



# Do social media marketing activities enhance customer equity? An empirical study of luxury fashion brand<sup>☆</sup>

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## ARTICLE INFO

### Article history:

Received 1 December 2010

Received in revised form 1 June 2011

Accepted 1 August 2011

Available online 28 October 2011

### Keywords:

Luxury brands

Perceived social media marketing (SMM) activities

Value equity

Relationship equity

Brand equity

Customer equity

Purchase intention

## ABSTRACT

In light of a growing interest in the use of social media marketing (SMM) among luxury fashion brands, this study set out to identify attributes of SMM activities and examine the relationships among those perceived activities, value equity, relationship equity, brand equity, customer equity, and purchase intention through a structural equation model. Five constructs of perceived SSM activities of luxury fashion brands are entertainment, interaction, trendiness, customization, and word of mouth. Their effects on value equity, relationship equity, and brand equity are significantly positive. For the relationship between customer equity drivers and customer equity, brand equity has significant negative effect on customer equity while value equity and relationship equity show no significant effect. As for purchase intention, value equity and relationship equity had significant positive effects, while relationship equity had no significant influence. Finally, the relationship between purchase intention and customer equity has significance. The findings of this study can enable luxury brands to forecast the future purchasing behavior of their customers more accurately and provide a guide to managing their assets and marketing activities as well.

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## 1. Introduction

The luxury market has attained maturity, along with the gradual expansion of the scope of its market and a rapid growth in the number of customers. Luxury market is a high value-added industry basing on high brand assets. Due to the increased demand for luxury in emerging markets such as China, India, and the Middle East, opportunities abound to expand the business more than ever. In the past, luxury fashion brands could rely on strong brand assets and secure regular customers. However, the recent entrance of numerous fashion brands into the luxury market, followed by heated competition, signals unforeseen changes in the market.

A decrease in sales related to a global economic downturn drives luxury businesses to change. Now they can no longer depend solely on their brand symbol but must focus on brand legacy, quality, esthetic value, and trustworthy customer relationships in order to succeed. A key element to luxury industry becomes providing values to customers in every way possible.

As a means to constitute customer assets through effective communication with consumers, luxury brands have tilted their eyes toward social media. Marketing communication using social media such as Twitter, Facebook, and YouTube has already been evaluated as business take-off tools for luxury fashion brands. Traditional designer houses such as Louis Vuitton provide live broadcasting fashion shows on their blogs. Ralph Lauren, Chanel, Donna Karan, and Gucci have worked with Apple to create iPhone applications.

Many luxury houses create their own Twitter accounts or post themselves on Facebook. Brands and customers are communicating with each other without any restriction in time, place, and medium so that old-fashioned one-way communication is changed to interactive two-way direct communication. In this way, brands and customers are working together to create new products, services, business models, and values. Meanwhile, brands can gain exposure and strengthen relationships with customers. Social media marketing (SMM) is a two-way communication seeking empathy with young users, and even enforcing the familiar emotions associated with existing luxury brands to a higher age group. In addition, social media activities of brands provide an opportunity to reduce misunderstanding and prejudice toward brands, and to elevate brand value by creating a platform to exchange ideas and information among people online.

With the increased use of SMM by luxury brands, it has become highly necessary to quantitatively analyze the effects of the social media. Thus, the purpose of this study is to identify the constructs of perceived SMM activities of luxury fashion brands, and to evaluate

<sup>☆</sup> The authors gratefully acknowledge the reading and revision suggestions by C. Anthony Di Benedetto and Rajan Natarajan to an earlier draft. The authors alone are responsible for all limitations and errors that may relate to the study and the paper.

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the influence of those activities on customer equity and purchase intention. As the luxury business environment is undergoing a rapid change, this research will redefine the properties of luxury brands that affect their performance so as to guide businesses to manage and elevate them. This research will propose a strategy to enhance brands' performance by defining specific factors relating to customer equity and purchase intention. Moreover, the findings will enable luxury brands to forecast customer purchasing behavior and manage their customer equity and social media activity as well.

## 2. Social media marketing activities

### 2.1. SMM activities and their effects on firm performance

Social media are online applications, platforms and media which aim to facilitate interactions, collaborations and the sharing of content (Richter & Koch, 2007). They take a variety of forms, including weblogs, social blogs, microblogging, wikis, podcasts, pictures, video, rating and social bookmarking. As their use increases exponentially, not only existing social networkers but even business firms and governmental organizations are joining and using them as communication tools. Unlike individual social networkers, these entities actively make use of the media for advertising and marketing. While commercial messages and interactions with consumers partner with media, events, entertainment, retailers, and digital services through social media, it is possible to perform integrated marketing activities with much less effort and cost than before.

According to Kim and Ko (2010a), social media can have a dramatic impact on a brand's reputation. One-third of survey participants posted opinions about products and brands on the brand's blog, and 36% thought more positively about companies that have blogs. A recent study by DEI Worldwide (2008) provides the following statistics: 70% of consumers have visited social media sites to get information; 49% of these consumers have made a purchase decision based on the information they found through the social media sites; 60% said they were likely to use social media sites to pass along information to others online; and 45% of those who searched for information via social media sites engaged in word-of-mouth. The report states that companies not engaging in social media as part of their online marketing strategy are missing an opportunity to reach consumers. With a significant percentage of people passing along information to others through social media, the value of one customer is worth far more than what he or she initially spends. Thus, firms and brands now need to factor in the value of customers and also the influence of social media on them.

### 2.2. SMM activities of luxury brands

Technology development benefits the world of fashion by attracting customers to interact with the brands. Fashion brands' involvement in such things as tweeting, blogging, and networking has led luxury brands to participate in the current trend. At first, most of the brands were somewhat reluctant to use technology; however, the industry has come to consider technology as an opportunity rather than a threat. Unlike the first predictions, social media do not act against the positive reputation of brands. Interaction with customers via social media sites such as Facebook and Twitter actually builds up friendly attention, even affection, toward brands and stimulates customers' desire for luxury.

Luxury brands' use of social media began to surge in 2009. Gucci created a multicultural social network site, "Guccieyeweb.com," as Gucci launched a new sunglasses collection targeting digital generation customers. Gucci updates its Facebook site as often as three times a day and is constantly tweeting on Twitter. Burberry launched a social network site, "Artofthetrench.com," in November 2009, with the purpose being noncommercial: to elicit admiration for the design

of their trench coats and create Burberry fans while communicating its culture with customers. Online sales increased after the site was launched and the participation of customers online resulted in broadened insights for Burberry as Burberry creates more stories of the brand (Samsung Design Net, 2009).

Dolce & Gabbana uses social media in order to get direct feedback from its customers. Dolce & Gabbana invites fashion bloggers to the front seats of its fashion shows, and the bloggers instantly upload feedback from the show on Facebook and Twitter. In that way, customers get to see their favorite brand modeled directly without the involvement of fashion editors or merchandisers, and the company builds purchase intentions right away. Chanel, Louis Vuitton, Yves Saint Laurent, and Stella McCartney now have Facebook as well as Twitter accounts.

## 3. Customer equity and its drivers

The value a customer brings to a firm is not limited to the profit from each transaction but is the total profit the customer may provide over the duration of the relationship with the firm (Kumar & George, 2007). Thus, customers are seen as the intangible assets a firm should wisely acquire, maintain, and maximize just like other financial assets (Blattberg et al., 2001). Customer equity, usually defined as the discounted sum of customer lifetime values, has been considered the most determinant of the long-term values of the firm (Kim, Park, Lee, Knight, Xu & Jeon, 2010; Lemon et al., 2001).

### 3.1. Drivers of customer equity

Lemon et al. (2001) defines three types of equity—value, brand, and relationship—as key drivers of overall customer equity. First, "value equity" is the customer's objective assessment of the utility of a brand, based on perceptions of what is given up for what is received (Vogel et al., 2008). Three key influences on value equity are quality, price, and convenience (Lemon et al., 2001).

Second, relationship equity expresses the tendency of customers to stay in a relationship with a brand, going beyond objective and subjective assessments of it. Usually, loyalty programs under a firm's control may enhance relationship equity; however, loyalty toward a certain brand grows weaker than yesterday as a variety of alternatives are offered to customers. What is necessary is to build strong customer relationship through special treatment or recognition, and community programs can be an efficient way to boost relationship equity.

Third, brand equity is a customer's subjective and intangible assessment of the brand over and above its value (Kim et al., 2008; Lemon et al., 2001). Brands are the best at building images that make customers identify that specialty from among others (Keller, 1998). The key actionable levers of brand equity are brand awareness, attitude toward the brand, and corporate ethics (Lemon et al., 2001).

## 4. Purchase intention

Purchase intention is a combination of consumers' interest in and possibility of buying a product. As a result of many studies, it strongly relates to attitude and preference toward a brand or a product (Kim, Kim & Johnson, 2010; Kim & Ko, 2010b; Kim & Lee, 2009; Lloyd & Luk, 2010) so that measuring purchase intention assumes consumers' future behavior based on their attitudes. Purchase intention is an attitudinal variable for measuring customers' future contributions to a brand, whereas customer equity is a behavioral variable accounting for actual purchasing record. As forecasting of consumers' future behavior becomes a critical issue for a firm, that future behavior should be estimated more punctually (Park, Ko & Kim, 2010).

## 5. Design of hypotheses

Initially, the purpose of marketing is to form a communication by which a firm is able to inform customers of its products and services and create interest in its offering. Marketing is a multidimensional process made up of various strategies; however, a primary goal of any marketing strategy is to increase sales and profitability. According to [Srivastava et al. \(1998\)](#) marketing is an investment that improves customer equity drivers. As a brand's engagement in social media performs as a marketing activity to build a relationship with customers and increase corporate profits, luxury brands' social media activity is expected to initiate positive influence on the drivers of customer equity.

**H1.** Perceived social media marketing activities have positive effect on value equity.

**H2.** Perceived social media marketing activities have positive effect on relationship equity.

**H3.** Perceived social media marketing activities have positive effect on brand equity.

In calculating customer equity, [Rust et al. \(2000\)](#) attempt to link marketing input to customer reaction. Since examining customer equity drivers and developing the RLZ model incorporating a customer-specific, brand-switching matrix, [Rust et al. \(2004\)](#) tested their previous model in the airline industry and proved that value equity, relationship equity, and brand equity are all related to customer equity. The same model was also applied to measuring customer equity of fashion brands in several studies ([Ko & Oh, 2009](#); [Ko & Lee, 2009](#); [Yun & Ko, 2006](#); [Zhang, Ko, & Kim, 2010](#)). In order to identify constructs of each customer equity driver and prove the RLZ model's acceptance in the luxury fashion industry, consider the following three hypotheses were developed.

**H4.** Value equity relates positively to customer equity.

**H5.** Relationship equity relates positively to customer equity.

**H6.** Brand equity relates positively to customer equity.

In order to predict future customer behavior, ways of matching their attitudes and actions seems necessary. As proven in many studies dealing with decision-making processes, attitude is the antecedent of behavior. Thus, customer equity drivers are likely to have similar influences on purchase intention as well. Therefore, this study (a) compares and analyzes the effects of customer equity drivers on customer equity and purchase intention, and (b) examines a path from purchase intention and customer equity. Hence, the final hypotheses are put forth as follows:

**H7.** Value equity relates positively to purchase intention.

**H8.** Relationship equity relates positively to purchase intention.

**H9.** Brand equity relates positively to purchase intention.

**H10.** Purchase intention relates positively to customer equity.

## 6. Method

### 6.1. Preliminary test

A preliminary test was completed to select a sample luxury brand. Fifteen graduate students majoring in fashion marketing were asked to list three luxury fashion brands that came to mind when thinking of luxury. Louis Vuitton was mentioned most often. According to

Digital IQ Ranking developed by Scott Galloway, NYU Stern ([L2 Think Tank, 2010](#)), Louis Vuitton was ranked number one among luxury fashion brands. Gucci, Burberry, and Dolce & Gabbana followed after. Digital IQ of luxury brands were rated based upon four categories; (1) effectiveness of brand site, (2) marketing efforts and off-site brand presence and visibility on search engines, (3) brand presence, following, content, and influence on major social media platforms, (4) compatibility and marketing on smart phones and other mobile devices. Since Korean consumers have developed high brand awareness of Louis Vuitton and the brand also shows high engagement in SMM activities, Louis Vuitton was chosen to represent luxury brands in this study.

### 6.2. Measures

SMM activities of luxury brands include introducing a brand's products, services, and a brand itself in a sincere manner and providing variety of services to consumers who engage in social media activities as means of marketing communications. This study measured perceived activities and provided values on brand's social media platforms. 90% of luxury brands are on Facebook and 48% are on Twitter as for 2010 ([L2 L2 Think Tank, 2010](#)). Since Facebook and Twitter are most often used by luxury fashion brands as means of SMM, a visual stimulus expressing Louis Vuitton's SMM activities on those sites was employed in the measurements.

Twenty-five items for measuring perceived SMM activities were gathered from previous studies on luxury brand's social media marketing, attributes of two-way communication media, influence of mobile advertising, and characteristics of mobile fashion shopping related researches and modified to fit for this research through pre-test ([Chung & Lee, 2008](#); [Han & Shu, 2010](#); [Kim, 2010](#); [Kim & Chung, 2009](#); [Lee, 2007](#)).

Twenty-two items were developed in accordance with [Berry \(1995\)](#), [Gagliano and Hathcote \(1994\)](#), [Rust et al. \(2000\)](#), and [Wiedmann et al. \(2009\)](#) to measure value equity. Constructs of value equity measures included price, product quality, service quality, convenience, and the tangible environment of the retailer, individual value, and social value. Ten items to measure relationship equity were developed from [Hennig-Thurau et al. \(2002\)](#) and [Ju and Chung \(2002\)](#). Items assessed preferred treatment customer service, coincidence of image with brand, and overall affection. Measures of brand equity included brand awareness, perceived value, brand personality, brand association, and perceived uniqueness aspects. Ten items to measure brand equity were developed from [Aaker \(1991\)](#) and [Yun \(2006\)](#).

Customer lifetime value of Louis Vuitton was estimated to represent customer equity as presented in [Rust et al. \(2004\)](#). Measures include number of expected purchases during the specified time period (customer lifetime), purchase frequency in a unit time (one year), discount rate, purchase volume, probability of purchasing that brand over competitors (equal or fewer than four competitors), and contribution margin. Brand's discounted rate and contribution margin was cited from [LVMH 2009 Annual Report \(2010\)](#). Measures of purchase intention were developed from the instrument used in [Park et al. \(2007\)](#). All of the above measurement statements were measured using five-point Likert-type Scales (1 = Strongly disagree, 5 = Strongly agree).

### 6.3. Sample and data collection

Convenience samples were drawn from the Seoul metropolitan area via mall intercept method. Major luxury shopping districts in Korea are formed around the Seoul area and consumers living there tend to be more conscious of purchasing luxury brands and to have comparably high purchasing power for luxury fashion goods. Since this study focuses on luxury brand's SMM, respondents were

restricted to consumers who had purchased any luxury fashion item within the previous two years and who had previous experience with Louis Vuitton's social media sites. Data were collected from survey questionnaires from May 10 to 25, 2010. From among the 400 survey questionnaires distributed, 362 were finally analyzed after excluding incomplete responses.

#### 6.4. Data analysis

In order to achieve the purpose of this study and to test hypotheses, the SPSS 17.0 and AMOS 18 statistics package programs were used. With SPSS 17.0, descriptive analysis was adopted to analyze the results of the preliminary test and to find out demographic characteristics of the sample. Also, Cronbach's  $\alpha$  was adopted to test reliability. Using AMOS 18.0, confirmatory factor analysis was conducted to prove the validity of each instrument, while structural equation modeling was used to test hypotheses.

### 7. Findings

#### 7.1. Demographic analysis

Among a total of 362 luxury consumers, most of the respondents were female (79.3%), 58% were in their twenties, and 22.9% were in their thirties (consumers in their forties and fifties took up almost 9% each). With regard to education, 44.2% had a graduate degree, 38.1% had a college degree, and 17.7% were currently in college. Overall, the sample showed very high status in education. Regarding average household income levels, 23.3% of incomes were between 12 million and 15 million KRW, whereas 22.1% earned between 9 million and 12 million KRW. The total percentage of respondents whose income was over 9,000,000 KRW (a high income level) was 61%. This result was an expected outcome since the study sample represented luxury consumers with high purchasing power. Because this study deals with luxury fashion brands, respondents' luxury purchasing behavior was asked as well, indicating that 31.5% spend between 1 million and 3 million KRW per year and 23.8% between 3 million and 5 million KRW. High-volume consumers who spend more than an average of 5 million KRW were summed up to 24.6%, while those at the minimum level of luxury purchasing (<1 million KRW) comprised 20.2%. Except for this latter group, nearly 80% of the sample was real consumers of luxury fashion brands entailing a certain amount of monetary contribution. Table 1 summarizes the demographic characteristics of the sample.

As for customer lifetime value (CLV) across samples, those less than 50,000 KRW represented 64.1% of the sample, 50,000 to 100,000 KRW made up 10.2%, and 100,000 to 500,000 KRW represented the second most at 22.9%. Those with CLV of more than 500,000 KRW totaled 2.7%.

**Table 1**  
Confirmatory factor analysis of perceived social media marketing activities.

Construct	Items	Factor loading	Cronbach's $\alpha$
Entertainment	Using LV's social media is fun.	.95	.94
	Contents shown in LV's social media seem interesting.	.92	
Interaction	LV's social media enables information sharing with others.	.92	.87
	Conversation or opinion exchange with others is possible through LV's social media.	.90	
Trendiness	It is easy to deliver my opinion through LV's social media.	.68	.83
	Contents shown in LV's social media is the newest information.	.93	
Customization	Using LV's social media is very trendy.	.75	.86
	LV's social media offers customized information search.	.91	
Word of mouth	LV's social media provides customized service.	.83	.70
	I would like to pass along information on brand, product, or services from LV's social media to my friends.	.72	
	I would like to upload contents from LV's social media on my blog or micro blog.	.75	

Model fit:  $\chi^2 = 138.5$ ,  $df = 34$ ,  $p = .000$   
AGFI = .88, GFI = .93, NFI = .94, IFI = .96, CFI = .95, RMSEA = .05

#### 7.2. Constructs of perceived social media marketing activities

In advance of investigating the influence of SMM activities on customer equity drivers, the constructs of those activities perceived by consumers were revealed. Since dimensions of SMM activities were not clearly distinctive as a result of exploratory factor analysis, confirmatory factor analysis (CFA) was conducted. Cronbach's  $\alpha$  of constructs was measured to prove internal consistency of each variable. First, a model to test the validity of the activities resulted in a satisfactory fit with the data:  $\chi^2 = 138.5$ ,  $df = 34$ ,  $p = .000$ , AGFI = .88, GFI = .93, NFI = .94, IFI = .96, CFI = .95, RMSEA = .05. The five constructs of SMM activities were then verified; see Table 1.

The first construct related to having fun using Louis Vuitton's social media; thus, it was defined as "Entertainment." Factor loading of each item was .95 and .92, with a high Cronbach's  $\alpha$  of .94. The second construct related to items representing interaction among other users accompanied by the use of Louis Vuitton's social media. This factor was named "Interaction" because items included information sharing and opinion exchange attributes. Factor loadings ranged from .68 to .92, with a Cronbach's  $\alpha$  of .87.

The third construct represented fashion-forward characteristics of Louis Vuitton's social media by including items that explained trendiness and newness. Therefore, the third factor is "Trendiness." Factor loadings and Cronbach's  $\alpha$  were qualified. Construct 4 represents customized property of social media, involving customized information and way of information searching. This factor is "Customized" and factor loadings were .91 and .83, with Cronbach's  $\alpha$  of two items at .86. The last construct included customer's intention to pass along information seen in Louis Vuitton's social media, and is "Word of Mouth." Factor loadings and Cronbach's  $\alpha$  were qualified. A standardized factor loading of every item in the model was at a significant level ( $p < .001$ ).

Result indicates that a luxury brand's marketing activity using social media platforms entertains customers by offering a variety of free contents as well as social network activity, and enables customized information searching. Activities on the brand's social media platforms create interaction among users that can lead to word-of-mouth effects and include fashion and trend attributes. In contrast to existing marketing activities that appeal directly to the value of actual products or services, a luxury fashion brand's SMM activities focus more on hedonic and empirical values that can be reached by indirect brand experience.

#### 7.3. Measurement model

Confirmatory factor analysis (CFA) on the whole set of constructs in the structural equation model was conducted to test for convergent factor validity of the conceptual model and Cronbach's  $\alpha$  was applied to test the reliability of each construct. The CFA model includes social media marketing activities, value equity, relationship equity, brand

equity and purchase intention, and customer equity is excluded in the analysis since it is measured in customer lifetime value as a ratio variable. The means of measured variables of each latent constructs from the results of previous CFA were calculated to represent respective latent constructs which became measured variables (items) of CFA on measurement model. The latent constructs were correlated, whereas the measurement items and their error items were constrained to be uncorrelated. After dropping some items that possessed low factor loadings, validity of constructs was assessed by estimating the confirmatory measurement model.

As a result, Trendiness and Customization constructs of SMM were removed from the model. The model resulted in satisfactory fit to the data:  $\chi^2 = 161.3$ ,  $df = 34$ ,  $p = .000$ , AGFI = .85, GFI = .92, NFI = .92, IFI = .93, CFI = .93, RMSEA = .05. All variables demonstrate adequate construct reliability (Cronbach's  $\alpha > .7$ ); see Table 2.

Followed by CFA of model constructs, Pearson correlation analysis was examined to verify discriminant validity among all the variables in the conceptual model. See Table 3 for findings.

#### 7.4. Structural model

The conceptual model was tested according to Anderson and Gerbing (1988). With the results of the CFA in the prior section, the model was tested by standardized coefficients and other fit statistics. Fig. 1 shows the findings.

Overall model fit was satisfactory. The chi-square statistic ( $\chi^2 = 183.5$ ,  $df = 43$ ) was at a significant level ( $p = .000$ ), and the fit indices were within accepted standards (RMR = .04, NFI = .91, IFI = .93, CFI = .93, GFI = .92, RMSEA = .05).

After the overall model fit was approved, hypotheses were tested via structural equation modeling. With regard to the three paths between SMM activities and customer equity drivers (H1–H3), the estimation results showed that every path was significant at the  $p = .000$  level. SMM activities had positive effects in value equity ( $\beta = .19$ ,  $t = 3.75$ ), relationship equity ( $\beta = .36$ ,  $t = 5.40$ ), and brand equity ( $\beta = .36$ ,  $t = 5.91$ ). To restate, the entertainment, interaction, and word-of-mouth effects of SMM activities work positively in enhancing customer equity drivers.

With regard to the relationship between the customer equity drivers and customer equity (H4–H6), only one path was significant at the level of  $p < .05$ . Unlike previous studies, value equity and relationship equity had no significant effect on customer equity, while brand equity had a negative influence ( $\beta = -.45$ ,  $t = -2.53$ ). The result for H6 was supposed to be a consequence followed by characteristics of a sample brand used in this study. As Louis Vuitton becomes popular among Korean consumers and counterfeits of its products sweep through the market, the unique and distinctive elements that

**Table 2**  
Validity and reliability test for structural equation model.

Construct	Items	Factor loading	Cronbach's $\alpha$
Social media marketing activities	Entertainment	.76	.77
	Interaction	.66	
	Word of mouth	.75	
Value equity	Product/service quality	.90	.77
	Social value	.71	
Relationship equity	Affinity	.84	.81
	Special treatment	.80	
Brand equity	Uniqueness	.84	.78
	Distinctiveness	.75	
	Purchase intention	I would like to purchase LV	
I would like to recommend LV to others	.79		

Model FIT:  $\chi^2 = 161.3$ ,  $df = 34$ ,  $p = .000$   
AGFI = .85, GFI = .92, NFI = .92, IFI = .93, CFI = .93, RMSEA = .05

**Table 3**  
Correlation matrix among each constructs.

Constructs	1	2	3	4	5	6	Mean	S.D.
1 SMM	1.00						3.19	.76
2 Value equity	.37**	1.00					2.68	.81
3 Relationship equity	.28**	.70**	1.00				2.43	.81
4 Brand equity	.41**	.50**	.53**	1.00			3.09	.80
5 Purchase intention	.48**	.53**	.54**	.65**	1.00		3.07	.92
6 Customer equity	.18**	.43**	.36**	.31**	.51**	1.00	5.27	1.16

\*\*  $p < .01$ .

form the Louis Vuitton brand equity somewhat degrade the scarcity value of the brand, resulting in a negative effect on customer equity.

In regard to the relationship between the three customer equity drivers and customer equity, the study evaluates the drivers' influences on purchase intention (H7–H9). The estimation results show that value equity ( $\beta = .47$ ,  $t = 3.47$ ) and brand equity ( $\beta = .66$ ,  $t = 7.73$ ) had positive effects on purchase intention at a significant level of  $p = .000$ . However, relationship equity did not have a significant influence on purchase intention. Purchase intention likely will improve by SMM activities through value equity and brand equity. A possible explanation for this non significant effect of relationship equity on customer equity and purchase intention is that relationship equity can be formed by a long-term relationship between a brand and a customer; thus, insofar as the respective sample were not loyal customers of Louis Vuitton, measuring relationship equity became difficult.

Finally, a path between purchase intention and customer equity (H10) was significant at the level of  $p = .000$  ( $\beta = .83$ ,  $t = 4.13$ ). Since a path from purchase intention to customer equity is significant, SMM activities of luxury fashion brands could consequently influence customer equity through the effects of value equity and brand equity on purchase intention.

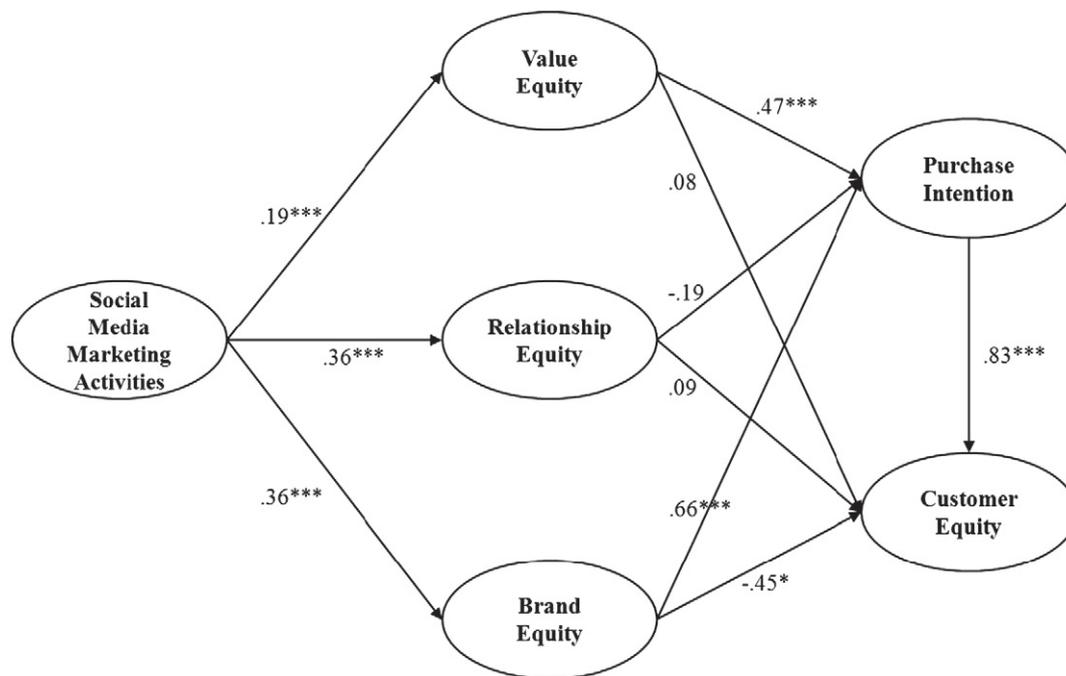
## 8. Conclusions and implications

The study presents here examines the effects of the social media marketing activities of luxury fashion brands on customer equity and purchase intention. SMM activities perceived by consumers were significantly efficacious to luxury fashion brands' future profits. The findings of the study support the following conclusions.

First, SMM marketing activities of luxury fashion brands comprise five constructs; entertainment, interaction, trendiness, customization, and word of mouth. The brands' SMM activities perceived by consumers include distinctive values compared to old-fashioned marketing performances.

Second, SSM activities perceived by customers are influential to all customer equity drivers. Since these activities for luxury fashion brands act affirmatively toward all drivers, they are fairly effective. As an integrated marketing medium, SSM activities effectively enhance value equity by providing novel value to customers that traditional marketing media do not usually provide. The brand's social media platforms offers venues for customers to engage in sincere and friendly communications with the brand and other users, so the brand's intended actions on the social communication scene were positively affecting relationship equity and brand equity as well.

As the main purpose of marketing communication is to improve customer equity drivers by strengthening customer relationship and creating purchase intent, SMM activities contribute as effective marketing communication methods. With the growing interest of luxury fashion brands in providing luxurious values to customers in every way possible, using social media for marketing appears to be an appropriate medium to attract luxury consumers at the moment. As so, more luxury brands should engage in social media activities to



\*\*\*  $p < .001$

$\chi^2 = 183.5$ ,  $df = 43$ ,  $p = .000$

RMR = .04, NFI = .91, IFI = .93, CFI = .93, GFI = .92, RMSEA = .05

Fig. 1. Results of structural equation model.

anticipate positive contributions to brands by providing new luxury values to customers.

Third, unlike findings in prior studies, the three customer equity drivers show no positive influence on customer equity in the case of a luxury fashion brand. In fact, brand equity has a negative influence in the present study. Possible reasons for the results are as follows. First, in the process of measuring the customer equity of the sample luxury brand, future purchasing behavior toward a certain brand was collected from general luxury customers whose customer lifetime value for the measured brand was not comparably high.

Second, due to increased competition among luxury fashion brands, it has become more difficult to sustain customer loyalty toward a specific brand and other factors might have been affecting customer equity more than the three drivers examined in this study are hardly controlled by brands over time. The findings of this study not only draw attention to defining customer equity drivers of luxury fashion brands, they also indicate the great difficulty in measuring customers' future behavior. As competition among luxury fashion brands becomes more intensive from providing plenty of alternatives to customers, the prosperity of the brands no longer seems promising. The importance of managing customers as brands' valuable assets cannot be emphasized more.

In comparing the influence of three customer equity drivers on purchase intention, value equity, and brand equity, this study found significant positive impacts. The Korean luxury fashion industry is barely into its mature stage, and Korean customers tend to be trend-sensitive cross-shoppers with shallow loyalty toward specific brands. Restating that, Korean luxury consumers hardly can develop relationship equity toward a luxury fashion brand. For now, brand and value equity are more influential to luxury fashion brands' performance than relationship equity.

Finally, concerning the relationship between purchase intention and customer equity, which can be redefined as a short-term attitudinal variable and a long-term behavioral variable, the two factors

connect each other highly. Luxury fashion brands should continuously invest their efforts to improve value equity and brand equity because both equities affect purchase intention. As SMM activities influence these factors, taking social media marketing into account can be a possible solution.

This study had some difficulties in locating the effects of SMM activities on a brand's customer equity. However, the study should be counted meaningful in that it has defined attributes of a newly introduced manner of marketing communication and evaluated its effects in its introductory stage.

## 9. Limitations and future research

The limitations and future research directions are as follows. First, as an initial effort to evaluate effect of social media marketing, a visual stimulus used to measure attributes of social media marketing activities face difficulties in controlling possible error. Due to a reason mentioned above, limitation follows in generalizing the result of the study. Future study should develop effective instrument to measure social media marketing more appropriately.

Second, the study questions prior findings on the relationship among customer equity drivers and customer equity in the case of luxury fashion brand. As three equity drivers have no significant effects on luxury brand's customer equity, studies to figure out relevant factors affecting customer equity of luxury brands seem necessary in order to provide practical information on managing and enhancing their important asset. Plus, worth of customer lifetime value that this study calculates was quite low considering price of luxury fashion goods. With necessity of defining factors driving customer equity of luxury fashion brands pointed out, an accurate equation to measure customer lifetime value of luxury fashion brands is necessary.

Lastly, empirical findings on this study from samples of Korean luxury consumers who are innovative in use of technology and fans of luxury brands. However, western consumers mostly use luxury

brand's social media due to the challenges in language. Even though Korea is a test market for luxury in Asian market, replicating this study's findings with additional samples consumers of luxury brands is necessary.

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