Empirical research in luxury brand image in Japan

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Abstract

The object of this paper is to demonstrate how luxury brands build up their brand image in a competitive market such as Japan. We interviewed six brand managers of Bally and Tod's Japan and then dispatched questionnaires to 73 consumers. Exploratory factor analysis and multiple regression analysis were utilised to analyse the data obtained from the questionnaires in order to test the hypotheses. The location and store atmosphere of luxury stores, E-commerce, online Ads and newsletters, origin, iconic products, symbols and PR events have positive effects on consumers' impression of luxury brands.

1. Introduction

The word 'luxury' derives from Latin 'luxatio' with the meaning of distance, which implies things with an enormous distance [1]. Luxury brands are defined as "those whose ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high"[2]. A luxury brand is timeless, modern, fast growing, and highly profitable [3]; and Phau and Prendergast [4], therefore, gave a comprehensive definition of luxury brands with four factors: evoke exclusivity, have a well known brand identity, enjoy high brand awareness and perceived quality, and retain sales levels and customer loyalty. In the eyes of their customers, companies are increasingly seeking out strategies that will differentiate themselves [5]. Whereas consumers of fast moving consumer goods may be influenced by the brand's image, they will generally have priorities with regard to functionality and price; in contrast, consumers of luxury goods will be primarily influenced by the brand's image, while considering functionality as a given prerequisite [6]. An understanding of how luxury marketers have built brands and maintained their positioning has contributed to both the marketing and branding literature [7]. Thus, the purpose of this paper is to illustrate how luxury brands build up their brand image in a competitive market such as Japan in the form of an empirical study of two luxury fashion brands - Tod's and Bally.

2. Bally International and Tod's s.p.a.

Bally was founded in Switzerland in 1851, and is known for its sophisticated shoes and accessories. In 1976 Bally extended its modern shoe collections to include handbags, leather accessories and ready-to-wear goods. Bally Japan was founded in 1988 after Bally's entry into the Japanese market in the early 1970s and reached its peak in Japan in the 1980s. After regaining all its power from Itocho in 2008, B.A international had overall control of Bally's business in Japan. By 2010, Bally owned more than 40 stores with an annual revenue of 3.8 billion JPY, representing 11% of its global revenue and that of fiscal year 2011 was predicted to reach \4.5 billion [8].

Tod's is an Italian brand which is most famous for its driving shoes as well as other leather goods. Driving shoes with 133 single rubber granules named 'Gommino' is regarded to be the icon of Tod's which reflects its origin in sports. Famous actresses, Sienna Miller, Gwyneth Paltrow and Anne Hathaway have each appeared in Tod's campaigns as celebrities. In 1997 the first shop of Tod's Japan was opened in Isetan Shinjuku, Tokyo, which is one of the most famous and high-end Japanese department stores. Later on Tod's Japan became registered in 2000, and in 2004 Tod's building designed by Toyo Ito, a leading figure in Architecture, appeared in Omotesando Avenue in Tokyo.

3. Literature review and hypothesis

A corporate brand can be impacted by external communications through its visibility and reputation [9] and the most promising opportunity to contribute to brand identity is through "signature" architect-designed buildings [10]. It is beneficial to understand the nature and role of the flagship stores and boutiques not only as a means of product distribution, but also as a means of brand consolidation [11]. Recently distribution has become a strategic variable once again due to the concentration of companies in very large multi-brand groups [12]. This change in luxury brand strategy generally has led to the development of complex distribution networks consisting of different types such as multi-brand stores, mono-brand stores, flagships, corners in department stores and designer outlets [13]. Luxury brand companies have taken firmer control of their businesses, gained the upper hand over Japan's once-powerful department stores and given birth to attractive new shopping districts [14]. The store is a screen for the projection of the brand's history but also a metaphor for the setting that places the object of desire at a distance [1]. Spatial environments including buildings, retail and public spaces form experiential environments which display 'brand culture' [15], and product displays are crucial for customers to touch and feel the brand, and trade booths and shows bring people into proximity with brand messages in a virtual-reality setting [16].

From the above literature review, we derive the following hypotheses:

H1. Luxury brand image is positively related to the perception of its distribution channels.

H1a. Luxury flagship store location enhances brand image.

H1b. The exterior design of boutique or flagship stores enhances consumers' impression.

H1c. Displays and atmosphere in a flagship store or boutique enhance its luxury brand image.

Furthermore, the internet's interactive capabilities provide an ideal forum for many companies to create experiences for customers [16]. Web marketing is all about getting a brand out there and developing brand visibility combined with positive brand exposure, as today's luxury consumers tend to be more and more internet-savvy and extremely demanding towards online services [17]. There is no doubt that the internet has become a new media to communicate luxury brands and its influence is increasing. However, luxury brands online have the task of increasing sales and face the risk of overexposure while maintaining a fragile perception of limited supply [18]. Kapferer and Bastien [1] insisted that a luxury product can communicate via the internet, but should not be sold there because on today's web, the personal relationship disappears quickly as the internet is an anonymous universe. Thus, famous fashion houses like Chanel operate their websites without offering e-commerce; in contrast, another famous luxury group PPR is developing an e-commerce platform. Based on these, the following hypotheses are put forward:

H2 Promotion on the internet is positively related to luxury brand image building.

H2a Word of mouth from social networks (Blogs/Twitter/Facebook, etc.) on the internet enhances luxury brand image building.

H2b Corporate websites enhance luxury brand image.
H2c E-commerce has a positive impact on luxury brand image.
H2d Online ads and e-newsletters enhance luxury brand image.

In addition to distribution channels, people buy things not only for their functional side, but also for what they mean; and a symbol is appropriate when it joins with, meshes with, adds to, or reinforces the way the consumer thinks about himself [19]. Vickers and Renand [20] stated that although luxury and non-luxury goods can be conceptualised on the basis of functional and interactional symbolic dimensions, luxury goods are based on symbolic attributes, whereas non-luxury goods mainly rely on functional attributes. For luxury being exclusive and rare is the nature of luxury; accordingly, brand managers should always keep their customers out of products [1]. Additionally, culture and national identity are explanatory factors in the consumption of luxury goods [1] and consumers' purchasing intentions are higher when no Country-of-origin (COO) information is provided than when a moderate country impression exists [21]. For developing or recently developed countries' consumers, a very positive COO can be an asset for the particular product category, but giving COO cues to consumers should be avoided if COO is not the most positive impression [22]. Based on the works reviewed above we derive the following hypotheses:
H3 The symbolic side of luxury goods is positively related to luxury brand image building.
H3a Country-of-origin is positively related to luxury brand image.
H3b Iconic goods are positively related to luxury brand image.
H3c Symbols in luxury goods are positively related to luxury brand image building.
H3d Limited editions are positively related to luxury brand image.

Communication, therefore, plays an important role in transmitting information to consumers. Among all the tools of communication, press relationships and public relationships matter a lot in the luxury market and everything the brand does should be 'PR-able' [1]. Public relations is a promotional tool used to persuade consumers and the public of the authenticity of a brand, while also facilitating understanding between the brand and the public [23]. Furthermore, celebrities and ambassadors are also crucial for a luxury brand, as ambassadors are the people who provide the brand with life while celebrities generate extensive PR leverage and opportunities for brands and help to reach a global market. Consequently, this investigation examines the influence of public relations on luxury brands with the following hypotheses:
H4 Public relations is positively related to luxury brand image building.
H4a PR events (Charity events, etc.) enhance luxury brand image.
H4b Celebrity endorsers enhance luxury brand image.

4. Methodology and analysis

4.1. Sampling and research design

The research design of this study comprised a consumer survey research of Bally and Tod's Japan. Research for this paper was conducted in Tokyo, the capital city of Japan and also the largest metropolitan area in the world with nearly 29% of the Japanese population. The total sample was 73 respondents, and of that number, 61.7 per cent were male and 16.5% had experience of the products of Tod's or Bally. Informants rated all items with points from 1 (strongly disagree) to 5 (strongly agree). Pictures and short explanations related to visual identity and signature, online communication, public relationship and social influence of these two brands were shown before the questionnaires were issued so

as to help participants associate the brands with the given information.

4.2. Data analysis

Exploratory factor analysis was utilised to form the factor structure of the study. Principal component analysis was performed with the items to test the factorial validity of the scale and varimax rotation was chosen in respect to the principle components so as to differentiate the original variables by extracted factor. In this study Cronbach's alpha which indicates reliability was 0.754 with Kaiser-Meyer-Olkin 0.608 and significance < 0.001; thus, factor analysis could be applied. This research included a decision criterion to discard factor loadings of 0.5 and the components with Eigenvalue larger than 1.0 were retained. The analysis indicated that 70.59% of all the 13 factors were contributed by four estimated factors; hence, we defined them as experiential identity and signature, online promotion, public presentation and social influence (see Table 1).

Table 1 Results of exploratory factor analysis

Factors	Measurement items	Factor loading			
Experiential identity and signature	Shop location	0.801			
	Exterior and interior design	0.777			
	Country-of-origin	0.733			
	Iconic products	0.682			
	Symbols	0.593			
	Store atmosphere	0.589			
Online promotion	Online Ads and newsletters		0.888		
	E-commerce		0.774		
	Corporate website		0.531		
Public presentation	Limited edition			0.861	
	PR-events			0.851	
Social influence	Social network online				0.787
	Celebrities				0.630
Cronbach's alpha					0.754
KMO					0.608
Sig.					0.000

We adopted hierarchical multiple regression analysis to explore the interfere structure among the independent and dependent variables. The variance inflation factor (VIF) and tolerance of each independent variable was checked and all were within the range of 1.25-5.06 and 0.196- 0.780; thus, multicollinearity did not pollute the results of multiple regression analysis.

The results of each of hypotheses are shown in Table 2. From this analysis, it is indicated that the location (H1a) and store atmosphere (H1c) of a luxury store, E-commerce (H2c), online ads and newsletters (H2d), origin (H3a), iconic products (H3b), symbols (H3c) and PR events (H4a) had positive effects on consumers' impression of luxury brands and the hypotheses were supported. However, the exterior design of a luxury brand store (H1b) and corporate website (H2b) were negatively related to luxury brand image with $\beta= -0.467$, $p< 0.05$ and $\beta=-0.277$, $p< 0.05$; hence, H1b and H2b were not supported. Meanwhile, although social networks on the internet (H2a) and limited editions (H3d) were positively related to luxury brand image, their effects were quite insignificant and limited ($\beta= 0.091$, $p> 0.1$, $\beta= 0.088$, $p> 0.1$). Thus, H2a and H3d were not supported.

Table 2 Results of hierarchical multiple regression

Dependent variable		Clear impression of the brand			
Constant		1.705*	0.396	-0.227	-0.570
	H1a Shop location	0.583**	0.723***	0.364*	0.160*
H1	H1b Exterior design	-0.467**	-0.406*	-0.256*	-0.102*
	H1c Store atmosphere	0.385**	0.240*	-0.044*	-0.265*
	H2a Online social network		0.091	-0.134	-0.103
H2	H2b Corporate website		-0.277**	-0.344***	-0.423****
	H2c E-commerce		0.129*	0.136	0.234
	H2d Online ads and newsletters		0.336**	0.260*	0.319*
	H3a Origin			0.163**	0.135**
H3	H3b Iconic products			0.326**	0.348*
	H3c Symbols			0.272*	0.455**
	H3d Limited edition			0.088	-0.128
H4	H4a PR-events				0.691****
	H4b Celebrities				-0.517****
R		0.414	0.533	0.696	0.817
R²		0.171	0.284	0.485	0.668
Note: *p< 0.10; * *p< 0.05; * * *p< 0.01; * * * *p< 0.001					

5. Conclusion, limitation and future studies

Firstly, through exploratory factor analysis and hierarchical multiple regression, we found that the location and store atmosphere of luxury stores, E-commerce, online ads and newsletters, origin, iconic products, symbols and PR events have positive effects on consumers' impression of luxury brands. However, the limits of our research are found in the accuracy of exploring influential factor and image description. In this research, we examined 13 influential factors of luxury brand image through an empirical study of Tod's and Bally. Luxury brands intend to create an impressive and constant store image in line with those in Japan and the original countries, but this can give an indication of the difference in responses to luxury strategy in a cross-cultural country. Thus, we could deepen our work as well by exploring the consumer attitudes towards the influential factors of luxury brand image by examining more luxury brands.

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