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# The broad embrace of luxury: Hedonic potential as a driver of brand extendibility

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**Abstract**

This research proposes a feelings-based account of brand extension evaluation and demonstrates that the promise of pleasure (hedonic potential) associated with luxury brands is a key driver of brand extendibility. In four studies, we contrast a luxury brand with a value brand. Both brand concepts lead to equally favorable brand evaluations, but the luxury brand concept results in more favorable brand extension evaluations due to the hedonic potential inherent in this concept. However, the luxury brand is shown to be sensitive to inconsistent brand cues, leading to diminished hedonic potential and consequently decreased brand and brand extension evaluations.


The legendary Scheherazade of Arabian Nights fame kept herself from being beheaded by the promise of pleasure from her fascinating stories. She enraptured the king, who typically executed his virgin wives after one night of being with them, by telling him a story that made him eagerly anticipate her next exciting new story, night after night, for one thousand and one nights. The promise of pleasure is indeed powerful, and evokes in us the motivation to re-experience pleasurable feelings again and again. We draw inspiration from this tale to investigate how, like Scheherazade, luxury brands make a similar promise of pleasure, not only for the experience of that product alone but also for other products that bear the same brand name. The central thesis of this research is that luxury brands are more extendible than value brands by virtue of their hedonic potential, or, in other words, their promise of pleasure.

Consumers are increasingly motivated to pursue products that provide emotional benefits. This is reflected in the escalating growth of the luxury industry. A report from Research and Markets (2006) estimated the total U.S. luxury market to have reached $1002.2 billion in 2005, up 11.6% from $898 billion in 2004. These figures may be even larger if we include what Silverstein and Fiske (2003) conceptualize as the "new luxury" market. According to these authors, there is a trend that consumers are "trading up" to "new luxury" products, which are premium goods that connect with consumers on an emotional level. Notably, "new luxury" is not restricted to conventional luxury goods such as diamonds, furs, and expensive cars (referred to by Silverstein and Fiske as "old luxury"), but may include any products at the top of their category, from sandwiches (e.g., Panera Bread) to body washes (e.g., Bath and Body Works).

Academic researchers have devoted a considerable amount of effort in understanding consumer motivations for hedonic products (Hirschman & Holbrook, 1982), consumer tradeoffs between hedonic and utilitarian products (Chitturi, Raghunathan, & Mahajan, 2007; Kivetz & Simonson, 2002), and the importance of hedonic potential in order to delight, rather than merely satisfy, consumers (Chitturi, Raghunathan, & Mahajan, 2008). Indeed consumption offerings are increasingly viewed as

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experiences that elicit both feelings and cognitions in differing proportions rather than merely products and services (Norman, 2004; Schmitt, 1999). Yeung and Wyer (2005) demonstrate that brand-elicited affect favorably influences brand extension evaluations, irrespective of fit considerations. However, these authors do not focus on the source of a brand's affect-eliciting tendency. While there might be many ways in which a brand may nurture its hedonic potential, a popular marketing strategy is to rely on a luxury brand proposition. In the current research, we thus extend previous research to demonstrate that a luxury concept facilitates brand extendibility via its intrinsic hedonic potential.

We theorize that the connotations of pleasure that accompany a luxury brand distinguish it from the utilitarian benefits conferred by a value brand. In line with previous research (Chitturi et al., 2008), we argue that while value brands satisfy, luxury brands delight. Both value and luxury may be viable product benefits for a given product category, and both brands may be independently evaluated equally favorably. However, a luxury brand's promise of pleasure, or ability to delight, is inherently desirable in the context of diverse product categories, and the desire to re-experience this affect-eliciting brand results in more favorable brand extension evaluations, irrespective of fit between the brand and the extension category (Yeung & Wyer, 2005). In contrast, a value brand's promise of maximal utility for a minimal price is only relevant to the extent that specific, mundane needs are fulfilled. While luxury goods are inherently desirable, because luxury is delightful in and of itself, value goods are desirable to the extent that they serve a utilitarian purpose. Such functional considerations entail a reasons-based evaluation, as opposed to the affect-based evaluation for luxury, and thus extendibility is restricted to those product categories that make sense to the consumer.

We demonstrate the enhanced extendibility of luxury brands in Studies 1–3 and show that it is the hedonic potential of these brands that underlie the effect. Specifically, in Study 1, we compare the impact of a luxury, a value, and a category-specific (taste) brand on brand extension evaluations for a brand of spaghetti sauce. The results of the study confirm the central thesis of this research. Although luxury, value, and taste brands evoke equally favorable brand evaluations, the hedonic potential of the luxury brand resulted in the most favorable brand extension evaluations. Study 2 replicates the results of Study 1, even when participants are given an opportunity to experience the product. Here, participants actually taste a beverage positioned as a luxury vs. a value brand. The results reveal that although participants reported no differences in brand evaluations, the luxury brand resulted in more positive brand extension evaluations. In Study 3, the results from the previous two studies are replicated, this time with the luxury (vs. value) proposition introduced via the product packaging, rather than via advertising copy. In Study 4, we investigate a limitation inherent in the luxury brand, namely, its sensitivity to inconsistent brand cues. Specifically, an inconsistent brand cue (low price) results in reduced hedonic potential that diminishes both brand evaluation and brand extendibility.

The remainder of the paper is as follows. We first briefly review relevant extant research on luxury branding and then develop a theoretical argument with regard to the role of hedonic potential as a driver for the extendibility of luxury brands. Next, we present the set of four studies and conclude with a discussion of the contributions of this research, the managerial implications of our results given the rampant growth of new luxury in today's marketplace, and further directions for future research in this domain of investigation.

## Conceptual framework

### *Luxury brands: definitions, connotations, and the contrast with value brands*

The Merriam-Webster Dictionary defines luxury as "a condition of abundance or great ease and comfort" or "something adding to pleasure or comfort but not absolutely necessary." Vigneron and Johnson (2004) cite Kapferer's (1997) description of luxury products as those that provide extra pleasure and flatter all senses at once, and expand on this description to argue that psychological benefits, rather than functional benefits, provided by luxury products are the key distinguishing factors that set luxury products apart from non-luxury products. Others have defined luxury products as those "whose ratio of functionality to price is low, while the ratio of intangible and situational utility to price is high" (Nueno & Quelch, 1998, p. 61).

In the current research, we conceptualize a luxury brand as one that has premium products, provides pleasure as a central benefit, and connects with consumers on an emotional level. This conceptualization of luxury is reflective of current market trends and captures the pre-requisite of premiumness to be considered a luxury brand as well as the delivery of emotional benefits that constitute the primary or core benefits obtained by the consumer from the consumption of luxury brands. Indeed, this formulation of a luxury brand captures the pervasiveness of the luxury concept across product categories, the yearning for the luxury brand experience by mass market consumers, as well as the trading up of consumers to pay premiums for luxury brands.

Notably, while there is a general trend towards luxury, there is a concurrent trend that consumers want better value for money (Silverstein, 2006). The trend of "trading up" seems to be balanced by a trend of "trading down" such that both luxury and value should represent equally favorable, although vastly different, brand concepts (Zid, 2005). These two brand propositions are on opposite poles, one providing emotional benefits at a premium price and the other providing low prices but little or no emotional benefits.

Previous research has demonstrated that in general consumers tend to prefer a product offered by a high-end brand to the equivalent product offered by a low-end brand (Randall, Ulrich, & Reibstein, 1998) but that this should only be the case if the difference in quality between the brands is comparable to the difference in price (Bronnenberg & Wathieu, 1996). Other research (Leclerc, Hsee, & Nunes, 2005) illustrates the importance of the relative brand position within a product category and demonstrates that relative ranking matters such that even in a low status category, a high ranking product is preferred. This finding illuminates the emergence of "new luxury" or the preference for premium products in a large variety of product categories. While a value brand highlights the quality and functional benefits a product delivers for the price paid, a luxury brand delivers psychological and sensory gratification and provides consumers with emotional, hedonic benefits. Indeed, it is often for the hedonic experience that luxury products are consumed (Silverstein & Fiske, 2003) and that consumers are willing to pay a premium (Allsopp, 2005).

Although there has not been much research that explicitly contrasts the luxury and value brand concepts, we draw on an emerging stream of literature that contrasts hedonic and utilitarian products to propose that for a given category, a value brand and a luxury brand may be equally appealing and viable but that the manner in which each brand is evaluated differs and consequently influences the basis upon which brand extensions are evaluated.

### *Feelings-based vs. reasons-based evaluations of brands and brand extensions*

Extant research has implied that luxury goods are associated with hedonic pleasure while value goods are associated with more utilitarian goals (Dubois & Paternault, 1995). While hedonic goods are multi-sensory and associated with fun, feelings, pleasure, excitement, and fantasy, utilitarian goods are primarily instrumental, and their consumption is motivated by functional product aspects (Hirschman & Holbrook, 1982).

A related distinction in the literature is between affect-rich and affect-poor goods. Hsee and Rottenstreich (2001) illustrate that a \$100 coupon redeemable for payment towards a phone bill (a utilitarian benefit) evokes a lower affective response and little imagery compared to a \$100 coupon redeemable towards a dinner for two at a fine restaurant (a hedonic benefit). Similarly, one might argue that a luxury brand may be considered affect-rich while a value brand affect-poor. Extant research suggests that affect-rich products are spontaneously evaluated on the basis of the feelings they evoke (Schwarz & Clore, 1983) while affect-poor products are evaluated based on more rational and objective criteria. Thus, it also seems reasonable that an affect-inducing brand concept might facilitate spontaneous brand extension evaluations.

Importantly, neither hedonic nor utilitarian products are inherently good or bad. Okada (2005) showed that when only one dessert was offered, restaurant patrons preferred the hedonic dessert, but when both desserts were offered, the utilitarian dessert was favored. Pham (1998) similarly asserts that while different products may be high vs. low in hedonic vs. utilitarian features, usage and consumption motives are central in determining whether an item is perceived as primarily hedonic or utilitarian and which item is preferred. Thus, a consumer may perceive a product, for instance, pasta sauce, a watch, or a pair of jeans, as hedonic (luxury) or utilitarian (value) based on the aspect of the item highlighted. Drawing on these findings, we suggest that luxury brands are likely to be evaluated based on the hedonic potential or promise of pleasure (feelings-based evaluation) while a value brand is more likely to be evaluated on the basis of utilitarian benefits and product attributes (reasons-based evaluation).

A great deal of prior research has investigated how brand extensions may be evaluated when consumers are asked to think about these extensions and whether they make sense for the brand, in other words, when consumers are making a reasons-based evaluation. From this perspective, the extant research has identified two key factors that drive consumer evaluations of brand extensions: (1) the brand image or perceived quality of the brand (Aaker & Keller, 1990; Bottomley & Holden, 2001) and (2) the category fit (overlap in product-level feature similarity; Aaker & Keller, 1990; Bottomley & Holden, 2001) and conceptual fit (Park, Milberg, & Lawson, 1991) between new products and existing products associated with the brand. Thus, this early research suggested that strong high quality brands are more extendable, and extensions that fit with the parent brand and make sense to consumers are more likely to be evaluated favorably.

A few researchers have suggested other drivers of brand extendibility. Yeung and Wyer (2005) draw on affect-as-information theory and demonstrate the influence of brand-elicited affect on consumer evaluations of brand extensions. In an experiment involving airlines, they demonstrate that when the core brand does not elicit affect, extension evaluations are a function of the extension's similarity to the core brand. However, when the core brand elicits affect, this affect influences evaluations regardless of core-extension similarity. Thus, a feelings-based evaluation of brand extensions is clearly emerging in this literature (e.g. Fedorikhin, Park, & Thomson (2008) demonstrate the role of emotional attachment in brand extension evaluation). Notably, Yeung and Wyer (2005) show that it is only when category fit is made salient that perceptions of fit become an issue of consideration in brand extension evaluation (see also Kim & John, 2008). We would argue that this reflects a shift in processing from a feelings-based evaluation to a reasons-based evaluation.

Yeung and Wyer (2005) do not, however, focus on the source of the affect elicited by a brand, and in the current research we argue that it is precisely the affect-eliciting capacity, or hedonic potential, of luxury brands that facilitates brand extendibility. We argue that a luxury brand appeals to a consumer's emotions, and the evaluation of brand extensions is based on what "feels right." Conversely, a value brand appeals to a consumer's sensibility, and the evaluation of brand extensions is based on what "makes sense."

### *The differential extendibility of luxury vs. value*

Previous research has demonstrated that the value of brand associations may differ depending on the benefits sought within a particular category, such that the evaluation of a brand extension need not correspond to evaluation of the brand in its original category (Broniarczyk & Alba, 1994). Indeed, Meyvis and Janiszewski (2004) illustrate that successful extensions are associated with benefits that are valued in the extension product category. However, the hedonic potential of a luxury brand represents a benefit that is transportable across product categories, resulting in brand extensions being perceived more favorably. After all, pleasure is not only a fundamental human drive (Higgins, 1997), but it is universally applicable such that a consumer may be delighted and feel sensory and emotional gratification through the consumption of virtually any product category. Indeed, the "luxury fever" (Frank, 1999) that has purportedly swept the nation is proposed to be not the pursuit of furs, diamonds, and cars, but of traditionally functional items like grills, washing machines, and lawnmowers.

Similarly, one might argue that good value for money might be desirable in virtually any product category. However, unlike the intrinsic, affect-based appeal of luxury brands, a high ratio of utility to expenditure is tied to the fulfillment of specific, functional needs. Indeed, a consumer is only getting value for money to the extent that the product fulfills its specific purpose. It seems reasonable that the consideration of the ratio of utility to expenditure entails a cognitive, reasons-based analysis, leading to a reasons-based evaluation of value extensions, including assessments of fit. In line with previous research on affect-eliciting vs. non-affect-eliciting brands (Yeung and Wyer, 2005), we thus expect that luxury brands extend more easily than do value brands. In sum, we propose that (1) a luxury brand results in greater extendibility of the parent brand than does a value brand, (2) a luxury brand has a higher hedonic potential than a value brand, and (3) hedonic potential associated with the parent brand explains or mediates the influence of the luxury brand on brand extension evaluations.

### *Luxury brands, hedonic potential, and brand cue consistency*

Although we argue that a luxury proposition facilitates brand extendibility, there are also limitations inherent in luxury brands that complicate this strategy. Brand management entails, in part, maintaining consistency and positive brand associations in brand communication (Keller, 1993; Park, Jaworski, & MacInnis, 1986). Indeed, commitment to a specific brand concept entails providing brand cues consistent with that brand concept. For example, cues like premium pricing and exclusive distribution may be considered consistent with a luxury brand (Nueno & Quelch, 1998; Silverstein & Fiske, 2003). Research on brand dilution suggests that providing cues that are inconsistent with a brand concept decreases brand evaluation and consequently might have an impact on brand extendibility (Buchanan, Simmons, & Bickart, 1999).

We have argued that the hedonic potential of a luxury brand allows it to extend to a variety of diverse product categories. However, a potential downside to breadth stemming from hedonic potential is that the management of hedonic potential is difficult to maintain. Since hedonic potential leads to spontaneous, feelings-based evaluations, thus facilitating the transfer of positive connotations, then it seems reasonable that a disruption of those perceptions may in a similar manner spontaneously cause unfavorable evaluations.

Price, for instance, is an important and highly diagnostic brand cue that marketers use to signal quality or luxury. In fact, Miyazaki, Grewal, and Goodstein (2005) suggest that for synergistic effects to occur a price must be high enough to fit with a high-prestige brand concept. Thus, while a high price may deter consumers from purchasing even a favorably evaluated brand extension, a low price would conflict with the luxury concept and lead to diminished brand evaluation, hedonic potential, and brand extension evaluation. In the empirical section that follows, after demonstrating the role of hedonic potential in the extendibility of luxury vs. value brands (Studies 1–3), we investigate the role of price as the brand cue consistent vs. inconsistent with the luxury brand concept (Study 4).

## Study 1

Eighty-nine undergraduates participated in this study, each filling out a questionnaire based on an advertisement included in that questionnaire. The ad was for Prince Spaghetti Sauce, a brand of spaghetti sauce pretested to be unfamiliar to the participants ($M$=1.16; *1=not at all familiar*, *7=extremely familiar*). Participants were randomly assigned to three experimental conditions: a luxury brand, a value brand, or a flavor control. All three ads were identical except for the ad copy used to emphasize luxury ('Introducing luxurious spaghetti sauces... Always luxury'), value ('Introducing value-for-money spaghetti sauces... Always value'), or flavor ('Introducing tasty spaghetti sauces... Always flavor'). The flavor control served as a category-specific brand concept control (c.f. Broniarczyk & Alba, 1994).

This manipulation of luxury vs. value was based on the results of a pretest that revealed that the word "luxury" evoked more hedonic associations while the word "value" evoked more functional associations. Thirty-two participants completed a word-association task in which they provided free associations to either luxury or value. A coding scheme was developed to assess the nature of the associations elicited by these two concepts. Two coders were trained by the authors by use of examples and discussion. The coders, blind to the hypotheses, assessed the number of hedonic associations (e.g., "pleasure," "feel good," etc.) and utilitarian associations ("value for money," "makes good sense") each concept elicited. The results revealed that "luxury" evoked a significantly higher number of hedonic associations ($M_{(\text{luxury})}$=3.53 vs. $M_{(\text{value})}$=.57, $F(1, 30)$= 24.10, $p<.05$), while value evoked a greater number of utilitarian associations ($M_{(\text{luxury})}$=.33 vs. $M_{(\text{value})}$=2.50, $F(1, 30)$=29.19, $p<.05$).

After viewing the ads, participants completed a short questionnaire that assessed brand evaluation on seven-point semantic differential scales (*unfavorable–favorable*, *negative–positive*, *bad–good*, *unpleasant–pleasant*, and *dislike very much–like very much*), later combined in a brand evaluation index ($\alpha$=.95). Participants also reported the hedonic potential of the Prince brand on a scale adapted from Voss, Spangenberg, and Grohmann (2003) (*useful–enjoyable*, *not fun–fun*, *dull–exciting*, *not delightful–delightful*, *not thrilling–thrilling*, and

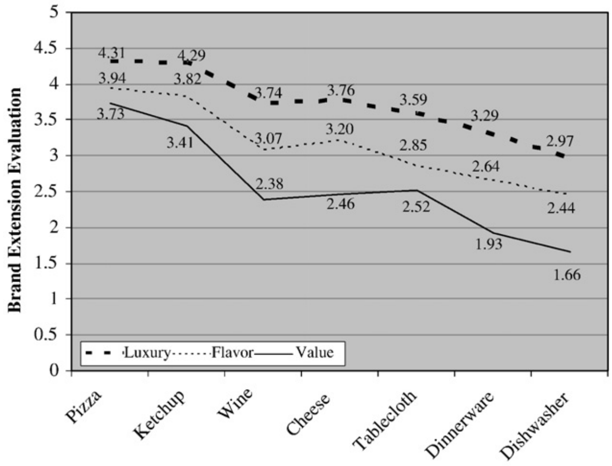



Fig. 1. Brand extension evaluations for Study 1.

*unenjoyable–enjoyable*) later combined in a hedonic potential index ($\alpha = .91$). Participants were then asked how they would view the set of products if they belonged to the Prince brand. The brand extensions included both inherently functional and inherently hedonic categories, pretested to range from high to low fit with the spaghetti sauce category, and were rated on seven-point semantic differential scales (*negative–positive*, *low quality–high quality*, and *undesirable–desirable*): pizza ($\alpha = .98$), ketchup ($\alpha = .96$), wine ($\alpha = .99$), cheese ($\alpha = .98$), tablecloth ($\alpha = .97$), dinnerware ($\alpha = .99$), and dishwasher ($\alpha = .99$). As a brand concept manipulation check, participants rated the Prince brand (*value–luxury*) on a seven-point semantic differential scale.

## *Results*

### *Brand concept manipulation check*

A one-way ANOVA across the three experimental conditions with the brand concept manipulation check as the dependent variable revealed that the manipulation was successful ($M_{(\text{luxury})} = 4.00$ vs. $M_{(\text{value})} = 2.43$ vs. $M_{(\text{flavor})} = 3.14$, $F(2, 86) = 8.29$, $p < .05$).

### *Brand evaluation*

A similar ANOVA on the brand evaluation index revealed, as predicted, no significant differences ($M_{(\text{luxury})} = 3.93$ vs. $M_{(\text{value})} = 3.62$ vs. $M_{(\text{flavor})} = 4.30$, $F(2, 86) = 2.17$, NS). As expected these brand concepts were viewed as equally favorable. Further, including brand evaluation as a covariate did not influence the results of the following analyses.

### *Hedonic potential*

A similar ANOVA on the hedonic potential index revealed significant effects ($M_{(\text{luxury})} = 3.77$ vs. $M_{(\text{value})} = 2.57$ vs. $M_{(\text{flavor})} = 3.11$, $F(2, 86) = 7.69$, $p < .05$). As expected, the luxury brand evoked a higher hedonic potential than the value brand.

### *Brand extension evaluations*

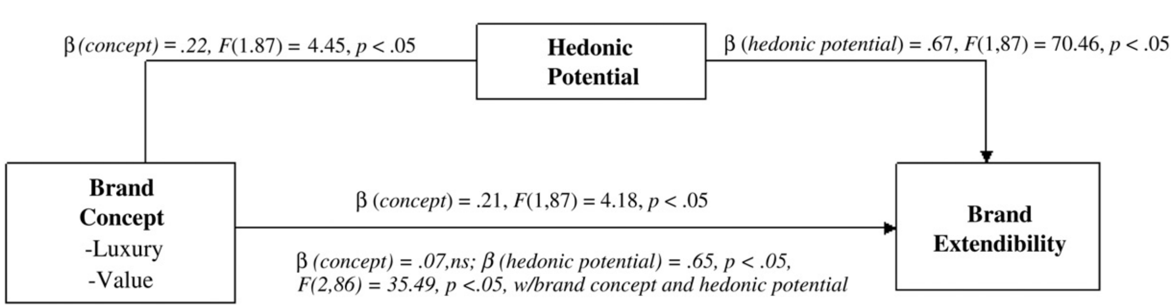
A similar set of ANOVAs was conducted on the following brand extensions: pizza ($F(2, 87) = 1.18$, NS), ketchup ($F(2, 86) = 2.92$, $p = .06$), wine ($F(2, 86) = 4.58$, $p < .05$), cheese ($F(2, 86) = 5.99$, $p < .05$), tablecloth ($F(2, 86) = 4.82$, $p < .05$), dinnerware ($F(2, 86) = 7.27$, $p < .05$), and dishwasher ($F(2, 86) = 7.61$, $p < .05$). See Fig. 1.

### *Mediation analysis*

Mediation analysis (Baron & Kenny, 1986) was conducted to support our theorizing that hedonic potential mediates the influence of brand concept on the average brand extension evaluation. First, regression analysis showed a significant effect of brand concept on brand extension evaluation ($\beta = .21$, $F(1, 87) = 4.18$, $p < .05$). The effect of brand concept on hedonic potential was also significant ($\beta = .22$, $F(1, 87) = 4.45$, $p < .05$), as was the effect of hedonic potential on brand extension evaluation ($\beta = .67$, $F(1, 87) = 70.46$, $p < .05$). Finally, the regression analysis with brand concept and hedonic potential included in the model as predictors of brand extension evaluation ($F(2, 86) = 35.49$, $p < .05$) revealed a significant effect of hedonic potential on brand extension evaluation ($\beta = .65$, $p < .05$), while the effect of brand concept became non-significant ($\beta = .07$, NS). The mediation results are shown in Fig. 2.

## *Discussion*

This study supports the central thesis of this research. While luxury and value brands were evaluated as equally favorable, the luxury brand resulted in more favorable brand extension evaluations than did the value brand. Further, this study demonstrated via mediation analysis that hedonic potential




Sobel test: $z = 2.04$, $p < .05$; Goodman test: $z = 2.05$, $p < .05$

Fig. 2. Mediation analysis for Study 1.

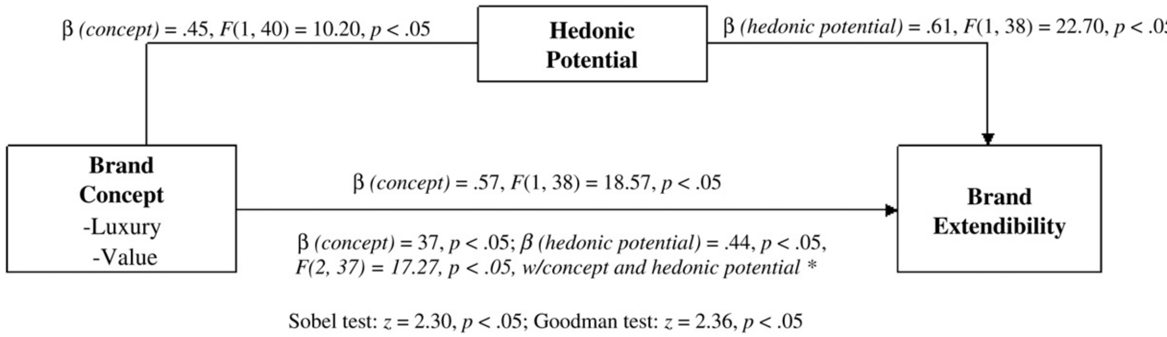



Fig. 3. Mediation analysis for Study 2.

mediates the influence that the luxury brand has on brand extension evaluation. Next, we replicate these results in a study in which participants were given the opportunity to experience the product and then provide brand and brand extension evaluations.

## Study 2

For this study, we relied on a concept testing methodology commonly used by marketers to test new product ideas. Specifically, participants were given a sample of a product to taste and exposed to a concept card that positioned the product as a luxury product or a value product.

Forty-two respondents participated in a taste test purportedly for a new beverage about to be launched. The beverage served was a Mango Lassi, a mango and dairy based drink sometimes served in Indian restaurants, chosen as the stimulus since the participants were likely to be unfamiliar with it and would have to evaluate it based only on the information provided to them. Each participant was given a small cup of the beverage and a concept card that described the new drink, Mangola (fictional brand), as a luxury (e.g., 'Relax, sit back and savor the luxury with every sip of Mangola') or a value (e.g., 'Relax, sit back and get your money's worth with every sip of Mangola') product. They then completed a short questionnaire, where the same measures as in the previous study were used for the brand concept manipulation check, brand evaluation ($\alpha=.95$), hedonic potential ($\alpha=.90$), and evaluations of brand extensions that were pretested to be close extensions: ice-cream ($\alpha=.91$), tea ($\alpha=.90$); or distant extensions: furniture ($\alpha=.91$), hotel ($\alpha=.95$), cruise ($\alpha=.95$).

### Results

#### *Brand concept manipulation check*

A one-way ANOVA across the two experimental conditions with the brand concept manipulation check as the dependent variable revealed that the manipulation was successful ($M_{(\text{luxury})}=4.20$ vs. $M_{(\text{value})}=2.45$, $F(1, 40)=25.20$, $p<.05$).

#### *Brand evaluation*

A similar ANOVA revealed, as expected, no differences in brand evaluation ($M_{(\text{luxury})}=4.29$ vs. $M_{(\text{value})}=3.94$, $F(1, 40)=.88$, NS). Further, including brand evaluation as a covariate did not influence the results of the following analyses.

#### *Hedonic potential*

A similar ANOVA on the hedonic potential index revealed significant results ($M_{(\text{luxury})}=4.53$ vs. $M_{(\text{value})}=3.56$, $F(1, 40)=9.41$, $p<.05$), demonstrating that the Mangola brand was viewed as having higher hedonic potential when presented as a luxury brand.

#### *Brand extension evaluations*

A similar ANOVA was conducted for ice-cream ($M_{(\text{luxury})}=4.75$ vs. $M_{(\text{value})}=4.15$, $F(1, 40)=1.72$, NS), tea ($M_{(\text{luxury})}=3.67$ vs. $M_{(\text{value})}=3.02$, $F(1, 39)=2.01$, NS), furniture ($M_{(\text{luxury})}=2.87$ vs. $M_{(\text{value})}=1.65$, $F(1, 39)=17.73$, $p<.05$), hotel ($M_{(\text{luxury})}=3.62$ vs. $M_{(\text{value})}=2.20$, $F(1, 40)=13.58$, $p<.05$), and cruise ($M_{(\text{luxury})}=3.83$ vs. $M_{(\text{value})}=2.24$, $F(1, 40)=15.02$, $p<.05$).

#### *Mediation analysis*

Mediation analysis, following the same procedure as in Study 1, revealed partial mediation by hedonic potential of the influence of brand concept on the average brand extension evaluation score. See Fig. 3.

### *Discussion*

This study replicated Study 1 and indicated that despite objective evidence (tasting the product) the luxury brand was perceived to be more extendible than the value brand. (See Shiv, Carmon, and Ariely (2005) for a similar study, in which lower priced products are less effective than the same products at a higher price.) Further, mediation analysis revealed that hedonic potential explained the influence of the luxury brand on brand extension evaluations. In the study that follows, the results from the previous two studies are again replicated, but this time with a more ecological rendering of the luxury proposition.

## Study 3

In Studies 1 and 2, the luxury (vs. value) proposition was manipulated via a verbal cue, namely the advertisement copy. In Study 3, the brand proposition was manipulated via a visual cue, namely the product packaging. A set of ordinary silverware,

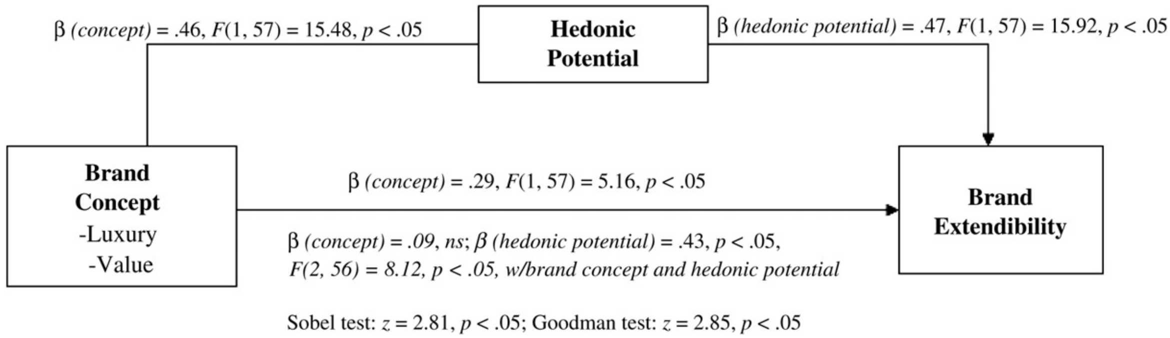



Fig. 4. Mediation analysis for Study 3.

with the fictitious brand name Terrace, was presented to participants in either a fancy black velvet container or a simple black cardboard container. The rationale was that the former would signal luxury and the latter would signal value. The silverware was identical for either container, such that the cardboard container would signal value but not low quality, while the velvet container would signal luxury, but not because the silverware was of higher quality than the value silverware. After being exposed to the silverware, the fifty-nine undergraduate participants in this between-subjects study filled out a questionnaire with the same measures as in the previous studies for brand concept manipulation check, brand evaluation ($\alpha = .95$), hedonic potential ($\alpha = .90$), and evaluations of a close, medium, and distant brand extension: food processor ($\alpha = .93$), cheese ($\alpha = .97$), restaurant ($\alpha = .97$). As an additional measure, participants responded to an open-ended question: "Please state in your own terms how you would describe the Terrace brand." Two independent coders subsequently coded these data for number of thoughts relating to the perception of the product as enjoyable, delightful, fun, exciting, or thrilling, resulting in 92% intercoder reliability.

*Results*

The results of this study replicated the previous studies. A one-way ANOVA across the two experimental conditions with the brand concept manipulation check as the dependent variable revealed that the manipulation was successful ($M_{(\text{luxury})} = 4.96$ vs. $M_{(\text{value})} = 3.39$, $F(1, 57) = 28.07$, $p < .05$). A similar ANOVA revealed, as expected, no differences in brand evaluation ($M_{(\text{luxury})} = 5.00$ vs. $M_{(\text{value})} = 4.83$, $F(1, 57) = .47$, NS). Further, including brand evaluation as a covariate did not influence the results of the following analyses. An analysis of the open-ended data supported the assertion that the luxury brand elicited more references to hedonism than did the value brand ($M_{(\text{luxury})} = .39$ vs. $M_{(\text{value})} = .03$, $F(1, 57) = 6.97$, $p < .05$). Similarly, an ANOVA on the hedonic potential index revealed significant results ($M_{(\text{luxury})} = 4.13$ vs. $M_{(\text{value})} = 3.24$, $F(1, 57) = 15.48$, $p < .05$). Finally, ANOVAs on the brand extension evaluations revealed no difference for the close extension, that is, food processor ($M_{(\text{luxury})} = 3.20$ vs. $M_{(\text{value})} = 3.59$, $F(1, 57) = 1.46$, NS), but significant differences for the medium extension, that is, cheese ($M_{(\text{luxury})} = 3.61$ vs. $M_{(\text{value})} = 2.75$, $F(1, 57) = 4.90$, $p < .05$), and the distant extension, that is, restaurant ($M_{(\text{luxury})} = 4.74$ vs. $M_{(\text{value})} = 3.31$, $F(1, 57) = 15.34$, $p < .05$). Mediation analysis (Baron & Kenny, 1986) revealed full mediation by hedonic potential of the influence of brand concept on the average brand extension evaluation score. See Fig. 4.

*Discussion*

This study replicated the results from the previous two studies, this time with a more ecological rendering of the luxury (vs. value) proposition. Instead of merely introducing the concept of luxury or value with a verbal message, the packaging was here used to signal luxury vs. value. Thus, three studies have demonstrated the brand extendibility facilitated by the luxury proposition. The following study was designed to investigate a limitation of this proposition, namely its sensitivity to inconsistent brand cues.

**Study 4**

In Study 4, we manipulate price as the brand cue consistent vs. inconsistent with the luxury brand concept. Specifically, we propose that a low price will dilute the luxury brand concept, such that a luxury brand coupled with a high (low) price should cause more (less) favorable brand evaluation, increase (decrease) hedonic potential and result in more (less) favorable brand extension evaluations. It is less clear how one might predict this influence for the value brand. A low price is consistent with a value brand, just as a high price is consistent with a luxury brand. Thus, we expect that a value brand coupled with a low (high) price should cause more (less) favorable brand evaluation. However, while a low price has immediate transaction utility and results in the pleasure of getting a good deal (Patrick and Park, 2006), this pleasure is restricted to the transaction itself and is not posited to influence the hedonic potential associated with the brand. In other words, the pleasure of a good deal is instantaneous but holds no promise of similar future pleasure. Therefore, in the current context, we also have no basis for predicting the influence of price on brand extension evaluations for the value brand. Thus, we expect that a consistent price cue has a favorable influence on brand evaluation for both the luxury and the value brand, but in terms of hedonic perceptions and brand extension evaluations we restrict our predictions to those of the luxury brand.

Two hundred and twenty undergraduates participated in this 2 (brand concept: luxury vs. value) × 2 (price: high vs. low) × 2 (fit: high vs. low) between-subjects experiment. Participants were given an ad in which the brand concept and price were manipulated. The ads were for a fictitious brand of jeans, "Aquarian," where the ad copy manipulated the luxury (e.g., 'Pure Luxury') vs. value (e.g., 'Pure Value') brand concept. The price was manipulated by indicating the price in the ad as either \$20 or \$150, previously pretested to be low vs. high prices, respectively, for the jeans category. The same measures as in the previous study were used for the brand concept manipulation check; for the brand evaluation ($\alpha$=.96); for the hedonic potential ($\alpha$=.95); for the high-fit brand extension evaluations: jacket ($\alpha$=.87), boots ($\alpha$=.91), shirt ($\alpha$=.90), sunglasses ($\alpha$=.91); and for the low-fit brand extension evaluations: car ($\alpha$=.94), dinnerware ($\alpha$=.94), wine ($\alpha$=.95), cookware ($\alpha$=.95).

*Results*

*Brand concept manipulation check*

A 2×2×2 ANOVA with brand concept, price, and fit on the brand concept manipulation check revealed a main effect for brand concept ($M_{(\text{luxury})}$=4.02 vs. $M_{(\text{value})}$=3.44, $F$(1, 210)= 19.03, $p$<.05), a main effect for price ($M_{(\text{high})}$=5.21 vs. $M_{(\text{low})}$=2.37, $F$(1, 210)=277.93, $p$<.05), and a brand concept×price interaction ($M_{(\text{luxury, high})}$=5.88 vs. $M_{(\text{luxury, low})}$= 2.46 vs. $M_{(\text{value, high})}$=4.57 vs. $M_{(\text{value, low})}$=2.27, $F$(1, 210)= 10.19, $p$<.05). Contrast analysis revealed differences between either of the high-price conditions and either of the low-price conditions, as well as between the two high-price conditions. No other effects were significant. These results confirm the concept manipulation and the high diagnosticity of price as a brand cue in the current context.

*Brand evaluation*

A similar ANOVA on brand evaluation revealed the expected price×brand concept interaction ($M_{(\text{luxury, high})}$=4.29 vs. $M_{(\text{luxury, low})}$=3.11 vs. $M_{(\text{value, high})}$=3.16 vs. $M_{(\text{value, low})}$= 3.93, $F$(1, 212)=39.57, $p$<.05), supporting the notion that consistency between the brand concept and brand cues leads to favorable evaluations. Planned contrasts revealed, as expected, significant differences between either condition with matched price cues and either condition with mismatched price cue, but no other differences. No other effects were significant.

*Hedonic potential*

A similar ANOVA on the hedonic potential index revealed a main effect for brand concept ($M_{(\text{luxury})}$=3.45 vs. $M_{(\text{value})}$= 3.21, $F$(1, 209)=4.52, $p$<.05), a main effect for price ($M_{(\text{high})}$= 3.78 vs. $M_{(\text{low})}$=2.92, $F$(1, 209)=32.89, $p$<.05), and a brand concept×price interaction ($M_{(\text{luxury, high})}$=4.25 vs. $M_{(\text{luxury, low})}$= 2.79 vs. $M_{(\text{value, high})}$=3.34 vs. $M_{(\text{value, low})}$=3.07, $F$(1, 209)= 15.12, $p$<.05). Planned contrasts revealed the expected differences between the luxury/high-price condition and the other three conditions. No other effects were significant.

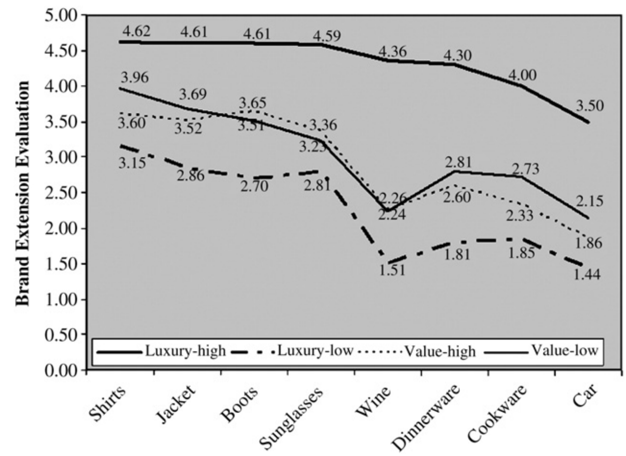



Fig. 5. Brand extension evaluations for Study 4: sensitivity of luxury (vs. value) brand concept to inconsistent cues.

*Brand extension evaluations*

A 2×2 ANOVA with brand concept and price on an average index of the low-fit brand extension evaluations revealed a main effect of brand concept ($M_{(\text{luxury})}$=2.61 vs. $M_{(\text{value})}$=2.37, $F$(1, 106)=5.35, $p$<.05), a main effect of price ($M_{(\text{high})}$=3.03 vs. $M_{(\text{low})}$=2.02, $F$(1, 106)=28.25, $p$<.05), and the expected brand concept×price interaction ($M_{(\text{luxury, high})}$=4.04 vs. $M_{(\text{luxury, low})}$= 1.65 vs. $M_{(\text{value, high})}$=2.26 vs. $M_{(\text{value, low})}$=2.48, $F$(1, 106)= 40.85, $p$<.05). Planned contrasts revealed the expected differences between the luxury/high-price condition and the other three conditions. A similar ANOVA on the high-fit extensions revealed a main effect of price ($M_{(\text{high})}$=4.11 vs. $M_{(\text{low})}$=3.23, $F$(1, 104)=20.47, $p$<.05) and a brand concept× price interaction ($M_{(\text{luxury, high})}$=4.61 vs. $M_{(\text{luxury, low})}$=2.88 vs. $M_{(\text{value, high})}$=3.53 vs. $M_{(\text{value, low})}$=3.60, $F$(1, 106)=23.86, $p$<.05). Planned contrasts revealed the expected differences between the luxury/high-price condition and the other three conditions. See Fig. 5 for means of the individual brand extensions.

*Mediation analysis*

Mediation analysis (Baron & Kenny, 1986) supports our theorizing that hedonic potential mediates the influence of brand concept on the average brand extension evaluation score. The mediation results are shown in Fig. 6.

*Discussion*

This study demonstrates that inconsistency between a highly diagnostic brand cue (price) and the luxury brand results not only in decreased brand evaluation, but also in diminished hedonic potential and brand extension evaluations. As hypothesized, the luxury brand resulted in more (less) favorable brand evaluation and extension evaluations when price was high (low). The value brand also resulted in more (less) favorable brand evaluation when price was low (high). We had no specific

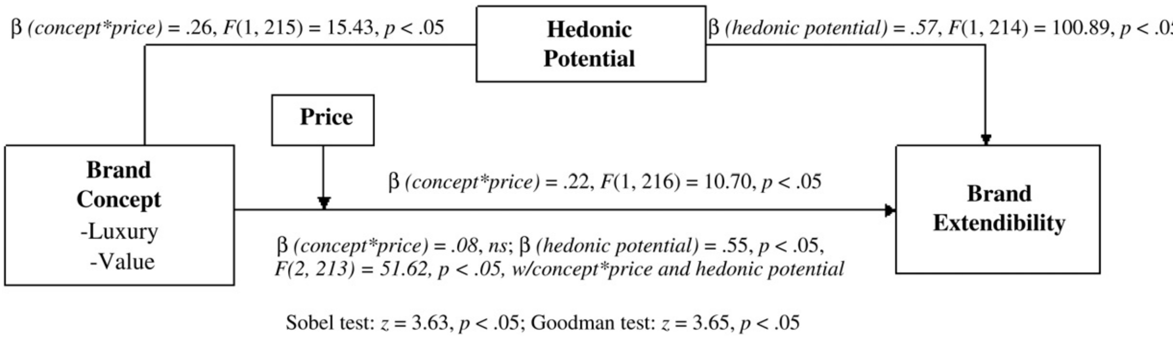



Fig. 6. Mediation analysis for Study 4.

expectations for the value brand in terms of the influence of price on brand extension evaluations (see also Schlosser's (1998) finding that consistency in brand cues is less important for utilitarian (value) products.) However, the results may be interpreted in light of hedonic potential being directionally higher rather than significantly lower for the value brand with the high (vs. low) price. In other words, although the cue inconsistency leads to lowered brand evaluation, the luxury connotations of a high price make the value brand seem more hedonic, thus counteracting the negative influence of a lowered brand evaluation on brand extension evaluations.

Overall, this study shows that although a luxury brand leads to enhanced extendibility, this positioning must be coupled with consistent cues (such as high price). Notably, low price is not the only cue that may be inconsistent with the luxury proposition. Other brand cues such as poor product design, low advertising quality, unaesthetic store environment, or even a "low-end" country of origin might similarly dilute the luxury brand. Future research might investigate the specific influences of these brand cues on the extendibility of luxury brands.

## General discussion

In this research, we investigate the hedonic potential, or promise of pleasure, of luxury brands and illustrate that this hedonic potential is applicable, and thus transportable, to a wide variety of product categories, leading to favorable brand extension evaluations. We contrast a luxury brand with a value brand to show that even though both concepts are equally viable, the luxury brand is perceived to be more extendible due to the hedonic potential inherent in luxury brands. However, along with the benefits of a luxury brand positioning come the risks of managing a brand that is evaluated on subjective criteria. We demonstrate that inefficient management of a luxury brand (such as inconsistency in brand cues) results in a decrease in hedonic potential and diminished brand evaluation and brand extension evaluation.

Our findings thus contribute to the extant literature in several important ways. First, we demonstrate a feelings-based route to brand extension evaluation. Second, we extend the extant research on luxury branding to go beyond merely the conceptualization and connotations of a luxury brand (Vigneron & Johnson, 2004; Nueno & Quelch, 1998), and to investigate how consumers respond to a luxury brand and contrast this with their response to a value brand. Third, we show that two equally viable brand concepts (luxury and value) in a product category may differentially extend because one brand concept is associated with a property (in this case hedonic potential) that is more easily transportable across product categories. Fourth, we illuminate both the benefits and risks of the hedonic potential associated with luxury brands. We show that while hedonic potential allows a brand to be transported across product categories, it also requires that the brand be managed carefully and strategically such that inconsistent brand cues do not dilute the essence of the brand. Fifth, we provide a theory-based understanding of a topical issue, namely the emergence of "new luxury" and the "trading-up" by consumers to premium products, regardless of product category (Silverstein & Fiske, 2003).

Given the recent trends in the marketplace of trading up and trading down and the emergence of "new luxury" products in virtually every product category (Silverstein & Fiske, 2003), a systematic understanding of the potential of luxury (vs. value) brands is needed. Indeed, this research demonstrates that within diverse product categories (the current research used spaghetti sauce, beverages, silverware, and jeans) a luxury and a value concept may be equally viable but that they have a differential impact on how readily they allow the brand to extend beyond its traditional boundaries.

Notably, positioning a brand as luxury in promotions and advertisements may not be difficult to achieve. However, managing brand cues such as price is a more complicated matter. Our research illustrates that luxury brands are very sensitive to inconsistent brand cues. Indications of these findings may also be observed in the marketplace. Tiffany, for example, managed to triple its sales, double the earnings, and increase stock prices six-fold in the early 1990s based on an "affordable luxury" approach (Byron, 2007). By doing so, however, the firm was rapidly eroding its luxury image, and without a drastic re-adjustment of strategy may have become just another low-end retailer for silver jewelry. The Tiffany management team therefore reacted by dramatically raising prices and renovating the stores. However, the return to a luxury image is a slower and more difficult process than the one initiated by slashing prices. Although earnings and stock prices are rising, with the greatest sales growth coming from the highest-end customers, it may still take time and effort to fully restore Tiffany's luxury image (Byron, 2007). The current research nonetheless suggests that it will benefit Tiffany's to make this effort.

Notably, price is not the only brand cue by which luxury marketers might falter. Reddy and Terblanche (2005) refer to Pierre Cardin who overextended their brand by licensing their name indiscriminately, thus diluting their luxury image. The current research demonstrates that although a luxury brand may infuse a variety of products with a special allure, this is most effective only if the luxury concept is promoted with consistent and positive brand associations (c.f., Nueno & Quelch, 1998). This condition may impose limitations for the luxury brand. For instance, high prices may inhibit widespread consumer adoption, and exclusive distribution may restrict availability. Hence, luxury branding may not be optimal for products intended for the mass market.

### *Future research*

Further investigation regarding the feelings-based route for brand extension evaluation as opposed to the more reasons-based route is needed. An interesting aspect that has been hinted at by the extant literature that merits future work is the conditions under which the feelings-based route shifts to the reasons-based route and vice versa. Yeung and Wyer (2005) suggest that when category fit is made salient, the brand-elicited affect (feelings-based route) is diminished and the more cognitive (reasons-based) route takes over, reflected in the consideration of perceptions of fit. We would expect a similar result in the extendibility of luxury brands, such that if category fit is made salient for a luxury brand concept, this would result in a shift of processing from a feelings-based route to a reasons-based route that would decrease extendibility.

Previous research also suggests that evaluations may be based on inferences prompted by specific product-related concepts (Raghunathan, Naylor, & Hoyer, 2006). Future research may investigate various inferences prompted by a specific brand concept, and how such inferences influence brand extension evaluations. Further, other factors such as a holistic vs. analytic processing style may determine whether such inferences are attributed to the brand itself or to contextual influences (Monga & John, 2008; see also Madrigal, 2008).

Future research could also investigate the impact of luxury positioning and hedonic potential on products that are intrinsically hedonic vs. utilitarian. In an exploratory study that informed the current research, we found some preliminary indications that intrinsically hedonic products are inherently more extendible than intrinsically functional products. Thus, it may be argued that intrinsically utilitarian products have more to gain from a luxury concept (due to the hedonic potential evoked) than do intrinsically hedonic products.

The role of consumer goals for luxury goods is an important and little understood area for marketers and academics alike. Silverstein (2006) reports that consumers increasingly desire luxury goods but are motivated to find them at the best value. This phenomenon, dubbed the "treasure hunt," suggests that consumers successfully balance the goals of luxury and value and find a point of equilibrium at which a purchase is made, providing not only satisfaction from the purchase, but delight from the hunt itself. Further investigation of the emotions associated with the pursuit and consumption of luxury is an interesting area for future research.

An important related issue is that of overextending the luxury brand. Are there product categories to which luxury brands should not extend, or is there a limit to how many extensions a luxury brand should implement? Future research could focus on such questions when investigating the possible implications of overextending a luxury brand. Answering these questions would constitute important contributions in connection with luxury consumption, an area that merits a great deal of further attention and research in marketing.

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