

# Luxury Advertising – An Oxymoron

A Quantitative Study on the Negative Signalling Effects of Advertising  
on Luxury Brands through Third-person Effect

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## Abstract

This thesis evaluates the advertising contradictions about marketing strategies in luxury branding. Although it has been discussed that marketing of luxury goods are anti-laws of marketing, the advertising expenses are billions and billions of dollars in an industry worth €1.08 trillion in 2016. This thesis shows that luxury is incommensurable with normative advertising. Through an experimental research (n=150) with stimuli of advertising respectively no advertising on the prestigious luxury and connoisseur brand Goyard – that has never used advertising as a strategy – presents that the overall luxury perception of conspicuousness and uniqueness as brand signal decreases with advertising for all consumer groups. One of the causes for this decrease in luxury perception is due to the third-person effect, where female participants rated lower values of positive characteristics of the brand's customers with advertising.

The findings show that luxury brands cannot be successfully advertised in a mass-communicated way. In line with a previously posed communication paradox, an increase in brand awareness did not increase the demand for Goyard, as the purchase intention did not increase. However, there are positive practical implications for managers suggesting that advertising messages could be successfully managed within the brand's self-controlled new media channels. These findings show that it might be better for luxury brands to save all these billions in advertising expenditures and just whisper the word 'luxury' into the right ears.

## Keywords

Luxury, advertising, luxury perception, signalling theory, third-person effect

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## Authors

Hedvig Durö, 23 377

Adrian Woloszyk, 22 960

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## Supervisor

Micael Dahlén

## Examiner

Jonas Colliander

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# Definitions

**Luxury**, definition Oxford English Dictionary:

1. A state of great comfort or elegance, especially when involving great expense.
- 1.1. An inessential, desirable item which is expensive or difficult to obtain.
- 1.2. A pleasure obtained only rarely.

Origin: Middle English (denoting lechery): from Old French *luxurie*, *luxure*, from Latin *luxuria*, from *luxus* ‘excess’.

**Advertising**: A form of marketing communication in audio or visual media form that engages an openly sponsored and non-personal message to promote and sell products, services and ideas. Within this thesis, advertising has been embodied by media in fashion magazines, billboards, Instagram-influencers, and bloggers.

**Oxymoron**, definition Oxford English Dictionary:

A figure of speech in which apparently contradictory terms appear in conjunction (e.g. faith unfaithful kept him falsely true).

Origin: Mid 17th century: from Greek *oxumōron*, neuter (used as a noun) of *oxumōros* ‘pointedly foolish’, from *oxus* ‘sharp’ + *mōros* ‘foolish’.

**Signalling theory**: The concept of one party (the agent) credibly conveys some information about oneself to the other parties (principals). Within marketing and branding, it has generally been constituted with product quality as a signal from the brand (the agent) to consumers (principals). This thesis extends this notion of brand signalling to luxury brand signalling, where the luxury brand (the agent) signals luxury by conspicuousness and quality of uniqueness to consumers (principals).

**Third-person effect**: Commonly used in media and advertising to describe the impact of social context. The third-person effect builds on the belief that individuals (first person) tend to perceive that ‘others’ (third person) are more affected and harmed by communicated media messages than themselves. On a psychological level, the third-person effect describes that individuals tend to perceive themselves as more smart, informative, and less prone to biases in the world that surround them in comparison to ‘others’.

**Conspicuousness**: Something that is clearly visible and attracting notice or attention. Socioeconomically Veblen showed how the elite bourgeoisie class in the 18th century demarcated itself from other classes by consuming conspicuous and pecuniary goods.

**Uniqueness**, definition Oxford English Dictionary:

1. The quality of being the only one of its kind.
- 1.1. The quality of being particularly remarkable, special, or unusual.

**Goyard**: A privately owned French luxury trunk and leather goods maker that was established in 1853 in Paris, one year before Louis Vuitton. The turnover was €44.5 millions in 2013. Clients can make special orders on the company’s products, where these orders then will be hand-made in the Bezons area in France. Customers that can prove a royal blood line can order the reserved crown symbol onto the brand’s bags.

**LVMH:** The largest luxury conglomerate that was founded in 1987 in Paris, France, by Bernard Arnault (CEO) with a turnover of €35.6 billion (2015). The parent company is Christian Dior SE via Financière Jean Goujon.

The conglomerate consists of different luxury categories with different brands. Wine and spirits: Moët & Chandon, Dom Pérignon, Hennessy, etcetera. Special retailing: Sephora, the legendary department store Le Bon Marché in Paris (first modern department store), etcetera. Watches & Jewellery: Bulgari, De Beers (leading role within diamond exploration, mining, and retail), etcetera. Perfumes & cosmetics: Acqua di Parma, Perfums Christian Dior, etcetera. Last but not least category is fashion & leather goods: Dior, Berluti, Fendi, Pucci, Moynat, Loro Piana, Louis Vuitton, Marc Jacobs, Givenchy, Loewe, Kenzo, etcetera.

**Kering** (previously PPR): The second largest luxury conglomerate that was founded in 1963 in Paris, France, by François Pinault and is managed by François-Henri Pinault (CEO) with a turnover of €11.6 billion (2015). The conglomerate consists of brands Gucci, Bottega Veneta, Balenciaga, Brioni, Girard-Perregaux, etcetera. The conglomerate is also well-known for its sustainability approach and goals.

**Richemont:** The third largest luxury conglomerate that was founded in 1988 Geneva, Switzerland, by Johann Rupert with a turnover of €10.4 billion (2015). The conglomerate consists of brands such as Cartier, Piaget, Chloé, Jaeger-LeCoultre, Montblanc, etcetera.

# 1. Introduction

Revolutions and wars, luxury conquers it all. Luxury is about selling a dream, which is the core mission of the luxury sector and the operating brands. Through intangible elements of dreams, the brand creates a symbolic access to a universe of privilege and social stratification. The most striking feature of the luxury industry is the constant growth despite economic crises, downturns, wars and revolutions. However, unlike other sectors, growth creates complications for the luxury industry as the dream is partially grounded in rarity and the admittance to a privileged life; products of exception for a life in expectation. Thus, luxury should not aim to be a bestseller but rather a long seller (Kapferer, 2015, pp. 7-39). Operating in a dream world that generates €1.08 trillion in sales (D'Arpizio, Levato, Zito, Kamel & de Montgolfier, 2016), why would a luxury brand want to adventure its luxury dream building to be demolished by advertising that invites less fortunate in this world of the privileged few?

## 1.1. Background

The economic crisis of 2007-2008 affected the luxury industry, just as most other sectors. Post-crisis experts predicted that it would be the end of the luxury fashion sector as we know it; the end of prominent logos and high prices in excesses and that it would be the end of conspicuous consumption. However, counterarguments mean that luxury fashion is here to stay though it will have a different execution for different consumer segments. The conspicuous consumption will persist due to the fact that modern economics trigger a need for status and to express this status (Kapferer, 2010).

According to Bain & Co, the luxury market consists of 10 segments, which together grew by 4% to €1.08 trillion in retail sales in 2016. The "core of the core" of this industry is the personal luxury goods category that was flat in growth during the year and comprised of €249 billion in sales. After two decades of rapid growth, this new but slower growth within the industry has become the new normal of a stabilised market. Bain & Co predicts that the compound annual growth rate (CAGR) will be 3-4% for this personal luxury goods segment by 2020, and will then be comprised of €280 billion. The stagnation of growth is due to uncertainty and lower consumer confidence affected by political and social changes such as Brexit, the US presidential election and terrorism (D'Arpizio et al., 2016).

Towards the future, there will be winners and losers within the whole industry, as well as within the personal luxury goods segment. Winners will be casual products within the apparel, such as luxury sneakers and denim. Accessories have long dominated the market share and growth rates; the handbag segment is the largest with €44 billion in sales and grew moderately at 2% in 2016 (D'Arpizio et al., 2016).

McKinsey & Co have a similar view but with some modifications and with a narrower spectrum (Business of Fashion & McKinsey & Company, 2016). They predict an increase for all fashion segments in 2017 with a stabilisation of the whole industry. The pure luxury [fashion] segment – exemplified by Chanel and Tom Ford – is predicted to see a growth gain of 0.5-1% to 1.5-2.5%. At the same time affordable luxury – exemplified by Tory Burch and Michael Kors – will outperform the industry average at an anticipated 3.5-4.5% growth. The affordable luxury segment is gaining by those consumers who are "trading down" from the highest luxury segment (Business of Fashion & McKinsey & Company, 2016).

<b>Global Fashion Sales Growth</b>			
		<b>2015-16</b>	<b>2016-17</b>
<b>GLOBAL</b>	Total industry	2 – 2.5 %	2.5 – 3.5 %
<b>SEGMENT</b>	Luxury	0.5 – 1 %	1.5 – 2.5 %
	Affordable luxury	3 – 3.5 %	3.5 – 4.5 %
	Mid-market	1.5 – 2 %	2 – 3 %
<b>CATEGORY</b>	Clothing	1 – 1.5 %	1.5 – 2.5 %
	Footwear	1 – 1.5 %	1.5 – 2.5 %
	Bags and luggage	3.5 – 4 %	4 – 5 %

**Table 1.** Global Fashion Sales Growth

Source: McKinsey Global Fashion Index 2016 (Business of Fashion & McKinsey & Company, 2016, p. 49)

## 1.2. Goyard in comparison with LVMH (Louis Vuitton & Moët Hennessy)

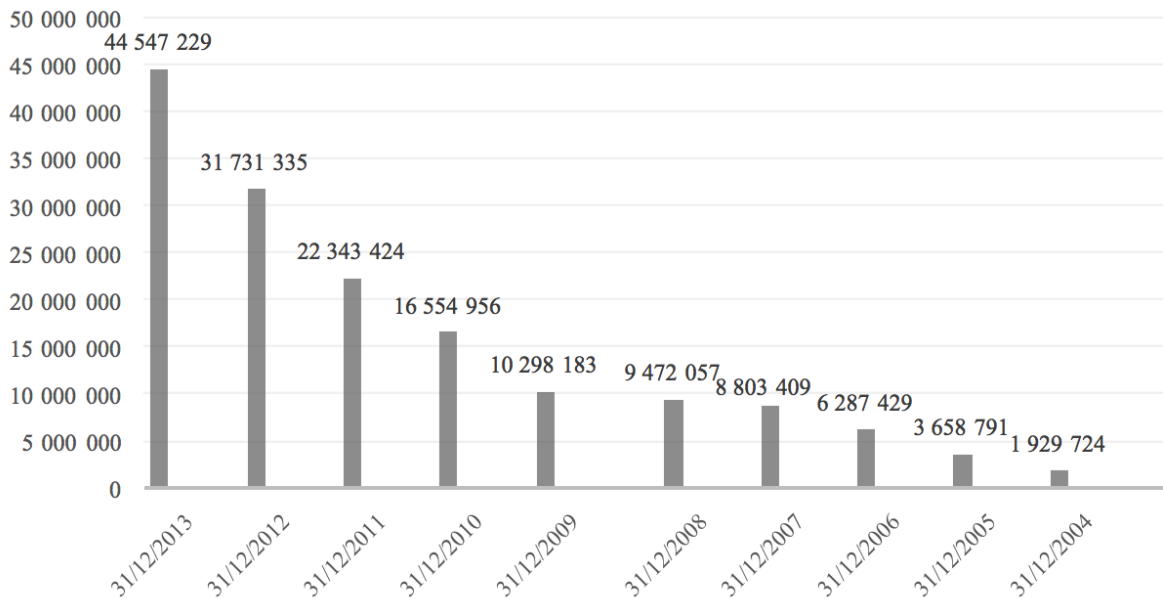
Goyard opened its doors on 233, rue Saint-Honoré in 1853 in Paris and has until this day created a dream-world for a lucky few. The brand describes itself as “the preferred choice of connoisseurs”; these clients are not, in French, *monsieur tout-le-monde* – in English Average Joe or *medelstvensson* in Swedish. Some of Goyard's clients have been Pablo Picasso, Coco Chanel, Edith Piaf and living fashion legend Karl Lagerfeld, who opened his account in 1972. The brand believes in long-term relationships with its clients and exemplifies this relationship building through the Duke and Duchess of Windsor's account, which opened in 1939 and had to be closed following the demise of the Duchess in 1986 (Goyard, n.d.).

Through zero advertising, no e-commerce, and selective distribution – in the United States only resellers are Barneys and Bergdorf Goodman in New York and two Californian stores – Goyard has succeeded in protecting their legacy. Instead, they create a buzz by simultaneously and paradoxically maintaining their mouth shut as well as distancing everyone else out. Their bags have been called ‘an insider's bag’, and at the same time, the bag does not scream luxury (Lieber, 2014, September 3). In place of the clamour of brands such as Louis Vuitton (LV), Prada, and Gucci, “Goyard only whispers the word [luxury] -- but it whispers into the ears that count” (Passariello & Dodes, 2006, December 21). In the first nine months of 2006 Prada, LV, Dior and Gucci collectively spent \$74.3 million on advertising only in the U.S. market. Contrarily, Goyard does not spend a penny in overall advertising (Passariello & Dodes, 2006, December 21). The total expenditures on luxury advertising in the US have continually grown since 2012, with a forecasting in total expenditures of \$5.08 billion in 2017 (Statista, n.d.).

A financial analysis shows that the profit margin for Goyard has risen from 18.4% in 2004 to 43.8% in 2013 [last available year]. In the period of 2004 through 2013, Goyard's annual growth rate in revenues was 41.7% (Bureau van Dijk, 2017, April 17a).



## Operating revenue (Turnover) for Goyard €

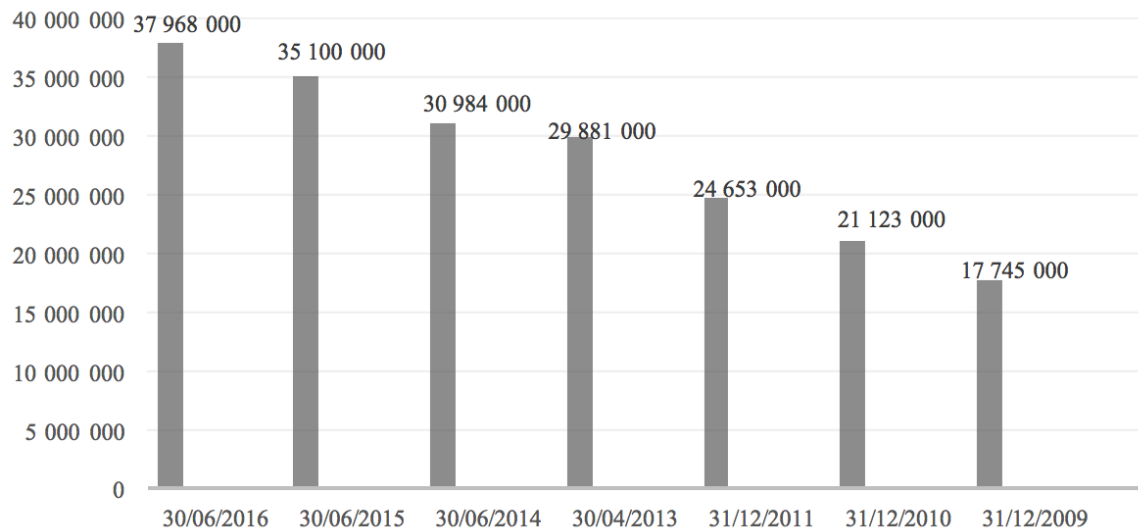


**Figure 1.** Operating revenue (Turnover) for Goyard in Euros  
 Source: Bureau van Dijk, 2017, April 17a

According to the luxury specialists at Bain & Co "the usual benefits of big – leverage with suppliers, shared marketing and administrative expenses, and high volume, strategic customers – just do not seem to apply for most multibrand luxury players." (Cyrus, Kamel & Rigby, 2006, June 5) Within the luxury industry, single-branded companies grew faster than brands maintained by luxury conglomerates in the timeframe of 1994 to 2004. Coincidentally, the single-branded companies did not show any weaker profitability (Cyrus et al., 2006, June 5).

The ownership of the world's largest luxury conglomerate LVMH (Louis Vuitton & Moët Hennessy) is difficult to uncover as there is no clear validation of their structure, hence it has been called a byzantine (Kroll, 2012, May 18). The French corporate group Christian Dior SE is the parent company of the subsidiary LVMH GROUP, and most of the pure sales of luxury fashion goods are reported in Christian Dior SE (Christian Dior, 2017; Louis Vuitton Moët Hennessy, 2016). Through financial analysis, it can be seen that the profit margin has grown from 15.6% in 2009 to 16.4% in 2016. In the period of 2009 through 2016, Christian Dior SE's annual growth rate in revenues was 11.4% (Bureau van Dijk, 2017, April 17b).

## Operating revenue (Turnover) for Christian Dior SE in thousands of € 12 months IFRS



**Figure 2.** Operating revenue (Turnover) for Christian Dior SE in thousands of Euros  
Source: Bureau van Dijk, 2017, April 17b

### 1.3. Problem area

As will be discussed in the next segment, there are contradictions about luxury strategies; are brand awareness and mass-marketing successful or harmful for luxury brands? Both Jean-Noël Kapferer and Klaus Heine have no strict and homogeneous view on the matter and problematize that for some brands and situations brand awareness is positive, and for others not. Kapferer means that advertising should be cautiously used and is secondary in luxury marketing (Kapferer & Bastien, 2009, p. 256), but at the same time asserts in anti-law #10 that brand awareness to other than affluent customers is good and that non-targets are the primary target (Kapferer & Bastien, 2012, p. 73-74). Therefore, it would be interesting to see the dialectical signalling effect of advertising compared to no advertising on non-targets and targets, as this has not been profoundly investigated academically before.

Previous discussions on [luxury] connoisseur brands, such as Goyard, have believed that bulk mail or television advertising are not suitable marketing measures (Belz, 1994, p. 648). Therefore, it would be interesting to explore how advertising in old media, such as magazines, as well as new [digital and social] media, such as Instagram is affecting the luxury brand.

## 1.4. Purpose and research questions

This thesis aims to provide knowledge on the effects of advertising on luxury brands. There have been discussions on the effects and effectiveness of luxury advertising per se, but no previous academic research. The luxury industry spends a huge amount of expenditures on advertising, nevertheless Goyard had consequently refused advertising as a strategy which has been proved to be prosperous. Can advertising disperse and lose the lustre of luxury? The main research question is:

- *What are the effects of using advertising on a luxury brand that has never used advertising before; how does it affect the luxury perception of the brand?*

To understand the mechanism of the advertising effects, the sub-question is:

- *What are the causes of the effects of luxury perception on the brand with advertising; is there a third-person effect?*

## 1.5. Delimitations

The thesis investigates only one single-brand luxury company, and does not conduct research on brands within multi-brand companies of luxury conglomerates such as LVMH (Louis Vuitton, Christian Dior, Bulgari, among others), Kering (Gucci, Bottega Veneta, Balenciaga, YSL, among others) or Richemont (Chloé, Alaïa, Cartier, Jaeger-LeCoultre, among others). Further, only the “core of the core” of the luxury industry, in other words, the personal luxury goods category, was investigated in this thesis, thus other luxury categories such as luxury wine and spirits, real estates, luxury and sports cars, yachts, etcetera have been excluded.

No specific media channel has been used to measure the advertising effects, as both old and new media have been used in the stimuli. Two dimensions to measure the luxury perception have been used instead of five, conspicuousness and uniqueness – additional dimensions are quality, extended self, and hedonism (Vigneron & Johnson, 2004; Kim & Johnson, 2015). The study aims to measure the psychological and immaterial aspects of luxury and thereof exclude materiality.

## 1.6. Expected contribution

Compared to most – if not all – multi-brand companies, Goyard has never used advertising. By exploring this strategy of secrecy, the thesis can provide knowledge on the effects of advertising on luxury brands. As there are contradictory discussions on the topic of luxury advertising, the data collected can provide information and evidence of the effects and signals of the brand with advertising, and also provide insights of possible causes. Finally, this would give knowledge of and recommendations on how available and exposed a luxury brand, such as Goyard, should be, and also be a basis for further academic as well as practical research of luxury brands and advertising.

## 2. Theoretical framework

In this section, the thesis will present relevant previous discussions on the topic luxury marketing communication and luxury advertising. The discussions will be followed by the presentation of relevant theories. Part 2.1. focuses on the discussions of luxury marketing communication, part 2.2. focuses on signalling theory and ends with part 2.3. and the theory of third-person effect. Through these three parts, the thesis will generate hypotheses on luxury advertising and its effects.

### 2.1. The anti-laws of luxury marketing and the communication paradox

In the book *The luxury strategy: break the rules of marketing to build luxury brands*, Jean-Noël Kapferer and Vincent Bastien proclaim and set up 24 anti-laws of marketing. Some of these rules are:

1. Forget about positioning; luxury is not comparative
4. Keep non-enthusiasts out
5. Don't respond to rising demand
8. Protect clients from non-clients, the big from the small
- 9. The role of advertising is not to sell**
- 10. Communicate to those whom you are not targeting**
13. Raise your prices as time goes on, in order to increase demand
- 16. Keep stars out of your advertising**
17. Cultivate closeness to the arts for initiate
22. Do not look after group synergies
24. Do not sell openly on the Internet

**Table 2:** Anti-laws of marketing proposed by Kapferer and Bastien  
Source: Kapferer & Bastien, 2012

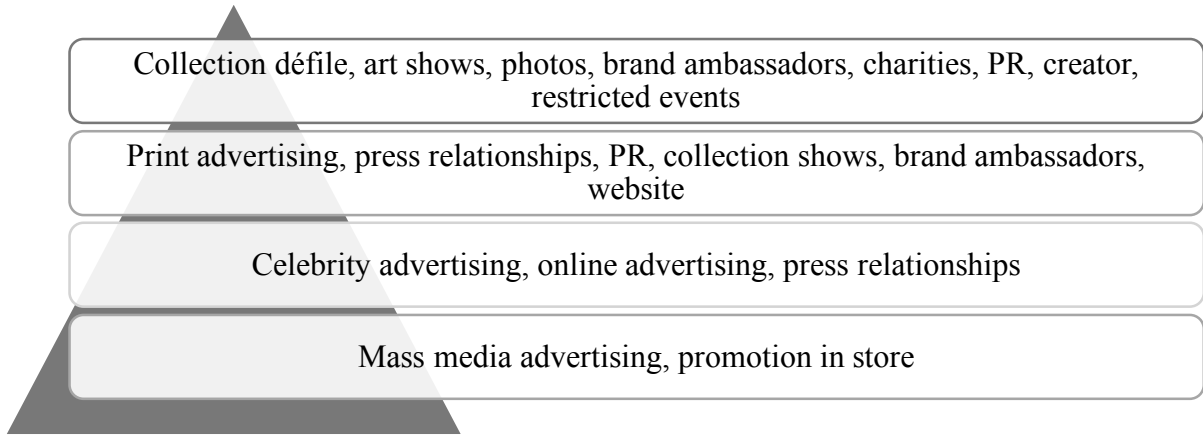
With anti-law #10 Kapferer and Bastien mean that because luxury has two facets, the luxury for oneself and the luxury for others, to sustain the later brand awareness has to be high and positive among non-target customers who could never buy the brand. This goes against traditional advertising, as targeting other customers than targets are a waste of money. For luxury, it is essential to spread brand awareness beyond the target group to keep the brand prestigious (Kapferer & Bastien, 2012, pp. 65-83). This is because the dream has to be managed and sustained, and with the ‘dream equation’ it can even be calculated. Brand awareness constructs the dream, while purchases or market penetration demolish the dream, as the goods become too widely attained (Dubois & Paternault, 1995; Kapferer & Valetta-Florence, 2014).

**Luxury dream equation:**

$$\text{Luxury dream} = -7.0 + 0.3 \text{ Brand Awareness} + 0.6 \text{ Heritage} - 0.4 \text{ Penetration}$$

**Table 3.** Luxury dream equation  
Source: Kapferer & Valetta-Florence, 2014

Further, Kapferer and Bastien mean that luxury brands need to communicate to regenerate the dream and the brand’s value; brands should not communicate to sell. Advertising should be secondary in luxury communication, and communication has to be cautiously built to signal ‘good taste’. There are different layers of luxury communications that varies depending on the level of where the brand is in the pyramid. On a mass-marketing level, media advertising has a key role (Kapferer & Bastien, 2012, pp. 255-275).



**Figure 3.** Layers of luxury advertising  
Source: Kapferer & Bastien, 2012, Fig 11.1, p 258

According to Klaus Heine (2012), the taxonomy of a connoisseur brand, exemplified by Goyard, consists of limited awareness and brands are often specialised in a niche market, in contrast to “star brands” that strive for maximum brand awareness. Connoisseur brands are network brands, which should use word-of-mouth between friends. Bulk mail or television advertising are not suitable marketing measures for these kinds of brands (Belz, 1994, p. 648).

There is a communication paradox which is especially high for the connoisseur brands: “In contrast to mass-market brands, an increase in the luxury brand awareness does not necessarily lead to growing, but rather to decreasing demand” (Heine, 2012, p.86). By protecting the future success of the brand and the consumer’s expression of extraordinary lifestyle and differentiate themselves from others, such as bandwagon-consumers – who consume solely because the role model does – the brand has to focus its communication to its accurate target group (Heine, 2012).

## 2.2. The signalling theory

The origin of the signalling theory arises in information economics and has branched out. The theory means that a signal can work as a mechanism to solve asymmetrical information problems; through an observable signal, the unobservable product quality can be communicated. Within an advertising context, the signalling functions inside the cognition of the consumers, where they reason that if the brand and its products are not as good as the advertising state, then the advertiser would not jeopardise the effort and expense to advertise products falsely (Kirmani & Rao, 2000).

Previous research has proven that the amount of a brand’s advertising can function as a marketing signal, which in itself communicates information about the sender’s confidence and capability (e.g., Kirmani, 1990, 1997). It has been shown that consumers use their own perceptions of the costs of advertising as a signal on a new product’s attribute of quality. The consumers see these costs as departures from expected standard costs within the product category, and the perceived quality was affected by the extent of advertising costs (Kirmani, 1990). Studies have established that moderate levels of advertising can be understood as a signal of brand confidence (e.g., Kirmani, 1990; Joshi & Hanssens, 2010). The expenditures of advertising have gains on the market value of the firm, as long term-term impacts show that there are positive investor responses by turnover and profit increases. However, it is important

for companies to maintain their advertising expenses sensibly adjacent to the optimum (Joshi & Hanssens, 2010).

Although, in contrast, high levels of advertising can signal brand desperation. The brand desperation shows itself when consumers after an extensive repeat may perceive the costs of advertising as unjustified and thereof start to hesitate on the brand's self-assurance in its product's quality. This hesitation results in an inverted U-relationship between the consumer's perception of the brand's product quality and the repetition of the brand's advertising (Kirmani, 1997).

Within a fashion and luxury context, the signalling of prestige and status in fashion and luxury goods were shown by Veblen. In his research of the leisure class in the late 19<sup>th</sup> century he showed how this social elite class used conspicuous consumption to mark a distance to the lower social classes. The signal of their pecuniary wealth was shown by the adornment of fashion and jewels (Veblen, 2009 [1899]). In the modern times fashion – as a paradigm of change in style – lost its status mark as the styles were easier to copy. Hence, the demarcation through emulation of dress by fashion between classes decreased (Veblen, 2009 [1899]; Simmel 1904).

A recent study on fashion and luxury goods has presented the term “brand prominence”, which is a concept that considers the exposure of conspicuousness on the logotype or the symbol on a brand's merchandise. A classification was ascribed to four types of consumer groups according to their affluence and the demand for status. The preferences for branded luxury merchandise, that is inconspicuously or conspicuously, are determined by each group's aspiration to disconnect or connect with participants of specific consumer groups. Patricians are affluent consumers with a low demand for status and only want to connect with their specific group and therefore willingly pay a premium for quietly and inconspicuously branded luxury products which only consumers in this group can distinguish. Parvenus are affluent consumers with a high demand for status and want to be connected with Patricians, and they use loudly and conspicuously branded luxury goods to signal to the less affluent that they are not one for them. Poseurs are consumers with a high demand for status but no means to afford the genuine luxury, therefore they consume conspicuously branded imitations to emulate those they recognise to be affluent. The last group, Proletarians, do not engage in signalling. The proposed model of status signalling using brand prominence had support by field experiments along with an investigation of market statistics on luxury goods as well as imitations (Han, Nunes, & Drèze, 2010).



Another study with the aspect of the firm in co-creation with consumers has shown that this co-creation has a negative effect on the firm's marketing signal in the luxury fashion industry. In contrast to existing research, the study indicates that rather than being helpful it is damaging for luxury brands to be "near" the luxury consumer when co-creating. When a collection is marked as user-designed compared to company-designed the overall request for the collection is lowered. This decrease in demand is because of user-designed merchandise is perceived to be of reduced quality and thereof diminish to signal a superior status. These negative signalling effects can be mitigated by that the consumers more positively resonate if the user that is co-producing and designing the products is legitimised by the luxury fashion brand's head designer, is portrayed as an artist, or in any other way is connected with celebrity status. These efforts generate social distance, in comparison with a regular user. Lastly, the research finds that these damaging consequences are also mitigated for luxury product categories of a luxury brand that are not used for status signalling (Fuchs, Prandelli, Schreier, & W. Dahl, 2013).

As there has not been any previous research on the effects of luxury advertising, and previous discussions are contradictory, the thesis presumes that there will be negative effects as advertising of such goods will signal brand desperation (Kirmani, 1997). Hence, the luxury perception will be reduced with advertising compared with no advertising. Previous discussions on Goyard as a luxurious connoisseur brand have come to the conclusion that television advertisement is not suitable (Belz, 1994). The old media has also been extended with advertising in new media by, for instance, Instagram and bloggers, where consumers themselves have to voluntarily approach the media message (e.g., Kuksov, Shachar, & Wang, 2013; Rosengren & Dahlén, 2015; Dahlén & Rosengren, 2016). Communicating co-creation with luxury customers have been proven to have negative consequences (Fuchs et al., 2013), but could luxury communication at all be harmful?

This thesis bases its first hypotheses on the previous discussion and will use luxury perceptions of *conspicuousness* and *uniqueness* as these are non-personal perceptions (Vigneron & Johnson, 2004) they are understood as signals from the brand. Conspicuousness is of high relevance as it has been shown that it is through conspicuous consumption that the higher strata communicate its superiority and luxury consumption to other less affluent consumers (Veblen, 2009 [1899]; Vigneron & Johnson, 2004). Uniqueness is important as it signals scarcity (Vigneron & Johnson, 2004), thus signalling a moderate and scarce consumption of the higher strata, for the selected few. This is especially important in the light of luxury being closely

connected to rarity, where it has been argued that luxury in our contemporary times is in risk of *vulgarisation* as it is too widely attainable to all classes by democratization, especially the emerging and growing middle classes (Kapferer & Bastien 2012, pp. 9-19). As this thesis hypothesise that the brand luxury signal of quality (Vigneron & Johnson, 2004) will not change it has been excluded; the perception of quality should not be affected as it is a tangible characteristic – closer to production rather than communication – compared to the intangible conspicuousness and uniqueness. Luxury goods are about selling a dream by stratification through conspicuousness and uniqueness, where quality is subordinated and a prerequisite.

Further, the sub-hypotheses are based on Han et al (2010) with different target customers; as the resources have been limited, Patricians and Parvenus are seen as current customers, Poseurs are aspirational customers, and the Proletarians do not engage in signalling and thus do not know about the brand prior to this study.

### **Hypothesis 1: Luxury perception of conspicuousness**

H1a	The luxury perception of conspicuousness among present customers will decrease with advertising compared to no advertising
H1b	The luxury perception of conspicuousness among aspirational customers will decrease with advertising compared to no advertising
H1c	The luxury perception of conspicuousness among proletarians will decrease with advertising compared to no advertising

### **Hypothesis 2: Luxury perception of uniqueness**

H2a	The luxury perception of uniqueness among present customers will decrease with advertising compared to no advertising
H2b	The luxury perception of uniqueness among aspirational customers will decrease with advertising compared to no advertising
H2c	The luxury perception of uniqueness among proletarians will decrease with advertising compared to no advertising

### 2.3. Third-person effect theory

Luxury goods, as a high prestige category, are socially more vital to consumers (cf. Vigneron & Johnson, 1999) and as a consequence should be more sensitive to effects of social context and third-person effect. As previous research has shown, different luxury goods have been used to socially distance themselves from other customers, either fashionable or solely prestigious (Veblen, 2009 [1899]; Simmel 1904; Han et al., 2010). According to recent studies, the third-person effect describes that consumers perceive others (third person) to be less sophisticated and smart and in addition more affected by advertising than themselves (first person) (e.g. Dahlén, Sjödin, Thorbjørnsen, Hansen, Linander & Thunell, 2013; Zhang & Daugherty, 2009). Therefore, the advertising strategy will have an impact on the customer perception of the brand. Moreover, if a brand chooses not to use advertising the consumer will find that fewer other consumers, less sophisticated and less smart, are interested to purchase and therefore find the brand more appealing for themselves, due to the signal of discretion. The perception of others being less sophisticated and less smart affects the perception of others having less connection to their social network and consumers' to consider themselves being more elitist than the others (Dahlén, Rosengren, & Smit, 2014; Kuksov et al., 2013).

The third-person effect is based on the belief that people tend to admit that others are more affected by communicated mass media messages than themselves (Davidson, 1983). Previous research on third-person effect has emphasised that controversial advertising can have a negative impact on a brand, as consumers found that others are being more affected and more negatively exposed to the communicated media (Dahlén et al., 2013). Therefore, the third-person effect is characterised as an overestimation of predicting that certain advertising and media can be more harmful to others than themselves (Johansson, 2002). Further, this affects the consumer of a brand to rate the brand more positively if they find out that the preferred brand does not use advertising, as they believe that fewer proletarians will be exposed and therefore interested in the brand. This tendency relies on the psychology behind social context in advertising as the customers perceive themselves as more intelligent, elegant, successful and objective than others (Zhang & Daugherty, 2009). Consequently, this leads to more interest from the consumers of the brand as they consider the brand being less exposed and less noticeable for others (Dahlén et al., 2013).

Furthermore, previous research has observed social distance as an important factor of the third-person effect. Social distance is defined as the extent of similarity between themselves and

others (Eveland, Nathanson, Detenber & McLeod, 1999). The third-person effect has a larger impact on the first person as the social distance decreases. Moreover, the third-person effect has more impact on consumers as the 'others' become more generic to themselves, for instance, their friends or people with a strong connection to their social network (Cohen, Mutz, Price & Gunther, 1988). Further, a stranger is more likely to be more vulnerable and harmed by media messages than acquaintances (Brosius & Engel, 1996). Also, an obscure individual is believed being more vulnerable to advertising compared to a close acquaintance of oneself (Duck & Mullin, 1995).

Apart from the proposition of the third person being more affected of advertising and oneself considered as a more intelligent person than 'others', the third-person effect also describes how the concept can result in behavioural consequences (Davison, 1983). Previous research shows that third-person effect in this second proposition differs between genders. Studies measuring third-person effect often shows differences between the sexes when it comes to self-other perception, nevertheless these differences are often tested but not particularly theorised (Johansson, 2002). Perceived effects of others are discussed frequently, and previous findings concerning the third-person effect on body image in advertising support that females are affected more negatively by others opinion about themselves. Psychological studies show that women are negatively influenced by the third-person effect when exposed to idealised body images in advertising, and this could affect their self-concept and result in behavioural changes. Females also, in a greater extent than men, tend to believe that others (third) evaluate their (first) body on the basis of idealised body representation as a norm of beauty in magazines. Moreover, the finding of women being influenced of confirmation by others emphasises the importance of understanding how advertising can have a large negative impact if communicated wrong (Choi, Leshner & Choi 2008).

This thesis bases its third-person hypothesis on the discussion above. The hypothesis evaluates the first proposition; first person beliefs of the third person being more affected by advertising, as well as the first person considering oneself being better informed and intelligent. Further, the sub-hypothesis also assesses the second proposition; third-person perception results in behavioural consequences, which tend to have a larger impact on women than on men. Previous research on body image in advertising (Choi et al., 2008) has shown that females are more perceptive to third-person effect in advertising than males. As third-person effect on luxury brands has not been investigated, it is hypothesised that women will be more perceptive to

perceptions of ‘other consumers’. Based on the previous research on third-person effect discussed, the hypotheses are:

<b>Hypothesis 3: Third-person effect</b>	
H3a	The perception of Goyard’s customers (third-person effect) will be the same with advertising compared to no advertising for both genders in the data
H3b	The perception of Goyard’s customers (third-person effect) will decrease with advertising compared to no advertising for all females in the data
H3c	The perception of Goyard’s customers (third-person effect) will decrease the with advertising compared to no advertising for present female customers

This thesis hypothesis that the third-person effect affects consumers to react negatively when informed that a brand uses advertising. As such, the exposure of the brand to others and the belief that others outside their close network will be appealed to the brand will have a negative impact on the existing customers. Further, it is assumed that consumers perceive themselves as a more intelligent and sophisticated individual (Dahlén et al. 2014, Eisend, 2015), that are less susceptible to (media and) advertising messages than others (e.g., Dahlén et al., 2013; Eisend, 2008; Perloff, 2009). In this way, consumers tend to believe that other (less clever) consumers will be more appealed and affected by advertising than themselves. Thus, this will decrease the purchase intention as they consider the brand for targeting ‘others’ by using advertising. As a result, consumers will perceive the brand as less attractive, and the purchase intention will decrease.

<b>Hypothesis 4: Purchase intention</b>	
H4a	The purchase intention will decrease with advertising compared to no advertising for both genders in the data
H4b	The purchase intention will decrease with advertising compared to no advertising for all females in the data
H4c	The purchase intention will decrease with advertising compared to no advertising for all males in the data

## 3. Methodology

### 3.1. Scientific approach

The study is primarily designed and conducted as a deductive approach, applying previous marketing studies and theories as a base to assess the hypotheses and research questions (Bryman & Bell, 2011). The study is grounded in previous marketing communication studies, as well as luxury research. Based on measurements from previous studies of the brand luxury index (BLI) (Vigneron & Johnson, 2004), parts of the modified model and index (Kim & Johnson, 2015) have been used to measure the marketing performance of Goyard as a brand. The modified model is being preferred over the original BLI as it is more thoroughly developed, hence more adapted to contemporary luxury brands and the thesis question formulation. The concept decided to be used as framework was the modified non-personal luxury perceptions, measuring the dimensions of perceived *conspicuousness* and *uniqueness* (Kim & Johnson, 2015). The non-personal perception is chosen over personal-perception since the study aims to measure the brand and company connections of Goyard and not the personal-oriented perception based on the consumers themselves. In the extension, the non-personal-oriented perception results in a market signal for the brand. The dimension of perceived quality was excluded from the study in this thesis since it is considered being less relevant due to the luxury context for the experiment on effects of advertising, as the stimuli do not intend to measure perceived quality. This is because quality is a tangible measure and hence should not be affected by intangible advertising and psychological effects of the third-person effect. The thesis aims to measure the psychological and immaterial aspects of luxury rather than the material aspects of luxury product quality.

### 3.2. Measurements

In order to measure the luxury perceptions in terms of *conspicuousness* and *uniqueness*, the respondents were asked on three respectively four attributes based on Vigneron and Johnson's (2004) framework, thus seemingly modified to fit the question formulation. The attributes were measured on a seven-point semantic differential scale with oppositional items generated in the modified BLI scale (Kim & Johnson, 2015). The three attributes of conspicuousness (popular to public/elitist, affordable/extremely expensive, upper-middle class/upper class) were gauged into an index (Cronbach's  $\alpha = 0.77$ ). The four attributes of uniqueness (fairly exclusive/very

exclusive, fairly valuable/very valuable, fairly rare/very rare, fairly unique/very unique) were gauged into an index ( $\alpha = 0.86$ ).

Further, the thesis aims to assess how the third-person effect impacts on consumer perceptions if Goyard chooses to use advertising compared to when they, as presently, do not. Perceptions of ‘other consumers’ were gauged with eight attributes (confident, informed, reflecting, intelligent, successful, elegant, sophisticated, and ‘has connection to my social network’). These attributes are based on Netemeyer and Bearden (1992) but seemingly modified to match the study. The ratings were gauged on a seven-point Likert-type scale. The eight attributes were averaged into an index ( $\alpha = 0.93$ ).

In addition, the thesis also measures purchase intention as it is of most value for luxury brands, such as Goyard, to be able to increase the consumer's purchase intention, in other words, the demand for its products, with the advertising scenario to motivate the monetary expenditures of advertising. In order to measure the purchase intention, the respondents were asked to which extent they *wanted* to know more about Goyard, *would* like to see Goyard in a store, and *wanted* to purchase Goyard. These measures were based on Liljedal (2016) but seemingly modified to match the study. The three attributes were averaged into an index ( $\alpha = 0.89$ ).

### 3.3. Experimental design

Psychological effects and impacts of consumers' perception are often measured with experimental designs (Söderlund, 2010). In order, the experimental design provides the ability to isolate specific psychological effects, as they are designed to exploit comparison between groups (e.g. Kardes, 1996; Söderlund, 2010). The study is therefore conducted with an experimental design and aims to measure the differences in impacts of customer perceptions from the information that Goyard start using advertising versus has never been using any advertising, thus not engaging with advertising.

The main objectives selected to be investigated are perceived luxury perception, third-person effect, and purchase intention. The experiment is developed through two scenarios, which the respondents are randomly presented with one of the two scenario descriptions: Goyard advertising scenario versus Goyard not using advertising scenario (the empirical truth). After one of the stimuli scenarios have been presented to the respondent the survey follows to measure the impacts of the different scenarios, which then afterwards have been evaluated. The

respondents based their answers on the stimuli they have been exposed to. The data from the respondents were collected between April 8th and April 13th, 2017.

### 3.4. Development of stimuli

Empirical and authentic field experiments are uncommon in business research (Bryman & Bell, 2011, p.45). Therefore, it is interesting to use a real luxury brand in the study's stipulated stimuli and research. Especially in the light of the posed research questions as Goyard has never used any advertising, and this information was provided in both stimuli. Almost all the information in the stimulus of no advertising is true and based on true facts about the brand and its present advertising and marketing strategy. The only information presented in the no advertising stimulus that was not true is that the picture presented is not truthfully from a pamphlet.

In contrast, the stimuli and untrue information of advertising are the dependent and manipulating factor. The advertising channels used were both old media, such as fashion magazines and billboards, as well as new media, such as Instagram-influencers, YouTube, and bloggers. The rest of the information in that stimulus is the same as for the stimulus of no advertising, hence based on true facts. It is important for an experimental study, such as this study, to use as alike stimuli and information as possible in order to ensure that the dependent factor is easily distinguished and is the sole dependent factor with no disturbances. If other information – such as the strategy of royal customer's possibility to buy products with a crown emblem – is vanished in the advertising stimulus compared to no advertising stimulus, this could have a considerable impact on the data and the outcome of the results.

The same picture was used for both stimuli and is a print-screen of a tote bag in a video distributed on Goyard's own YouTube-channel (Goyard, 2015, October 20). To note, although the brand has an own YouTube-channel it is not widely distributed as it is still secretive, and it is hard to find material from this channel. For instance, if one searches on the word "Goyard" in YouTube's search field the brand's contents come up far down in the search page since it is not paid media. The channel only had 631 subscribers on the May 8th, 2017.

For the complete stimuli, see the appendix.



### 3.5. Sampling of respondents

For the sampling of the survey, a student sample and a sample collected from an international community page for Goyard's customers have been used. Regarding the sampling of respondents, it has been disputed that student samples as a convenience sampling cannot represent the whole population (e.g. Pham 2013). Nevertheless, this critique on student sampling is not motivated as valid in this thesis; experimental studies compared to generic surveys studies aims to measure the relative and not absolute effects between different manipulations (Kardes, 1996). However, the thesis has used a stratified convenience sample that is closer to the whole population than a sole undergraduate or other specific student samplings. The student sampling has been randomly and diversely collected, hence not only undergraduates. The students have derived from all levels, different schools, and different disciplines. Thus, the collection is broad and targets have been business students at Stockholm School of Economics, medical students at Karolinska Institutet and Uppsala University, fashion studies students at Stockholm University, but also students from other disciplines at Stockholm University. The students from all disciplines and levels had a mixed international as well as native background.

The second part of respondents were collected from an international community page for the brand's customers, chosen from social media, where the majority – but not all – of the consumers were collected. In this way, the thesis could easily collect actual consumers through volunteering. This kind of voluntary sampling compared to student sampling has also been criticised to not represent the complete population of consumers. Further, psychological factors do not have to diverge between students and non-students (Söderlund, 2010).

All respondents were randomly assigned to the scenario of Goyard using advertising versus the scenario of Goyard not using advertising. Sampling from 150 respondents was collected, where 16 respondents were excluded from the analysis since they answered incorrectly on the control question connected to the stimuli. The remaining 134 respondents were used for the analysis, where 72 respondents were exposed to the stimulus of no advertising versus 62 respondents with the stimulus of advertising. The mean age of the 134 respondents were 24.46, where 75 were females and 59 were males.

Furthermore, the respondents were randomly and evenly presented – not necessarily completed – to either the stimulus of no advertising or the stimulus of advertising in the experiment. Thus,

since the study did neither control nor navigate the respondents in their execution, this resulted in unevenness; 72 answers for the stimulus of no advertising compared to 62 answers for the stimulus of advertising.

### 3.6. Data analysis and tests

If it is possible it is desirable for all kind of studies to dispense a pilot study with pre-testing questions (Bryman & Bell, 2011, p. 262-263). Therefore, a pre-survey (n=30) was conducted to ensure that the respondents understood the stimuli and the following questions to eliminate biases and misunderstandings prior to the main study. The pre-survey was followed by two short in-depth interviews with completing respondents. Thus, the stimuli, as well as measurements, were optimised for the actual survey and tests.

The data analysis of the experiment was imported from Qualtrics (provided by Stockholm School of Economics) into IBM SPSS Statistics 24 and is based on collected data from 150 respondents. As previously mentioned, 16 respondents were excluded directly from analysis due to the control question. The remaining 134 respondents were used in analysis and tests.

Independent t-tests were used for comparison between group means and to measure the relative effects of the manipulation. Although some of the sample sizes were small and not all consumer group stimuli were each over  $n > 30$  the tests were still conducted. Cronbach's alpha  $> 0.7$  was used to ensure the reliability when gauged into an index. The indexed means between the two different stimuli, no advertising or advertising, were compared with a significance level of 95 % ( $\alpha = 0.05$ ). All measures were compared through overall data, between consumer groups and gender. Nevertheless, only some are presented in this thesis with figures due to previous studies in the theory section, the assessed hypotheses, as well as empirical findings.

### 3.7. Reliability and validity

#### 3.7.1. Reliability

Reliability is another word for the consistency of a measure as a concept. If the study is repeated with the same conditions as at the first measurement and approach, an equivalent result should be the outcome, thus the study has high stability. Another reliability aspect is the consistency of the measures, that there is an internal consistency measured by Cronbach's alpha, that should be 0.7 or higher (Bryman & Bell, 2011, pp. 157-159). To generate stability with re-testing,

researchers need to use close or at least comparable stimuli compared to those posed in this thesis, as well as same measurements with same items (see Appendix).

The measures used in this thesis are reliable as they are based on previous research, that is elaborated in turn based on previous research and empirics that has been statistically evinced: luxury perception (Vigneron & Johnson, 2004; Kim & Johnson, 2015), third-person effect (Netemeyer and Bearden, 1992), purchase intention (Liljedal, 2016). All measures in this study were multiple-item questions with multi-item scales (Likert-type scale as well as semantic differential scales) and reliable with internal consistency, Cronbach's alpha  $> 0.7$ . For the measure of *conspicuousness* one item (noticeable) was removed as it negatively affected the internal consistency, and when removed the Cronbach's alpha was reliable.

In order to further ensure the reliability and eliminate possible biases of the study, a control question was set after the two scenarios to ensure that the respondent had read and understood the stimulus posed. The control question was reliable on a Likert-scale of seven; assessed from *do not agree at all* to *completely agree*, the respondents were asked: "Does Goyard use advertising?". The respondents who randomly received the stimulus of no advertising, who answered more than three on a seven-point Likert-scale, were excluded from the analysis. The respondents who received the stimulus of advertising and rated four or less on the seven-point Likert-scale were as well excluded from the analysis. Further, most of the consumer groups were covered by the central limit theorem (CLT)  $n > 30$  to contribute to the reliability.

### 3.7.2. Validity

Generally, validity implies that the measures that were chosen should measure what they are intended to measure (Bryman & Bell, 2011, pp. 159-162). To confirm validity, the variables and questions in this thesis were chosen with precaution. For instance, before collecting the main study and survey a pre-test ( $n = 30$ ) was used to ensure that the questions and the stimuli were perceived correctly.

#### *Internal validity*

The internal validity is principally described as the extent to which a causal conclusion is grounded in a study, which is determined by the degree a study is secured by minimising systematic error. The stimuli in this thesis are developed to ensure the highest possible validity;

the diverging information between stimuli is corresponding to the research formulation and the sole dependent factor is the additional information of the new strategy of using (new and old media) advertising compared to the strategy of no advertising. For internal validity, it is also recommended to use a control group to ensure that there is no deviation among the experimental group compared to the control group (Bryman & Bell, 2011, p.47). A control group has not been used, but with the control question posed after the stimuli, the causal conclusion of what is intended to measure was secured.

### *External validity*

Contrastingly, external validity is the extent to which it is secured to generalise the results to other contexts, in other words, how well the results might be applicable to another sample than the tested one or on the whole population. To obtain the best possible generalisation, the thesis has used a dual sampling process.

To ensure the validity, the sampling was conducted both from a student sample as well from an online platform for customers of Goyard. Due to critique regarding the student sample as a convenience sample, the thesis included respondents from the online platform to be able to capture more relevant respondents for the aim of the study. The data collection from the online platform also gave the possibility to analyse all reliable consumer groups. Previous arguments have not shown that volunteers (e.g. respondents received from the Goyard community page) are a representative sample of the population (Söderlund 2010). Therefore, both samples are complementary to ensure a stratified and diverse set of respondents to confirm validated coverage of all consumer groups on all the measures.

## 4. Results and analysis

In this section, the thesis either accepts or rejects the previously posed hypotheses. After a control question after the stimuli, the remaining number of respondents were  $n=134$ , with a number of brand owners  $n=36$ .

### 4.1. Brand signal on luxury through consumer perception

As discussed in section 2.1, there has not been one univocal notion on luxury goods and advertising; in some cases, brand awareness through, for instance, advertising has been expressed as good and should be targeted at non-targets, in other words to non-present and potential consumers. In this thesis, it is presumed that by brand desperation (Kirmani, 1997) the luxury perception will decrease for targets as well as non-targets with advertising.

#### 4.1.1. The luxury perception of conspicuousness decreases for all consumer groups with advertising

**Table 4. Mean comparison of perception of conspicuousness**

Consumer group	NO AD-exposed mean	AD-exposed mean	Significance
Present	5.53	4.84	$p = 0.05 < 0.05$
Aspirational	5.71	4.28	$p = 0.00 < 0.05$
Proletarian	6.36	5.70	$p = 0.02 < 0.05$

The findings show significant support for hypothesis 1 (decreased luxury perception of conspicuousness): for present consumers who do own the brand's products ( $M_{\text{no advertising}} = 5.53$  versus  $M_{\text{advertising}} = 4.84$ ,  $p < .05$ ); for aspirational customers who do not own the brand's products but did recognize its pattern ( $M_{\text{no advertising}} = 5.71$  versus  $M_{\text{advertising}} = 4.28$ ,  $p < .05$ ); for proletarians who do not know about the brand prior to the stimuli ( $M_{\text{no advertising}} = 6.36$  versus  $M_{\text{advertising}} = 5.70$ ,  $p < .05$ ).

This indicates that the effects of either using advertising or not on luxury brands indeed determine the luxury perception. The findings show positive effects of not using advertising, as the luxury signal is stronger for non-advertising and is reduced with advertising. The discrepancies of perceptions are alike and significant for all consumer groups.

The findings show that the present luxury consumers want to demarcate themselves from other less affluent consumers (Veblen, 2009 [1899]; Han et al., 2010). The aspirational consumers perceived the brand as less luxury signalling with advertising, and interestingly even the proletarians that do not engage in signalling perceived the brand as less luxurious. Hence, when the brand cannot offer the consumer goods that signal status, prestige, and demarcation, the luxury brand signal (Vigneron & Johnson, 2004) decreases, which is the adverse signalling effect of advertising on a luxury brand.

<b>Hypothesis 1: Luxury perception of conspicuousness</b>		
H1a	The luxury perception of conspicuousness among present customers will decrease with advertising compared to no advertising	Supported
H1b	The luxury perception of conspicuousness among aspirational customers will decrease with advertising compared to no advertising	Supported
H1c	The luxury perception of conspicuousness among proletarians will decrease with advertising compared to no advertising	Supported

#### 4.1.2. The luxury perception of uniqueness decreases for almost all consumer groups with advertising

<b>Table 5. Mean comparison of perception of uniqueness</b>			
Consumer group	NO AD-exposed mean	AD-exposed mean	Significance
Present	5.28	4.67	<i>n.s.</i>
Aspirational	4.85	3.39	$p = 0.00 < 0.05$
Proletarian	5.81	5.00	$p = 0.00 < 0.05$

The findings show significant support for hypothesis 2 (decreased luxury perception of uniqueness) among most consumer groups: no significant support for present consumers who do own the brand's products; support for aspirational customers who do not own the brand's products but did recognize its pattern ( $M_{\text{no advertising}} = 4.85$  versus  $M_{\text{advertising}} = 3.39$ ,  $p < .05$ ); for proletarians who do not know about the brand prior to the stimuli ( $M_{\text{no advertising}} = 5.81$  versus  $M_{\text{advertising}} = 5.00$ ,  $p < .05$ ).

Just like in hypothesis 1, the luxury perception decreased with advertising compared with no advertising. The findings show positive signalling effects on uniqueness without advertising. The perceptions were different between consumer groups, where present customers were not significantly affected, although decreasing perception as well. Hence, there were no negative signalling effects on present customers, but there were negative signalling effects among aspirational customers that potentially could become future buying customers.

In parallel with the findings in hypothesis 1, aspirational consumers – as well as proletarians – perceived the brand as less luxury signalling and perceived the demarcation as lesser with advertising than without. However, the present luxury consumers perceived that they demarcate (Veblen, 2009 [1899]; Han et al., 2010) uniqueness in the same manner from others with these goods together with advertising compared to no advertising. As a result, the findings in hypothesis 2 is equivocal as present customers did not perceive an adverse advertising effect while other consumer groups did.

<b>Hypothesis 2: Luxury perception of uniqueness</b>		
H2a	The luxury perception of uniqueness among present customers will decrease with advertising compared to no advertising	Not supported
H2b	The luxury perception of uniqueness among aspirational customers will decrease with advertising compared to no advertising	Supported
H2c	The luxury perception of uniqueness among proletarians will decrease with advertising compared to no advertising	Supported

## 4.2. Brand signal affected by third-person effect

This thesis argues that a potential cause of the negative advertising effect is the third-person effect. Due to advertising, the brand's consumers will be perceived as having less of a certain positive characteristic, for instance, intelligent and sophisticated. This, in turn, would affect the purchase intention of the brand's products.

#### 4.2.1. Positive characteristics of the luxury brand's consumers decrease among women with advertising due to third-person effect

**Table 6. Mean comparison of third-person effect**

Gender groups	NO AD-exposed mean	AD-exposed mean	Significance
Both genders	4.65	4.38	<i>n.s.</i>
All females	4.76	4.11	$p = 0.03 < 0.05$
Female owners	5.50	3.33	$p = 0.00 < 0.05$

The findings show significant support for hypothesis 3 (decreased positive perception of the brand's consumers due to third-person effect): as there was no significant difference between both genders the sub-hypothesis is supported; significant support for all females in the study ( $M_{\text{no advertising}} = 4.76$  versus  $M_{\text{advertising}} = 4.11$ ,  $p < .05$ ); for females in the study who own one of the brand's products ( $M_{\text{no advertising}} = 5.50$  versus  $M_{\text{advertising}} = 3.33$ ,  $p < .05$ ).

In accordance with previous studies and the formulated hypothesis, only women were affected by third-person effect (Choi et al., 2008). The findings show that a strategy of no advertising will positively impact the perceived image of a luxury brand's consumer base, which will, in turn, rub off on the luxury perception – but will it decrease the purchase intention? The overall female participants saw Goyard's consumers as, for instance, less informed, less successful, less elegant, and less sophisticated but considered them to have some closer connection to their social network with advertising.

The data for both genders in total did not show any significant difference as third-person effect did not affect the males. As the advertising was not controversial, as such, this could have affected the result, since previous research on third-person effect and advertising has shown a negative third-person effect on men by controversial advertising (Dahlén et al., 2013).



### Hypothesis 3: Third-person effect

H3a	The perception of Goyard's customers (third-person effect) will be the same with advertising compared to no advertising for both genders in the data	Supported
H3b	The perception of Goyard's customers (third-person effect) will decrease with advertising compared to no advertising for all females in the data	Supported
H3c	The perception of Goyard's customers (third-person effect) will decrease the with advertising compared to no advertising for present female customers	Supported

#### 4.2.2. The purchase intention does not decrease with advertising; it maintains the same

**Table 7. Mean comparison of purchase intention**

Gender groups	NO AD-exposed mean	AD-exposed mean	Significance
Both genders	4.08	4.21	<i>n.s.</i>
All females	3.70	3.42	<i>n.s.</i>
All males	4.56	5.22	<i>n.s.</i>

This thesis has to reject the hypothesis 4, that due to third-person effect, which decreases the luxury perception, the purchase intention will decrease. Instead, it maintains status quo, as the changes are not significant. Interestingly, the purchase intention decreased some with advertising for women, however, increased somewhat for men. Notably, although the purchase intention did not decrease, it did not increase and would therefore not compensate for the additional costs of expenditures that advertising would implicate.

The results do not support the communication paradox (Heine, 2012) in the way that the demand decreases, but the status quo indicates that the demand is not affected by the increased brand awareness. The results between consumer groups – present, aspirational, and proletarian – is not presented in the thesis in figures, but the results also showed no significant differences between them. Consequently, there are no advantages of communicating luxury brands through advertising to neither target customers nor non-targets customers.

**Hypothesis 4: Purchase intention**

H4a	The purchase intention will decrease with advertising compared to no advertising for both genders in the data	Not supported
H4b	The purchase intention will decrease with advertising compared to no advertising for all females in the data	Not supported
H4c	The purchase intention will decrease with advertising compared to no advertising for all males in the data	Not supported

### 4.3. Summary of hypotheses

<b>Hypotheses</b>		<b>Support</b>
H1a	The luxury perception of conspicuousness among present customers will decrease with advertising compared to no advertising	Supported
H1b	The luxury perception of conspicuousness among aspirational customers will decrease with advertising compared to no advertising	Supported
H1c	The luxury perception of conspicuousness among proletarians will decrease with advertising compared to no advertising	Supported
H2a	The luxury perception of uniqueness among present customers will decrease with advertising compared to no advertising	Not supported
H2b	The luxury perception of uniqueness among aspirational customers will decrease with advertising compared to no advertising	Supported
H2c	The luxury perception of uniqueness among proletarians will decrease with advertising compared to no advertising	Supported
H3a	The perception of Goyard's customers (third-person effect) will be the same with advertising compared to no advertising for both genders in the data	Supported
H3b	The perception of Goyard's customers (third-person effect) will decrease with advertising compared to no advertising for all females in the data	Supported
H3c	The perception of Goyard's customers (third-person effect) will decrease the with advertising compared to no advertising for present female customers	Supported
H4a	The purchase intention will decrease with advertising compared to no advertising for both genders in the data	Not supported
H4b	The purchase intention will decrease with advertising compared to no advertising for all females in the data	Not supported
H4c	The purchase intention will decrease with advertising compared to no advertising for all males in the data	Not supported

## 5. Discussion and conclusion

In this section, the thesis will interpret and discuss the results in the light of previous hypotheses, which will conclude the situated research questions.

### 5.1. Can luxury brands be successfully advertised?

As the findings of the study show, luxury is not commensurable with advertising; luxury advertising is an oxymoron. In line with Kapferer and Bastien (2012), luxury advertising is just another anti-law of marketing, but anti-law #10 ‘communicate to those whom you are not targeting’ has to be modified. Rather luxury brands should not communicate openly at all, to neither targets nor non-targets, as the luxury perception decreased for all consumer groups. In contrast, the communication paradox proposed by Heine (2012) is highly relevant for the brand investigated in this thesis; the increase of luxury brand awareness did not decrease the demand (purchase intention) per se but remained status quo. Simultaneously, the luxury signal decreased significantly for all consumer groups. Hence, as the signal decreased with no substitution in growing demand, luxury products cannot be successfully advertised.

### 5.2. The advertising effect on the luxury signal

If the products offered by a luxury brand are of the highest and most exquisite excellence and finery for a lucky few, then why would the brand need to prove its value by mass-communicated advertising? Compared to Kirmani (1997) there is no inverted U-relationship in this case, but merely advertising in itself have negative effects on the luxury brand and its signalling. The consumers perceive brand desperation due to advertising, as the luxury signal of conspicuousness, as well as uniqueness (Vigneron & Johnson, 2004), decreases for the luxury brand. In line with Kirmani (1997), the signalling findings indicate that luxury consumers, both targets and non-targets, perceive the advertising costs as unjustifiable and start to hesitate on the luxury brand's confidence and begin to perceive the luxury product's offering of social stratification through a dream world by the brand as inferior.

If the luxury goods start to signal lower status and less affluent consumers gain access, the consumers of the higher strata will find new ways to demarcate themselves (Veblen, 2009 [1899]; Simmel 1904). Hence, it is important that luxury brands do not lose their luxury signal to be able to maintain their competitive advantage and thereof sustain in the luxury market. When the status and signal is starting to disperse, it could be lost, and the consumers will

abandon and find new ways to demarcate themselves, either by competitors in the same product category or by other types of companies and product categories that can substitute the need for status and status signalling.

### 5.3. The causes of third-person effect

Using the third-person effect as an explanation for the cause of the decrease in luxury brand signalling, the thesis concludes that communication through advertising can lead to the perception that more ‘other’ people with lesser positive features are appealed to the brand. Subsequently, ‘others’ are considered as less sophisticated, reflecting, and successful, which leads to the perception that customers in the brand's consumer base are negatively affected.

The results show that only females are affected by third-person effect and therefore scored the brand significantly lower in the stimulus with advertising compared with the no advertising stimulus. Only females are significantly affected by the perception of ‘others’. This information strengthens the arguments of females being more concerned and negatively affected by third-person effect (Choi et al., 2008), in this case, when aware that the brand starts to use advertising. Moreover, when the brand is targeting and attracting customers they do not wish to be associated with it (Dahlén et al. 2014; Eisend, 2015). This indicates that the findings of the third-person effect of females illustrated upon body image in advertising (Choi et al., 2008) also show similar effects upon gender when it comes to using advertising for Goyard.

Further, as males did not significantly react negatively to advertising, this could be a result of sole advertising not being perceived as controversial (Dahlén et al., 2013) enough to influence the male participants. Caution should be taken for practitioners and luxury brands, as females significantly reacted to third-person effect and if the advertising would be exercised controversially – e.g., previous advertising campaigns by photographers such as Terry Richardson – it could also affect the perception of the brand’s consumer base.

The findings of third-person effect also are in line with the origin of conspicuous consumption where consumers want to demarcate themselves from others (Veblen, 2009 [1899]). This further are in line with prestigious luxury goods being socially more connected to the consumer (cf. Vigneron & Johnson, 1999), hence the luxury perception (Vigneron & Johnson, 2004) have been affected when other customer bases than the affluent Patricians and Parvenus (Han et al, 2010) are connected with the brand through advertising.

## 5.4. The advertising effect on the purchase intention

Applying the logic behind purchase intention, it needs in its extent increase to motivate advertising costs. The hypothesis assumed a decrease in purchase intention due to the third-person effect. The hypothesis was rejected as the purchase intention maintained status quo, neither decreased nor increased. Due to the communication paradox (Heine, 2012), luxury brands do not advantage from using advertising or other mass-communication tools that increase the brand awareness. Hence, the thesis shows that the demand for luxury brands do not increase with advertising and the financial disadvantages would then be that the potential advantages do not outweigh the costs. For Goyard, this would mean that the profit margin of 43.8% in 2013 (Bureau van Dijk, 2017, April 17a) would be damaged and could be eaten up by advertising costs. The expenses, in turn, could lead to such a decrease in Goyard's profit margin that it could become on the same level as the luxury conglomerate LVMH, with a profit margin of 16.4% in 2016 (Bureau van Dijk, 2017, April 17b).

## 5.5. Conclusion

Could it be harmful to advertise luxury products? The findings of the study indicate that this could be the case; the lustre of luxury disperse with advertising. As such, the perception of the brand decreases with advertising, the results being comparable with Kirmani (1997), where consumers perceive that the costliness of using advertising lower the perceived luxury offering of social stratification through a dream world by the brand, hence the luxury perception (Vigneron & Johnson, 2004) was decreased.

Applying the third-person effect, it was found that when the information was presented about that the luxury brand uses advertising it leads present as well as potential female consumers to perceive that more 'others' (who are less smart and sophisticated) will be appealed to the luxury brand. This, in turn, impacts negatively on the perceptions of the brand's consumer base, consequently resulting in a negative effect on the luxury signal. Although the status quo in purchase intention with advertising is not harmful, as such, it is harmful due to that the alternative cost of decreased marginal caused by advertising expenditures. In other words, advertising is not effective as there was no increase in demand. These findings are applicable to both old as well as new [digital] media channels.

The thesis concludes, given the delimitations, that the answer to the main research question is:

*What are the effects of using advertising on a luxury brand that has never used advertising before; how does it affect the luxury perception of the brand?*

- The effects of using advertising on a luxury brand that has never previously used advertising are negative signalling effects as the luxury perception decreases. The financial costs are that advertising costs by increased expenditures, but do not increase the demand for the luxury brand.

Moreover, the sub-question answers potential causes to the effects:

*What are the causes of the effects of luxury perception on the brand with advertising; is there a third-person effect?*

- One potential cause to the negative effects on the luxury brand and its perception can consequently be the third-person effect; female participants perceived that the brand attracted more ‘others’ (less smart and sophisticated etcetera).

## 5.6. Implications

The thesis makes several academic contributions. First, it adds to the literature on luxury marketing, extending the anti-laws of marketing (Kapferer & Bastien, 2012), partly vindicating the [luxury] communication paradox (Heine, 2012), and provides experimental and authentic investigation through the brand luxury index (BLI) scale (Vigneron & Johnson, 2004; Kim and Johnson, 2015). Second, the thesis contributes to the limited previous studies of the possible advantages of not using advertising (see also, Kuksov et al., 2013), with an especial emphasis on luxury advertising. The thesis shows that when a luxury brand uses advertising it signals brand desperation (Kirmani, 1997), hence the luxury perception of the brand decreases. Third, it contributes to the increasing body of work on advertising’s effect on the consumer base of the brand (e.g., Dahlén et al., 2014). Fourth, the thesis prolongs the body of work on third-person effect, which has generally been used to describe female body perception on women in communicated media (Choi et al., 2008) and the adverse effects through controversial advertising (e.g. Dahlén et al., 2013), now extended to non-controversial luxury advertising.

There are also practical implications for luxury brands. Due to the close connection between luxury and its social connection and importance for the consumers, the brands have to be attentive to how targets, as well as non-targets, perceive not only the brand and its advertising, but also how they expect that other consumer groups are communicated and appealed to the brand. In this manner, the thesis findings propose that luxury brands need to reflect how they target all types of consumer bases with their advertising. By using creative advertising messages and being selective in which channels and what messages are used, the adverse effects of luxury advertising could be mitigated. Luxury brands could use benchmarking of large brands, such as Nike, that are increasingly depending on their own new [digital and social] media channels, where consumers approach these messages voluntarily (e.g. Rosengren & Dahlén, 2015). Using the luxury brand's own – and no other – new media channels, or in other ways depending on the consumers reaching out for the brand's advertising, reduces both the actual as well as perceived extent to consumers that are appealed to the luxury brand.

At first, the results and the discussion may appear undesirable to all the marketing communicators close to the brand, for instance, advertising and PR agencies – especially those specialising in luxury and fashion – since the results suggest that there are adverse effects on the luxury brand by the sole use of advertising. Nonetheless, the outcomes underpin current proposals of research that state that advertising is effective when it has deserved the consumers' attentiveness (e.g., Rosengren & Dahlén, 2015). Fundamentally, the thesis with its findings emphasises the value of using new [digital and social] media channels that comprise of engagement between the brand and the consumer in innovative modes. These new innovative new media approaches have been realised as prospecting competitive factors by scholars as well as industry experts (Dahlén & Rosengren, 2016). Compared to general advertising in new media, the thesis findings show that if new media is used in a luxury brand's advertising, it should be cautiously used in someone else's channel – stimulus with bloggers and Instagram-influencers – and thus preferentially use advertising in an engaging and creative way on the luxury brand's own channels. For instance, media collaboration between the luxury brand and an artist or a celebrity (Fuchs et al., 2013) could mitigate the adverse communication effects in someone else's new media channel.



## 5.7. Critique and limitations

As mentioned in section 3.3., there has been discussions regarding critique on sampling. Previous researchers have critiqued both convenience samples (Pham, 2013) as well as volunteer samples (Söderlund, 2010). In this sense, there seems to be no optimised sampling process but this thesis limits on the twofold sampling of a stratified student sample as well as a volunteer consumer sample through an online page. Nevertheless, other samples can be used to conduct this kind of experimental study.

The sampling was not conducted in a closed environment and no monetary or other incentives were granted. This has led to that evenly presented stimuli were not evenly completed. Further, this has led to 72 answers for the no advertising stimulus compared to 62 answers for the advertising stimulus. To prevent this skewness to occur and to receive an even answer rate the sampling should be accomplished in an enclosed environment, where the evenly presented stimuli are forced to be completed by all respondents.

The stimuli fused both old and new media as advertising channels, hence the thesis presents that the effect of old media on luxury brands ineffectiveness (Belz, 1994) still stands, but cannot compute the sole effect of luxury advertising in new media. Further, it is recommended to use a control group to ensure that there is no deviation among the experimental group and the control group (Bryman & Bell, 2011, p.47). This was not conducted and is a limitation, although a control question was used to exclude persons who falsely comprehended the manipulation in respective stimuli. The experiment study was conducted solely on one single-brand company, Goyard, thus neglecting effects on other single-brand companies and multi-brand companies.

## 5.8. Future research

This thesis presents and conducts a study on a luxury single-brand and private company that has never used advertising. In the experiment, the observers were stimulated with the case of a luxury brand that has never used advertising started to do advertising. It would be interesting to investigate the contrary effect; what happens with the luxury perception when a luxury brand stops using advertising? And as an addition, future research could use larger and more known luxury multi-brand companies and/or luxury brands with brand extensions, such as Louis Vuitton (LVMH), Gucci (Kering) or Chanel (privately hold).

The findings of the third-person effect which describes negative effects for females when using advertising is certainly interestingly as female users are Goyard's main target audience in product usage. Thus, it would be motivating to investigate these effects further and observe the psychological effects behind the theorem. To what extent does the communicated advertising harm the brand? Can some of the negative effects lie in the belief that females, as analysed in studies regarding the third-person effect of body images in advertising (Choi et al. 2008), are more concerned of other's perception of themselves as luxury consumers than males? Does the advertising have impact on the female's self-identity as a consumer, and as a result they react negatively to advertising as they believe that others in their close network will perceive them as less sophisticated and less smart (e.g. Dahlén et al. 2014) when the exposure of the brand makes the brand more popular and noticeable to the public? This kind of study would be proposed to be conducted qualitatively, where luxury brand relationships to different consumers could be investigated with the consumers' in-depth attitudes towards the luxury brand and advertising. The advertising impact on the level of personal perception – which was delimited in this study – such as hedonism and extended-self (Vigneron & Johnson, 2004) would also be interesting to study.

The result of the study does not support that males react negatively to advertising due to third-person effect. As discussed in part 5.3., these results could be dependent on the extent of offensiveness in advertising (Dahlén et al., 2013); the stimuli are not expressing any controversial luxury advertising. Nevertheless, further research needs to evaluate the stimuli scenarios and test to what extent a luxury advertising can push its execution before it will be perceived as offensive and hence show a significant impact in third-person perception for the male gender.

As mentioned in the results, this thesis has not presented the results for third-person effect nor purchase intention on the different stipulated consumer groups that are connected to the signalling theory – present customers (Patricians and Parvenus), aspirational customers (Poseurs), and non-signalling non-customers (Proletarians). The results that were excluded from the thesis since they showed no significance, thus for replication of this study or benchmarking – for example, another brand or some parts of the study – it would be interesting to investigate the third-person effect and purchase intention among these consumer groups.

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## 7. Appendix



Handelshögskolan i Stockholm



---

Do you recognize this pattern?

- Yes
- No

---

What is the name of the company that uses this pattern? (Or if don't know, leave blank)

---

Do you own one of the company's products?

- Yes
- No

This is an ADVERTISEMENT; a snap-shot from the campaign video on YouTube



Goyard is a French luxury trunk and leather goods maker (luggage, handbags, and leather accessories). The company was established in 1853 in Paris, one year before Louis Vuitton. The brand Goyard stands for history and its French *savoir-faire*, in other words, its know-how – handmade products with high quality. Customers who can prove a royal blood line can purchase a bag with a crown emblem. The brand was earlier secretive and did not advertise.

Since January 2015 the company decided on a new strategy. They started using and are still using worldwide advertising campaigns in major fashion magazines and through Instagram-influencers and bloggers, billboards, as well as regular promotion campaigns.

I have read the whole text

Yes!



This is NOT an advertisement; this is a print from the booklet given with a purchase



---

Goyard is a French luxury trunk and leather goods maker (luggage, handbags, and leather accessories). The company was established in 1853 in Paris, one year before Louis Vuitton. The brand Goyard stands for history and its French *savoir-faire*, in other words, its know-how – handmade products with high quality. Customers who can prove a royal blood line can purchase a bag with a crown emblem.

The brand is known for a high amount of secrecy; they are intentionally avoiding advertising, self-promotion, and refusing to grant interviews. Hence, they have never used advertisement, even though they have the resources.

---

I have read the whole text

Yes!



Does Goyard use advertising?

Do not agree at all        Completely agree

>>



What is your perception of Goyard?

Fairly noticeable	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Very noticeable
Popular to public	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Elitist
Affordable	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Extremely expensive
Upper-middle class	<input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Upper class

>>



What is your perception of Goyard?

Fairly exclusive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very exclusive
Fairly valuable	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very valuable
Fairly rare	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very rare
Fairly unique	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Very unique



What is your overall attitude towards the brand Goyard?

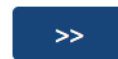
Negative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Positive
Not attractive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Attractive
Poor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Good

How interested would you be in Goyard's products?

	Do not agree at all						Completely agree
I would like to know more about them	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I would like to see them in a store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I would like to buy it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

What is your perception of Goyard's consumers?

	Do not agree at all					Completely agree	
Confident	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Informed	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reflecting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Intelligent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Successful	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sophisticated	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Elegant	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Connections to my social network	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>





What is your gender?

- Male
  - Female
- 

What is your age?

---

What is the highest degree or level of school you have completed? If currently enrolled, highest degree received.

- Upper secondary school (Gymnasium)
  - Bachelor's degree
  - Master's degree (MSc, MBA, Executive, or equivalent)
  - Doctorate degree
-