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GRA19003 Final Master Thesis

# Modernization vs. Vulgarization in Online Fashion Luxury

How is Internet impacting luxury brand equity?

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*“To change the world, we need to combine ancient wisdom with new technologies.”*

*Paulo Coelho*

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Ana Rita de Abreu

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## Executive Summary

The Internet became an inherent part of people's daily life and the major source of transformation in the relation between consumers and brands. However, in the luxury branding context, the introduction of prestige brands into a mass channel such as the Internet might bring the risk of vulgarization, loss of control over the brand, loss of the high-luxury appeal, jeopardizing brand equity. Hence, the present thesis paper proposes to answer the dilemma between the imperative of going online and the risk of luxury high-appeal dilution, by examining whether brand digital competence enhances the impact of advertising on the several dimensions of customer-based brand equity (CBBE) sources of luxury brands. Further, this study investigated the main impact of digital competence on CBBE as well as the risk of vulgarization by luxury going online. Additionally, it was tested if the impact of advertising on CBBE is mediated by the channel (online vs. offline) through which it is exposed to the consumers. To perform the study, a 2 (before the Advertising vs. after the advertising) x 2 (high digital competence vs. low digital competence) x 2 (online vs. offline) experiment was conducted and results were tested through MANOVA and ANOVA analysis. Around 250 international general consumers participated in the experiment through online questionnaire. The results show that consumers rated brands better in terms of awareness and image after being exposed to the brand advertising. The effect of advertising on brand image proved to be moderated by the level of brand digital competence, which means that, considering the same type of advertising, consumers will rate better a brand endowed with high digital competence than a brand endowed with low digital competence. However, this moderation effect does not apply in the case of brand awareness, which means that digital competence level does not affect the effectiveness of advertising in enhance brand awareness. Besides the analysis of the moderation effect, digital competence proved to be a very significant direct main effect on all the dimensions of the dependent variables Brand Awareness and Brand Image (excepting sensuality), which means that the effect of a brand digital competence goes much beyond the advertising activity. The ANOVA analysis on the online vs. offline channels demonstrated that there was a significant effect of advertising through online channels on awareness and significant effects on some dimensions of brand image such as love, uniqueness, positiveness of associations, quality and sensuality perception.

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## 1.0. Introduction

“Luxury has to be multisensory, has to have a strong human content, and must always dominate its client in order to preserve its status” as stated by Kapferer and Bastien (2009, 79). By definition, one might consider that the exclusive nature of Luxury does not fit a democratic mass channel such as the Internet, where the personal relationship fades quickly and information is easily accessible to everyone. These constraints jeopardize the Luxury definition, exposing brands to the risk of vulgarization, loss of exclusivity, loss of control and consequent dilution of its high-appeal.

Nevertheless, the digital sphere has evolved as a “reality that can no longer be questioned or resisted, even by an industry carrying as much economic and social-cultural clout as the luxury sector” as stated by Okonkwo (2009). The digital-capital<sup>1</sup> accounts for accumulated investments in more than \$6 trillion and it is estimated to be the source of more than 1 p.p. of global GDP growth (Bughin and Manyika 2013). The Internet became the most powerful marketing tool of the 21<sup>st</sup> century (Okonkwo 2009) and has profoundly transformed the industry practices of modern retailing and distribution management (Doherty and Ellis-Chadwick 2006; Pentina et al. 2011). This digital phenomenon is driven by the new digital life style, which is increasingly shaping the modern consumer behaviour, characterized by: “Always on the go”; “Always logged in”; “Look at me now!”; “Return-on-Time” (Andreassen, Olsen, and Calabretta Forthcoming 2014). The growing technological penetration in people’s lives transformed deeply the way luxury consumers take their buying decisions and the way relationships are established with brands: 100% of affluent luxury buyers use a smartphone, tablet, laptop or desktop. Although 65% say they want to touch and feel a product before purchase, 75% of them conduct research online before purchasing (Ipsos and Google 2013).

Therefore, Luxury brands are being challenged to extend their brand-building process to the online sphere – where they have to be as paramount as they are offline – whilst maintaining their status of exclusivity. “Coach, Gucci, Hugo Boss, Burberry and Dolce & Gabbana have made significant investments in order to

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<sup>1</sup> McKinsey: digital capital definition – “the resources behind the processes key to developing new products and services for the digital economy.”

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enhance their sites, growing and engaging their social media audiences and reaching customers on edge of the network smart phones and iPads” as stated by Galloway (2013, 3). Nonetheless, contrary to the regular goods that rapidly adopted e-commerce to take advantage of reaching the mass market (Olmo Riley and Lacroix 2003), the luxury sector has been slow in embracing the digital revolution (Okonkwo 2009, 304), with many industry icons “caught flat-footed” (Digital IQ Index: Luxury 2010, 3), mainly due to risk of vulgarization, lack of control over the brand and high structural investment requirements. Despite the actual interest around digital marketing, there are still no mechanisms able to translate the brand value enrichment or loss generated by the presence in digital channels. Therefore most luxury brands are lost and stuck between the actual digital imperative and the risk of losing the luxurious high-appeal.

In this context, this study pretends to answer this need for a scientific guidance by translating the impact of digital competence on the customer-based brand equity, by delving on how actually consumers perceive luxury brands when advertised through online channels (vs. offline) and when they are endowed with high digital competence (vs. low digital competence). More specifically, this thesis 1) reveals concrete opportunities for luxury brands on Internet (e.g.: digital competence proved to be a very significant moderator of advertising in brand image, in special if brands aim to leverage love, positiveness of associations, high quality, sensuality and rich heritage perceptions on consumers mind); 2) overthrow some dogmas (e.g.: the presence of high digital competence proved to be amazingly effective in almost all the dimensions of brand awareness and brand image contrary to some expectations and past literature, going much beyond the moderation effect on advertising). Being conscientious about those effects, brands are better equipped to design their multi-channel strategies according to their specific objectives, by managing accurately the risk of vulgarization and optimizing brand equity both online and offline. Hence, the results of the present thesis hold very important managerial implications that constitute a very relevant guidance in the decision-making process of multi-channel strategies. In particular, the results give orientation on how much a CBBE benefits when a brand expose advertising through online channels (vs. offline) and how this benefit varies according to its level of digital competence.

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The recent academic community interest on online luxury, to be revisited on Literature Review section, has focused mainly on the study of online consumer behaviour (Xia Liu, Alvin C. Burns, Yingjian Hou), on the dilemma of going online (Kapferer, J.N. and Bastien, V; Okonkwo, Uché) and on the optimization of specific online channels as the website or the social media (Angella, J. Kim; Eunju Ko; Philipp Nikolaus Kluge et al.). Some measures have emerged in order to quantify the return on the investments as the digital competence ranking (Galloway 2013) or digital capital definition (Bughin and Manyika 2013). However, “disparities and gaps between existing literature and current business practice have been raised and remain unexplored” as stated by Okonkwo (2009, 304), i.e. there is no agreement between academy and real business actors on whether luxury should or not go online, and if so, how they should go. While some of the academic research affirms that luxury goods are unsuitable to be placed and retailed on the Internet (Okonkwo 2009), shareholders react positively to luxury digital competence investments. The 5-year S&P Luxury performance shows that perceived digital competence has been generating firm’s market value and shareholder appreciation in the post-recession (Galloway 2013, 2). Nevertheless, there is no study capable of demonstrating how actually digital competence influences customer-based brand equity (CBBE), which is the gap the present thesis aims to fulfil, building upon (1) the existent literature on the relationship between Advertising (Stahl et al. 2012) and the Customer-Based Brand Equity concepts (Keller 2013) and (2) the digital competence measure (Galloway 2013). More than ever, it urges to study whether digital competence translates into actual value creation for the brand, as well as which channels (online vs. offline) are more appropriate and effective to boost brand awareness and brand image in luxury brands. Hence, this thesis intends to answer the Research Question: *“To what extent do online activity in general, and digital competence in particular, affects the impact of advertising on consumer-based brand equity?”*

Building upon Brand Equity theories, this thesis conceptualizes the impact of brand digital competence might have on customer-based brand equity, in luxury brands, which constitutes an important theoretical contribution and basis for future research in Digital Marketing Theory. Additionally, the experimental design will allow us to test the presence of a causal relationship between high digital

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competence and CBBE, which establishes an important empirical record both for the academic community and luxury fashion business. Finally, despite the fact that consumers seem to have quickly adopted and adjusted to multi-channel brand communication (and consumption), marketers lack the information to optimize their multi-channel decision making in a more complex and fast changing environment. In this context, these thesis conclusions assess the effectiveness of online activity on the brand awareness and brand image customer perception, which founds a valuable managerial contribution to support brands and on the definition of their online strategies and on the valuation of their digital investments.

## **2.0. Objectives of the Thesis**

As it will be discussed further in Literature Review section, prior literature on online luxury has been studying (1) the benefits and costs of luxury going online and the possible risks that Internet might bring to luxury concept; (2) the characterization of online luxury consumer motivations vs. in-store consumer motivation; (3) the impact of Social Media on customer equity. However, existing research lacks a customer-based scientific study able to evaluate whether the presence of high digital competence enhances or jeopardizes the impact of marketing actions, such as advertising, in the customer-based brand equity.

Therefore, the present thesis is going to study how digital competence affect the impact of advertising in both CBBE dimensions - brand image and brand awareness - in luxury fashion brands. More specifically, the objectives of the study are: (1) to determine if there is actual benefit for luxury brands on using digital channels, according to brand objectives: to boost brand awareness and/or enhance brand image respectively. Additionally, this study aims (2) to find whether digital competence translates into actual value creation for the brand. Also, this study will allow to (3) unveil potential negative consequences of using online channels for luxury brands (e.g. risk of vulgarization of brand image when digital competence is high did not confirm. Actually the high digital brand was perceived with an higher luxury appeal than low digital competence brand.) More succinctly, the aim is to quantify the impact that digital competence presence has on the relationship between advertising and brand equity, unveiling at the same time the possible risks for luxury online strategy. Being aware of these interactions and risks, brands will be better prepared to optimize their online strategies according to their objectives and optimizing the full potential of brands.

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### 3.0. Literature Review

The Internet is the fastest changing phenomena of our times, demanding quick creation and adaptation of new processes, platforms and devices. This rapid changing pace makes harder for academic community to follow the speed, which explains the few recent, but still fast growing, academic production on the topic. Firstly, it is important to fully understand the luxury concept to make clear why there is a dilemma on “whether going online or not” that does not exist in mass brands. Hence, before presenting the thesis model, the literature review section will address critically the past academic production on (1) luxury concept definition; (2) the paradox of luxury going online; (3) how does online activity affect brand equity.

#### 1. *Luxury concept definition and evolution*

The origin of *luxury* word is linked with *luxus*, which mean exuberance, excess and intense desire for self-gratification (Corbellini and Saviolo 2009). Today Luxury is a wider multi-dimensional concept subjective to cultural, economic, temporal, regional and situational factors, going beyond its original function of status signalling. “Owning and showing” remains the main driver in emerging markets, while “being and enjoying” tends to be the main motivation for luxury consumption in more sophisticated markets.

#### 1.1. Luxury concept

Literature associates Luxury concept with exclusiveness, ostentation and material power. Dubois, Laurent, and Czellar (2001) conceptualize a consumer-oriented definition of luxury, which resulted six dimensions, that will be used on the assessment and testing of luxury brand image in the present study. The six dimensions defining luxury are: (1) Excellent quality; (2) Very high price; (3) Scarcity and uniqueness; (4) Aesthetics and polysensuality; (5) Ancestral heritage and personal history and (6) Superfluousness, which are exposed in figure 1 below.

According to Lipovetsky (1980) cited in Loureiro and Araújo (2014), luxury means “lying outside the pathways of the trend”, following its own route, and imposing its own rules. It implies good taste and allows its users to differentiate themselves from others.” (Loureiro and Araújo 2014, 394). Pointing in the same direction, Kapferer and Bastien (2009) defend that luxury companies and brands

must “break the rules of marketing” in order to sustain the unhurt luxury concept, alerting for the deep current transformations in society that have been affecting Luxury definition itself. The democratization of luxury, lifted by 21st century globalization, allowed masses to be aware and to establish a closer contact with luxury. The easy accessibility to new cultures, markets and products is a source of new emotions and desires led to an exponential grow on the client base of luxury brands. These constitute a wide range of opportunities, but they bring also the huge risk of luxury vulgarization, which is a “major trap to be avoided in the process of democratizing luxury” as stated by Kapferer and Bastien (2009, 11).

<b>Excellent quality</b>	The first notion is that of perceived excellent quality. The mental association between luxury and quality is so strong that for some respondents, the two words are almost synonymous.
<b>Very high price</b>	The second notion spontaneously associated with luxury, and almost as salient as the previous one, is that of a very high price. Such a perception is established either on the basis of the absolute value of the price or, more frequently, by comparison with non-luxury alternatives.
<b>Scarcity and uniqueness</b>	The third concept associated with luxury is that of scarcity. Scarcity is closely associated with the perceived excellent quality and high prices associated with luxury goods.
<b>Aesthetics and polysensuality</b>	The fourth aspect of luxury involves a strong aesthetic appeal. And, according to many consumers, it should always be the case. At the extreme, luxury products become pieces of art which have to be recognized as such.
<b>Ancestral heritage and personal history</b>	The fifth notion associated with luxury is its anchoring in the past. In consumers' mind, to be luxurious, products and services must have a long history and their elaboration processes as well as consumption should respect tradition.
<b>Superfluosness</b>	Finally, the concept of luxury implies some perceived superfluosness or uselessness. Luxury products are not felt to be necessary for survival. It is in this sense that consumers as well as researchers oppose luxuries and necessities.

Figure 1: The Definition of Luxury Products by Dubois, Laurent, and Czellar (2001, 8)

## 1.2. Luxury brands

Literature takes mainly three approaches on the definition of luxury brands: (1) the economic approach; (2) the socioeconomic approach and (3) the symbolic approach. (1) The economic approach defines luxury brand as that in which “prices are appreciably higher to products presenting comparable tangible features” as stated by Geerts (2013, 80). (2) The socioeconomic approach is linked with the idea that “luxury means the most desirable socially”, so products/brands should be classified as luxury categories, considering the socioeconomic context in which they are inserted as a criteria. (3) The symbolic approach defends that a luxury brand is characterized by a symbolic, imaginary or social added value that differentiates it from other brands, which is linked with the idea that “luxury brands compete on the ability to evoke exclusivity, brand identity, brand awareness and perceived quality in the consumers' perspective” as

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cited by Wiedmann, Hennigs, and Siebels (2007). There is no right or wrong approach, since all are complementary. However, the present thesis takes customer-based perception as the basis of its study, where naturally customer perceptions are central. Therefore, for the purpose, this thesis uses the symbolic definition of luxury brand, which takes customer perception as the main criteria to define luxury.

### **1.3. Luxury experience**

Luxury concept goes much beyond the product and the brand itself, because it implies something more – the consumer luxury experience. Brakus et al. (2009) suggest that the consumer experience is conceptualized as sensations, feelings, cognitions and behavioural responses evoked by the brand. This means that besides the fulfilment of functional characteristics explained, the luxury marketing is “also attempting to sell an experience by relating the brand with the lifestyle constructs of consumers” as stated by (Atwal and Williams 2009, 338). Hung, Lin, and Yang (2012) proved that that “Experience Value” variable is related in 60% with “Perceived Brand Luxury”. Additionally, “Experience Value” has a direct main effect of 0.224 on the dependent variable “Luxury Brand Equity”.

## ***2. The paradox of Luxury going online***

Luxury brands are experts at controlling their brand equity and this control “implies a top-down, we know-best-and-we-won't-listen-to-you attitude” as stated by Fuchs et al. (2013, 76). This statute made luxury brands back off from such an exposed world as Internet. The first studies on online luxury shared the reluctance to use Internet (Geerts 2013, 79), pointing for a general consensus that digital world wouldn't fit with luxury in any way (Serinhaus 2005). This was due to the fact that digital channels lacked interactive functions and originality, not being technologically ready to deliver the experience that luxury branding requires. Since then, the web has been developing and the arrival of web 3.0 elevated Internet to more than a distribution channel (McCusker 2008). The technological penetration in people's life went in such a way that being active in the emerging Web era seems to be an imperative for any brand that aims to be in the front, even for a traditional cluster that holds such a power as luxury brands. Statistics show that internet is more and more used to support purchase decisions, specially in affluent luxury consumers who are extremely tech savvy (Ipsos and Google 2013). Liu, Burns, and Hou (2013) found that the major drivers of online luxury

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consumption are convenience, price, product availability, online shopping attitude, and online trust. Internet luxury shoppers decide to make online purchases when the physical stores are too far away or the product choices in the stores are too limited. Moreover, in-store luxury shoppers value customer service, employee attitude and feelings of power whereas Internet luxury shoppers do not like salesperson pressure.

In this sense, Luxury have been embracing online channels, even though in a very slow and heterogeneous way, without a clear guidance: some use e-commerce (Louis Vuitton, Tiffany); others use interactive tools (Chanel, Cartier) and others are still "passive" actors with websites simply displaying images (Fendi or Versace) (Geerts 2013, 79). On one side, "Luxury sector must not only refine its business models to ensure cross-channel optimization but must also co-exist with an increasingly savvy clientele who have become impatient for extraordinary digital-inspired experiences both in the virtual and physical worlds", as stated by Okonkwo (2013). Although, on the other side, in order to keep their brand equity and differentiation status, luxury brands cannot be placed on Internet in the same way other brands do. For example, Fuchs et al. (2013, 75) proved that the practice of "user design" – very much used in mass brands through online channels customer communication - backfires in luxury branding, because consumer demand for a given luxury fashion brand collection is reduced if the collection is labeled as user (vs. company) designed.

In this context, despite the growing academic interest on the issue, luxury companies still lack guidance on whether going online or not and how to preserve luxury brand image within the ubiquitous digital world (Hennigs et al. 2012; Okonkwo 2009), which stresses, once more, the managerial and academic relevance of studies like the present thesis, capable of translating the impact of online activity on luxury brand equity, like the present one.

### ***3. How online activity affects luxury brand equity – hypotheses formulation***

Aiming to answer some of the below presented gaps and questions surrounding this dilemma, the present thesis is going to hypothesize and study the actual impact of advertising, moderated by digital competence and mediated by online vs. offline channels on brand equity.

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Brand Equity is defined as “the differential effect of brand knowledge on the consumer response to the marketing of a brand”, as stated by Keller and Lehmann (2003) and Keller (2013). Doyle (2003, 20) says that “75% of the value of the companies lies in their brands and other marketing-based intangibles”. Giving the rising importance of intangible assets, several approaches of Brand Equity definition and measurement have been developed. The “Brand Value Chain” concept developed by (Keller and Lehmann 2003, 30) proposes three main approaches for assessing brand equity: (1) Customer mind-set (Aaker 1991, 1996; Keller 1993, 2003 e.g.); (2) Product market (Agarwal and Rao 1996 e.g.) and (3) Financial market (Simon & Sullivan 1993 e.g.). (1) The Customer Mind-set approach focuses on assessing the consumer-based sources of brand equity as awareness, attitudes, associations, attachments, and loyalties that customers have toward a brand (Kusum L. Ailawadi 2003). Grounded on this reasoning, Aaker (1996, 16) defined Brand Equity as “a set of assets and liabilities linked to a brand, its name and symbols, which add to or subtract from the value provided by a product or service to a firm and/or that firm’s customers”. (2) Product Market approach, on the other side, is based on the logic that brand equity is measured by the price premium, that is, “the ability of a brand to charge a higher price than an unbranded equivalent charges” (Ailawadi, 2003). (3) Financial Market approach assesses the value of a brand as a financial asset, capturing the current and future brand potential (Stahl et al. 2012). There is no perfect approach, since the three of them present advantages and disadvantages according to the purpose of the measurement.

As the objective of this thesis is to examine the impact of online channels on the consumer perception of brand image and brand awareness, the present thesis will follow a (1) customer mind-set metric approach of Brand Equity, which is defined as “customer-based brand equity” (CBBE) by Keller (2008). Under this logic, the author states that the “power of a brand lies in what customers have learned, felt, seen, and heard about the brand” —that is, the customer mind-set. CBBE is defined as “the set of strong, favourable brand associations” (Keller 2008, 2013) and has two main sources of Brand Equity: (1) Brand Awareness and (2) Brand Image which. This approach allows us to identify brand strengths and weaknesses contrary to PMO and FMO approaches that have limited diagnostic value (Keller 1993).

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Previous literature studied the impact of Marketing Actions in Brand Equity. In particular, Stahl et al. (2012) proved the relations between advertisement, new product launches, price, price promotions and market presence with Brand Equity and subsequently Customer Lifetime Value. However, given the context of the present thesis, it will focus only advertising as dependent variable, excluding other marketing actions. Price and price promotions would not add much value in the context of the present thesis, in sense that contrary to traditional marketing, in luxury, the price should not be often mentioned and should never decrease. Price promotions should be very exclusive and quite exceptional (Kotler 2012, Kapferer and Bastien 2009). The luxury business practice corroborates the academic positions on these points, which makes me believe that the presence of these variables would add little value to the study. Additionally, new product launch has high correlation with advertising and there was no evidence in past literature that new product launches have significant impact, either positive or negative, on CBBE dimensions.

In past literature it is widely accepted that advertising is not only a driver, but the major contributor to Brand Equity (Aaker and Biel 1993; Ailawadi, Lehmann and Neslin 2003). Advertising generates, creates and enhances brand image, and consequently Brand Equity, by amplifying a brand's relative perceived quality. Edell and Moore, cited in Aaker and Biel 1993, demonstrated that feelings induced by advertising exposure are stored in memory as a trace. Those feelings are recalled and retrieved when retrieval cues are presented to the customer. Mela, Gupta, and Lehmann (1997) and Stahl et al. (2012) proved that advertisement is positively linked with Brand Image. However, "a counterintuitive finding is that advertising does not exert a significant impact on knowledge" (Stahl et al. 2012, 52). Nevertheless, evidence shows that advertising tends to lift both brand image and brand awareness. This is especially relevant when addressing luxury branding, because contrary to other sectors, luxury advertising is made not only to entice the target segment, but also to inform the general public how luxurious and exclusive is the brand and, by associations transference, the consumers who use it. Luxury brands, through their well portrayed brand personalities exposed on advertising, transfer to consumers their set of associations with a means to make statements about themselves, satisfying the status signalling function characteristic from luxury. This argument elevates the importance of advertising

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in luxury branding dynamics and highlights the significance of advertising in brand equity enhancement. As the literature review reveals, previous research on advertising effect on brand equity point for a positive effect of advertising in brand image, still with some mix results in brand awareness. However, taking into account the arguments exposed above, it is suggested in this study that Advertising has a positive direct effect on the Brand Image and Brand Awareness in luxury branding:

***H1: Advertising has a positive direct main effect on Brand Awareness.***

***H2: Advertising has a positive direct main effect on Brand Image.***

The purpose of the study is to understand if applying advertising through online channels is beneficial or not for luxury brands. Okonkwo stresses the importance of Internet that is already “the most powerful marketing tool indispensable for luxury to reinforce brand presence, break into new territories, engage clients on a higher level and produce overall value by applying the right mix of the relevant strategies, tools and techniques” (Okonkwo 2010, xxiii). This position has been adopted for some brands and corroborated for some authors as Liu, Burns, and Hou (2013). McCusker (2008) defend that Online must be viewed as an extension of the brand-building process, offering more opportunities, rather than threats, for brands to expose brand personality and reinforce customer relationship. More specifically, Taylor et al. (2013) found that when offline advertising is complemented with online advertising, the customer reach is duplicated. Potential synergies between online and offline might enhance the contribution of each channel. In the present thesis, it is studied the effect of the different channels used separately, instead of the synergy produced by them, because the objective is to isolate the online advertising effect and compare it with the offline advertising effect. If the isolated effect of online is stronger than the offline, it might suggest that online advertising tends to be more productive in terms of CBBE, since online advertising is not paid (at least, the one used in our experiment, since they belong to the brands official channels), and offline advertising is paid. In sum, taking literature into account as well as reality, it is hypothesized that:

***H3: Advertising has a stronger impact on Brand Awareness when the advertising is made online than when the advertisement is made offline.***

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***H4: Advertising has a stronger impact on Brand Image when the advertising is made online than when the advertisement is made offline.***

Furthermore, it is our intent to study whether digital competence level moderates the impact of advertising in brand image and brand awareness, as well as unveil potential trade-offs between these two brand equity sources in digital luxury. There is a consensus in past literature about the positive effect of online brand-customer communication, however not all agree in the way it should be made. Okonkwo defends that it is possible and valuable, still difficult, to transfer the luxury shopping experience to on-line channels: “The question of creating a prestigious online atmosphere, replacing the human senses in the virtual environment and matching ‘high class’ of luxury with the ‘mass class’ of the Internet world is justified” (Okonkwo 2005, 2). Other authors defend that “To preserve this status, the brand must always dominate its client; therefore a certain distance is required [to] maintain an aura of mystery” (Kapferer and Bastien 2009, 66). I believe that when brands are endowed with high digital competence, they can make the transference of the luxury experience lived offline towards online word, enriching brand image and potentiating brand awareness, preserving at the same time its luxury status.

Although technology brings excitement and a faster pace to the market place, the adoption of new technologies has expanded at a faster rate than knowledge about how to leverage them (Taylor et al. 2013). The lack of knowledge about how to optimize marketing activities on the digital word brings some risks to luxury brands. Therefore, on the basis of the prior discussion, I believe that brands endowed with high digital competence are more able to create and enrich their brand image and brand awareness through their marketing activities, in particular advertising, than low digital competence brands. Further, I believe that digital competence is even more important in the context of luxury brands, since luxury brands need to differentiate themselves from mass brands, preserving and exporting the offline luxury experience to online channels. Hence, the following hypothesis is proposed:

***H5: Advertising has a stronger impact on Brand Awareness when the brand has high digital competence than when the brand has low digital competence.***

***H6: Advertising has a stronger impact on Brand Image when the brand has high digital competence than when the brand has low digital competence.***

***H7: Digital competence has a positive direct main effect on Brand Awareness.***

***H8: Digital competence has a positive direct main effect on Brand Image.***

#### 4.0. The conceptual model

Building upon digital competence measure, the purpose is to investigate to which extent the quality of online performance generates different impact on brand equity. Based on this conceptual model, the research question is: *“To what extent do online activity in general and digital competence in particular, affects the impact of advertising on consumer-based brand equity?”*

As exposed in the conceptual model below, the model conceptualizes the impact of advertising on CBBE sources - brand awareness and brand image. This relation is moderated by the presence of high/low digital competence (IQ Digital Competence Index), so one can study whether the investments in digital competence produce actual positive effects on consumer perception. Further, the relation between advertising and CBBE is mediated by online versus offline channels placement, hence one can find if the same advertising produce different effects according to the channel it is placed.

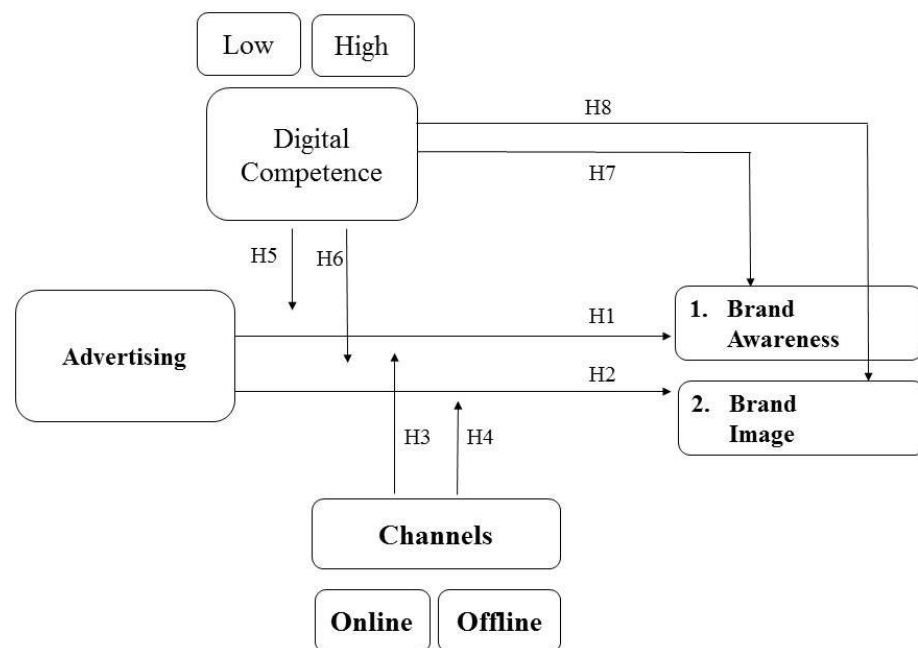


Figure 2: Conceptual Model to test the effect of online digital competence on the impacted created by Advertising in Brand Equity Sources of luxury brands.

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## 5.0. Methodology

### 1. *Subject and Design*

“Research design is a framework for conducting the marketing research project. Research designs may be broadly classified as exploratory or conclusive” according to the research purpose, as stated by Malhotra (2006, 78). In the present thesis, it is our objective to evaluate and determine a cause-effect relationship between the independent and dependent variables in study. In order to test the hypotheses and prove the existence or inexistence of a causal relationship between the variables, it was performed a control experiment. A 2 x 2 x 2 scenario experiment took place where digital competence and advertising were manipulated and customer-based brand equity dimensions were measured. This will allow determining a cause-effect relationship (Malhotra 2006) by looking at the differences in mean scores between the treatment groups (after the exposure to the brand advertising) and the control groups (before the exposure to the brand advertising).

Four different scenarios were made in order to manipulate the presence of high/low digital competence in online and offline channels. The study employs a 2 (before advertising vs. after advertising) x 2 (high digital competence vs. low digital competence) x 2 (online vs. offline) factorial design, resulting in four different scenarios and eight response groups, shown in the table 1, below. The groups 3, 4, 7, 8 are treatment groups, because they rated brand image and brand awareness after watching the advertising. The groups 1, 2, 5, 6 are control groups, because they rated the brand image and brand awareness before any stimuli.

While advertising, digital competence and channels are manipulated; consumer perceptions on brand image and brand awareness are measured. Digital competence variable is measured by the Digital IQ Index: Fashion 2013 (Galloway 2013) and manipulated in the four scenarios by the use of a high digital competence brand (Burberry) versus low digital competence brand (Givenchy). The Digital IQ Index ranks brands according to its digital competence, under four criteria, establishing five classes of brands – genius, gifted, average, challenged and feeble – which correspond to different competence levels. Burberry and Givenchy were selected because Burberry is the brand which has the highest score in the ranking and Givenchy is the brand with highest brand awareness among the

“feeble” (lowest) class. A market analysis of the possible brands in feeble class showed that all the other brands (Céline, Loro Piana, Kiki de Montparnasse among others) have a more regional/cluster awareness which would likely create a bias on the results. To guarantee that both brands were well perceived as luxury for consumers, a manipulation check was done on the pre-test.

The differences between consumer responses before and after the advertising prove or not the causal relationships between advertising and CBBE. Likewise, the differences between consumer responses to advertising made by a high digital competence brand and a low digital competence brand disclose the existence of a digital competence moderation effect on advertising impact on CBBE. Additionally, it is also very insightful to perceive the differences between consumer responses to advertising made online and offline, in order to identify the value added by doing online advertising.

Experiment Groups	Before Advertising		After Advertising		Results
	Online	Offline	Online	Offline	
High DC Burberry	1. CBBE	2. CBBE	3. CBBE	4. CBBE	$\mu_1 - \mu_3$ $\mu_2 - \mu_4$
Low DC Givenchy	5. CBBE	6. CBBE	7. CBBE	8. CBBE	$\mu_5 - \mu_7$ $\mu_6 - \mu_8$
Results			$\mu_3 - \mu_7$	$\mu_4 - \mu_8$	

Table 1: Treatment Groups vs. Control groups

## 2. Operationalization of the Independent Variables for the Main test

### 2.1. Advertising

The main purpose of this study is to confirm that advertising affects Brand Awareness and Brand Equity, by testing two different channels placement (online/offline) and checking if digital competence variable has main direct effect and moderation effect on CBBE’s advertising influence.

American Marketing Association (2013) defines advertising as an activity that “involves someone paying for the right to display a message of his or her own choosing, usually in some form of mass media with the aim of persuasion of some

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kind". However, advertising has changing in diversity with the boom of new technologies. Therefore, Campell, Cohen, and Ma (2014) address the fact that online exposure is not paid, but it keep being a form of Brand-related content with the aim of persuasion of some kind. Hence, they proposed a new terminology and categorization of advertising that can be found in appendix 6. Under this criteria, the online advertising used in scenarios A and C can be categorized as "Native Advertising", since they were created by the Brand, although their display is unpaid. The offline advertising for Burberry and Givenchy fragrances used in scenarios C and D is considered a Advertorial, since it is a Brand- or product-related visual content created by a brand that demands a payment for placement. In the main study, the dependent variables will be measured before and after the advertising stimuli, so one can measure the differential effect of advertising on dependent variables.

## **2.2. Digital Competence**

Brand's Digital Competence (DC) is defined by L2 as the brands' ability to engage consumers across the four dimensions (1) Website; (2) Digital Marketing; (3) Social Media and (4) Mobile. Digital Competence acts as a categorical variable (high vs. low digital competence) in this thesis. It was hypothesized that D.C. acts as a moderator in the present model, which means that D.C. affects not only the direction and/or strength between advertising on CBBE, but it produces also a direct main effect on CBBE. This is due to the fact that, unlike mediator-predictor relation, moderators and predictors (advertising in this case) are at the same level in regard to their role as causal variables antecedent to dependent variables. Therefore, the statistical analysis performed in the main study will measure and test the direct main effect of D.C. as well as the differential effect of the independent variable (advertising) on the dependent variables (Brand Image and Brand Awareness) as a function of digital competence level, by testing the interaction between advertising and digital competence level though a MANOVA.

### **Digital Competence Domain**

Digital competence is measured by the Digital IQ Index in fashion developed by Galloway (2013), which disaggregates into four online channels (Website; Digital Marketing; Social Media; Mobile). This metric quantify the digital competence of 85 global luxury brands according to four dimensions (Galloway 2013, 5):

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1. Effectiveness of the brand website that accounts for 40% of weight on the Index, based on the following criteria:
    - 1.1. E-Commerce;
    - 1.2. Technology & Customer Service;
    - 1.3. Navigation & Product Pages;
  2. Digital Marketing that accounts for 30% of weight on the Index, based on the following criteria:
    - 2.1. Search - Traffic, Web Authority, SEO/SEM;
    - 2.2. E-mail - Ease of Sign-Up, Frequency, Content, Behavioural triggers;
    - 2.3. Blog & Other User-Generated Content;
    - 2.4. Advertising and Innovation;
  3. Brand Presence, Community Size, Content, and Engagement in Social Media accounts for 15% and covers:
    - 3.1. Facebook;
    - 3.2. Youtube;
    - 3.3. Twitter;
    - 3.4. Instagram;
    - 3.5. Emerging Social Media as Pinterest, Google+, Tumblr;
  4. Compatibility, Optimization, and Marketing on Mobile devices (Smartphones and Tablets) takes 15% of the Index weight and is based on:
    - 4.1. Smartphone Experience;
    - 4.2. Tablet Experience;
    - 4.3. Mobile Search;
    - 4.4. Mobile Innovation.

This is a robust quantitative tool that diagnoses digital strengths and weaknesses of 85 luxury fashion brands, aiming to help them to achieve greater return on their incremental investments. For the present study, here were selected two brands which will represent high digital competence (Burberry) and low digital competence (Givenchy). Burberry was selected, because it presented the highest digital iq score (142), being classified in “genius” category. Givenchy is categorized as “feeble” with an IQ score of 63, due mainly to the poor performance of the website and “E-store” which is outsourced to net-a-porter.

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### **2.3. Channels - Online vs. Offline categorical variable**

#### **Measure**

Contrary to digital competence variable, Online vs. Offline channels emerges as a mediator and not a moderator. This means that the variable “channels”, if significant, might mediate the effect that advertising produces on brand equity sources. However, it does not hold an impact on CBBE by itself, since it does not work as an independent variable. Its impact depend om advertising presence. The impact that offline vs. online channels might have on the relation between advertising will be measured by a Two-way ANOVA.

### **3. Operationalization of the dependent Variables**

Keller (1993, 2013) identifies two different approaches to measure brand equity – the indirect and direct approach. (1) The indirect approach assesses potential sources of brand equity by identifying and tracking consumer brand knowledge structures; and (2) the direct approach assesses the actual impact of brand knowledge on consumer response to different aspects of the marketing. The indirect approach attempts to measure sources of brand equity by measuring brand knowledge. “Brand knowledge is conceptualized according to an associative network memory model in terms of two components, brand awareness and brand image. Customer-based brand equity occurs when the consumer is familiar with the brand and holds some favourable, strong, and unique brand associations in memory.” (Keller 1993). For the present thesis, it will be used the indirect approach, since it is more suitable in “identifying what aspects of brand knowledge cause the differential response that creates customer-based brand equity.”

#### **3.1. Brand Awareness**

Brand awareness is related to the strength of the brand node or trace in memory, as reflected by consumers' ability to identify the brand under different conditions (Keller 2013). Brand Awareness, which is the brand strength in customer memory, comprises Brand Recognition and Brand Recall. Brand Reconition require consumers to identify that they have seen the brand element presented before. Brand Recall is when customer retrieves the actual brand element from memory when given some cue, as product class, which is more demanding than Brand Recognition. (Keller 2013)

## **Measurement**

Brand Awareness was operationalized based on Loureiro (2013). After being exposed to the scenarios stimuli (in appendix 3,4, 5 and 6), the respondents were asked to rate on a 7-point Likert scale anchored by “completely agree” to “completely disagree” their agreement with the statements “I can recognize (Burberry/Givenchy according to the scenario) among other competing brands; I am aware of (Burberry/Givenchy according to the scenario); I can quickly recall the symbol or logo of (Burberry/Givenchy according to the scenario); I have difficulty imagining (Burberry/Givenchy according to the scenario) in my mind (reverse)” and adapting them to a 7 Likert-scale.

### **3.2. Brand Image**

Brand Image is conceptualized as the “network of associations that Customer hold for a Brand” (Keller 2013) and has three main dimensions of strength, favourability and uniqueness of brand associations. Additionally to conventional brand image measures, it was relevant to measure the attributes that define luxury concept according to the consumer-oriented approach of Dubois, Laurent, and Czellar (2001) as shown in figure 1.

## **Measurement**

Brand Image was operationalized based on Keller (2013) and Dubois, Laurent, and Czellar (2001) framework, using quantitative measures that tap into the strength, favourability, uniqueness of brand associations as well as quality, price, sensuality, heritage and superfluosness of the two brands in study. It is especially relevant to include the luxury dimensions in brand image measurement, since it is our aim to detect how digital competence affects not only the brand image, but the luxurious high-appeal of the brands in study. After being exposed to the scenarios stimuli (in appendix 2,3,4 and 5), the respondents were asked to rate the above mentioned dimensions on a 7-point Likert scale.

### **4. *Reliability and Validity***

The accurate assessment of the results, using proper techniques is absolutely vital to guarantee the trustworthiness of the scientific study. Therefore, it is indispensably to check if the present tests have little random measurement error associated - which means high Reliability - and that inferences drawn from test scores are accurate - which is called Validity.

Reliability the proportion of true variance in the observed variance that expresses the accuracy of the test as it refers to the extent to which a scale produces consistent results if repeated measurements are made (Malhotra and Birks 2006: 313). The pre-test and manipulation checks procedure has been precisely described to hold reliability. In order to test the overall reliability for the set of brand equity measures, Cronbach's alpha was calculated. The value of Cronbach's alpha was 0,760, which reveals a high level of internal consistency for the presented scales of brand awareness and brand image in this specific sample. The Cronbach's Alpha Based on Standardized Items performs an even higher value of 0,808. In table 3, we can find Item-Total Statistics. The third column - Cronbach's Alpha if Item Deleted – shows the Cronbach's Alpha value if that specific question would be deleted. One can see that, excepting “difficulty in imagining” and “Superfluous”, the removal of any other scales would result in a lower Cronbach's Alpha, which means that all the eleven scales are relevant for the study. By looking for Corrected Item-Total Correlation, the coefficient of “Difficulty in imagining” suggests that if this question would be dropped from the study, the reliability measure would improve.

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.760	.808	13

Table 2: Reliability Statistics

**Item-Total Statistics**

	Scale Mean if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Recognition	56,88	,628	,714
Awareness	56,61	,564	,723
Recall	57,22	,570	,721
Difficulty in imagining	57,91	-,666	,870
Love	56,97	,606	,728
Unique	56,70	,575	,729
Strong associations	57,17	,531	,729
Positive associations	56,97	,664	,718
Quality	56,26	,654	,722
Price	55,85	,477	,737
Sensual	56,94	,543	,730
Heritage	56,46	,644	,724

Superfluous	56,52	,085	,773
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Table 3: Reliability Statistics

Validity refers the extent to which a measurement represents characteristics that exists in the phenomenon under investigation (Malhotra and Birks 2006: 314). Construct validity was guaranteed by using Keller (2013) and Dubois, Laurent, and Czellar (2001) theoretical rationale underlying the measurement for Brand Image scales and Loureiro (2013) for Brand Awareness. Internal validity deals with the question of whether the experimental treatment, Advertising and Digital competence has an effect on consumer responses. This requires that respondents are exposed to different scenarios with and without advertising and with high and low digital competence preceding consumer responses assessment.

Consumers rate the same brand in exactly the same scales, before and after the stimuli, which imply validity of the test. Further, it is important to stress that, in the scenarios presented, the company description that includes digital competence level of the brand comes before the evaluation of the dependent variables - consumer responses on Brand Image and Brand Awareness. Digital Competence is the only variable that is manipulated between scenarios A and C, everything else is equal. This is done in order to avoid that other plausible alternative explanation for the main effect and interaction effect of digital competence on the dependent variables. The independent variables were manipulated, so we compare the mean differences between the groups.

### 5. *Pre-test procedure*

Giving the subject of the experiment, it was decided to perform a pre-test in order to guarantee that the main study questionnaire would be well understood by the general public and the scales were valid and reliable. The pre-test employed a 2 (high digital competence vs. low digital competence) x 2 (online vs. offline) factorial design, resulting in four different scenarios and four groups (note that, given the pre-test results, the main study experiment design was adapted, which will be explained in the next session):

- A. Burberry (high digital competence brand) advertising through online channels, which was exposed to group 3 – see appendix 2;
- B. Burberry, (high digital competence brand) advertising through offline channels, which was exposed to group 4 – see appendix 3

- 
- C. Givenchy (low digital competence brand) advertising through online channels, which was exposed to group 7 – see appendix 4
  - D. Givenchy (low digital competence brand) advertising through offline channels, which was exposed to group 8 – see appendix 5

The scenarios were pre-tested on approximately 15 respondents of each scenario, totaling 60 respondents, with the intention to check if the respondents understood well how to fill out the questionnaire, and if the questions and the items were well perceived. The rule of thumb points a sample of 30 to make the results statistically significant. As each brand was tested in two scenarios (15 + 15), this rule is satisfied (Malhotra 2006).

On the top of the first page it was informed that the experiment was part of a Master thesis at BI Norwegian School of Management and the instructions were given. The instructions stated that the survey was looking for consumption-related perceptions and opinions. The instructions explained that the subjects had to rate their perceptions about brands on a 7-point semantic scale, where the midpoint was the neutral point. On the first part of the pre-test (see appendix 1, I part) respondents were asked if they have heard about Burberry or Givenchy, according to the scenario, and how they rate the brand in a 7-likert scale (from 1 - mass brand to 7 - supreme luxury brand). The same question was made about H&M, because it was used as a typical comparison (luxury vs. mass). This step ensures that both Burberry and Givenchy are perceived as luxury brands with no significant difference on its level of luxury and exclusivity and both are statistically different from H&M as a mass brand. This guarantee is crucial to make sure that these brands are comparable in terms of luxury perception and therefore, the digital competence effect can be accurately isolated.

In the second part of the pre-test (see appendix 2), two groups were exposed to the online scenarios (A and C) and the other two groups were exposed to the offline scenarios (A and D). The dependent variables, brand awareness and brand image were measured after the exposure.

In order to measure brand awareness through online channels (scenarios A and C), respondents faced a situation in which they were watching some videos on youtube (one of the channels comprised in digital competence measure) and by chance, they end up on the following video about luxury brands advertising. This

video shows ten advertisings of top luxury brands (Burberry, Givenchy and 8 others selected randomly, since it would not be possible to select all luxury brands). All the brands advertisings had the same time of exposure and it is explained that the order of advertisings presentation has no meaning. The same video and the same questions are shown to Scenario A (Burberry= High Digital Brand) and Scenario C (Givenchy=Low Digital Competence). In order to measure brand awareness through offline channels (scenarios B and D), the respondents are exposed to a scenario in which they arrive to Milan airport – because it is one of the most famous cities linked to fashion and luxury industry and it is not related with Givenchy (based in Paris) or Burberry (based in London) in any specific way – and they see the same ten luxury brands’ advertisings used in scenarios A and C, but this time on big posters on the wall of the airport. Note that the advertisings for each brand were selected from the same campaign of scenarios A and C, so advertising quality is not affecting the results, which boosts again the validity of the study.. After the stimuli, respondents were asked to rate four measures of Brand Awareness (Loureiro and Araújo 2014), which were the same across all scenarios. Brand awareness was operationalized based on Loureiro (2013).

The next stage was about measuring brand image effects. To do so, it was made a description of the brand and a description of the advertising in study, as it is shown in the table 3. The brand description is naturally made after the brand awareness assessment, so brand awareness assessment can be isolated and independent from brand image stimuli. Note that the respondent will not be able to go back in the questionnaire, thus brand awareness is not biased by company and advertising presentation. The brand descriptions comprise the brand foundation, nationality, segments where it is present, brand elements and digital strategy. Both have the same number of words and finish with a movie that complements the text. Burberry description is naturally the same in both scenarios A and B as well as Givenchy description for scenarios C and D. The advertising is shown on the respective brand website in scenarios A and C and on a magazine in scenarios B and D. In online scenarios A and C, it is asked to click on a link going directly to the brands website and exposing the advertising of Trench Coat in Burberry case and Rottweiler Shirt in Givenchy case. These advertisings were selected, because they are both considered iconic, and therefore assumed as well-known products to its correspondent brand, so they are considered equivalent for

the experience purpose. In offline scenarios B and D, it is shown Burberrys and Givenchy advertisings in a magazine respectively. The scenario is exactly the same (reading a magazine and finding a luxury brand fragrance advertising in the middle of the readings), only the advertisement itself differs, according to the brand. Fragrance products were selected, in order to make both scenarios consistent and comparable. This consistency is desired in order to isolate the effect of the moderator, which is digital competence in offline channels and guarantee validity. After the exposure, respondents are asked to rate their perception of uniqueness, favourability and strength of brand associations, quality, price, uniqueness, sensuality, heritage and superfluosness on a 7-point semantic differential scale.

To make sure that the scenarios were perceived as credible and well understood, all the respondents were asked how they perceived the description of the brand and the description of the advertisings, in the third part of the pre-test, in order to make the manipulation check. The description of the brands (Mean = 5.60 for Burberry and 5.70 for Givenchy) and the description for the advertisings (Mean = 5.20 for scenario A; 5.53 for scenario B; 5.67 for scenario C; and 5.00 for scenario D) shown that respondents had a high understanding of it. Additionally, in what concerns the likelihood of the scenarios, the four of them show relatively high credibility (Mean of online scenarios = 4.57; Mean of offline scenarios = 5.43). The booklet ended by asking the respondents to state their gender, age and place of residence, followed by a thank you.

## 6. *Pre-test results and manipulation check*

The following tables show the main structural improvement made from the pre-test to the main test.

	Online		Offline	
<b>Stimuli 1 Advertising among competition</b>	Video of eight luxury brands advertising through online channels	Video of ten luxury brands ad posters through online channels	Video of eight luxury brands advertising through online channels	Collection of ten luxury brands ad posters through online channels
<b>After the Stimuli</b>	Brand Awareness assessment before the stimuli			
<b>Company</b>	<b>Burberry</b>	<b>Givenchy</b>	<b>Burberry</b>	<b>Givenchy</b>

<b>Description</b>	<b>description</b>	<b>description</b>	<b>description</b>	<b>description</b>
<b>Stimuli 2 Description of the Advertising</b>	Link going to Burberry Trench coat advertising on the website	Link going to Givenchy Rottweiler shirt advertising on the website	Advertising of Burberry fragrance on a magazine	Advertising of Givenchy fragrance on a magazine
<b>After the Stimuli2</b>	Brand Image assessment before the stimuli			

Table 4: Pre-test

	<b>Online</b>		<b>Offline</b>	
<b>Before Stimuli</b>	Brand Awareness and Brand Image assessment before the stimuli			
<b>Stimuli 1 Advertising among competition</b>	Video of six luxury brands advertising through online channels	Collection of six luxury brands ad posters through online channels	Video of six luxury brands advertising through online channels	Collection of six luxury brands ad posters through online channels
<b>After the Stimuli</b>	Brand Awareness assessment before the stimuli			
<b>Company Description</b>	<b>Burberry</b>	<b>Givenchy</b>	<b>Burberry</b>	<b>Givenchy</b>
<b>Stimuli 2 Description of the Advertising</b>	Video of Advertising of Burberry Trench coat through online channels	Video of Advertising of Givenchy Rottweiler shirt through online channels	Advertising of Burberry Trench coat on a magazine	Advertising of Givenchy Rottweiler shirt on a Website
<b>After the Stimuli2</b>	Brand Image assessment before the stimuli			

Table 5: Main test

The average time spent answering the questionnaire was 8,98 min. Taking into account that the full visualization of the videos take 5 min and 25 sec. and the reading and answer process take approximately 4 minutes, it is likely that some respondents taking less than 8,98 didn't watch the videos until the end. Further, the time spent watching the videos was one of the most referred concern in "additional comments" section. Therefore, the videos were shortened for the main test in order to maximize the percentage of people visualizing the videos until the end. There was the concern in improving the main study questionnaire in order to

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make it simpler and more “respondent-friendly” by avoiding complicated actions as visit the brand website for example.

In the main study, the introduction text was more elaborated in order to clarify respondents about the questionnaire topic. It was said that the study was interested in perceiving their consumer-related perceptions about luxury brands according to what would be showed to them, so no previous knowledge on the topic was needed. It was asked to not compare the answers with others and do not share the information of the questionnaire, in order to guarantee independence of the data. Scales (7 Likert scale) were explained, as in the pre-test.

In what concerns the likelihood of the scenarios exposed, both scenarios show a high likelihood mean. However, the online scenario that exposes respondents to the youtube movies and brands’ websites (Mean = 4.57) is less likely than offline scenarios that expose respondents to the airport and magazine situation (Mean = 5.43). Therefore, some changes were undergone to make the online scenarios more realistic and to make digital competence level more clear. In the main study, nstead of showing the link that directs to the website, it was made a video that summarizes a wide range of online activity of Burberry and Givenchy accordingly (see appendix 2,3,4,5 – links to the videos included).

The pre-test questionnaire began with questions about the respondents’ foregoing acquaintance and perception of the brands in study. 96.7% of the sample knew Burberry in the forefront and it was rated with an overall mean of 5.78 (in a 7-likert scale classifying the level of luxury level perception). 61.7% heard about Givenchy before the survey and it was rated with an overall mean of 6.03 (in a 7-likert scale classifying the level of luxury level perception). This shows that general public perceive both Burberry and Givenchy as high luxury brands, since there was no statistically significant difference between the brands rate (Sig = 0.225). Additionally, the same questions were made about H&M, because it is used as a classical example of a mass brand recognized worldwide. It is used later on the questionnaire, when respondents were asked to rate how different they perceive Burberry (in scenarios 1 and 2) and Givenchy (in scenarios 3 and 4) online activity from a mass brand as H&M. Therefore, it was required to guarantee that H&M is perceived as a mass brand from respondents. 98.3% of the sample was aware of H&M, rating it with a mean of 2.56. This means that H&M

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brand can be correctly used as a mass brand in the main questionnaire, since it is statistically significantly different from Burberry (Sig = 0.000) and Givenchy (Sig = 0.000).

In opposition with the pre-test, the online scenarios in the main study presents a situation in which the respondent was searching videos on the youtube and find a video about luxury by chance, the respondent got curious about luxury brands after a conversation with friends and decide to make the search by himself. The video summarizes his/her search on luxury brands advertising trough all digital channels that compose digital competence (Website, Social Media, Mobile, and Digital Marketing). In this video there were presented six brands, instead of eight in the pre-test, so we could expose more of digital competence level without enlarger the video too much. The four brands selected, besides Burberry (British brand) and Givenchy (French brand), were Gucci and Prada (Italian brands), Alexander McQueen (British brand) and Dior (French brand), so heterogeneity could be assured in terms of luxury country models. Each brand was shown during 30 seconds, focusing on the brand newsletter, brand website, brand facebook and youtube official channel and other kind of applications, as well as the advertising.

In what concerns the understanding of questionnaire, respondents rated quite high the question understanding (5.75), description of the brand (Mean = 5.65) and description of advertising (5.35). There are no statistically significant differences between brands neither on the understanding of the brands nor on respective advertisings. The description of the brands was kept from the pre-test to the main test, both Burberry and Givenchy with 76 words, referring the brand country origin the segments were the brand is present, the year of foundation, the founding father, the current position of the brand in the industry and the position of the brand towards digital competence.

However some respondents commented about what was the survey really about and the clearness of the Burberry website advertising on the brand image assesement. Hence, some changes were undergone on the online scenarios for Burberry and Givenchy in order to make them even more similar and clearer in the main study. Both Burberry and Givenchy video last 2 minutes and 10 seconds and both have the face of the brand speaking (Angela Ahrendts in case of

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Burberry, Riccardo Tisci in the case of Givenchy), focusing on: the overall identity and strategy of the brand, how runway shows are shown to the public, showing the website, E-Commerce, Mobile Apps and ending up with the advertising of its iconic pieces (the trench collection in case of Burberry and the Rottweiler t-shirt collection in case of Givenchy).

The characterization of the pre-test sample was, as expected, biased in terms of age and gender. 71,7% of respondents were female and 28.3% were male. 80% of respondents belonged to 20-29 age range and 55% were Portuguese. In order to avoid a biased sample in the main test, great care was taken to distribute the questionnaire among different age ranges and different countries.

### **Manipulation Check of Advertising**

To make sure the respondent's perceived that the presented scenario were about luxury brand advertising, the respondents were asked, on the pre-test, to mark on a 7-points Likert scale "Your perception of the description of the advertising", with the anchors "Not understandable at all" to "Completely understandable". The mean score for brands description was 5.60 and 5.70, and the mean score for the four advertisings were all between 5 and 5.67, which indicate that both brand descriptions as advertising descriptions are perceived by the respondents.

### **Manipulation Check of Digital Competence**

To make sure the respondent's perceived that that Burberry is endowed with high digital competence and Givenchy is endowed with low digital competence, the respondents were asked, on the pre-test, to mark on a 7-points Likert scale "Your understanding that Burberry has high digital competence" and "Your understanding that Givenchy has low digital competence", according to the scenarios, with the anchors "Not understandable at all" to "Completely understandable". The mean score for digital competence understanding was 5.2 for Burberry and 4.5 for Givenchy, which indicate that both brand descriptions as are well perceived by the respondents. However, these results suggested that despite the digital competence levels were understood, a clearer description would be necessary to make it more obvious for respondents, which led to some modifications on the scenarios for the main study.

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## 6.0. Results

The questionnaires took place online and were answered by approximately 250 respondents, assessing brand awareness and brand image before and after the advertising exposure, totalizing around 500 responses in total. Each respondent was asked to rate the same brand before the stimuli and after the stimuli. These responses were collected through e-mail survey. It was decided to perform e-mail survey in order to improve the bias in terms of age and country generated in the pre-test, which was successfully managed in the main test as can be seen in appendix 7. The data collection procedure allowed the main study to reach a transnational and diversified sample with 46 different countries with a quite heterogeneous age range and quite balanced gender percentage – 57.1% female and 42.9% male. In order to be statistically significant the experiment needed to have approximately 30 participants in each group, which implies a total minimum of 120 responses. However, there were collected the double of the minimum responses in order to enlarge the sample and consequently, improve the significance of the study. Furthermore, the study intention is to test the general consumer perception instead of luxury consumer perception, so no selection procedure was needed. This is due to the fact that luxury brands communicate to the general public, and not only for luxury consumers clusters, because the luxury branding logic suggests that a brand must be renowned for everyone, so everyone recognizes the prestige borrowed from the brand to the consumer that wears it. Therefore, there is no desire in selecting only luxury consumers for the present study, since this study is about the general public perception. Furthermore, a luxury consumer sample would likely bias the results, since luxury consumers are already very much aware and likely deeply connected with the brands, which would likely bias their answers and perception towards the experiment.

Results must be seen in light with the sampling procedure. Since the same group was asked to rate the very same brand before and after the stimuli could have some impact in the results. However, if the risks associated to this fact would actually influence, they would result in non-significant differences between different scenarios - since the second perception assessment is likely influenced by the previous assessment – which was not the case. Therefore, I believe the benefits of this procedure allowed to make the questionnaire to a large

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international sample with quite homogeneous age range more than compensate the risks of the procedure.

MANOVA was used to analyse the numbers that were collected through the different scenarios, in the 2 x 2 x 2 experiment. MANOVA is a multivariate analysis of variance used to examine the differences in the mean values of the dependent variables among the different scenarios, enable of analyse multiple dependent variables simultaneously (Malhotra 2006). Hence, MANOVA allowed the study of the impact of advertising and digital competence effects on several dimensions of brand awareness and brand image.

### ***6.1. Assumptions***

For the multivariate test procedures of MANOVA to be valid, there are several assumptions that must be met (Hair et al. 2005).

#### **1.1. Sample Size**

An adequate sample size is an indispensable assumption to guarantee the validation of the study. Authors point  $n=30$  as the desired minimum to make statistically significant inferences. However, larger is the sample, more robust are the study and the conclusions taken from it. Therefore there were collected more than the double of responses ( $N=60$ ) for each scenario, summarizing 480 valid responses which is likely a robust sample size.

#### **1.2. Independency**

Observations must be independent (Hair et al. 2005), which means that responses in each scenario must not be influenced by other scenarios. To prevent this situation, each respondent was adverted before beginning the survey that it should be only answer one of the links (each link corresponded to a scenario) and should not share or take into account any other external information about the study. Furthermore, since respondents are answering from very disperse geographical areas; it is very unlikely that this assumption might be a concern. Nevertheless, when reading the results, one must be aware that there were the same respondents rating the brands before and after the stimuli without a large period break, which

### 1.3. Normality

The set of dependent variables should follow a multivariate normal distribution (Hair et al. 2005). To test Univariate normality, the Kolmogorov-Smirnov statistics can be used on each dependent variable. Table shows that the test is significant ( $p < .05$ ) result for all of the variables. This suggests violation of normality for all of the dependent variables, which is quite common in larger samples (Pallant 2005: 57). However, the violation of this assumption should not be a problem, because MANOVA can tolerate data that is non-normal with only a small effect on the Type I error rate, especially when the sample is large.

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Recognition	,180	240	,000	,897	240	,000
Awareness	,224	240	,000	,872	240	,000
Recall	,159	240	,000	,922	240	,000
Difficulty in imagining	,199	240	,000	,895	240	,000
Love	,200	240	,000	,930	240	,000
Unique	,159	240	,000	,923	240	,000
Strong associations	,155	240	,000	,936	240	,000
Positive associations	,136	240	,000	,939	240	,000
Quality	,181	240	,000	,903	240	,000
Price	,249	240	,000	,789	240	,000
Sensual	,168	240	,000	,931	240	,000
Heritage	,183	240	,000	,915	240	,000
Superfluous	,178	240	,000	,903	240	,000

Table 6: Tests of Normality

### 1.4. Homogeneity of Variance-Covariance Matrices

Furthermore, variance-covariance matrices must be equal for all treatment groups, which can be tested by Levene's test. Levene's test should not be significant ( $p$  must be  $> 0.05$ ) for any dependent variable. As tables 8 and 9 show, the majority of brand awareness and brand image dimensions, as dependent variables, show significance ( $p < 0.05$ ) in Levene's Test.

**Levene's Test of Equality of Error Variances**

	F	df1	df2	Sig.
Recognition	10,520	3	476	,000
Awareness	11,971	3	476	,000
Recall	10,265	3	476	,000
Difficulty in imagining	4,128	3	476	,007

Table 7: Tests of Homogeneity

**Levene's Test of Equality of Error Variances<sup>a</sup>**

	F	df1	df2	Sig.
Love	8,666	3	476	,000
Unique	5,169	3	476	,002
Strong associations	1,750	3	476	,156
Positive associations	3,496	3	476	,016
Quality	,941	3	476	,421
Price	4,224	3	476	,006
Sensual	8,210	3	476	,000
Heritage	,684	3	476	,562
Superfluous	3,048	3	476	,028

Table 8: Tests of Homogeneity

In addition, the variance-covariance matrices should be compared between groups, using Box's test. This test should be non-significant ( $p > 0.05$ ) if the matrices are the same. However, also here, both brand awareness and brand image as dependent variables show low levels of significance.

The violation of Homogeneity in most of dependent variables will be taken into consideration when deciding the alpha level for the significance tests, as it will be discussed later.

**Box's Test of Equality of Covariance Matrices**

Box's M	442,426
F	3,168
df1	135
df2	496213,513
Sig.	,000

Table 9: Tests of Homogeneity

**Box's Test of Equality of Covariance Matrices<sup>a</sup>**

Box's M	104,979
F	3,446
df1	30
df2	622948,811
Sig.	,000

Table 10: Tests of Homogeneity

## 6.2. Hypothesis Testing

After preceding all the assumptions, the convenient tests were made to test the statistical significance of the hypotheses proposed above.

Advertising acts as a categorical independent variable in the present conceptual model. Besides the direct main effect (theorized in H1 and H2), it was hypothesized (in H5 and H6) that the advertising effect on brand equity sources varies a function of another dichotomy: high/low digital competence. This is given by the significance of the interaction Advertising x Digital Competence. However, the model has more than one dependent variable (since brand awareness and brand image were measured through several conceptual dimensions), ANOVA was not suitable for testing these variables. Therefore, MANOVA was used to test whether advertising produces impact on brand equity sources and at which extent digital competence acts as a moderator. MANOVA compares the groups from the experiment and calculates whether the mean differences between the groups on the combination of dependent variables are significant. The measure used to test statistical significant differences between the groups is Wilks' Lambda. Additionally, ANOVA is going to be used to test whether the variable online/offline channels mediate the impact of advertising in Brand Equity sources, hypothesized in H3 and H4.

### 2.1. Significance of independent variables on Brand Awareness

Firstly, one will look for significance testing of H1 and H5 which hypothesized the direct main effect of advertising in brand awareness and the moderator effect of digital competence on the relation between advertising and brand awareness:

H1: Advertising has a positive direct effect on Brand Awareness.

H5: Advertising has a stronger impact on Brand Awareness when the brand has high digital competence than when the brand has low digital competence.

H7: Digital competence has a positive direct main effect on Brand Awareness.

Given the violation of Normality and Homogeneity assumptions, a stricter  $p < 0.025$  will be used, instead of  $p < 0.05$ . As the table 12 shows, there are two significant results under the rule ( $F > 3.84$ ;  $p < 0.025$ ), which is the main effect of advertising (Sig = 0.025) and the main effect of digital competence (Sig = 0.000). Therefore, there is statistical evidence to support H1 which states that advertising has a positive direct effect on brand awareness. Note that the observed power was computed using 0.025 alpha. Likewise, there is statistical evidence to support H7 which states that digital competence has a direct main effect on brand awareness. However, the interaction between digital competence and advertising was not significant; therefore there is no statistical evidence to support H5, which states that advertising has a stronger impact on Brand Awareness when the brand has high digital competence than when the brand has low digital competence.

Multivariate Tests			
Effect		Sig.	Observed Power
Dummy_Advertising main effect	Pillai's Trace	,004	,841
	Wilks' Lambda	,004	,841
	Hotelling's Trace	,004	,841
	Roy's Largest Root	,004	,841
Dummy_DC main effect	Pillai's Trace	,000	1,000
	Wilks' Lambda	,000	1,000
	Hotelling's Trace	,000	1,000
	Roy's Largest Root	,000	1,000
Dummy_Advertising * Dummy_DC interaction effect	Pillai's Trace	,409	,222
	Wilks' Lambda	,409	,222
	Hotelling's Trace	,409	,222
	Roy's Largest Root	,409	,222

Table 11: Significance of independent variables on Brand Awareness

It is now interesting to see how advertising and digital competence affect each of the dimensions of brand awareness. A desired level of power is 0.80 or above, according to Hair et al. (2006: 414). In addition, Levene's test did show a significant result for all dimensions of brand awareness, indicating a violation of one of the MANOVA assumptions. To correct this, it is recommended to use a

stricter alpha level. Using a level of significance of 0.025 instead of 0.05, one can find significant impact of advertising in brand recognition, awareness and recall and digital competence in all the dimensions of the awareness. As expected by the analysis of the previous table, the interaction of advertising with digital competence is not significant in any of brand awareness dimensions.

Source		Sig.	Observed Power (alpha = 0,025)
Advertising	Recognition	,001	,856
	Awareness	,005	,721
	Recall	,005	,707
	Difficulty in imagining	,427	,075
Digital Competence	Recognition	,000	1,000
	Awareness	,000	,996
	Recall	,000	1,000
	Difficulty in imagining	,000	1,000
Advertising * DC Interaction	Recognition	,418	,077
	Awareness	,184	,180
	Recall	,790	,030
	Difficulty in imagining	,779	,031

Table 12: Significance of independent variables on Brand Awareness

In the table 13, the shaded numbers correspond to the variables that are significant (Sig. < 0.05), and are the preferred power level of .80, or below. The variables that have shaded Sig value, but not shaded observed power are those variables which power drop below the preferred power level 0.08 even though they are significant. It is possible to read from the table that at when alpha = .025, one get 7 significant effects (p < .0125), but only 5 of them have sufficient observed power. However, with the stricter alpha level, the chances of accepting differences as significant are reduced when they are not really significant.

## 2.2. Significance of independent variables on Brand Image

Now, one will look to the direct main effect of advertising in brand image and the moderator effect of digital competence on the relation between advertising and brand image, answering to H2 and H6:

H2: Advertising has a positive direct effect on Brand Image.

H6: Advertising has a stronger impact on Brand Image when the brand has high digital competence than when the brand has low digital competence.

H8: Digital competence has a positive direct main effect on Brand Image.

As the table 8 shows, there all results show a high level of significance under the rule ( $F > 3.84$ ;  $p < 0.025$  given the violation rule), which is the main effect of advertising (Sig = 0.000), the main effect of digital competence (Sig = 0.000) and the interaction effect between advertising and digital competence, which contrary to the case of brand awareness, shows very high significance in brand image case. For that reason, there is statistical evidence to support H2 which states that advertising has a positive direct effect on brand image and H8, which states that digital competence has a direct main effect on brand image. Likewise, there is statistical evidence to support H6 which states that advertising has a stronger impact on brand image when the brand has high digital competence than when the brand has low digital competence. All observed power levels are above 0.80. Note that the observed power was computed using 0.025 alpha.

Effect		Sig.	Observed Power (Alpha=0,025)
Advertising	Pillai's Trace	,000	,999
	Wilks' Lambda	,000	,999
	Hotelling's Trace	,000	,999
	Roy's Largest Root	,000	,999
Digital Competence	Pillai's Trace	,000	1,000
	Wilks' Lambda	,000	1,000
	Hotelling's Trace	,000	1,000
	Roy's Largest Root	,000	1,000
Advertising * DC Interaction	Pillai's Trace	,000	,998
	Wilks' Lambda	,000	,998
	Hotelling's Trace	,000	,998
	Roy's Largest Root	,000	,998

Table 13: Significance of independent variables on Brand Image

It is now interesting to see how advertising and digital competence affect each of the dimensions of brand image. A desired level of power is 0.80 or above, according to Hair et al. (2006: 414). As in the previous case of brand awareness, Levene's test did show a significant result for almost all dimensions of brand image, indicating a violation of one of the MANOVA assumptions. To correct this, it is recommended to use a stricter alpha level.

#### Tests of Between-Subjects Effects

Source		Sig.	Observed Power
Advertising	Love	,063	,351
	Unique	,007	,678
	Strong associations	,000	,896
	Positive associations	,584	,048
	Quality	,485	,063
	Price	,000	,966
	Sensual	,109	,261
	Heritage	,011	,614
	Superfluous	,043	,413
Digital Competence	Love	,000	1,000
	Unique	,002	,811
	Strong associations	,000	,999
	Positive associations	,000	1,000
	Quality	,002	,796
	Price	,000	,966
	Sensual	,719	,035
	Heritage	,000	1,000
	Superfluous	,002	,803
Advertising * DC	Love	,000	,995
	Unique	,114	,254
	Strong associations	,454	,069
	Positive associations	,000	,977
	Quality	,007	,684
	Price	,408	,080
	Sensual	,000	,936
	Heritage	,000	,896
	Superfluous	,800	,030

Table 14: Significance of independent variables on Brand Image

Using a level of significance of 0.025 instead of 0.05, one can find significant impact of advertising in enhancing uniqueness, strength of the associations, high price and rich heritage perception. It is clear from the table output that at  $\alpha = .025$ , we get 4 significant effects ( $p < .025$ ), but only 2 of them have sufficient observed power ( $>0.8$ ), which are strength of the association and high price perception. Digital Competence shows high significant impact on love, uniqueness, strength and positiveness of the associations, quality, price, heritage and superfluous perception. Additionally, all the variables performed observed power  $> 0.8$  with 0.025 alpha, with exception of quality perception. Contrary to brand awareness case, the interaction of advertising with digital competence is significance in four of of brand awareness dimensions, which are positiveness of

associations, quality, sensuality and heritage perception. Still, quality power is below 0.8.

### 2.3. Online vs. Offline Channels mediation

Being this variable a possible moderator that is dependent from advertising variable presence (which means that “channels” only impacts on the dependent variables when the independent variable advertising equals 1), it was studied through One-way ANOVA, in order to test the following hypotheses:

H3: Advertising has a stronger impact on Brand Awareness when the advertising is made online than when the advertisement is made offline.

H4: Advertising has a stronger impact on Brand Image when the advertising is made online than when the advertisement is made offline.

	F	Sig.
Recognition	,784	,377
Awareness	6,096	,014
Recall	3,465	,064
Difficulty in imagining	,487	,486

Table 15: Significance of channels independent variables on Brand Awareness

	F	Sig.
Love	4,863	,028
Unique	8,492	,004
Strong associations	3,461	,064
Positive associations	5,704	,018
Quality	9,945	,002
Price	,756	,385
Sensual	19,039	,000
Heritage	2,486	,116
Superfluous	,016	,901

Table 16: Significance of independent variables on Brand Image

In terms of Brand Awareness, the ANOVA output in table 16 shows us the only awareness result is significant ( $p < 0.05$ ), as it is emphasized in green. Therefore, there is statistical significance to support H3, which states that advertising has a stronger impact on brand awareness when the advertising is made online than when the advertisement is made offline. However this significance is not common

to other dimensions of brand awareness such recognition, recall and difficulty to imagine the brand. In terms of brand image, there were found some significant ( $p < 0.05$ ) results in love, uniqueness, strength of associations, quality and sensuality perception. For that reason, there is statistical evidence to support H4, which states that advertising has a stronger impact on some dimensions of Brand Image such as love, uniqueness, strength of associations, quality and sensuality perception when when the advertising is made online than when the advertisement is made offline.

The hypotheses underlying the experiment, presented in the table 23 suggested that advertising, by itself, has a positive main effect on customer-based brand equity sources and that digital competence act as a moderator on advertising's effect on brand image, but not on brand awareness (see table 12 and 14). Also, hypothesis proposed from the start that consumers will rate more positively the scales of brand image and brand awareness when the advertising is exposed through online channels versus offline channels. In order to test the hypothesis, an experiment has been conducted where digital competence and online vs. offline channels were manipulated, while brand awareness and brand image were measured across the different scenarios. The results showed that advertising has a stronger impact on brand awareness; love, positive, quality, sensuality and heritage dimensions of brand image when the advertising is made online than when the advertisement is made offline. However, this significance was not common to all dimensions of brand awareness and brand image, as can be seen in the table 17 below:

Hypothesis	Dependent Variable	Supported/Not Supported
H1: Advertising has a positive direct effect on Brand Awareness.	Recognition	Supported
	Awareness	Supported
	Recall	Supported
	Difficulty in imaging	Not Supported
H2: Advertising has a positive direct effect on Brand Image.	Love	Not Supported
	Unique	Supported
	Strong associations	Supported
	Positive associations	Not Supported
	Quality	Not Supported
	Price	Supported
	Sensual	Not Supported

	Heritage Superfluous	Supported Not Supported
H3: Advertising has a stronger impact on brand awareness when the advertising is made online than when the advertising is made offline.	Recognition Awareness Recall Difficulty in imaging	Not Supported Supported Not Supported Not Supported
H4: Advertising has a stronger impact on brand image when the advertising is made online than when the advertising is made offline.	Love Unique Strong associations Positive associations Quality Price Sensual Heritage Superfluous	Supported Supported Not Supported Supported Supported Not Supported Supported Not Supported Not Supported
H5: The advertising activity of a brand will impact stronger on Brand Awareness when the brand has high digital competence than when the brand has low digital competence.	Recognition Awareness Recall Difficulty in imaging	Not Supported Not Supported Not Supported Not Supported
H6: The advertising activity of a brand will impact stronger on Brand Image when the brand has high digital competence than when the brand has low digital competence.	Love Unique Strong associations Positive associations Quality Price Sensual Heritage Superfluous	Supported Not Supported Not Supported Supported Supported Not Supported Supported Supported Not Supported
H7: Digital competence has a positive direct effect on brand Awareness.	Recognition Awareness Recall Difficulty in imaging	Supported Supported Supported Supported
H8: Digital competence has a positive direct effect on Brand Image.	Love Unique Strong associations Positive associations Quality Price Sensual Heritage Superfluous	Supported Supported Supported Supported Supported Not Supported Supported Supported

Table 17: Hypotheses supported/not supported after the results

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## 7.0. Discussion

The dilemma of luxury going online has been receiving growing attention, but both academics and managers face a lot of questions and fears about fitting luxury with a mass communication channel such as the internet. In this context, there was the need for a study on how consumers perceive luxury digital competence and at which extent it affects the brand awareness and brand image as sources of luxury brand equity. Therefore, the main purpose of the present thesis was to fill this literature gap by studying how digital competence level affects the impact that advertising has on customer-based brand equity. Additionally, these hypotheses were tested in advertising made through online channels and offline channels. Around 500 (250 before the advertising and 250 after the advertising exposure) responses were collected and hypotheses were tested, as you can recall from table 17.

### 7.1. *Main effect of Advertising*

The results of the present study prove that advertising has a positive direct effect in both brand awareness and brand image as one can see in table 17. The effect of advertising on brand equity sources proved to be significant ( $p < 0.025$ ), particularly in recognition ( $p = 0.001$ ), awareness ( $p = 0.005$ ) and recall ( $p = 0.005$ ); uniqueness ( $p = 0.007$ ), strength of the associations ( $p = 0.000$ ), high price perception ( $p = 0.000$ ), heritage ( $p = 0.011$ ) which are significant for 0.025 level of significance. This means that, for exactly the same luxury brand, consumers rated higher awareness and more favourable image after being exposed to the brand advertising. Note that this result was transversal to the four scenarios. This means that from the luxury brand point of view, advertising tends to be an effective tool, especially if the brand aims to enhance brand recall and brand recognition in terms of brand awareness and the strength and the uniqueness of brand associations in terms of brand image. Correspondently if a luxury brand aims to enhance some specific dimensions of luxury image in the customer mind, advertising proved to be quite effective tool in terms of uniqueness, strength of association, high price and heritage perception. However, it is not evident that respondents “love” better the brand after the advertising exposure. Overall, it was expected that advertising would impact significantly in brand equity sources, which is in accordance with the hypothesis presented and the previous literature on the topic. I believe that the fact that the fourth dimension of brand awareness – “difficulty in imagining the

brand” not being significant is not a concern, since the ability of imagining the brand requires a stronger brand perception than recall and recognition. Besides, this scale demonstrated quite low value in reliability test, which might signify low significance of the scale. In terms of brand image, the dimensions of positive associations, quality, sensuality and superfluous perceptions were not significant. A plausible explanation for this might be the fact that luxury advertisements did not focus on the functional quality of the product, but on the emotional attachment capable of hook emotionally the customer through self-identification. Therefore, luxury advertising tends to focus on the dimensions that would justify the brand differentiation that point to the dimensions that showed significant results: uniqueness, heritage and super high price, which leads to exclusivity. Quality and other kind of positive associations are likely assured qualities of a luxury brand, since they tend to be already high *à priori* (Quality Mean before ad = 5.28; positive association mean before ad = 4.63; sensuality before ad = 4.50), so they do not need to be advertised and they do not change very much after it.

### ***7.2. Main effect of Digital Competence***

A main effect of digital competence on all of the different dependent variables is supported. This means that with the same type of advertising made through the same channel, customer-based awareness and customer-based image perception tend to be superior when the company shows high digital competence than when the company shows low digital competence. It is important to stress the fact that this main effect is significant in all the dimensions of brand awareness and almost all the dimensions of brand image (excepting only sensuality), which means that digital competence shows important impact on customer-based brand equity sources beyond the moderation effect that it has on advertising. The fact that impact of digital competence is not significant in sensuality perception might be related with the fact that brand sensuality is deeply related with advertising variable – and it is highly significant in the interaction effect explained below. This means that digital competence does not enhance sensuality perception by itself. Although, the brand advertising generates superior sensuality perception when a brand is endowed with high digital competence.

### ***7.3. Interaction Effect between Advertising and Digital Competence***

In the hypotheses formulated from the start, it was suggested that the advertising activity of a luxury brand would impact stronger on brand equity sources when the

brand is endowed with high digital competence than when the brand has low digital competence. This hypothesis was not supported in case of brand awareness as dependent variable, as the interaction effect of advertising \* digital competence was not significant ( $p = .409$ ), which means that an advertising does not generate superior awareness when the brand is endowed with high digital competence. However, in case of brand image, the results shows that the interaction effect of advertising \* digital competence were significant ( $p = .000$ ). Thus, this study shows that brand awareness enhanced by advertising activity does not depend on level of digital competence, but on the other hand, brand image perception derived from advertising activity is moderated by the level of brand digital competence. Therefore, besides the significant main effect of digital competence, it is an important moderator in the effect of advertising in brand image, which means that higher is the digital competence level, a more valuable and luxurious brand image will be perceived by consumers after an advertising exposure, especially on love, positiveness of associations, quality, sensuality and heritage customer perceptions. The non-significant dimensions coincide with dimensions that had shown high significance in direct effect of digital competence. This means that, when a brand wants to enhance uniqueness, strength of associations, high price and superfluous perception, it should invest in digital competence scopes beyond the advertising itself, such as online customer communication.

#### ***7.4. Impact of online vs. offline channels mediating advertising effect on Brand Equity***

The reason to include the two different advertising channels was to test whether the (online vs. offline) channels where the advertising is presented would affect the advertising impact on brand equity sources. Contrary to the previous case in which digital competence could act as a moderator, channels variable is not able to be tested in an interaction with the independent variable advertising, since it is a mediator. This means that “channels” variable is only present when advertising dummy variable equals 1. Therefore, to test if there were any differences in how advertising affected consumer responses in online and offline channels, one must look at the ANOVA test, having channels as factor and brand image and brand awareness as dependent variables correspondently. Using a confidence level of 0.005, the results suggest that channels have impact on advertising effect on CBBE in brand awareness dimension ( $p=0.014$ ); love ( $p=0.028$ ), uniqueness

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( $p=0.004$ ), positiveness ( $p=0.018$ ), quality ( $p=0.002$ ) and sensuality ( $p=0.000$ ) of dimensions of brand awareness perception.

### 8.0. **Limitations and weaknesses**

The main weakness of the present study is related with normality and homogeneity violations. However, this issue was minimized by choosing a stricter alpha on the significance testing. Results had shown very significant even with stricter alpha.

The experiment conducted in this study may not reflect exactly the reality, because the respondents were presented with digital competence information right before they answered questions about brand awareness, brand image and risks of going online. The salience of this information may have affected the answers, and the effect of the interaction advertising x digital competence may have been stronger in the study that it would have been in real life, since in real life consumers are not searching for it. Despite the efforts in making the scenarios the more realistic possible, a field experiment would have provided closer results to the reality than experiment. Furthermore, the fact that there were the same respondents which rated the brands before and after the stimuli jeopardized the independence assumption to perform MANOVA.

Other possible weakness of the study is the fact that 20-29 years old segment represent 39.6% of the sample, which might had biased the results, since younger generations are the heavy users of digital channels. Nevertheless, I believe the likelihood of bias is not that problematic, not only due to the large international sample collected, but especially because the young millennial's are emerging as very important segment on luxury purchase and brands are already re-directing their strategies for younger segments. Moreover, this study intends to show a future strategic direction to luxury brands in what concern digital marketing. Therefore, and as luxury brands need to be more-than-one-step ahead, they need to design now their strategies to satisfy their consumers in 5-10 years. In 5-10 years, the 20-29 generation will be the 30-39 working generation very attached on technological devices for everything, likely with money to buy, but with no time for retail shopping.

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## 9.0. Managerial Implications

Okonkwo (2009) was right when she said that digital sphere is today a “reality that can no longer be questioned or resisted, even by an industry carrying as much economic and social-cultural clout as the luxury sector”. The results of this study proved that advertising and digital competence have positive direct main effects on both consumer-based brand equity sources. Advertising is especially effective tool when luxury brands have the objective of boost 1) recognition, 2) recall, 3) awareness; 4) uniqueness, 5) strength of the associations, 6) heritage and 7) superfluous perception. Digital Competence main effective proved to be amazingly effective in all the dimensions of brand awareness and all the dimensions of brand image, excepting sensuality, which means that digital competence, is a much broader phenomenon that impacts on the brand equity over and beyond the moderation on advertising.

Moreover, digital competence proved to be a very significant moderator of advertising in brand image, in special if brands aim to develop 1) love, 2) positiveness of associations, 3) high quality, 4) sensuality and 5) rich heritage perceptions through the advertising. However, digital competence does not act as a moderator of advertising in brand awareness, which means that the fact of having high digital competence does not influence directly the effectiveness of the awareness produced by the advertising.

Therefore, contrary to initial fears of some luxury brands, the high-appealing and the enrichment of a luxury brand image is enhanced by digital competence, and not the opposite. Actually, when comparing the means of the high and low digital competence brands, it is perceivable that after the stimuli Burberry generate more high-luxury appealing perceptions than Givenchy, even though, some respondents had wrote on the quantitative part of the pre-test (before the stimuli) that Givenchy is more luxurious than Burberry. This suggests that, if companies are not engaging digital competence, because they want to keep them exclusive and high-luxury appealing they are actually evoking the wrong perceptions on the consumer.

In sum, this study corroborates the emerging academic current which supports the idea that luxury brands must engage on online channels in general, and improve digital competence in particular, so they can establish deeper relationship with customers and elevate the statute of luxury in the modern world.

### **10.0. Future Research**

The present study took into account a general consumer sample. However, it would be very interesting and insightful, for future research, to take a luxury consumers sample and compare perceptions with general consumer's sample.

Future research can also build on the present results to study the potential synergies of multi-channel in luxury brands, since this thesis focused on isolating the effects of online and offline channels isolated but not combined.

Furthermore, the present research limited its study to one marketing activity which is advertising, which is very limitative, since brand have several diversified other marketing activities and some do not even do advertising. Therefore, it would be interesting to study other marketing activities as independent variables as well as study the impact of selling online vs. selling only offline in Brand Equity. Additionally, it would also be valuable to study also other variables as dependent variables as Customer Lifetime Value, Brand Loyalty or Intention to buy.

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## 12.0. Appendixes

### Appendix 1: Pre-test

#### I Part of the Pre-test (before the questionnaire)

1. Have you heard about H&M before?  
Yes \_\_\_ No \_\_\_
  
2. From 1 (Mass Brand - Below the average market price or good price/quality ratio or high rotation of seasonal collections or huge sales volume) to 7 (Supreme Luxury Brand - Unique pieces or handcrafted or previous materials or exclusivity), please rate your perception of H&M.  
  
— — — — — — — —  
1 2 3 4 5 6 7
  
3. Have you heard about Burberry before?  
Yes \_\_\_ No \_\_\_
  
4. From 1 (Mass Brand - Below the average market price or good price/quality ratio or high rotation of seasonal collections or huge sales volume) to 7 (Supreme Luxury Brand - Unique pieces or handcrafted or previous materials or exclusivity), please rate your perception of Burberry.  
  
— — — — — — — —  
1 2 3 4 5 6 7
  
5. Have you heard about Givenchy before?  
Yes \_\_\_ No \_\_\_
  
6. From 1 (Mass Brand - Below the average market price or good price/quality ratio or high rotation of seasonal collections or huge sales volume) to 7 (Supreme Luxury Brand - Unique pieces or handcrafted or previous materials or exclusivity) please rate your perception of Givenchy.  
  
— — — — — — — —  
1 2 3 4 5 6 7
  
7. If you have rated Burberry and Givenchy differently, please state why.

**III Part of the Pre-test (after the questionnaire)**

8. From 1 (Not understandable at all) to 7 (Completely understandable), please rate:
- 8.1. Your understanding of what you were supposed to answer in the past questionnaire
- — — — — — — —
- 1 2 3 4 5 6 7
- 8.2. Your perception of the description of the brand
- — — — — — — —
- 1 2 3 4 5 6 7
- 8.3. Your perception of the description of the advertising
- — — — — — — —
- 1 2 3 4 5 6 7
9. Was there anything you wondered about when answering the survey? If yes, what?
10. From 1 (Very unlikely) to 7 (Very likely), how likely are the above scenarios (finding the video on youtube, looking for the brand website)
- — — — — — — —
- 1 2 3 4 5 6 7
11. Approximately how long time did you use to answer the survey?
12. Do you have any other comments to the survey?

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**Appendix 2: Main study questionnaires – Scenario A**
**Scenario A - Burberry (high digital competence brand) advertising through online channels**

This survey is a part of a double-degree master thesis from BI Norwegian Business School and Católica-Lisbon School of Business & Economics. Thank you very much for your contribution. I am interested in some of your consumption-related perceptions and opinions about luxury brands. It takes no more than 10 minutes. No previous knowledge is needed. I am looking for your sincere and immediate reactions. It will be asked to rate on the following scales your perceptions about some brands. The midpoint 4 is the neutral (indifferent) point that does not relate to either of the words (Totally Disagree/Totally Agree) on the ends of the scale 1 and 7.

Example: I like this brand.

Totally disagree \_ \_ \_ \_ \_ X \_ Totally agree

1 - Have you heard about Burberry brand before?

Yes \_\_\_ No \_\_\_

2 - Please rate the following scales according to your agreement on the sentences about Burberry brand. The first item means totally disagree and seventh means totally agree.

1. I can recognize Burberry among other competing brands.

Totally disagree \_ \_ \_ \_ \_ Totally agree

2. I am aware of Burberry brand.

Totally disagree \_ \_ \_ \_ \_ Totally agree

3. I can quickly recall the symbol(s) or logo of Burberry.

Totally disagree \_ \_ \_ \_ \_ Totally agree

4. I have difficulty imagining Burberry in my mind.

Totally Disagree \_ \_ \_ \_ \_ Totally Agree

Please mark your perception of Burberry brand image an on the following scales:

Hate \_\_\_\_\_ Love

Mainstream \_\_\_\_\_ Unique

Weak Associations \_\_\_\_\_ Strong Associations

Negative Associations \_\_\_\_\_ Favourable Associations

Poor Quality Brand \_\_\_\_\_ Excellent Quality Brand

Very Low Price \_\_\_\_\_ Very High Price

Not sensual \_\_\_\_\_ Very Sensual

Very poor heritage \_\_\_\_\_ Very rich heritage

Necessary \_\_\_\_\_ Superfluous

Imagine some friends are talking about the new trends on luxury branding. You get curious about the issue, so you decide to do some research about luxury brands' advertising on Internet. You look on brands websites, social media official pages, mobile apps and you subscribe the newsletters. The following video sums up your research. Please play the video; it is very important that you watch it until the end:



<https://www.youtube.com/watch?v=TIE2Bg8Cudo>

After watching the video, please rate the following scales according to your agreement on the sentences. The first item means totally disagree and seventh means totally agree.

5. I can recognize Burberry among other competing brands.

Totally disagree \_ \_ \_ \_ \_ Totally agree

6. I am aware of Burberry brand.

Totally disagree \_ \_ \_ \_ \_ Totally agree

7. I can quickly recall the symbol(s) or logo of Burberry.

Totally disagree \_ \_ \_ \_ \_ Totally agree

8. I have difficulty imagining Burberry in my mind.

Totally Disagree \_ \_ \_ \_ \_ Totally Agree

**Presentation of Burberry:** Burberry is a luxury British brand of clothing, accessories, perfumes and cosmetics. Burberry was founded in 1856 by Thomas Burberry. Nowadays Burberry remains a quintessentially fashion luxury brand, with outerwear at its core. Digital luxury positioning and the optimization across innovative mediums of the trench coat, trademark check and Prorsum knight heritage icons make the brand purer, more compelling and more relevant globally, across genders and generations. The brand is on cutting edge of digital luxury.



Picture 1 - Trench coat



Picture 2 – Trademark check



Picture 3 - Prorsum knight

Being aware of the former information about Burberry, you get specially curious about the brand and you decide to visit Burberry's online channels to explore the brand in general and the iconic trench coat advertising in particular. The following video sums what you found. Please watch it until the end.



<https://www.youtube.com/watch?v=aTEEx7yfCOI>

After watching the **advertising** of Trench coats on Burberry website, please mark your perception of Burberry brand Image an on the following scales:

Hate \_ \_ \_ \_ \_ Love

Mainstream \_ \_ \_ \_ \_ Unique

Weak Associations \_ \_ \_ \_ \_ Strong Associations

Negative Associations \_ \_ \_ \_ \_ Favourable Associations

Poor Quality Brand \_ \_ \_ \_ \_ Excellent Quality Brand

Very Low Price \_ \_ \_ \_ \_ Very High Price

Not sensual \_ \_ \_ \_ \_ Very Sensual

Very poor heritage \_ \_ \_ \_ \_ Very rich heritage

Necessary \_ \_ \_ \_ \_ Superfluous

Taking into account what you have seen, please mark on the following scales according to you agreement on the sentences. The first item means totally disagree and seventh means totally agree.

I perceive the luxury high appeal of Burberry brand through their online activity.

Totally disagree \_ \_ \_ \_ \_ Totally agree

I cannot see the difference between Burberry online activity and other cheaper brands as H&M online activity.

Totally disagree \_ \_ \_ \_ \_ Totally agree

I think Burberry online activity damages the luxury high-appeal.

Totally disagree \_ \_ \_ \_ \_ Totally agree

I think Burberry online presence turns Burberry into vulgarity.

Totally disagree \_ \_ \_ \_ \_ Totally agree

9. Please mark the following:

Gender: \_\_\_\_\_

Age: \_\_\_\_\_

Country of residence: \_\_\_\_\_

Thank you!

---

**Appendix 3: Main study questionnaires – Scenario B**
**Scenario B - Burberry (high digital competence brand) advertising through offline channels**

This survey is a part of a double-degree master thesis from BI Norwegian Business School and Católica-Lisbon School of Business & Economics. Thank you very much for your contribution. I am interested in some of your consumption-related perceptions and opinions about luxury brands. It takes no more than 10 minutes. No previous knowledge is needed. I am looking for your sincere and immediate reactions. It will be asked to rate on the following scales your perceptions about some brands. The midpoint 4 is the neutral (indifferent) point that does not relate to either of the words (Totally Disagree/Totally Agree) on the ends of the scale 1 and 7.

Example: I like this brand.

Totally disagree \_ \_ \_ \_ \_ X \_ Totally agree

1 - Have you heard about Burberry brand before?

Yes \_\_\_ No \_\_\_

2 - Please rate the following scales according to your agreement on the sentences about Burberry brand. The first item means totally disagree and seventh means totally agree.

1. I can recognize Burberry among other competing brands.

Totally disagree \_ \_ \_ \_ \_ Totally agree

2. I am aware of Burberry brand.

Totally disagree \_ \_ \_ \_ \_ Totally agree

3. I can quickly recall the symbol(s) or logo of Burberry.

Totally disagree \_ \_ \_ \_ \_ Totally agree

4. I have difficulty imagining Burberry in my mind.

Totally Disagree \_ \_ \_ \_ \_ Totally Agree

Please mark your perception of Burberry brand image an on the following scales:

Hate \_\_\_\_\_ Love

Mainstream \_\_\_\_\_ Unique

Weak Associations \_\_\_\_\_ Strong Associations

Negative Associations \_\_\_\_\_ Favourable Associations

Poor Quality Brand \_\_\_\_\_ Excellent Quality Brand

Very Low Price \_\_\_\_\_ Very High Price

Not sensual \_\_\_\_\_ Very Sensual

Very poor heritage \_\_\_\_\_ Very rich heritage

Necessary \_\_\_\_\_ Superfluous

Imagine you decided to visit some friends in Italy. So you have just arrived Milan airport and you are about to pick your luggage. In all the way that links the plane arrival to the luggage you see the following advertisements exposed below in big outdoors:



After watching the former advertisements at the airport, how would you rate the following sentences? Please fill below the four question in a 7 likert scale, where 1 means totally disagree and 7 means totally agree.

1. I can recognize Burberry among other competing brands

Totally Disagree \_\_\_\_\_Totally Agree

2. I am aware of Burberry brand.

Totally Disagree \_\_\_\_\_Totally Agree

3. I can quickly recall the symbol or logo of Burberry.

Totally Disagree \_\_\_\_\_Totally Agree

If yes, please state which ones:

4. I have difficulty imagining Burberry in my mind.

Totally Disagree \_\_\_\_\_Totally Agree

**Presentation of Burberry:** Burberry is a luxury British brand of clothing, accessories, perfumes and cosmetics. Burberry was founded in 1856 by Thomas Burberry. Nowadays Burberry remains a quintessentially fashion luxury brand, with outerwear at its core. Digital luxury positioning and the optimization across innovative mediums of the trench coat, trademark check and Prorsum knight heritage icons make the brand purer, more compelling and more relevant globally, across genders and generations. The brand is on cutting edge of digital luxury.



Picture 1 - Trench coat



Picture 2 – Trademark check



Picture 3 - Prorsum knight

Being aware of the former information about Burberry, you get specially attentive about the brand. You find, by chance, the following Burberry iconic trench coat advertising in a magazine, among your readings.



After watching the advertising of Burberry trench coats on a magazine, please mark your perception about Burberry brand image on the following scales:

Hate \_\_\_\_\_ Love

Mainstream \_\_\_\_\_ Unique

Weak Associations \_\_\_\_\_ Strong Associations

Negative Associations \_\_\_\_\_ Favourable Associations

Poor Quality Brand \_\_\_\_\_ Excellent Quality Brand

Very Low Price \_\_\_\_\_ Very High Price

Not sensual \_\_\_\_\_ Very Sensual

Very poor heritage \_\_\_\_\_ Very rich heritage

Necessary \_\_\_\_\_ Superfluous

Please mark the following:

Gender: \_\_\_\_\_

Age: \_\_\_\_\_

Country of residence: \_\_\_\_\_

Thank you!

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**Appendix4: Main study questionnaires – Scenario C**
**Scenario C. Givenchy (low digital competence brand) advertising through online channels**

This survey is a part of a double-degree master thesis from BI Norwegian Business School and Católica-Lisbon School of Business & Economics. Thank you very much for your contribution. I am interested in some of your consumption-related perceptions and opinions about luxury brands. It takes no more than 10 minutes. No previous knowledge is needed. I am looking for your sincere and immediate reactions. It will be asked to rate on the following scales your perceptions about some brands. The midpoint 4 is the neutral (indifferent) point that does not relate to either of the words (Totally Disagree/Totally Agree) on the ends of the scale 1 and 7.

Example: I like this brand.

Totally disagree \_ \_ \_ \_ \_ X \_ Totally agree

1 - Have you heard about Burberry brand before?

Yes \_\_\_ No \_\_\_

2 - Please rate the following scales according to your agreement on the sentences about Burberry brand. The first item means totally disagree and seventh means totally agree.

1. I can recognize Burberry among other competing brands.

Totally disagree \_ \_ \_ \_ \_ \_ \_ \_ Totally agree

2. I am aware of Burberry brand.

Totally disagree \_ \_ \_ \_ \_ \_ \_ \_ Totally agree

3. I can quickly recall the symbol(s) or logo of Burberry.

Totally disagree \_ \_ \_ \_ \_ \_ \_ \_ Totally agree

4. I have difficulty imagining Burberry in my mind.

Totally Disagree \_ \_ \_ \_ \_ \_ \_ \_ Totally Agree

Please mark your perception of Burberry brand image on the following scales:

Hate \_\_\_\_\_ Love

Mainstream \_\_\_\_\_ Unique

Weak Associations \_\_\_\_\_ Strong Associations

Negative Associations \_\_\_\_\_ Favourable Associations

Poor Quality Brand \_\_\_\_\_ Excellent Quality Brand

Very Low Price \_\_\_\_\_ Very High Price

Not sensual \_\_\_\_\_ Very Sensual

Very poor heritage \_\_\_\_\_ Very rich heritage

Necessary \_\_\_\_\_ Superfluous

Imagine some friends are talking about the new trends on luxury branding. You get curious about the issue, so you decide to do some research about luxury brands' advertising on Internet. You look on brands websites, social media official pages, mobile apps and you subscribe the newsletters. The following video sums up your research. Please play the video; it is very important that you watch it until the end:



<https://www.youtube.com/watch?v=TIE2Bg8Cudo>

After watching the video, please rate the following scales according to your agreement on the sentences. The first item means strongly disagree and seventh means strongly agree.

1. I can recognize Givenchy among other competing brands.  
Totally Disagree \_\_\_\_\_ Totally Agree
2. I am aware of Givenchy brand.  
Totally Disagree \_\_\_\_\_ Totally Agree
3. I can quickly recall the symbol or logo of Givenchy.  
Totally Disagree \_\_\_\_\_ Totally Agree
4. I have difficulty imagining Givenchy in my mind.  
Totally Disagree \_\_\_\_\_ Totally Agree

**Presentation of Givenchy:** Givenchy is a luxury French brand of clothing, accessories, perfumes and cosmetics. Givenchy was founded in 1952 by Hubert de Givenchy. Nowadays, it is owned by luxury group LVMH, being its second largest apparel division after Dior. However, the brand is not very active on-line (social media, website, digital marketing, and mobile). Therefore, it was rated as a feeble brand in terms of digital competence. The brand elements are deeply linked with dark romanticism, spirituality and animal.



Picture 1 – Dark Romanticism

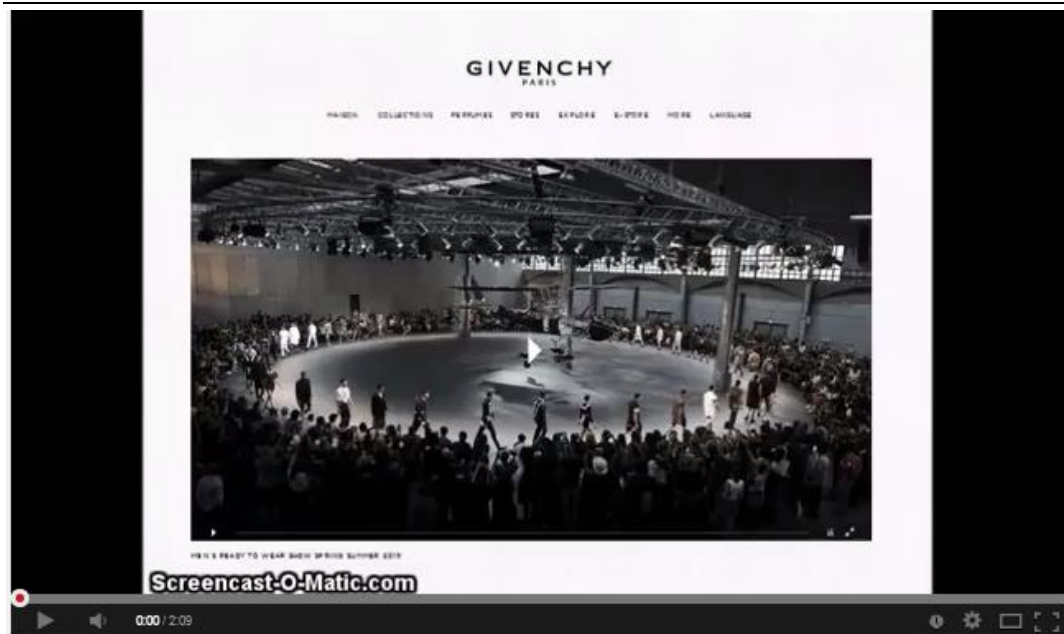


Picture 2 – Spirituality



Picture 3 - Animal

Being aware of the former information about Givenchy, you get specially curious about the brand and you decide to visit Givenchy's online channels to explore the brand in general and the iconic Rottweiler shirt advertising in particular. The following video sums what you found. Please watch it until the end.



<https://www.youtube.com/watch?v=zghZ18evb5w>

After watching the advertising of the iconic Rottweiler on the website, please mark your perception of Givenchy brand image on the following scales:

Hate \_\_\_\_\_ Love

Mainstream \_\_\_\_\_ Unique

Weak Associations \_\_\_\_\_ Strong Associations

Negative Associations \_\_\_\_\_ Favourable Associations

Poor Quality Brand \_\_\_\_\_ Excellent Quality Brand

Very Low Price \_\_\_\_\_ Very High Price

Not sensual \_\_\_\_\_ Very Sensual

Very poor heritage \_\_\_\_\_ Very rich heritage

Necessary \_\_\_\_\_ Superfluous

Taking into account what you have seen, please mark on the following scales according to your agreement on the sentences. The first item means totally disagree and seventh means totally agree.

I perceive the luxury high appeal of Burberry brand through their online activity.

Totally disagree \_\_\_\_\_ Totally agree

I cannot see the difference between Burberry online activity and other cheaper brands as H&M online activity.

Totally disagree \_ \_ \_ \_ \_ Totally agree

I think Burberry online activity damages the luxury high-appeal.

Totally disagree \_ \_ \_ \_ \_ Totally agree

I think Burberry online presence turns Burberry into vulgarity.

Totally disagree \_ \_ \_ \_ \_ Totally agree

Please mark the following:

Gender: \_\_\_\_\_

Age: \_\_\_\_\_

Country of residence: \_\_\_\_\_

Thank you!

---

**Appendix 5: Main study questionnaires – Scenario D**
**Scenario D - Givenchy (low digital competence brand) advertising and new product launch through offline channels**

This survey is a part of a double-degree master thesis from BI Norwegian Business School and Católica-Lisbon School of Business & Economics. Thank you very much for your contribution. I am interested in some of your consumption-related perceptions and opinions about luxury brands. It takes no more than 10 minutes. No previous knowledge is needed. I am looking for your sincere and immediate reactions. It will be asked to rate on the following scales your perceptions about some brands. The midpoint 4 is the neutral (indifferent) point that does not relate to either of the words (Totally Disagree/Totally Agree) on the ends of the scale 1 and 7.

Example: I like this brand.

Totally disagree \_ \_ \_ \_ \_ X \_ Totally agree

1 - Have you heard about Burberry brand before?

Yes \_\_\_ No \_\_\_

2 - Please rate the following scales according to your agreement on the sentences about Burberry brand. The first item means totally disagree and seventh means totally agree.

5. I can recognize Burberry among other competing brands.

Totally disagree \_ \_ \_ \_ \_ Totally agree

6. I am aware of Burberry brand.

Totally disagree \_ \_ \_ \_ \_ Totally agree

7. I can quickly recall the symbol(s) or logo of Burberry.

Totally disagree \_ \_ \_ \_ \_ Totally agree

8. I have difficulty imagining Burberry in my mind.

Totally Disagree \_ \_ \_ \_ \_ Totally Agree

Please mark your perception of Burberry brand image an on the following scales:

Hate \_\_\_\_\_ Love

Mainstream \_\_\_\_\_ Unique

Weak Associations \_\_\_\_\_ Strong Associations

Negative Associations \_\_\_\_\_ Favourable Associations

Poor Quality Brand \_\_\_\_\_ Excellent Quality Brand

Very Low Price \_\_\_\_\_ Very High Price

Not sensual \_\_\_\_\_ Very Sensual

Very poor heritage \_\_\_\_\_ Very rich heritage

Necessary \_\_\_\_\_ Superfluous

Imagine you decided to visit some friends in Italy. So you have just arrived Milan airport and you are about to pick your luggage. In all the way that links the plane arrival to the luggage you see the following advertisements exposed below in big outdoors:



After watching the former advertisements at the airport, how would you rate the following sentences? Please fill below the four question in a 7 likert scale, where 1 means totally disagree and 7 means totally agree.

5. I can recognize Givenchy among other competing brands

Totally Disagree \_\_\_\_\_ Totally Agree

6. I am aware of Givenchy brand.

Totally Disagree \_\_\_\_\_ Totally Agree

7. I can quickly recall the symbol or logo of Givenchy.

Totally Disagree \_\_\_\_\_ Totally Agree

If yes, please state which ones:

8. I have difficulty imagining Givenchy in my mind.

Totally Disagree \_\_\_\_\_ Totally Agree

**Presentation of Givenchy:** Givenchy is a luxury French brand of clothing, accessories, perfumes and cosmetics. Givenchy was founded in 1952 by Hubert de Givenchy. Nowadays, it is owned by luxury group LVMH, being its second largest apparel division after Dior. However, the brand is not very active on-line (social media, website, digital marketing, and mobile). Therefore, it was rated as a feeble brand in terms of digital competence. The brand elements are deeply linked with dark romanticism, spirituality and animal.



Picture 1 – Dark Romanticism

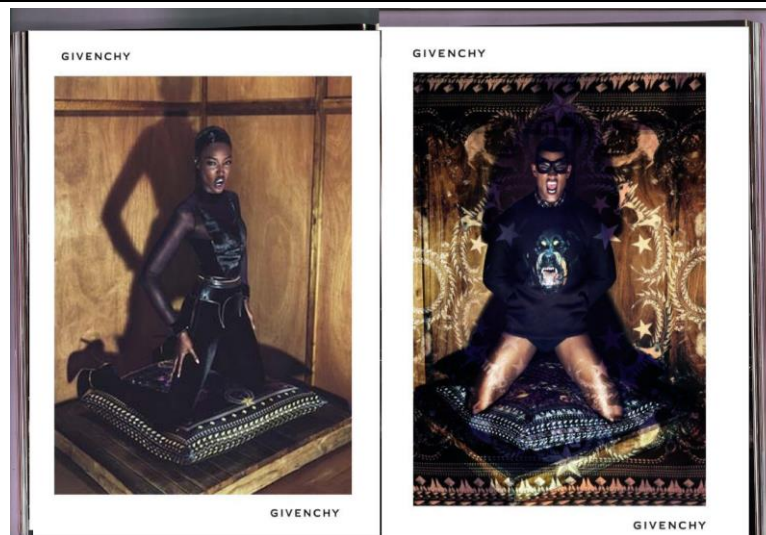


Picture 2 – Spirituality



Picture 3 - Animal

Being aware of the former information about Givenchy, you get especially attentive about the brand. You find, by chance, the following Givenchy iconic Rottweiler shirt advertising in a magazine, among your readings.



After watching the advertising of Givenchy Rottweiler shirt on a magazine, please mark your perception about Burberry brand image on the following scales:

Hate \_\_\_\_\_ Love

Mainstream \_\_\_\_\_ Unique

Weak Associations \_\_\_\_\_ Strong Associations

Negative Associations \_\_\_\_\_ Favourable Associations

Poor Quality Brand \_\_\_\_\_ Excellent Quality Brand

Very Low Price \_\_\_\_\_ Very High Price

Not sensual \_\_\_\_\_ Very Sensual

Very poor heritage \_\_\_\_\_ Very rich heritage

Necessary \_\_\_\_\_ Superfluous

Please mark the following:

Gender: \_\_\_\_\_

Age: \_\_\_\_\_

Country of residence: \_\_\_\_\_

Thank you!

## Appendix 6: Advertising Conceptualization under Campell, Cohen, and Ma (2014)

<i>Content Creator</i>				
	<i>Brand</i>	<i>Brand and News Media</i>	<i>News Media</i>	<i>User</i>
<i>Unpaid</i>	Social Video Viral Video Native Advertising	Publicity	Editorial Content	Word-of-Mouth Consumer Generated Advertising
<i>Paid</i>	Advertorial Display Advertising	Branded (Editorial) Content	Sponsored (Editorial) Content	Sponsored Word-of-Mouth Consumer Generated Advertising Competitions

Source: Campell, Cohen, and Ma (2014, 8)

## Appendix 7: Descriptive statistics of main study sample: age, gender and country

### Gender

		Frequency	Percent	Cumulative Percent
Valid	Female	137	57,1	57,1
	Male	103	42,9	100,0
	Total	240	100,0	

### Age

		Frequency	Percent	Cumulative Percent
Valid	Less than 19	5	2,1	2,1
	20 - 29	109	45,4	47,5
	30 - 39	39	16,3	63,8
	40 - 49	31	12,9	76,7
	50 - 59	34	14,2	90,8
	More than 60	22	9,2	100,0
	Total	240	100,0	

Country of Residence				
		Frequency	Percent	Cumulative Percent
1	Algeria	3,0	1,3	1,3
	Angola	7,0	2,9	4,2
2				
3	Argentina	3,0	1,3	5,4
4	Australia	6,0	2,5	7,9
5	Austria	1,0	0,4	8,3
6	Belarus	1,0	0,4	8,8
7	Belgium	4,0	1,7	10,4
8	Brazil	9,0	3,8	14,2
	Canada	7,0	2,9	17,1
9				
10	Chile	1,0	0,4	17,5
11	China	7,0	2,9	20,4
12	Colombia	1,0	0,4	20,8
13	Croatia	3,0	1,3	22,1
14	Egypt	1,0	0,4	22,5
15	England	1,0	0,4	22,9
16	France	16,0	6,7	29,6
17	Germany	18,0	7,5	37,1
18	Iceland	1,0	0,4	37,5
19	India	6,0	2,5	40,0
20	Indonesia	1,0	0,4	40,4
21	Ireland	2,0	0,8	41,3
22	Italy	5,0	2,1	43,3
23	Japan	4,0	1,7	45,0
24	Lithuania	3,0	1,3	46,3
25	Marocco	2,0	0,8	47,1
26	Mexico	5,0	2,1	49,2
27	Mozambique	4,0	1,7	50,8
28	Norway	19,0	7,9	58,8
29	Paraguay	2,0	0,8	59,6
30	Poland	3,0	1,3	60,8
31	Portugal	29,0	12,1	72,9
32	Russia	3,0	1,3	74,2
33	Singapore	3,0	1,3	75,4
34	South Africa	2,0	0,8	76,3
35	Spain	14,0	5,8	82,1
36	Sweden	3,0	1,3	83,3
37	Switzerland	4,0	1,7	85,0
38	Thailand	1,0	0,4	85,4
39	The Netherlands	1,0	0,4	85,8
40	UAE	3,0	1,3	87,1
41	UK	10,0	4,2	91,3
42	Ukraine	1,0	0,4	91,7
43	United Kingdom	1,0	0,4	92,1
44	Uruguay	2,0	0,8	92,9
45	USA	15,0	6,3	99,2
46	Venezuela	2,0	0,8	100,0
47	Total	240,0	100,0	