Effect of price display on brand luxury perceptions

Béatrice Parguel, Dauphine Recherches en Management (DRM) - CNRS : UMR7088, Université Paris IX - Paris Dauphine
Thierry Delecolle, ISC Paris Business School (ISC Paris)
Pierre Valette-Florence, Centre d'études et de recherches appliquées à la gestion (CERAG), CNRS : UMR5820, Université Pierre Mendès-France - Grenoble II, Université Pierre-Mendès-France - Grenoble II

Abstract :

Based on two experimental studies, this paper investigates the impact of price display in the luxury sector on perceived brand luxury and brand attitude. Using a sample of students, Study 1 shows that price display is associated with higher perceived quality, uniqueness, and conspicuousness for a fictitious luxury brand presented in a store window. Using two real luxury brands and a larger sample of consumers, Study 2 confirms the positive effect of price display on the brand's perceived conspicuousness, and shows that this transfers to brand attitude. This paper adds value to the existing literature in luxury marketing and provides insights for managers of luxury brands on the effects of price display.

Key-words: price display, luxury goods, luxury perceptions, brand attitude

Effet de l'affichage du prix sur les perceptions « luxe » des marques

Résumé

A partir de deux études expérimentales, ce document examine l'impact de l'affichage des prix dans le secteur du luxe sur le caractère luxueux perçu de la marque et l'attitude envers la marque. A partir d'un échantillon d'étudiants, l'étude 1 montre que l'affichage des prix dans la vitrine du point de vente améliore la qualité, l'unicité et le caractère ostentatoire perçus d'une marque de luxe fictive. L'étude 2, réalisée sur un échantillon plus large de consommateurs et deux marques de luxe réelles, confirme l'effet positif de l'affichage des prix sur le caractère ostentatoire perçu de la marque, et montre qu'il se transfère à l'attitude envers la marque. Ce travail enrichit la littérature existante en marketing du luxe et éclaire les gestionnaires de marques de luxe sur les effets de l'affichage des prix.

Mots-clés : affichage du prix, produits de luxe, perceptions du luxe, attitude envers la marque

Managerial abstract

Previously considered as the most taboo topic in the luxury sector, prices are actually being displayed more and more often, as more and more luxury companies engage in masstige strategies or are now using the Internet as a sales channel.

Price display therefore plays an important role in luxury e-business and masstige strategies, which are both suspected of damaging luxury brands' image. The potential negative influence of price display on luxury brand perceptions and attitude has therefore become a significant question that merits consideration. However, to the best of our knowledge, no research has yet explored that question empirically.

To address this question, we draw on the brand luxury framework proposed by Vigneron and Johnson (2004) to explore the influence of price display on non-personal-oriented perceptions of luxury brands (i.e., perceived quality, perceived uniqueness, and perceived conspicuousness). We then test the propositions in two experiments.

Results:

Using a sample of students, Study 1 shows that price display in the store window is associated with higher perceived quality, uniqueness, and conspicuousness for a fictitious luxury brand. Using two real luxury brands and a more diverse sample of consumers, Study 2 confirms the positive effect of price display on the brand's perceived conspicuousness, and shows that this transfers to brand attitude. More precisely, our findings show that non-personal-oriented perceptions influence luxury brand attitude. Specifically, perceived quality naturally enhances luxury brand attitude, but what is more striking is the robust finding that perceived conspicuousness erodes luxury brand attitude. The negative influence of conspicuousness in the context of luxury democratization is discussed.

Besides, among all the effects of price display, managers engaged in luxury democratization should be aware that price display does not erode their perceived brand quality or conspicuousness; and in fact may even reinforce those features.

Effect of price display on brand luxury perceptions

Introduction

Previously considered as the most taboo topic in the luxury sector, prices are actually being displayed more and more often, under the influence of two significant trends. First, a growing number of luxury brands are now using the Internet as a sales channel. Online sales have risen tenfold in 10 years, with 28 percent growth to €9.8 billion in 2013 (Bain & Company), and are subject to a legal requirement to display price. Second, many luxury brands have engaged in "masstige" positioning strategies (e.g., Silverstein and Fiske, 2003; Kapferer and Bastien, 2009; Kastanakis and Balabanis, 2012), which combine "a high perceived prestige with reasonable price premiums in order to attract the mass of middle-class consumers" (Truong, McColl and Kitchen, 2009: 375). Beyond product strategy (logo-typed affordable accessories, "junior" product lines or downscale extensions), masstige strategies also involve prestigious place and promotion policies, and more accessible prices (Truong & al., 2009) that are usually displayed. Interestingly, 12 out of the 24 stores visited in March 2013 in the Place Vendôme, the Parisian square for luxury jewelers and watchmakers, had the price of their products on display in their store windows (see Appendix 1).

Price display therefore plays an important role in luxury e-business and masstige strategies, which are both suspected of damaging luxury brands' image (e.g., Silverstein and Fiske, 2003; Dall'Olmo Riley, Lomax and Blunden; 2004; Truong & al., 2009; Quintavalle, 2012; Dall'Olmo Riley, Pina and Bravo, 2013; Kluge and Fassnacht, 2014). The potential negative influence of price display on luxury brand perceptions and attitude has therefore become a significant question that merits consideration. However, to the best of our knowledge, no research has yet explored that question empirically.

To address this question, we draw on the brand luxury framework proposed by Vigneron and Johnson (2004) to explore the influence of price display on non-personal-oriented perceptions of luxury brands (i.e., perceived quality, perceived uniqueness, and perceived conspicuousness). We then test the propositions in two experiments and finally draw implications for both academic scholars and practitioners.

1. Literature

1.1. Luxury pricing

Given the general consensus that luxury brands should never display prices, few studies have explored the influence of price on consumer behavior in the luxury sector. Most of them discuss the influence of price level from a purely theoretical point of view (Fassnacht, Kluge and Mohr, 2012). Some researchers suggest that luxury brands should always increase their prices as high prices are "necessary for the product to become sacred and endow the buyer with its luxurious effects" (Kapferer, 2012: 455). Others consider masstige strategies and the potential drawbacks of lowering pricing in terms of brand dilution (e.g., Kim and Lavack, 1996; Kapferer, 2012). One study identifies price level as an empirical variable likely to operationalize the introduction of downscale extensions (Dall'Olmo Riley, Pina and Bravo, 2013), while another explores odd and even pricing practices in luxury goods (Fraccaro and Macé, 2014). However, no empirical research has yet investigated the specific influence of price display, though showing prices has become a common practice with the democratization of luxury.

1.2. Price perception

Beyond the luxury sector, in the general literature on pricing, the relationship between price and perceived quality is statistically significant and positive (see the meta-analysis proposed by Rao & Monroe, 1989), but may depend on the amount of prior information held by consumers (Woodside, 1974). Consumers who have little previous experience with the product (i.e., hold little intrinsic information) may use its price as one external cue among other external cues (e.g., brand name, product warranties…) to assess its quality (Grewal & al., 1998). But how do consumers evaluate a price cue?

Applied to pricing, adaptation level theory (Helson, 1964) suggests that consumers evaluate a price cue by comparison with a reference price, that is to say, the price they anticipate paying or consider reasonable to pay for a particular good or service (Monroe, 1977; Kalyanaram and Winer, 1995). This reference price reflects an adaptation to prices displayed in retail advertisements or stores (external reference price) or recalled from memory (internal reference price). However, this rationale only works when consumers hold prior information and are able to form reference prices. When this is not the case, consumers are likely to compare current prices with a median price and therefore rate quality as average (Woodside, 1974; Rexeisen, 1982).

1.3. Brand luxury

Vigneron and Johnson (1999, 2004) have developed the Brand Luxury Index (BLI) framework to understand 'prestige-seeking consumer behavior'. In the BLI, luxury brands are presumed to offer superior quality and performance (i.e., perceived quality), to be scarce (i.e., perceived uniqueness), to signal status and wealth (i.e., perceived conspicuousness), to integrate meaning into consumers' identity (i.e., perceived extended-self) and to provide emotional benefits and intrinsically pleasing properties (i.e., perceived hedonism). These five dimensions are all supposed to enhance consumers' preference for luxury brands. Widely used in the luxury literature (e.g., De Barnier, Falcy, and Valette-Florence, 2012; Doss and Robinson, 2013), the BLI distinguish the non-personal-oriented perceptions of luxury brands (i.e., perceived quality, perceived uniqueness, and perceived conspicuousness) which are likely to be linked to functional aspects of brands management, such as pricing aspects, from the personal-oriented perceptions of luxury brands (i.e., perceived extended-self and perceived hedonism) which are consumer driven.

2. Conceptual framework

In this paper, we investigate the influence of price display on brands' non-personal-oriented luxury perceptions and brand attitude. With the democratization of luxury, consumers may have difficulty assessing products in the absence of an external informational cue such as price, and should assess price and products as average (Woodside, 1974; Rexeisen, 1982). But, as they are rarely experts in the luxury sector, consumers are likely to discount this "average" toward the reference prices they may have in mind for more familiar lower range segments. Therefore, when price is displayed, consumers who are unfamiliar with tags displaying high prices may experience "sticker shock" (Winer, 1985) due to the difference between their underestimated reference price and the actual shelf price. Finally, we expect luxury brands displaying prices to be perceived as more expensive.

In the BLI, perceived brand quality is based on perceptions of the superior characteristics of luxury brands over non-luxury brands (Vigneron and Johnson, 2004). The price-quality relationship is therefore all the more relevant in the luxury sector (Woodside, 1974; Rao and Monroe, 1989). So, as price display is supposed to enhance luxury brands' perceived expensiveness, it should as well enhance brands' perceived quality.

Luxury brands displaying prices should also be perceived as more conspicuous. A brand's perceived conspicuousness measures "perceptions of price and social status associated with the brand" (Vigneron and Johnson, 2004: 489). The product price is used as an indicator of

prestige and exclusivity, and a means to display wealth to the consumer's reference group (Veblen, 1899; Bearden and Etzel, 1982).

Finally, the higher the brand's perceived expensiveness, the more the brand should be perceived as unique. Perceived uniqueness measures "perceptions of exclusivity and rarity" associated with a brand (Vigneron and Johnson, 2004: 490) and should be higher when the brand is perceived as expensive, as perceived expensiveness should satisfy extraordinary people's needs for perceived exclusivity and scarcity (Verhallen and Robben, 1994). This reasoning leads to H1: *For luxury brands, price display enhances (a) perceived quality, (b) perceived conspicuousness, and (c) perceived uniqueness.*

As a brand's perceived quality is a positively-valenced brand association for consumers, perception of quality should naturally have a positive impact on brand attitude (Erickson, Johansson and Chao, 1984). Besides, according to commodity theory (Brock, 1968; Lynn, 1991), "the scarcer a commodity is, the more valued or desirable it becomes" (Verhallen & Robben, 1994: 316). In line with the commodity theory, we expect that a brand's perceived uniqueness will positively affect brand attitude. The influence of a brand's perceived conspicuousness impact on brand attitude is more ambivalent. Though Vigneron and Johnson (2004) suggest that conspicuous consumption creates value for consumers, Hung and colleagues (2011) show that it has a weak negative relationship with purchase intention among Chinese luxury brand consumers in Taiwan. To understand such contradiction, it is worth noting that conspicuous consumption can be seen both as conformism consumption and snobbish consumption (Dubois, Laurent, and Czellar, 2001). In choosing to display their prices, luxury brands try to appeal to a broader target (including potential consumers) that could perceive brand conspicuousness as something excluding them in an unfair and non-democratic way. As 'excluding consumption', conspicuousness consumption may be perceived in a negative way, and therefore perceived brand conspicuousness could have a negative impact on brand attitude. This reasoning leads to H2: *For luxury brands, the relationship between price display and brand attitude is mediated by (a) perceived quality, which enhances brand attitude, (b) perceived conspicuousness, which erodes brand attitude, and (c) perceived uniqueness, which enhances brand attitude.* Appendix 2 displays the proposed model.

3. Method

Two between-subjects experiments, varying in terms of the actual existence of the brand (i.e., fictitious luxury brand vs. real luxury brand) and the nature of the sample (i.e., students vs. non-students), were carried to test our conceptual model. We considered a fictitious brand, in line with previous studies (e.g., DelVecchio and Puligadda, 2012) to avoid any effects of prior brand familiarity. We chose the product category of watches as it is not gender specific (Kastanakis and Balabanis, 2012). Study 1 tested H1. Study 2 retested H1 and tested H2.

3.1. Procedure

In Study 1, we manipulated price display (no price display; price display) for the brand X, a fictitious watchmaker from the place Vendôme. Manipulation check confirmed that brand X was actually perceived as a luxurious brand (i.e., perceived luxury of 5.63 out of 7). The test sample consisted of 100 students from a Parisian business school (56% female, mean age: 24 years), randomly assigned to the two treatments. Respondents reviewed the picture of a real in-store window product display, which presented two watches constructed by the brand X and sold €4,690 (a price in line with professional studies, Bernstein Research, 2011). Appendix 3 displays the two experimental conditions.

As the effect of a brand name is generally stronger than price on consumers' perceptions (Monroe, 2012) and could therefore limit the influence of price display in the case of real luxury brands, we considered real brands in Study 2. We therefore ran a new experiment, in which we manipulated price display (no price display; €4,690) for two real watchmakers from the place Vendôme (Mauboussin and Rolex). We chose brands from the premium (i.e., Mauboussin) and the middle-ground (i.e., Rolex) luxury segments, which are both concerned by masstige strategies. We recruited 288 respondents (73% women, mean age = 38 years) from the panel of a professional market research institute.

3.2. Measures and analyses

To assess the non-personal-oriented perceptions of brand luxury, we adapted Vigneron and Johnson's (2004) scale. The rest of the questionnaire contained adaptations of previously validated scales (e.g. attitude toward the brand, MacKenzie and Lutz, 1989 and involvement in the luxury market, Dubois and Laurent, 1994). We relied on the PLS approach (Bagozzi and Yi, 1994) to validate the diverse scales used in this research. All the indicators of convergent validity (fairly above the minimum threshold of 0.5), reliability (all above 0.7) and discriminant validity are satisfied (Fornell and Larcker, 1981). In addition, we also checked for the measurement invariance of the latent concepts between Study 1 and Study 2.

The three non-personal-oriented perceptions of brand luxury being highly correlated ($0.64 < \rho < 0.77$ for Study 1, $0.42 < \rho < 0.61$ for Study 2, $p < 0.01$), we followed Maxwell's (2001) recommendation, and test H1 using Multivariate ANalyses of COVAriance. To test H2 we pooled the data together and added the brand to the control variables. We followed the bootstrapping technique developed by Preacher and Hayes (2004), using Hayes's (2012) PROCESS macro (model 4), with a 95% confidence interval and 5000 bootstrapped samples. We controlled for respondents' sex and involvement in the luxury market in the analyses of Study 1, and added respondents' age as a third control variable in the analyses of Study 2.

4. Results

4.1. Study 1

MANCOVA revealed the main effect of price display on the three dimensions of brand luxury ($F(1,96) > 4.74$, $p < 0.05$). More precisely, contrast tests showed that subjects exposed to price perceived the watchmaker brand as more luxurious than subjects that were not. The former associate the brand with higher levels of quality ($M_{qual} = 5.62$ vs. 5.09, $p < 0.05$), conspicuousness ($M_{consp} = 5.86$ vs. 5.04 $p < 0.01$), and uniqueness ($M_{uniq} = 4.49$ vs. 3.85, $p < 0.05$) than the latter. Study 1 demonstrates the positive effect of price display on perceived brand luxury, supporting H1.

4.2. Study 2

MANCOVA revealed a significant main effect of price display on brand conspicuousness ($F_{(1,281)} = 10.08$, $p < 0.01$). The main effects of price display on brand quality ($F_{(1,281)} = 2.00$, $p = 0.16$) and uniqueness ($F_{(1,281)} = 1.40$, $p = 0.24$) are not significant though in the expected direction. Contrast tests showed that subjects exposed to price perceived the watchmaker brand as more conspicuous than subjects that were not ($M_{consp} = 6.14$ vs. 5.78, $p < 0.01$). No 2-way interaction effect appeared between price display and the brand. These results further support H1b. In line with H1b corroboration, the indirect effect estimated by the bootstrapping process is positive and significant for perceived conspicuousness (ab = -0.1623, with a resulting confidence interval from -0.2852 to -0.0680). That the confidence interval does not include zero indicates a significant indirect effect and supports the case for mediation. The coefficients related to this indirect effect (i.e., a and b) are significant ($p < 0.01$) and of the expected sign, supporting H2b. Precisely, displaying the price enhanced perceived conspicuousness, and even when controlling for the price display, a unit increase in perceived conspicuousness eroded it by .45 units b = -0.4529, $p < .01$). Contrary to our

expectations, perceived brand quality and uniqueness, which have a positive influence on brand attitude ($b = 0.9633$, $p < .01$ and $b = 0.0271$, $p = .694$ respectively), do not mediate the influence of price display on brand attitude: H2a and H2c are not supported.

5. Discussion

This article explores the effects of price display in the luxury sector. The most significant outcome of this research for brands engaging in luxury democratization is the evidence that price display may have a positive influence on perceived brand conspicuousness, which in turn may negatively transfer to brand attitude.

The findings of this research provide a number of noteworthy theoretical insights and interesting managerial implications. Firstly, the positive influence of price display on brand luxury perceptions (significant in Study 1, close to significant in Study 2) is a striking result considering the general consensus that luxury brands should never display prices neither in the advertising campaigns of the brand, nor at the store. Going further, our findings suggest that displaying prices makes brands' luxury even more salient (i.e., higher perceptions of quality, and conspicuousness) and acts as an additional consistent cue to clearly position products on the luxury scale (Miyazaki & al., 2005; Monroe, 2012). This result confirms that a certain level of brand prestige can be maintained even when a mass targeting strategy is pursued (Truong & al., 2009) or when luxury brands decide to go online (Kluge & Fassnacht, 2014). Secondly, our findings show that non-personal-oriented perceptions influence luxury brand attitude. Specifically, perceived quality naturally enhances luxury brand attitude, but what is more striking is the robust observation that perceived conspicuousness erodes luxury brand attitude. Our explanation is that luxury brands are no longer considered exclusively for "members of the upper echelon of society but also accessible and available for the masses" (Doss and Robinson, 2013: 425). Therefore, perceived brand conspicuousness appears as non-democratic and not always desirable for luxury brands in a context of democratization.

Our article also offers avenues for new research. First, in this article, we measured perceived brand conspicuousness using the well-established Vigneron and Johnson' scale (2004), which includes status-related items. However, the extant literature increasingly considers status and conspicuousness consumptions as two separate constructs (Truong, & al., 2008; Wiedmann, Hennigs and Siebels, 2009). Therefore, our research calls for a replication refining its measure. Second, in this article, we only considered relatively middle range luxury brands (e.g., Mauboussin, Rolex), which could explain why we did not find any effect of perceived

brand uniqueness. It would therefore be interesting to replicate it with high-end luxury brands to identify a potential boundary condition.

The findings of this research provide some valuable insights to luxury brands managers. Managers engaged in luxury democratization should be aware that price display does not erode their perceived quality or conspicuousness; and in fact may even reinforce those features. This result is even more important in a context where more and more luxury brands are moving into electronic commerce, in which displaying prices is a legal requirement.

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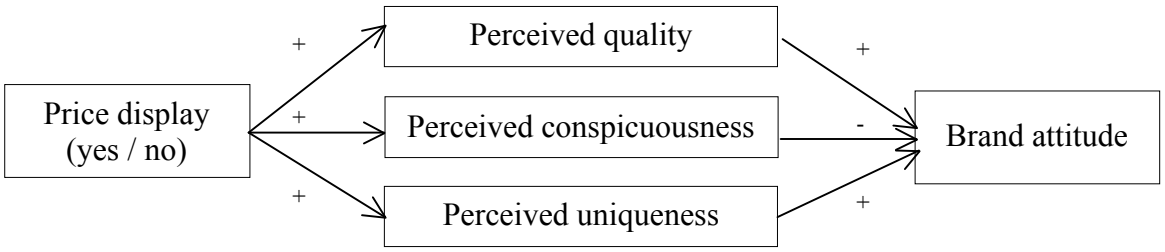
Appendix 1. Price quotation observed in the Place Vendôme, Paris, March 2013

STORE NAME	PRICE DISPLAY	PRODUCTS SOLD
Boucheron	No	Jewels
Van Cleef & Arpels	No	Jewels
Blancpain	Yes	Watches
Mauboussin	Yes	Jewels, Watches, Pen
Chanel	No	Jewels & Watches
Piaget	closed, being renovated	--
Swatch	Yes	Watches
Chaumet	Yes	Jewels, Watches
Hublot	No	Watches
Patek Philip	Yes	Jewels, Watches
Mikimoto	Yes	Jewels
Dior	No	Jewels, Watches
Repossi	No	Jewels
Breguet	Yes	Jewels, Watches
Buccellati	2 products out of 51	Jewels
Richard Mille	Yes	Watches
Damiani	No	Jewels, Watches
Chopard	No	Jewels, Watches
Fred	Yes	Jewels, Watches
Jaeger Lecoutre	Yes	Watches
Rolex	Yes	Watches
Dubail	Yes	Jewels, Watches
Cartier	No	Jewels, Watches
Louis Vuitton	No	Jewels, Watches
Bulgari	5 products out of 25	Jewels, Watches

Appendix 2. Conceptual model.



Appendix 3. Study 1: experimental stimuli

No price display in the store window

Price display in the store window