responses such as fantasies, feelings, and fun has been already mentioned in early consumer behavior literature (Holbrook & Hirschman, 1982). Despite this initial thought, focus on consumption as a holistic experience and the notion of customer experience as a separate construct in marketing appeared much later (Schmitt, 1999; Verhoef et al., 2009). Pine and Gilmore (1998) were one of the first to introduce "experiences" as new economic offerings, and discuss the transformation of modern society into the experiential economy. According to that, consumers are increasingly looking for pleasurable and memorable experiences instead of just commodities such as products and services. Thus, in order to succeed in the new economy it is no longer enough to offer products or services alone but instead firms need to provide the best experiences for their customers (Berry & Carbon, 2002). Recently, a growing number of studies have drawn their attention to customer experience as a new source of value for both the company and the customer (Gentile, Spiller, & Noci, 2007; Prahalad & Ramaswamy, 2004; Schmitt, 2003). Research in this field has suggested that customer experience influences key customer-related outcomes, such as customer satisfaction, customer loyalty, and customer profitability (Grewal et al., 2009; Mascarenhas et al., 2006; Puccinelli et al., 2009). Thereby, the creation of a strong customer experience has been recognized as a new key management objective (Homburg et al., 2017; Meyer & Schwager, 2007; Verhoef et al., 2009).

Marketing literature offers a number of definitions for customer experience, but generally scholars agree that it is a multidimensional construct "incorporating customer's cognitive, emotional, sensorial, social, and spiritual responses to all interactions with a firm" (Lemon & Verhoef, 2016). A total customer experience is build up through multiple stages of the purchase process (e.g., search, purchase, consumption, and post-purchase) and involves multiple channels or touch points consumers go through when engaging with a company (e.g., product, web-site, service, retail store, advertising, or any combination) (Richardson, 2010; Verhoef et al., 2009). Prior studies have provided some insights on how to optimize customer experience within specific contexts (i.e., individual touch points), such as e.g., in a retail environment (Grewal et al., 2009; Puccinelli et al., 2009), an online environment (Novak, Hoffman, & Yung, 2000; Rose, Clark, Samouel, & Hair, 2012), or in a services environment (Caruana, 2002; Wilson, 2012). However, recent studies have signified the need for a more comprehensive view on customer experience which accounts for the integrated customer journey, meaning a cumulative uninterrupted experience across multiple touch points and in multiple channels over time (Edelman & Singer, 2015; Lemon & Verhoef, 2016; Rosenbaum, Otalora, & Ramírez, 2017). These studies have argued that to compete effectively, firms must focus on the creation of enduring customer experience by managing the entire customer journey.

The rise of new digital technologies has made it even more difficult to understand and manage customer experiences. Digital technologies have significantly changed the patterns of consumers' purchasing behavior (Leeflang et al., 2014). First, customer experience became more social in nature, thus the rise of social media use allowed customers to communicate with firms directly, share their experience with other customers, and influence experiences by themselves (Lee et al., 2018; Leeflang et al., 2014). Second, technological advancements offered consumers a number of new ways and channels to shop, such as showrooming, webrooming, pop-up stores, etc. (Flavián, Gurrea, & Orús, 2016; Gensler, Neslin, & Verhoef, 2017). Finally, the omni-channel retail strategy in which firms offer their products and services using multiple outlets, has fundamentally changed shopping behaviors, making it necessary for consumers to consider the choice of product, brands, and channels simultaneously (A. Kumar et al., 2018; Verhoef, Kannan, & Inman, 2015). Thus, it has become increasingly complex for firms to create, manage, and attempt to control the customer journey and the resulting customer experience in the new digital world.

Despite these challenges, several companies in the consumer goods industry have been very successful in mastering their skills and capabilities to support their customer experience digitization efforts. For example, an American retailer, Nordstrom Inc., developed a customer-centric strategy where they provide the options of social apps, mobile checkout, employee texting, and a cloud-based men's personalized clothing service to continually evolve customer experience (Ross, Beath, & Sebastian, 2015). Nike's workout apps (Running and Plus) which allow runners to track their workouts, share performance online, and receive customized advices from coaches, enabled the brand to not just sell their products, but to also become a part of consumers lives and thereby create a strong brand community (Bonnet, 2013).

Given these successful examples, the question arises: which key capabilities allowed these companies to effectively digitize their customer experience and become digital leaders? With regard to this question, two streams of research can be considered, the literature on digitization in general as well as the literature on customer experience management.

Literature on digitization defines digitization capabilities in a broad sense as "an advanced ability of a firm to use smart and connected physical products and data analytics to facilitate development and delivery of products or service offerings" (Rönnberg Sjödin, Parida, & Kohtamäki, 2016, p.5332). Here, literature differentiated between two critical company's internal resources: *digital mindset* and *digital skillset* (Venkatraman, 2017). Building a digital mindset within the organization aims at aligning company's digital efforts under a common vision and coordination structure. For example, in this context, management studies have proposed a set of transformation management capabilities which include management practices such as building strong transformative vision within the company, having effective digital governance, enhancing employees' engagement, and ensuring shared understanding between IT and business executives (Westerman, Tannou, Bonnet, Ferraris, & McAfee, 2015). Examples of the capabilities pertaining to the core digital skillset are the intelligence capability (i.e., ability to sense and capture information with low human intervention), the connect capability (i.e., ability to connect digitalized products through wireless communication networks), and the analytic capability (ability to transform the data available into valuable insights and actionable directives for the company) (Lenka, Parida, & Wincent, 2017). While these capabilities have been discussed in a general context of digitization (i.e., digital transformation of a firm), they are also to some extent applicable to the digitization of customer experience. Thus, the analytics capability related to the analysis of customer data has been noted to be an important for the development of successful customer experience strategies (Lemon & Verhoef, 2016).

Specifically, in the context of customer experience management, literature proposed a set of interconnected capabilities required for the effective customer journey design, such as automation, proactive personalization, contextual interaction, and journey innovation (Edelman & Singer, 2015). Automation capability refers to a company's ability to convert complex steps of customer journey, which have been formerly done manually, into automated processes by means of high technologies. The second capability involves intelligent use of available customer data (from past interaction or existing sources) to optimize the next steps of the customer journey, and to create a personalized customer experience. Contextual interaction capability deals with the company's ability to use knowledge about where a customer is in a journey physically (e.g., entering a hotel) or virtually (e.g., reading product reviews) to draw him/her into the next interactions the company wants him/her to pursue. The journey innovation capability refers to active experimentation and analysis of customer preferences, technologies, and services to identify new opportunities. The ultimate goal of these four capabilities is to expand the customer journey by adding useful features (Edelman & Singer, 2015).

A further research has conceptualized a set of dynamic firm's capabilities for continually renewing customer experience (Homburg et al., 2017). These include touchpoint journey design, touchpoint prioritization, touchpoint journey monitoring, and touchpoint adaptation. Additionally, this study identified two other intangible firm resources related to customer experience management: firm's cultural mindset (i.e., the focus on customer experience has to be recognized within the whole organization) and strategic directions (i.e., organization-wide guidelines on market-facing choices) (Homburg et al., 2017).

While digitization capabilities and capabilities required to create digital customer experience proposed by prior research are certainly relevant in every industry, in our study, we argue that companies need to develop additional industry-specific capabilities to build a strong customer experience online. Specifically, we focus on the luxury industry, and investigate specific customer experience capabilities required by luxury firms. Below, we will first outline the specific relevance of customer experience management in luxury before coming to our empirical study.

Customer Experience Management in Luxury

Customer experience is a defining element of luxury brand consumption (Atwal & Williams, 2009). Luxury products have been defined as those that provide extra pleasure as a central benefit, and connect with consumers on an emotional level (Hagtvedt & Patrick, 2009). These experiential benefits of luxury brands have been recognized to be as even more important than their functional benefits and is an important distinguishing element that sets luxury products apart from non-luxury products (Atwal & Williams, 2009; Kapferer, 1997). Prior research has shown that luxury brands are conceptually different from non-luxury brands because the value customers perceive in the consumption of luxury brands is different from that of non-luxury (Tynan, McKechnie, & Chhuon, 2010; Vigneron & Johnson, 1999, 2004; Wiedmann, Hennigs, & Siebels, 2009). Furthermore, prior literature has also proposed that brand experience influences the customer perceived value of a brand (Wiedmann et al., 2013). Thus, when designing customer experience in luxury, it is essential to take into consideration the specific nature of customer value that luxury brands provide.

Although, there is no consensus in the literature on a single luxury customer value framework, scholars generally agree that it is a multidimensional concept comprising several distinct dimensions measuring the perceived luxury value of a brand (Hung et al., 2011; Vigneron & Johnson, 1999, 2004; Wiedmann et al., 2009). Generally, the literature identifies four main value dimensions: symbolic or status value, uniqueness value, functional value, and hedonic value. *Symbolic value* of luxury has a long history in consumption theory. Traditionally, luxury goods have been interpreted as status symbols used by upper-class consumers to signal their wealth and social standing (Veblen, 1899). Also, more recent studies have shown that luxury goods generate so-called agentic feelings of having high status or being superior to others (Fuchs, Prandelli, Schreier, & Dahl, 2013; Wilcox, Kim, & Sen, 2009). Thus, through the consumption of luxury goods consumers seek to gain prestige and demonstrate their social status and wealth (Geiger-Oneto, Gelb, Walker, & Hess, 2013; Han, Nunes, & Drèze, 2010). Similar to status feelings, luxury is also associated with exclusivity and rarity (i.e., being out of reach of mass consumption) (Berthon, Pitt, Parent, & Berthon, 2009; Hudders, Pandelaere, & Vyncke, 2013; Nueno & Quelch, 1998). This exclusive character of luxury goods generates *uniqueness value* by making consumers feel unique and helping them to create a distinctive personal image (Bian & Forsythe, 2012; Kastanakis & Balabanis, 2014). The literature has also emphasized the *functional value* of luxury goods (Vigneron & Johnson, 2004; Wiedmann et al., 2009). In the past, luxury goods were often handmade and required great precision and patience (Hudders et al., 2013). Luxury brands are thus perceived as fine pieces of craftsmanship, with top level quality, excellent performance, and durability (Dubois & Duquesne, 1993; Kapferer, 1997). Consumers also use the excellent quality of a luxury good as a heuristic cue to justify its high price (Nueno & Quelch, 1998). Another important type of customer value generated by luxury brands is the *hedonic value*. Prior research has shown that luxury goods have a high hedonic potential as they offer pleasurable feelings and sell dreams (Hagtvedt & Patrick, 2009).

Against this background, we argue that while creating a unique customer experience in luxury, brands should go beyond traditional principles which are applicable for mass-market brands. In order to compete against their rivals and to be preferred over competitors, firms must deliver superior luxury value to the customers (symbolic, uniqueness, functional, and hedonic).

Therefore, a unique customer experience should be designed in such a way that it facilitates the customers' luxury value perceptions of the brand.

Though, for decades, traditional luxury firms have been very successful in delivering of superior luxury value by creating a unique customer experience, however, lately, these firms have been challenged by the Internet and the overall developments in digital technologies. The Internet has become an important search and purchase environment for wealthy and super-rich consumers. According to McKinsey report (2015), 75% of luxury consumers own multiple mobile devices driving the rapid development of consumer new shopping behavior pattern: "anytime, anywhere, when and where I want it" (Remy et al., 2015). Consumer expectations with regard to the shopping experience have changed dramatically: luxury consumers are looking for a seamless, digitally enabled, and multi-channel experience (Remy et al., 2015). Thus, the question earlier raised by luxury firms whether they should go online has changed from being a discussion on 'if' to rather "how" luxury firms should go online (Wiedmann et al., 2013). The fact that the Internet is founded on the principles of democracy and accessibility to everyone, luxury brands are now facing the challenge of using mass-marketing strategies while simultaneously sustaining the exclusivity dimension of their products, and creating unique high-touch luxury experience along the entire customer journey (Hennigs et al., 2012). In order to do so, luxury firms must re-design their traditional marketing practices and develop new skills and capabilities to meet customer expectations in their desire for excellent and distinctive digital experience. In the next step, we outline our study which has a goal to identify such skills and capabilities.

DATA COLLECTION AND METHODOLOGY

To identify luxury-specific customer experience digital capabilities, we relied on a qualitative inductive research design. Qualitative research is explorative in nature and is appropriate for studying complex organizational phenomena which are not directly observed (Denzin, Lincoln, Denzin, & Lincoln, 2000; Gephart, 2004). This research approach is particularly important for managerial studies because it allows in gaining a deeper understanding of internal processes and meanings in a firm's environment and can provide examples of important management issues and concepts that enrich the existing knowledge about these processes (Gephart, 2004).

To gather the data, we conducted thirteen in-depth, semi-structured interviews (Kvale, 2008) with key decision makers in digital marketing of luxury firms, who are particularly knowledgeable about the topic in question, as key informants (N. Kumar, Stern, & Anderson, 1993). We followed the purposeful sampling approach that implies selecting cases that are rich on information for the research objective (Patton, 1990). In order to gather our data, we first identified a set of criteria that will potentially qualify a company for this study, such as belongingness to the luxury industry, being active in digital marketing activities (e.g., being actively present in the main social media platforms), and having an in-house team responsible for digital marketing activities, or a digital marketing department. We looked for the companies in the global brands ranking, luxury directories, and business magazines. Our final sample consisted of brands from the top hundred luxury goods companies according to the 2017 Deloitte report, with five companies being ranked as digital leaders in the luxury industry (Deloitte, 2017), and the others being actively present throughout several digital touch points (such as e.g., website, e-commerce, and social media). Our informants were high-placed officials, carrying job titles like Chief Digital Officer, Head of Digital and IT Infrastructure, Department Manager Online and E-Commerce, Digital Marketing Manager, etc. Table 1 provides an overview of the study sample.

Table 1. Overview of Key Informants

Brand	Year of Founding	Industry	Position
Expert A	1946	Perfumes and cosmetics	Marketing Manager
Expert B	1847	Jewelry	International / Global Director of e-Commerce and Digital Services
Expert C	1987	Luxury brands conglomerate	Digital Group Account Director
Expert D	1868	Watches	Chief Digital Officer
Expert E	1868	Watches	Department Manager Online and E-Commerce
Expert F	1996	Watches	Digital Marketing Manager
Expert G	1860	Watches	Head of Digital
Expert H	1845	Watches	Brand Manager
Expert I	1845	Watches	Marketing coordinator
Expert J	1988	Watches	Head of Digital and IT Infrastructure
Expert K	1868	Watches	Department Manager Online and E-Commerce
Expert L	1755	Watches	Digital Marketing Manager
Expert M	1964	Perfumes and cosmetics	Digital and E-Commerce Manager

The interviews were held within a one-year time span and were conducted in English or German. The interviews were semi-structured, in the sense that each researcher used an open-ended interview protocol deliberately conducted in conversational style which allowed the informants to recount on open questions concerning their digital marketing activities, customer experience creation practices, and the related skills (Kvale & Brinkmann, 2009). First, the respondents were asked to think of the specific challenges they were confronted with as a luxury company ("What are the main challenges which you need to address in the area of customer experience creation in the digital space?"). Next, managers reflected on the specific skills that helped them to overcome these challenges ("How and with what skills did you overcome these challenges? Can you give specific examples?"). We also asked participants to specify the differences between customer experience creation and related capabilities of luxury firms and those of non-luxury ("What main differences do you see between luxury and non-luxury companies in terms of customer experience in general and in terms of required skills to create this experience?"). We further presented the managers a list of digital capabilities identified in prior research (which have been discussed earlier in this paper) and asked them to elaborate on the relevance of these capabilities for luxury firms. The informants were promised anonymity in order to ensure detailed and informative interview responses (Gioia, Corley, & Hamilton, 2013). All interviews lasted at least one hour and were recorded, subsequently transcribed, translated into English (if not conducted in that language), and read by at least two members of the research team.

Using this research method, we obtained a large amount of verbatim data which we were able to categorize and structure to elicit the emerging concepts of luxury-specific digital customer experience capabilities (Corbin & Strauss, 1990). We analyzed our data using an inductive approach based on grounded theory (Corbin & Strauss, 1990). Thus, we categorized the data during the process of coding, which followed a three-step approach (Corbin & Strauss, 1990). In the first stage (open coding), we analyzed the data line-by-line to identify relevant concepts or themes. We then grouped the emerging concepts related in meaning into the first-order categories pertaining to luxury customer experience skills and processes. In the next stage (axial coding), we searched for relationships between these based on their specific properties, and as a result, we reassembled them in to the second-order categories. Finally, during the third stage (selective coding), we organized the conceptual relationship between the identified categories and grouped them into the core categories. In line with prior works, at this stage, we eliminated level-order categories that fit poorly with respect to the core categories, such as they were not applicable beyond specific context or mentioned by multiple respondents (Homburg et al., 2017; Strauss & Corbin, 1998). During the coding procedure, we constantly compared the emerging categories with the insights from prior research. At the end of this procedure, four main constructs associated with digital customer experience capabilities specific for the luxury industry unfolded, which represent the overall results of our research.

STUDY RESULTS

The overall results from our qualitative study supported the idea that creating superior customer experience is a number one priority for luxury firms and this is becoming even more important in the era of digital transformation where firms must strive to create a seamless experience between online and offline environment. Thus, managers stated:

For a luxury brand, the whole concept of brand experience is very strong. Five years ago, it was rather about these physical channels and physical brand experiences. Today the focus is increasingly on digital channels, i.e., websites, e-commerce, social media. (Expert B)

Everything is moving towards experience. Today we need to learn how to leverage customer experience in luxury based on very advanced pieces of technology. (Expert B)

With regard to the challenges that luxury firms face with when going digital, managers emphasized the problem of translating exclusive image of luxury brands and associated high touch experience into the online world. Typical statements from the interviews are:

The difficulty with the digital environment is how do you translate your exclusive service, the interaction and the presentation that we have in-store that gives our customer the luxury experience, online? (Experts H)

I think one of the main issues is that in luxury, the image of luxury is very important to whatever changes you make and you always have to keep that image in mind. People buy luxury because it is more of a desire; therefore, the image is key. So, luxury industry has had issues with that, in terms of digitalizing themselves. (Expert A)

Now we have to digitize all marketing activities but you have to do it very consciously without devaluating your brand. (Expert B)

The challenge is to digitize this high touch experience. (Expert B)

Finally, managers claimed that customer experience strategies in luxury are different from those of non-luxury brands due to the specific values of luxury brands (e.g., the status value, the uniqueness value):

I think that luxury brands will need to go even deeper in terms of customer experience than mass-market brands. Because in luxury you buy something that is all about the image and the experience. You know you can buy a 10-dollar watch or you can buy a Quartz watch. It will give you time. But what makes the difference? What is the trigger, why would you buy a 50'000-dollar watch? Because of the image, status, uniqueness. You need to be able to translate this in the digital space which is not that easy. (Expert G)

I think it is possible for luxury to become digital, but we have to do it completely differently to how the other mass-market brands are doing it. We need to maintain the exclusive image of our brands (Expert A)

Below, we focus on the underlying capabilities of luxury firms associated with the digital customer experience creation. To untangle these capabilities, we specifically focused on digitization initiatives that enabled companies to enhance perceived luxury values along the entire customer journey. The results revealed four distinct capabilities, namely luxury-affine online content creation, excellence in omni-channel experience creation, selective digital exposure, and intelligent digital personalization. Appendix A provides exemplary comments from the interviews for each capability. In the next passages, we discuss the content of each capability.

Luxury-affine online content creation. This capability refers to the ability of a luxury company to use digital technologies to create high quality content with the ultimate goal to enhance consumer sensory experience.

As it has been discussed earlier in this paper, consumers associate luxury brands with a top-level quality and expect to experience luxury products through all senses (Kapferer, 1997; Nueno & Quelch, 1998; Wiedmann et al., 2013). Furthermore, prior research has suggested that the quality of the sensory experience significantly influences consumers overall product quality evaluations (Krishna & Morrin, 2008). In this context, respondents from our qualitative study have emphasized the utmost importance of high-quality content development skills (see comments 1.1–1.3 in Appendix A). Respondents noted that a high quality content (e.g., photos, videos, product descriptions which are being published online) compensates for an absence of a “touch” feeling of luxury product in the online environment. Thus, facilitating visual and auditory senses through highly pleasing and emotional content will positively influence consumer sensory experience with a product and enhance the hedonic value of a luxury brand.

When speaking about the content marketing skills, the respondents also emphasized the role of storytelling in the digital space (see comments 1.4–1.6 in Appendix A). Prior research has implied that storytelling (or narratives) is an effective communication tool which serves to involve and entertain consumers, and also attributes meaning to the brand in the consumers' mind (e.g., Escalas, 2004; Phillips & McQuarrie, 2010; Wang & Calder, 2006). While storytelling plays an important role for non-luxury products as well, luxury brands usually cannot do without intriguing stories. The results from our qualitative study suggest that while storytelling enables sensorial experiences, digital technologies facilitate this process by opening up various opportunities to enrich brand stories (e.g., by using images, videos, texts, sound, virtual/augment reality) and channels or touch points (e.g., Instagram, Facebook, YouTube) to create a memorable content and spread the story. Thus, technology-empowered storytelling allows consumers to experience a brand in a more meaningful way.

Excellence in omni-channel experience creation. Another critical capability, which we identified in our study, relates to the consistency and excellent performance of all brand's touch points directed to the creation of seamless omni-channel experience.

In this regard, managers signified the role of technical perfection of all digital touch points such as the website, e-commerce, applications, payment procedures, concierge services, online chats etc. Prior research has shown that such factors as e.g., speed of interactivity, ease of use, and aesthetic pleasing, positively influences customer experience with any firm (Novak et al., 2000; Rose et al., 2012). The results from our interviews highlighted the specific importance of these factors in the luxury industry. Luxury consumers have very high expectations with regard to the performance of luxury brands, and therefore, any functional limitations will significantly diminish customer experience and lead to customer dissatisfaction with a brand. Thus, our findings suggest that managers should not compromise on quality, and must make considerable investments in acquiring new technologies and skills to support and maintenance efficiency in all digital channels and processes (see comments 2.1–2.2 in Appendix A).

Finally, in order to ensure consistent performance across online and offline touch points, managers also indicated the need to advance physical stores with highly innovative digital features (see comments 2.3–2.6 in Appendix A). In line with the evidence from business literature, our findings imply that even in the digital age, brick-and-mortar channels remain the most important touch points for luxury customers, and customer satisfaction with a brand is heavily influenced by the in-store experience (Remy et al., 2015). Thus, it is critical to upgrade and enhance customer in-store experience by bringing digital technologies in to the offline world.

Selective digital exposure. Scarcity and exclusivity have been recognized to be the core defining elements of luxury products which contribute to the uniqueness value of luxury brands and promote the main principle of luxury: desired by everyone, but owned by few (Phau & Prendergast, 2000; Vigneron & Johnson, 2004). Thus, the primary concern of luxury brand managers is how to maintain the exclusivity of a luxury brand over the Internet, if it is available to everyone (Hennigs et al., 2012). With regard to this question, our findings revealed the important role of selective digital exposure capability. This capability utilizes the same principle as selective distribution offline (Kapferer & Bastien, 2009) but specifically refers to the company's ability to control brand exposure at all touch points over the online environment in order to maintain exclusivity value of a brand.

First, our findings suggest that luxury brands must ensure maximum control over the content and the online channels, in other words, to be cautious in terms of *where* and *how* to be present (see comments 3.1–3.5 in Appendix A). Here, critical factors are accuracy of the content, a low degree of intrusiveness, precise targeting, and image-oriented campaigns (see comment 3.8 in Appendix A). Marketers should be more aware of the specific platform and the target audience of each platform to make sure that the brand's content is relevant and positioned in the right place. To avoid the risk of non-relevant placement, luxury brands could use advanced software and technology in terms of brand safety and data security and have a very careful approach towards placement and data sharing (e.g., developing own data management platform). In order to create less intrusive and interesting content, it is necessary to adapt the content to specific platform.

Second, our findings propose that in order to maintain the image of exclusivity, luxury brands should keep a certain distance when engaging with consumers in a digital space (see comments 3.9 in Appendix A). Thus, the strategies employed by mass-market brands, e.g., posting the photos of consumers using the products, answering customers' comments, or engaging publicly in a dialog, are not appropriate for the image of luxury brands. Managers from our qualitative interviews have stated that luxury is about selling a dream, something which is hard to reach, thus in this industry you should not be too close to the customer.

Furthermore, luxury brands should be very selective in terms of the person, who will promote or advertise the brand online, e.g., a blogger (see comments 3.6–3.7 in Appendix A).

Luxury marketers should carefully consider the image of this person and his/her target audience, and ensure that that is consistent with the image of the brand. In this context, a big amount of followers or popularity of a blogger will not be a key success factor as in the case of mass-market brands.

Similarly, our findings reveal that the omni-channel strategy offers luxury brands different opportunities to leverage a tradeoff between accessibility and scarcity (see comments 3.10–3.11 in Appendix A). One way is creating consumer desirability with highly appealing and exclusive content online, and at the same time limiting the availability of the actual product offline. Another option is offering exclusive limited online collections which are only available to the existing customers of the brand.

Intelligent digital personalization capability. Next capability that we identified in our qualitative study deals with the company's ability to utilize digital technologies to personalize the brand's online experience in terms of products, services, and communication. Prior research has proposed that digital technologies provide consumers with a sense of empowerment, such that they desire a greater role in exchanges with companies (Hoyer, Chandy, Dorotic, Krafft, & Singh, 2010). According to recent marketing research, 45% of luxury consumers are asking for personalized products and services (Goldston, 2017). Our findings confirmed this idea: the respondents stated that luxury customers highly value bespoke pieces and experiences and they want to have a personal relationship with the brands. We found that digital technologies (e.g., personalized advertising) actually enable companies to bridge this gap and engage with consumers in a more personal way.

There has been a growing interest in marketing literature on the topic of personalization and customer co-creation. Prior research in this field has suggested that an active customer participation in new product development process may benefit firms because of the resulting match of products with consumer preferences and needs (Hoyer et al., 2010; O'Hern & Rindfleisch, 2010). However, specifically in the context of luxury goods, prior research found a negative effect of customization on customer satisfaction with a product. Thus, the study of Fuchs et al. (2013) has shown that user-designed luxury products are perceived to be lower in quality and fail to signal high status, which results in a loss of agentic feelings for the consumer. Similarly, the managers from our qualitative study insisted that luxury firms must to a certain extent restrain the degree of personalization in order to protect the ownership of a creative artist over luxury product design (see comments 4.1–4.2 in Appendix A). The respondents confirmed that in luxury industry, consumers strive for uniqueness and exclusivity. In this way, customization helps to respond to this demand by offering consumers unique personalized product where they have a genuine connection. However, this should be restricted to a number of certain elements and to a particular range of products. In particular, the managers emphasized that some items, such as iconic products, should never be customized.

Another way to engage with a customer and to create a more intimate experience is to provide personalized services (see comments 4.3–4.5 in Appendix A). Respondents stated that luxury companies should develop an outstanding level of personal services to build deeper and qualitatively higher relationships with their customers. Digital services, such as a chat with a brand's representative or concierge service, allow firms to be available 24/7 to assist their customers with any inquiry. Another way to achieve ultimate personalization is by leveraging customer data. Our findings show that using this data luxury companies can derive unique insights about their customers and by this means could offer highly individualized solutions to more efficiently satisfy luxury customers' needs.

Further, our findings proposed that marketing communication should also be personalized (see comments 4.6–4.8 in Appendix A). Thus, luxury marketers should take advantages of digital marketing and e-commerce, and collect consumer data on their personal information and purchasing history. This will allow luxury companies to target consumers with more personalized offers based on their online shopping and browsing data. Our findings are in line with prior business literature which has emphasized the need for “made-to-order” communication (Remy et al., 2015). Personalized communication imply personalizing emails, social media communications and campaigns, geographical personalization, account customization, and related content personalization (see also Deloitte, 2015).

GENERAL DISCUSSION

This research takes a contingency perspective on customer experience management in the digital era by examining specific digital capabilities needed for the realization of strong customer experience in the luxury industry. The goal of customer experience is to create value for both, the customer and the firm (Helkkula, Kelleher, & Pihlström, 2012; Lemke, Clark, & Wilson, 2011; Verhoef et al., 2009). Prior literature has shown that in the luxury industry, companies compete to deliver specific customer value (i.e., status, uniqueness, functional, and hedonic values) which is different from that of non-luxury companies (Vigneron & Johnson, 2004; Wiedmann et al., 2009). Against this background, we propose that the rationale behind digital customer experience in luxury and the related digital capabilities will be different from those used by mass-market brands. Specifically, we demonstrate that in addition to general digitization capabilities which has been identified by prior research, luxury firms require additional customer experience capabilities. First, based on prior literature on luxury marketing, we elaborate on the specific challenges that luxury brands face when designing customer experience. Second, by means of a qualitative study with managers of luxury brands we identify four customer experience capabilities: luxury-affine online content creation, excellence in omni-channel experience creation, selective digital exposure, and intelligent digital personalization–which are aimed to overcome these challenges and enhance perceived luxury brand value.

Academic Implications and Directions for Future Research

First, prior research in customer experience has identified a set of dynamic capabilities pertaining to the management of customer experience which imply the effective use of market data through periodic planning, implementation, and monitoring of customer experience (Homburg et al., 2017). While, these capabilities are certainly important and relevant across different industries, our study shows that these are not enough for the creation of strong digital customer experience in a specific industry. In contrast to prior research, we take a contingency perspective by focusing on customer experience creation in the luxury industry. This industry is characterized by the specific customer value such as status, uniqueness, functional, and hedonic value. By identifying luxury-specific digital customer experience capabilities, we are able to show that customer experience design in a digital space should not only be regarded in general terms in the cross-industry context, but should be examined in connection with the industry-specific customer value that customer perceives while engaging with a brand. Our contingency perspective is consistent with prior management literature on value creation which has suggested that an industry level of analysis presents unique attributes/features that substantially impact value creation (Lepak, Smith, & Taylor, 2007).

Second, our findings make an important contribution to the existing body of research in luxury management. Although, customer experience has been recognized as very important in luxury (e.g., Atwal & Williams, 2009), literature on its creation has been very scarce and has spoken about single touchpoints such as customer experience online (Okonkwo, 2009), or luxury retail experience (Klein, Falk, Esch, & Gloukhovtsev, 2016). We are the first empirical study that accounts for the creation of luxury customer experience across different touch points (i.e., online and offline). By doing so, we provide specific strategic insights on how to design uninterrupted luxury experience across multiple touch points and over multiple channels.

Furthermore, while prior literature in luxury marketing has emphasized the challenges of sustaining unique luxury customer experience over the digital space (Hennigs et al., 2012; Wiedmann et al., 2013), these studies did not provide insights on specific skills or capabilities needed to create digital customer experience. To the best of our knowledge, we are the first study to empirically derive digital luxury-specific customer experience capabilities.

Our research represents a first step towards the exploration of digital customer experience capabilities specific for the luxury industry. While our study is qualitative in nature, future large-scale quantitative studies are needed to validate the proposed capabilities and to empirically test their impact on the performance of luxury firms. Future research may also empirically examine the relative importance of these luxury-specific capabilities compared to general capabilities proposed by prior research. Additionally it would be interesting to assess the potential interactions among general and luxury-specific customer experience capabilities to explore how those interplay in the creation of superior customer experience.

Furthermore, prior research has differentiated between brand-owned touch points (advertising, websites, own boutiques, loyalty programs etc.), partner-owned touch points (e.g., distribution partners), customer-owned touch points (e.g., customer videos on YouTube), and social/external touch points (e.g., other customers, independent information sources, external environment) (Lemon & Verhoef, 2016). The capabilities identified in our study mainly relate to the brand-owned touch points and do not address partner-owned touch points such as for example retailer boutique. However, during our qualitative interviews, the respondents signified the crucial importance of distributors in the creation of customer experience and mentioned the growing conflict of interest between the company and its distributors in terms of brand-owned e-commerce channels. Managers pointed out that a lot of distributors in the luxury industry that have a long history in the market and usually stand for traditional management principles being very reluctant to use new technologies. Future research could identify capabilities needed to deal with distributor-related problems that impede superior customer experience creation.

Finally, more research is needed with regard to the metrics measuring the effectiveness of digital customer experience for firm performance. Prior research has recognized that assessing the performance of digital marketing activities is difficult, since online measures are not easily translated into financial impact, and that online metrics are not always comparable to traditional metrics (Leeflang et al., 2014). Respondents from our qualitative study stated that measuring the effectiveness of digital customer experience which accounts for the interaction of both customer experience online and offline becomes even more challenging. Future research should address this important research gap and elaborate on effective performance metrics for digital customer experience capabilities.

Managerial Implications

Besides its theoretical relevance, our study also makes important practical implications. With our study, we are able to show a high practical relevance of luxury-specific customer experience capabilities for luxury firms. Although, luxury managers may be well aware of general digitization capabilities, our study shows that luxury brands should go beyond and develop additional luxury-specific capabilities to create a true luxury experience in the digital space. Specifically, we show that in order to achieve superior customer experience creation in the digital space, luxury brands need to be able to create luxury-affine online content, excellently manage omni-channel luxury experience, selectively expose their customers to digital content, and intelligently deploy personalization in the online space. In this sense, our study provides the managers of luxury firms with specific guidance for the creation of unique luxury experience for their customers.

Our findings also suggest that managers of luxury firms, who have been reluctant to the use of new digital technologies, should recognize the unique opportunities that the digital space offers to luxury companies for enhancing their customer value delivery through superior digital customer experience creation. Luxury brands that are able to create and leverage superior digital customer experience are better able to deliver superior luxury value to their customers and therefore will achieve sustainable competitive advantage over their rivals (Woodruff, 1997).

Against this background, we argue that for luxury firms, managing digital customer experience should become the number one priority. Developing and acquiring digital customer experience capabilities will require significant time and effort investment on the part of luxury firms and will require luxury brands to alter their vision, governance, culture.

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Appendix A: Examples of Data from Qualitative Study and Coding

Qualitative data example and data source	Open codes	Axial codes	Selective codes
(1.1) We put focus on high quality content. For example, when we use images, priority of the quality of the image is very high. It is very important because you cannot touch the product. We leverage content marketing opportunities to transmit brand message and attract people. (Experts D) *(1.2) Customers want to experience the product in as many ways as possible. How can I provide this on a website? You can experience the product through say, pictures of the product, where through photographs I can show the experiences of the product. Although, I cannot showcase the product physically to the customer, on the website I can at least translate the product through different perspectives. (Expert K)*	Using visual stimuli of high quality to compensate for the "touch" feeling online	High-quality visual online stimuli	Luxury-affine online content
(1.3) In luxury, quality of the content is much much higher. And if you look at our pictures, our videos, there is a lot of effort and a lot of work that goes into it compared to mass-market brands. We sell more of a dream than other brands do, and that is what makes us different from them. (Expert A)	Putting significant effort into content creation		
(1.4) Storytelling in the online world becomes easier due to the many different available technologies. With all the different types of content – images, videos, texts, sounds, virtual and augmented reality, artificial intelligence – a lot of ideas and stories can be created and spread out. Digitalization facilitates storytelling. (Expert L). *(1.5) A brand should tell the stories about the product because you cannot touch it online. Things like augmented reality might help a lot*. (*Expert B*)	Leveraging digital opportunities for effective storytelling	Technology-empowered luxury storytelling	
(1.6) With all the social media channels, with the website, you are your own media. You can publish anything you want. This is why storytelling becomes very important. You should be very flexible, very reactive. Because people have to identify with your brand and I think, it is easier to do online. (Expert F)	Using own channels to transmit luxury story		
(2.1) It's about providing a great experience first. When you go to a website, you don't want to have a slow website. You don't want to have troubles trying to find your product. You want to have intelligence. You want to be able to log in, maybe associate your social data not being cautious of that. This is where you need to be able to provide this great experience. Not having like a website that takes like ages to load. This is where you're basically losing the customer. You need to have it top, you know. (Expert G) *(2.2) Providing an experience in the digital world can be enhanced through the user design of your website. People are utilitarian so they want it to be efficient and get in and out very quickly. You have to develop very efficient and user-friendly website (Expert B)*	Ensuring excellent performance of online touchpoints	Technical excellence at all digital touch points	Excellence in omni-channel experience creation
(2.3) Physical retail is also moving towards digital experience. Firms must leverage customer in-story experience based on very advanced pieces of technology. (Experts D) *(2.4) Now we have so many opportunities with all these technologies. There are some luxury companies with pop-up stores. There are no products presented, you cannot go into the store. It is*	Powering the physical store with the digital technology	Omni-channel consistency of luxury experience	

Qualitative data example and data source	Open codes	Axial codes	Selective codes
between a physical brick-and-mortar and a digital store. This is an outstanding innovative experience. (Experts H)			
(2.5) Stores are not only physical, they are also digital today. In some stores, we have digital challenges. We have future reality. We have PlayStation contests. We have other contests. We have events as well where you have, you know, you can have a quiz. I would say digital is everywhere today. (Expert G)			
(2.6) The physical touch point is still highly relevant. Because it is at these physical touch points where all the senses are addressed, but you need to power it with technology to enhance customer experience. (Expert K)			
(2.7) Customer does not distinguish between channels. We have a boutique appointment on the website. You create an appointment for specific boutique, specific day, to look at a specific product. Create connections and transfer between them. We need to stop using the word channel. You have to have a seamless experience between the two. (Experts E)	Creating seamless experience between online and offline channels		
(2.8) The experience is one big thing that has to be across channel. Experience has to be everywhere, online to offline. We have to create this connection. Thanks to all the data, we can do it. All the channels have to be complementary. Each channel has to provide a specific experience. I go to the physical store and I find all the content that I've seen in the digital space. I think that this is the key. The experience has to be everywhere. That's very difficult but like this you create emotions. (Expert F)			
(2.9) You have to achieve the standard of your boutique also online. (Expert B)			
(3.1) You need to transport the experience in the right context and the context is determined by a platform. Facebook, Instagram, Twitter, WeChat, Website have different contexts. We create channel-specific content and create an emotional experience. (Experts E)	Creating channel-specific online content	Selective online presence	Selective digital exposure
(3.2) Yes, there is clearly a customized channel specific communication. A certain communication strategy that is translated into different channels. There will always be global campaigns that override everything and there will be points that are relevant to certain target group. There are different customer groups on different channels that's why you have to adapt. (Expert K)			
(3.3) Understand the customer and try to provide the most adapted content. I think this is key. Adapt the content to the channel. You won't publish the same video on Facebook that on YouTube that on your Instagram stories and in the other channels. (Expert F)			
(3.4) You need to be more aware of the platforms and where your content is published. You need to make sure that you content is positioned in the right place. (Experts D)	Control over the content placement		
(3.5) Luxury brands are way more advanced in terms of the brand safety having very cautious approach to the placement and data sharing (e.g. developing own DMP) compared to FMCG segment avoiding the risk of non-relevant placement. (Expert C)			

Qualitative data example and data source	Open codes	Axial codes	Selective codes
(3.6) And we are very careful about what kind of bloggers we chose, as compared to what other mass-market brands would choose. For us it is all about image and it is also another experience. We have to do it completely differently to how the other brands are doing it. (Expert A) *(3.7) Now I know many brands, they send their products to all kinds of bloggers. However, we make sure we do not send our products to just any bloggers. The selected blogger need to have an image that is the same with our brand. Their followers have to be our customers as well. We would never send our products to bloggers even if he/she has a big amount of followers. It is not in tone with our image, unlike other brands, we are very careful on who we send our PR products to. When we organize events with bloggers, we are also careful on who we invite. (Expert A)*	Selecting online bloggers whose image is consistent with the brand's image		
(3.8) Accuracy of the contact, less intrusively, precise targeting. (Expert C)	Creating unobtrusive online advertising		
(3.9) Many brands, they will post selfies or pictures of girls who are wearing their products on their Instagram accounts. I mean that is their way of engaging with them. We would never do that. We are all about selling a dream. We will not post pictures of customers wearing our products. It is just not in tone with our brand. Our brand is something that is hard to reach. In luxury, you cannot be too close with the customers as well; you have to keep a distance. (Expert A)	Engaging with customers on a distance	Maintaining distance with the customer online	
(3.10) What is really good about this omni-channel, that you can create a desire online by posting highly emotional and appealing content, and then you limit the accessibility of a physical product. So, people need to wait to get it. (Expert A) *(3.11) We offer very limited pieces which are available only online for short period of time, and you have to be our customer to buy it. This is how we sustain exclusivity. (Experts I)*	Managing tradeoff between accessibility and exclusivity via intelligent omni-channel strategy		
(4.1) Product customization is important. However, not for all product. We have our icons, tested for hundred years that define our brand, we do not customize these products. It is important to have the limits also with regard to the elements that you customize. (Experts D) *(4.2) Customizing can help in that way of having something unique, something where you have a genuine connection. On the other hand, when you're going to Brand K, you want to buy a Brand K product. You're going there because you know this brand, there's something you appreciate and that appeals to you. You don't want to lose this. That's why even when we're doing a customized product, we will still need to validate it internally. We must say, it is compliant with our brand. So, you cannot create whatever you want (Experts K)*	Controlling the degree of customization	Controlled product customization	Intelligent digital personalization
(4.3) Digital media is about discussion, communication, proximity, feedbacks. It can be a very good customer service also. We see that many companies are developing chats for example and things like that. So, you personalize the service. (Expert F) *(4.4) To improve our online services someone is present 24/7 online and supports the customers by answering questions, and is always there to service the clients. (Experts I)* *(4.5) Another possibility is, we have long been offering the service of a hotline/ concierge. What are some other ways that the customer contacts the hotline? For example, it could be through an online chat. (Expert K)*	Service personalization	Unlimited personalization of services and communication	

Qualitative data example and data source	Open codes	Axial codes	Selective codes
(4.6) I think that we have a lot of things to do in the luxury industry, honestly. Just to understand the customer, to make him feel good, comfortable and we have to create this conversion, this relation, between the customer and the company. It's really important and the tools are there. There's no way of not using them. Everything is available it's just a matter of doing it the right way but the tools are there. Again, if I take the example of a print campaign, it's not personalized, whereas if I do a digital campaign I can do something that is specific to you, to your taste, and so on. (Expert L) *(4.7) Our website is full of personalization and that's the key. (Expert J)* *(4.8) You want to be able to log in, and have some proposals that are interesting for you. That are matching with your interest. (Expert G)*	Communication personalization		