2. Theoretical Approach

The second chapter presents the theoretical foundation of the research. It includes the definition and understanding of each variable that is related to the development of the study. The topic has been evaluated and analysed through a number of limited books, scholarly journals and articles. The following will describe the nature of luxury brands, specifically luxury fashion brands, online marketing activities and their influences, customer equity, and a conceptual framework that demonstrates the relations between the concepts. Moreover, this chapter explains the research's hypotheses development that is revealed through the research model.

2.1 Luxury Fashion Brand

Luxury businesses are known to have excellence in quality and design, and have good reputations and profiles globally. In the fashion industry, luxury fashion brands have always been the leaders among the competition (Carrigan, Moraes, McEachern, 2013, p. 1277; Kim & Ko, 2012, p. 1480). The market of fashion includes a range of products designed for an overall look, from clothing to bags, scarves, jewelry, shoes, belts, and much more (Jackson & Shaw, 2001, p. 182, as cited in Parrott, Danbury, & Kanthavanich, 2015 p. 362). For instance, brands that are dominant in the area of luxurious apparels are Burberry, Dior, and Prada. Whereas Gucci, Louis Vuitton, and Hermés are dominating the market for bags and accessories (Joshi, 2014, p. 109). Thus, Luxury fashion companies have always been delivering excellent aesthetic values, creative ideas, innovative concepts through creating new business strategies relating to their traditional business management (Kim & Ko, 2012, p. 1480).

The ultimate goals for these luxury fashion brands is creating high-quality products and services for consumers. Early research have argued that luxury fashion corporations such as Louis Vuitton Möet Hennesy (LVMH) and the Gucci Group made significant changes to the luxury game. They have successfully delivered the characteristics of luxury to their consumers by growing their investments in strategic competencies, marketing strategies, product design, and retail management in building and maintaining the natural charm of their brands (Okonkwo, 2009, as cited in Seo & Buchanan-Oliver, 2015, p. 82-83; Chadha & Husband, 2006, as cited in Seo & Buchanan-Oliver, 2015, p. 84). Another example of this circumstance is the details of Hermés and Louis Vuitton bags. These handbags have their unique luxurious traits such as Louis Vuitton's Damier and Monogram, and Hermés's famous Birkin bags (Nunes et al., 2011, as cited in Uggla, 2017, p. 24-25).

Kapferer & Bastien (2009, p. 315) stated that the two essential aspects of luxury and fashion perform a crucial role in our social life within the society. Luxury plays an essential role in creating a social stratification supported by democracy. Fashion has created a social differentiation between people. Respectively, luxury businesses provide products and services for customers through brands whose ownership creates a social significance that satisfies material and symbolic needs. (Carrigan, Moraes, & McEachern, 2013, p. 1277, as cited in Brun et al., 2008; Danziger, 2005; Uggla, 2017, p. 26).

To such an extent, luxury brands communicate implicit individual meanings to their customers. These connotations express their own culture and lifestyle: Chanel is not the same as Saint Laurent (Kapferer, 1993, p. 253, as cited in Seo & Buchanan-Oliver, 2015, p. 94). Brands offer more than objects: they deliver good taste. Accordingly, consumers will talk about specific luxury fashion brands that associate with their way of life. Hence, over the years, many researchers have observed external trends: socially and culturally shaped meanings of luxury brands, convening researchers and scholars to reflect the model of consumer-centric luxury branding (Roper et al., 2013 as cited in Seo & Buchanan-Oliver, 2015, p. 94).

As fashion is firmly attached to the present and the flow of time, luxury aspires at timelessness. These magnificent classic pieces exemplify an excellent value of high shares of the sales on luxury brands, though last years' trends have less value and prices decrease over time. Both luxury and fashion represent two different features. Together, they are economically important. Success depends on a dependent arrangement, where you have a creator who deals with the fashion aspect and a brand which features the luxury part. One of the most excellent examples is Chanel (the brand) and Karl Lagerfeld (the fashion director) (Kapferer & Bastien, 2009, p. 315). Furthermore, luxury firms continuously try to maintain profits by providing original values of the companies, sales of products and services, marketing strategies, and customer management (Kim & Ko, 2012, p. 1480)

2.2 Marketing Strategies of Luxury Brands

Previous researchers have explained the concepts of marketing as all activities a company does to promote its products and services in a creative way to the hands of potential customers. Likewise, the process of pleasing and building beneficial relationships with customers by creating and getting value in return. There are two methods of delivering means of marketing, which are offline (traditional) and online (digital) marketing. Offline marketing refers to marketing via traditional ways without using internet, whereas online marketing represents marketing through the internet using new digital tools. (Armstrong, Kotler, & Opresnik, 2017, p. 59). Moreover, a firm must create marketing plans and strategies that other competitors don't have in order to stand out in the competition. To be successful, marketing departments need to know everything about their potential customers and forecast their future wants and needs before they know it. Today, the focus is to maintain old customers, attain new ones, and treat them individually and not as a group (Wsi, 2013, p. 7; TODOR, 2016, p. 51).

2.2.1 Online Marketing Activities of Luxury Fashion Brands

In the present day, online marketing (also known as digital marketing) is defined as all activities of marketing using the internet through digital platforms and technologies. Accordingly, based on Armstrong, Kotler, & Opresnik (2017, p. 460) the perceived online platforms are: websites, online mail (e-mail), social media marketing, digital influencer, marketing with or without intermediaries, and electronic word-of-mouth. The marketing departments of companies engage directly with carefully targeted individual consumers and communities within society to gain fast responses, maintain old relationships, and build new ones. TODOR (2016, p. 52) explained that engagement with customers is explained as customer-centric approach. Another purposes of digital marketing is to promote brands, create certain interests, and boost sales through several digital marketing techniques.

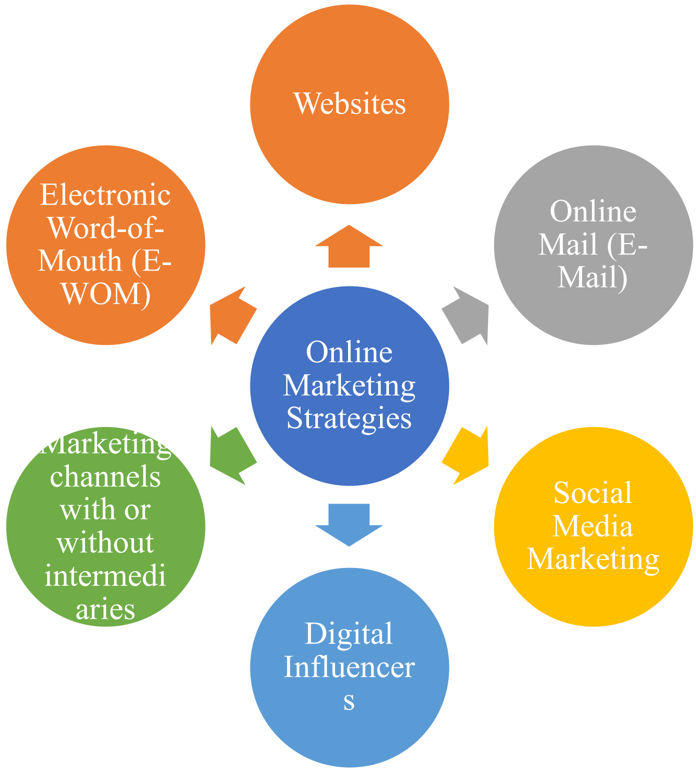

Figure 2.2.1 Forms of Digital Marketing

(Source: Armstrong, Kotler, & Opresnik, 2017, p. 460)

For online customers, it is difficult to make assumptions about them especially in a topic as rapid as online marketing. Few researchers have discovered the characteristics and traits of individuals on online behaviours. Correspondingly, digital consumers have existed over the years, and more people continuously learning about it especially young adults and even older people. As they act as users, individuals would grow specific interests where people would demand getting information from various sources. These sources would have to keep up and discover new ideas to entertain and provide instant satisfaction when making their online platforms. As customers hold control about their engagements on online marketing, companies try to grasp and maintain their target market via marketing strategies in offering real values to obtain positive results (Ryan and Jones, 2009, p. 27).

Based on Armstrong, Kotler & Opresnik (2017, p. 459) online marketing strategies are simple, convenient, and secure. They give users easy accessibilities anytime and anywhere for accessing information on products and services of any brand that is available online (Bayo-Mariones and Lera-Lopez, 2007, as cited in Tíago and Verissimo, 2014, p. 704). For consumers that have similar taste to a brand, they can share their personal experiences and judgments online through the platforms. Also, the nature of digital marketing is flexible, meaning that marketers can adjust the digital platforms to a specific price level or programs and trends on their preferred timeline.

Two studies advised that marketers in the fashion industry should consider online media as an important form of communication (Newman & Foxall, 2003, as cited in Moore & Doyle, 2010, p. 917; Thomas et al., 2007, as cited in Parrott, Danbury, & Kanthavanich, 2015, p. 361). The growing trend of establishing new digital marketing strategies is spreading fast and turning into a part of everyday discussions in every society internationally (Simmons, 2008, as cited in Parrott, Danbury, & Kanthavanich, 2015, p. 361). In accordance with that, customers have improved greatly as society embraces the web era, making luxury brands owners contemplate digital business models as new initiatives to reach and create profitable relationships with new online-savvy individuals (MINSKER, 2013, p. 22; Doherty, 2004, as cited in Parrott, Danbury, & Kanthavanich, 2015, p. 36). For instance, Burberry.com has successfully implemented its online presence via its website and a real life example of digital technology in a luxury business (Thomson, 2012, as cited in Kim, Choi & Lee, 2015, p. 385). As the use of websites and social media grow exponentially, all firms including luxury fashion companies use both methods as two of the primary communication tools to advertise, marketize, and deliver messages as it is likely to accomplish cohesive marketing purposes with fewer costs and effort because of the instant process of both tools (Kim & Ko, 2012, p. 1481).

For luxury fashion brands, they have specifically expanded their interests toward e-commerce websites. It is defined as a website that specializes in luxury fashion goods and retail as a whole. Typically, an e-commerce platform provides a variety of choices from different luxury brands. The products range from one style to another, from one size smaller to more prominent, and many more options. The examples of this term are fashion retailers (e.g., luisaviaroma, matchesfashion, and many more) (Commander, n.d.). Also, another focus of luxury businesses had shifted on another online marketing strategy, which are influencers on social media. Senft (2008, as cited in Abidin & Ots, 2016) and Tíago and Verissimo (2014, p. 705) described an influencer as a person that creates and posts particular textual and visual narration based on his/her interests through social networks such as social media, blogs, forums, and podcast. Also, influencers are considered to be the virtual eyes and ears of the online communities. Individuals that follow these influencers on their online platforms carefully listen and read the opinions posted. What is more, an influencer can be labeled as a type of electronic word-of-mouth (eWOM) because of the promotions that they do explicitly in their contents (Senft, 2008, as cited in Abidin & Ots, 2016).

2.3 Customer Equity Management

Various marketing departments from different companies have increased their focus on long-term customer relationships rather than short-term transactions. As the new emphasis is on providing values to consumers, the concept is reflected in the qualities that drive marketing management of a firm. Practitioners and scholars have emphasized that businesses should not acquire just any customer, but instead the “precise” kind of customer (Villanueva, Yoo, & Hanssens, 2008, p. 48; Yooh & Oh, 2016, p. 653). In addition, researchers have tried to get a better understanding of customer loyalty, and one of the most significant is the study of Rust et al. (2000) and the latest follow up article by Lemon, Rust, & Zeithaml (2014). It is stated that customer equity is a concept of "a total of life time values of current and potential customers" (Blattberg et al., as cited in Lemon, Rust, & Zeithaml, 2014, p. 1). Thus, the researchers implicated that a marketing input from a company affects the brand preferences of a customer and choice probability, by adding customer equity which is comprised of three important features: value equity, brand equity, and relationship equity. These drivers are able to work independently and together through strategic actions contributed by and for businesses.

2.3.1 Value Equity

Value is the foundation of a customer's relationship with a firm. It is defined as a customer's opinions and perception based on their assessment of the importance of a brand (Lemon, Rust, & Zeithaml, 2014, p. 1). When a customer values a brand, loyalty can be measured in in terms of attitudes and behaviours (Thakur & Kaur, 2016, p. 72; Schmidt, 1999, as cited in Yoon & Oh, 2016, p. 653). Shopping and personal experiences increase a brand's strength by creating emotions such as self-esteem and pleasure.

The 3 important factors that affect value equity are; quality, price, and convenience (Lemon, Rust, & Zeithaml, 2014, p. 1). First of all, quality represents the physical and non-physical aspect of products and services offered by firms. One example is Fed-Ex and the company's maintenance of high quality standards. Secondly, price can be thought as the viewpoints of what is given up and what is received by people that a company can influence. New comers to the digital world have changed the game by setting price as a new marketing tool (Lemon, Rust, & Zeithaml, 2014, p. 1-2; Ou, Verhoef, & Wiesel, 2017, p. 338). Lastly, convenience correlates with reducing customers' costs in time, costs in search, and costs of doing businesses with the companies. It connects with an efficiency of providing services and values to potential buyers in a market (Lemon, Rust, & Zeithaml, 2014, p. 1-2).

Moreover, value equity is considered as crucial to most people in certain situations. Firstly, it matters the most when visible differences exist between firms. As the differences exist, companies try to develop new innovative products and services because they see opportunities appear. A business sees this opportunity and would use it as a chance to grow value equity. A customer would carefully judge the newly developed items based on the characteristics. Secondly, value equity would be considered as a parameter for purchase decisions with complicated processes. A consumer would consider the products trade-off such as the advantages and disadvantages comparing to similar products. Thus, value equity gives a perception of a brand's worth through its goods and services.

2.3.2 Brand Equity

A brand acts as an intermediary between a customer's social and cultural perspective of it (Loureiro, 2013, as cited in Thakur & Kaur, 2016, p. 71). Today's definition of brand is commonly known as a set of expectations made by society towards the products and services of companies. In all of those judgements – negative, neural, and positive – they combine to create the equities of brands (Leiser, 2004, p. 217-218). Companies try to reach, remind, and maintain consumers in order for them to stick to the brands. The concept has taken on growing importance in the last seven years, and as perceived by various sources, brand equity is defined as a customer's intangible view of products beyond its objective value influenced by personal experiences and associations to the business (Aaker, 1991, as cited in Motameni & Shahrokhi, 1998, p. 276; Leiser, 2004, p. 218; Lemon, Rust, & Zeithaml, 2014, p. 2). Another theory from the study of Erdem et al., (2006, as cited in Ou, Verhoef, & Wiesel, 2017, p. 338) argued that the effect of brand equity can be explained and linked to credibility, and if strong brands have decreased the risk of reliability, it can be said that brand equity induces high loyal intentions.

Two influential studies have broken down brand equity into five different aspects, and the definitions are as follow; brand loyalty indicates customers' positive attitudes toward a brand (Aaker, 1991, as cited in Yoon & Oh, 2016, p. 654; Lemon, Rust, & Zeithaml, 2014, p. 2). Brand awareness is associated to marketing tools used by firms that can influence communications for the customers to recognize a brand. Perceived quality represents overall fondness on products and services connotating their performances and usefulness to the users. Brand associations is explained as total recalls signifying brand images created by firms through medias and may be directly led by direct marketing. Corporate ethics is associated with firms' actions that can boost and influence society's perceptions of the organizations (e.g. community sponsorships, donations, and many more) (Aaker, 1991, as cited in Yoon & Oh, 2016, p. 658; Lemon, Rust, & Zeithaml, 2014, p. 2).

Moreover, relationship equity is believed to be the most important under specific circumstances (Lemon, Rust, & Zeithaml, 2014, p. 2). First, when the benefits of a loyalty program are perceived higher than the "cash value" associated with the consumers. The added value would contemplate a real opportunity to increase relationship equity from a firm to its target market. Second, supporters of a company would feel attached and feel that they belong to the community that represents the firm. After an individual would feel a certain way, he/she would continue to purchase products and services of a company because a firm would try to stick its target market through giving great relationship values such as a "membership". Lastly, a business could learn its precise customers by learning their nature and adjust themselves to their level and preferences, for instance, purchasing habits of products and services.

2.3.3 Relationship Equity

As trends continue to grow across countries, firms cannot stop only at having great brands, and products and services. Great brand equity and value equity are not enough to sustain and maintain old and new consumers. What firms need is a "glue" to stick customers under their noses. Relationship equity is the answer for this specific case and companies have increased the strategies to keep potential buyers tight (Lemon, Rust, & Zeithaml, 2014, p. 2). Many studies have explored the concept and concluded that it is an overall assessment and relationships between companies and individuals on perceived quality of goods, services and the tendency for customers to stick with the firms (Lemon, Rust, & Zeithaml, 2014, p. 2; Yoon & Oh, 2016, p. 654; Ou, Verhoef, & Wiesel, 2017, p. 338). Yoon & Oh (2016, p. 654) argued companies need to be active in pursuing various loyalty-building relationships in order for the customer-based relationship to succeed. Thus, results from N'Goala (2010, as cited in Ou, Verhoef, & Wiesel, 2017, p. 338) indicated that when perceived relationship equity is high, consumers may feel strong connections toward brands, which correlates to positive loyalty intentions.

As stated by Lemon, Rust, & Zeithaml (2014, p. 2), the three important key levers of this aspect are; loyalty programs, affinity programs, and knowledge-building programs. Loyalty programs comprise acts and activities that reward customers with tangible benefits for their specific behaviors. From one industry to another, this strategy has become one of the most influential strategies in marketing. It includes special treatment and benefits in order to gain customer's good inputs. Affinity programs pursue creating strong relationships with emotional backgrounds, linking consumers' lives to companies' aspects. Knowledge-building programs help firms to increase their relationships with their customers by creating structural connections between them, with regard to making customers less willing to reconstruct a relation with alternative choices (Lemon, Rust, & Zeithaml, 2014, p. 2).

Brand equity would matter the most in specific situations (Lemon, Rust, & Zeithaml, 2014, p. 3). First of all, brand equity will be measured as critical when a consumer's use of a product or service is observable to others. A brand would become a part of an individual's life, for instance like a wearing "mark" or a statement connotating that a great deal of ownership in the person's appearance. It associates with the products as brand equity would increase meaning that the customer has a healthy relationship with the brand. Second, experiences and knowledge of a consumer is everything, implying that it can be passed down from one another. The examples are family, friends, and other acquaintances. Thus, emotional connection to a brand is also essential as it could lead to future purchase performances of people who feel strong connections with a brand.

2.3.4 Purchase Intention

Previous marketing scholars defined the term purchase intention as a decision-making process that concludes the reasons to purchase a particular product or service of a brand in a certain situation. It is a difficult process as it is usually related to behaviour variable, while purchase intention is the attitude towards it. (Shah et al., 2012, as cited in Mirabi, Akbariyeh & Tahmasebifard, 2015, p. 267; Morinex et al., 2007, Mirabi, Akbariyeh & Tahmasebifard, 2015; Kim & Ko, 2012, p. 1481). Kim & Ko (2012, p. 1481)'s finding implicated that customer equity and its three key drivers is the real action of the behavior, as it implies several factors such as brand awareness, knowledge, importance, interest, preference, and emotional attachment to the products and services. All of these traits support the decision of a consumer when he/she wants to purchase an item from a specific preferred brand. Moreover, brand loyalty plays a significant role as it makes an individual to pay more against similar products because once one is loyal and firmly attached to a brand, it is unlikely to move to another brand that has different characteristics. Overall, previous studies have acknowledged that repeated purchase actions of people would lead in the direction of long-term profitability and growth of firms and their brands (Molla & Licker, 2001; Mirabi, Akbariyeh & Tahmasebifard, 2015, p, 268).

2.4 Research Model

The first theoretical framework or research model is based on the drivers of customer equity suggested by Lemon, Rust, & Zeithaml (2014) and Kim & Ko (2011, p. 1485). As they did, the approach will use Lemon, Rust & Zeithaml-approach that explains three major vital components relating to customer's equity of a business, and they are brand equity, value equity, and relationship equity. This conceptual framework proposes the previously mentioned equities and their connections to online marketing strategies as well as to purchase intention. Additionally, the researcher will use the framework as a basis for finding information and insights regarding the effectiveness of digital marketing strategies of luxury fashion brands at enhancing customer equity. Furthermore, this proposed and developed framework would enable managers to decide what is most important to the customers and investigate the company's competencies and vulnerabilities.

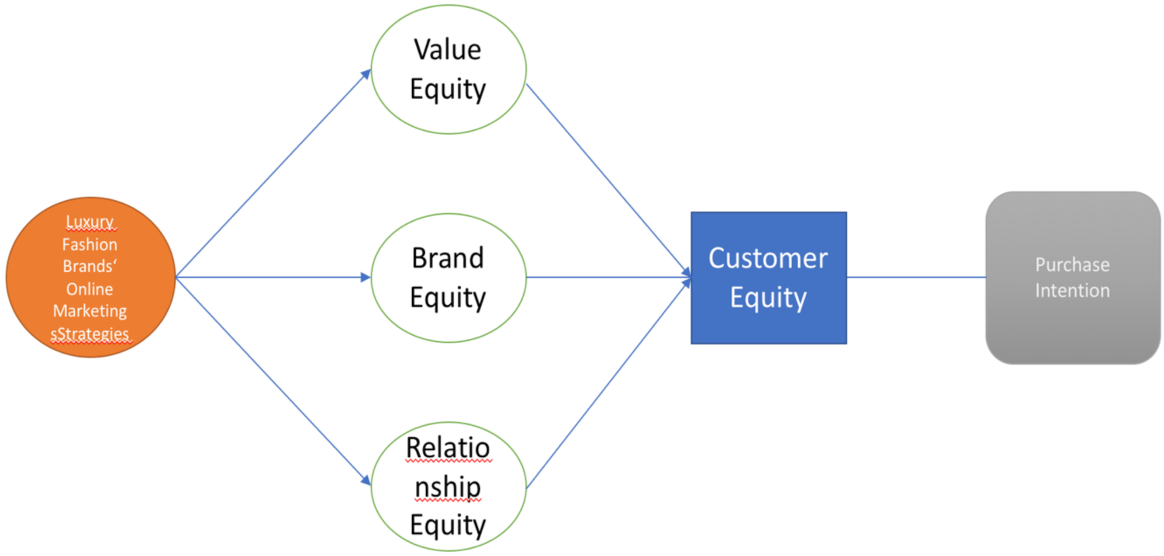

Figure 2.4.1 Research Model

(source: Lemon, Rust, & Zeithaml, 2014; Kim & Ko, 2011, p. 1485)