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# Luxury Brand Equity in Online Channel: The Moderating Effect of Brand Trust\*

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Branding strategy is important in the hyper-competitive luxury industry. In digitalized market environments, it is critical for luxury brands to transfer their established brand equity from the offline market to the online market. The purpose of this study is to examine the causal relationships between offline brand equity (i.e., brand awareness, brand image, and perceived quality) toward online consumer responses, including satisfaction and loyalty, in the context of luxury brands. In addition, this study investigates the moderating effects of offline brand trust on the relationship between offline brand equity and online satisfaction and loyalty. Data was collected via online surveys. For empirical validation of the proposed hypotheses, a structural equation modeling technique was employed. The results show that offline luxury brand awareness, brand image, and perceived quality have a positive effect on consumers' online satisfaction. Also, offline brand image has a positive effect on online consumer loyalty. The results indicate that there is a significant moderating effect of offline brand trust on the relationship between brand image and e-loyalty. The results of the present study provide implications for luxury brand managers and retailers to develop effective online sales strategies.

Key words: Luxury brand, brand awareness, brand image, e-loyalty, e-satisfaction, perceived quality

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## I. Introduction

Luxury industry witnessed exponential growth last decades. The overall luxury market grew by 5 percent in 2018, reaching a record high of \$1.3 trillion globally (Bain and Company, 2018). Digitalization has resulted in many changes in retail environments at a rapid pace. The luxury industry is no exception. The luxury industry, which had traditionally relied solely on offline channels for sales, has been gradually adapting to changes in market trends and expanding to online sales channels. Due to the heritage and tradition of the luxury industry, luxury brands have been hesitant to adopt the channel expansion to online outlets. However, today's dynamic changes in consumer preference and the overwhelming trends of digital transformation have forced traditional luxury brands to join in the channel transition. The growth rate of online sales in the luxury industry increased by 24 percent in 2017 (Bain and Company, 2018). Although it still accounts for only 9 percent of the total personal luxury goods market worldwide, it is meaningful because it indicates a clear growing pattern. Young consumers, such as generations Y and Z, are much more inclined to use online platforms and channels to purchase luxury products (Cheng, 2017). As consumers are spending more time online over mobile devices, it is inevitable that luxury brands must adapt to the digital environment in order

to survive and thrive.

While both new online and traditional brick-and-mortar luxury markets are growing quickly, brand equity transfer from the traditional luxury market to the new online market remains underexplored. Reflecting these changes in consumers and marketplaces, this study makes an attempt to understand how brand equity of luxury brands, established in offline channels, is transferred to online channels. Brand equity refers to all the added values that the brand offers consumers (Ahn et al., 2018). Previous research finds that brand equity affects consumers' preferences and purchase intention (Cobb-Walgren et al., 1995). In particular, brand equity is more important for luxury brands, precisely because luxury brands themselves provide unique value to their customers in addition to a product's intrinsic value. Ko, Costello, and Taylor (2017) suggest that a luxury brand, in order to be worthy of a premium price, should provide high quality, authentic value (e.g., functional or emotional), prestige image (e.g., craftsmanship), and connection to consumers. Thus, successful luxury brands should be understood based not only on objective price and quality, but also consumers' subjective emotions and perceptions (Harvin, 2000).

The objective of this study is to examine the causal relationships between offline brand equity (i.e., brand awareness, brand image, and perceived quality) and online consumer responses (i.e., satisfaction and loyalty) in the

context of luxury brands. In the process, this study investigates the moderating role of offline brand trust in the relationships between offline brand equity and online consumer responses. The results are expected to provide meaningful implications to luxury brand managers for developing effective strategies to maximize the value of their brands.

## II. Theoretical Foundations and Hypothesis Development

### 2.1 Brand Equity

As brand equity is one of the most crucial constructs among the field of brand management, for both academics and practitioners (Yang, Liu, & Li, 2015). It refers to extra values related to a certain brand in consumers' perception (Lassar, Mittal, and Sharma, 1995). While a product itself is a mere object with functionality, a brand heightens a product's value going beyond its purpose of functionality (Erdem and Swait, 2016).

Brand equity, viewed from the perspective of customers, is customer-based brand equity, which offers values to organizations as well as customers (Kayaman and Arasli, 2007). Customer-based brand equity is defined as customers' confidence of a brand represented by customers' loyalty and willingness to pay a premium price

(Lassar et al., 1995). Customer-based brand equity exists when a customer has an encounter with a brand, either directly or indirectly, and gains familiarity with the brand (Keller, 1993).

The key component of customer-based brand equity is brand knowledge, which is comprised of brand awareness and brand image (Keller, 1993). Strong brand awareness and favorable brand image are deemed to bring about high possibility in terms of brand choice and consumer loyalty and thus tend to maintain a strong customer base in a competitive business environment (Keller, 1993). Also, brand awareness will increase brand equity as time goes by (Harrington, Ottenbacher, & Fauser, 2017). Brand awareness is involved with certain associations in customers' memory (Keller, 2001), and is composed of brand recall and brand recognition (Huang and Sarigöllü, 2014). Strong brand awareness relies on the degree to which customers are able to recall or recognize a brand being regarded as an important asset in brand equity (Aaker, 1992; Keller, 2001). Brand awareness is also treated as a crucial influence on consumers' decision making. A number of previous studies found a positive relationship between brand awareness and brand market performance, such as satisfaction and loyalty (e.g., Homburg et al., 2010; Kim and Kim, 2005; Tolba and Hassan, 2009). Chi et al (2009) reported the positive effect of brand awareness on brand loyalty. Furthermore, brand equity of the parent brand is transferred to the extended

brand (Hem and Iversen, 2003). Based on the discussion above, the following hypotheses are formulated.

*H1: Brand awareness of offline luxury brands positively influences customer e-satisfaction of luxury brands*

*H2: Brand awareness of offline luxury brands positively influences customer e-loyalty of luxury brands*

Brand image consisting of brand knowledge and brand awareness, refers to a consumers' personal association with a brand (Lee, Lee, and Wu, 2011), such as brand name, logo, physical looks, and main functions (Ataman and Ülengin, 2003). Brand image is simply what consumers think about a brand and how they feel when they think about a brand (Roy and Banerjee, 2008). Brand image can be divided into three components: image of product, image of product maker (i.e., corporate), and image of product user (Biel, 1992). Brand image can help consumers evaluate a brand in a holistic way based on brand attitude association, benefit, and attribute, which lead to favorable attitudes and feelings towards the brand (Porter and Claycomb, 1997). In addition, consumers' perception of brand image could affect brand preference, which then affects brand sales (Ataman and Ülengin, 2003) and even consumers' willingness to pay premium prices (Anselmsson et al., 2014). Therefore, brand image is a crucial component

in building up consumer based brand equity in previous studies (Aaker, 1992; Keller, 1993; Hyun & Kim, 2011; Jara & Cliquet, 2012; Kayaman & Araslı, 2007). Moreover, favorable brand image results in consumers' strong willingness to pay, thereby enhancing brand equity of the parent and extended brands (Lee et al., 2011). Consequently, the following hypotheses are proposed:

*H3: Brand image of offline luxury brands positively influences customer e-satisfaction of luxury brands*

*H4: Brand image of offline luxury brands positively influences customer e-loyalty of luxury brands*

Consumers' perceived quality is also a major components of brand equity (Aaker, 1996). Perceived quality is defined as "a buyer's evaluation of a product's cumulative excellence ... and a consumer's intangible perception of the whole quality or superiority of a product or service - their overall feeling about the brand" (Lee et al., 2011, p. 1096). Perceived quality is different from objective or actual quality. It is, rather, consumers' subjective judgment about overall excellence or superiority of a product that requires a higher level of concept than just a specific attribute (Zeithmal, 1988). In other words, quality perceptions in consumers' minds might be elicited from more than a products' physical and functional attributes (Jo

and Sarigollu, 2007). A brand name that positively affects consumers' perception of product quality can generate quality illusion. In other words, consumers who like a certain brand are more likely to think highly about the brand's entire attributes and consumers' positive evaluation may have a spill-over effect on the quality-related elements of the brand (Van Kempen, 2004). In such a case, a brand name could motivate consumers to buy a certain product from the brand (Vranesec and Seancec, 2003). Consequently, when consumers perceive excellent quality from a particular brand, they have a tendency to be more loyal to the brand (Kayaman and Arasli, 2007). In addition, consumers' perception of superior quality can lead to consumer satisfaction (Anderson and Sullivan, 1993). Ahn et al. (2018) find that the brand equity of the parent brand can be transferred to the extended brand. Thus, H5 and H6 are hypothesized as follows:

*H5: Perceived quality of offline luxury brands positively influences customer e-satisfaction of luxury brands.*

*H6: Perceived quality of offline luxury brands positively influences customer e-loyalty of luxury brands*

## 2.2 E-satisfaction and E-loyalty

The concepts of satisfaction and loyalty have been in the spotlight in the consumer behavioral

research for a long time. Satisfaction arises when consumers' perceived value meets expectations that have been developed from consumers' past purchase experiences (Oliver, 1981). Satisfaction was determined by the cognitive value of services provided to customers (Tutuncu, 2017). Brand loyalty refers to consumers' responses toward a brand that have been built over time and is represented in the form of consumers' preference, attitude, and behavioral intention or actual behavior (Engel et al., 1982). Brand loyalty is a way for consumers to express satisfaction with a certain brand (Bloemer and Kasper, 1995). Customer satisfaction has a critical influence on customer loyalty, giving rise to an increase in a company's profitability, market share, and asset efficiency (Chiou and Droge, 2006). Thus, it has been claimed that there is a significant relationship between customer satisfaction and loyalty (Homburg and Giering, 2001).

The primary concern of practitioners has mainly focused on customer retention due to a high level of extra cost to attract new customers (Wood, 2001). Brand loyalty encourages consumers' repurchase behavior and also restrains consumers from switching to competing brands (Yoo et al., 2000). Customer satisfaction is known as an immediate antecedent to customer loyalty and retention (Homburg and Giering, 2001). Customer satisfaction is not only determined by cognitive processes, but also by affective processes. In other words, satisfaction is established

when consumers evaluate a perceived performance by means of consumers' rationales and emotions (Homburg and Giering, 2001). As such, e-loyalty has been supposed to be an antecedent to e-loyalty. Anderson and Srinivasan (2003) reveal that e-satisfaction significantly impacts e-loyalty. Also, Kim and Li (2009) found positive relationship between e-satisfaction and e-loyalty. Therefore, the following hypothesis is developed.

*H7: E-satisfaction of luxury brands positively influences e-loyalty.*

## 2.3 Brand Trust

Brand trust refers to "the willingness of the average consumer to rely on the ability of the brand to perform its slated function" (Chaudhri and Holbrook, 2001, p. 82). Brand trust is developed from consumers' experience and interaction with a brand over time (Garbarino and Johnson, 1999). Brand trust evolves from consumers' thorough consideration, and it is different from brand affect that is involved with consumers' spontaneity rather than logical processes (Chaudhri and Holbrook, 2001). Brand trust plays a key role in brand loyalty because brand trust generates highly valued relational exchanges (Morgan and Hunt, 1994). In other words, a high level of brand trust results in strong brand loyalty, and brand loyalty consequently contributes to the great brand performance outcomes such as high

market share and price premium in the market place (Chaudhri and Holbrook, 2001). In line with this correlation between brand trust and brand loyalty, brand trust is believed to create positive attitude and commitment toward a particular brand, reflecting an exceptional relationship between the brand and customers (Delgado-Ballester and Luis Munuera-Alemán, 2005). Applying brand trust in the multi-channel context of luxury brands, brand trust may be able to affect the relationships between offline brand equity (brand awareness, brand image, and perceived quality) and online consumers' responses (brand satisfaction/brand loyalty). Therefore, it is hypothesized as follows:

*H8a: Brand trust moderates the effect of brand awareness on e-satisfaction*

*H8b: Brand trust moderates the effect of brand awareness on e-loyalty*

*H8c: Brand trust moderates the effect of brand image on e-satisfaction*

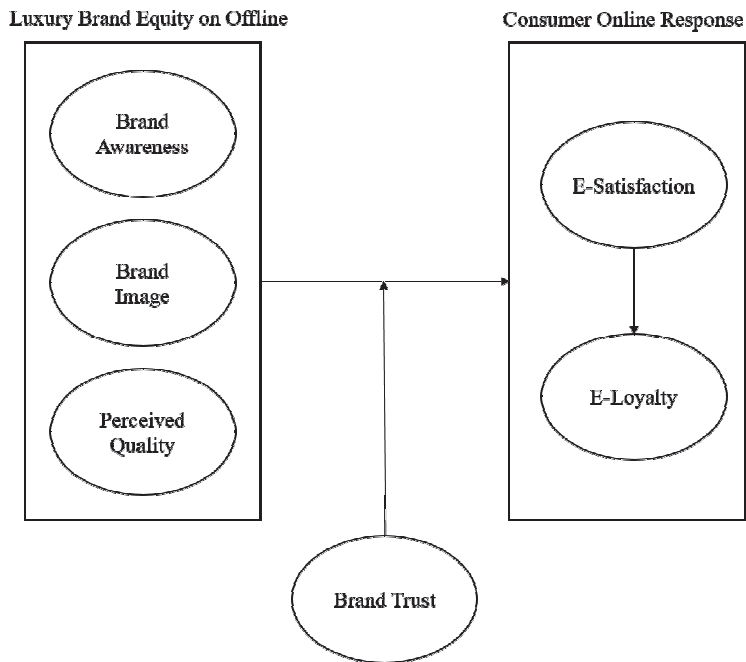
*H8d: Brand trust moderates the effect of brand image on e-loyalty*

*H8e: Brand trust moderates the effect of perceived quality on e-satisfaction*

*H8f: Brand trust moderates the effect of perceived quality on e-loyalty*

Figure 1 summarizes the research model of this study.

<Figure 1> Conceptual Model of Brand Equity Transfer



### III. Research Methods

The instrument with multiple scaled measurement items for the constructs in the proposed model was derived from the previous literature for empirical validation of the proposed hypotheses. The instrument was pretested (n=30), targeting college and postgraduate students at a major metropolitan university in Seoul, Korea. The respondents answered a questionnaire concerning a list of selected luxury brands. After a slight modification of the questionnaire based on the results of the pretest, the main survey was conducted targeting adults in Korea, whose age ranged from the

20s to the 50s and who had purchased luxury products online within the last 2 years. The online survey was conducted using a nationally recognized consumer research panel service. A total of 300 consumers, who satisfied the sampling conditions, agreed to participate in the study. The measurement scales used in the questionnaire were 5-point Likert scales. A structural equation modeling approach using AMOS 22.0 was employed to analyze the proposed model and data. The measurement items derived from the previous studies are as follows: brand awareness was measured by adapting measurement items from Aaker (1996) and Miller and Berry (1998); brand image was assessed by adopting measurement items from Keller (1993); perceived



quality was evaluated by adopting measurement items from Zeithaml (1988); measurement items for satisfaction were derived from Aaker (1996) and Anderson and Mittal (2000); loyalty was assessed by adopting measures from Zeithaml et al., (1996) and Chaudhuri and Holbrook (2001); brand trust was measured by measurement items derived from Erdem and Swait (2004) and Morgan and Hunt (1994).

## IV. Results

Results of the several goodness-of-fit measures suggested that the overall fit of the measurement model was satisfactory ( $\chi^2=293.271$ ,  $p < 0.00$ ; GFI=0.907; NFI=0.859; RFI=0.828; IFI=0.913; TLI=0.892; CFI=0.912, RMR=0.079; RMSEA=0.068). Composite Reliability (CR), Average Variance Extracted (AVE), and factor loadings from Confirmatory Factor Analysis (CFA) were used to evaluate internal consistency and validity of the multi-item seven latent variable construct (Table1). Factor loadings for each variable were sufficiently high and significant ( $p < 0.01$ ). All of the alpha coefficients for the data exceeded the minimum standard of reliability (Cronbach's  $\alpha = 0.70$ ) recommended by Hair et al., (2006), confirming internal consistency in measurement items. All of the CR values exceeded the recommended minimum value of .70, indicating good reliability (Hair et

al., 2006). The AVE values fell between 0.52 to 0.80, and were all above 0.50, indicating convergent validity (Bagozzi and Yi, 1988). These AVE values were all greater than the squared multiple correlations of the constructs, so discriminant validity was achieved (Fornell and Larcker, 1981). The values of means, standard deviations, and correlations of the constructs are presented in Table 2.

A Structural Equation Model (SEM) was adopted to test the hypotheses proposed in the study. The overall model fit of the SEM provided satisfactory results ( $\chi^2 = 293.271$ ,  $p < 0.00$ ; GFI = 0.907; NFI = 0.859; RFI = 0.828; IFI = 0.913; TLI = 0.892; CFI = 0.912, RMR = 0.079; RMSEA = 0.068) (Table 3). As shown in Table 3, the results of the structural models indicated that causal relationships between brand equity (e.g., brand awareness, brand image and perceived quality) and e-satisfaction were supported (H1:  $\beta = 0.417$ ,  $p < 0.001$ ; H3:  $\beta = 0.240$ ,  $p < 0.01$ ; H5:  $\beta = 0.239$ ,  $p < 0.001$ ). Regarding the relations associated with e-loyalty, only one relationship between brand image and e-loyalty was supported (H4:  $\beta = 0.198$ ,  $p < 0.01$ ). H2 and H6, which hypothesized relationships between brand awareness and e-loyalty and between perceived quality and e-loyalty, were not supported (H2:  $\beta = 0.019$ ,  $p = \text{n.s.}$ ; H6:  $\beta = 0.065$ ,  $p = \text{n.s.}$ ). And, H7, which hypothesized that e-satisfaction has a positive impact on e-loyalty was supported, (H7:  $\beta = 0.632$ ,  $p < .001$ ).

<Table 1> Measurements of Variables and Reliability and Validity Tests

| Construct         | Operational definition                                  | Measurement items   | Cronbach-<br>α | AVE   | C.R   |
|-------------------|---|---|----------------|-------|-------|
| Brand awareness   | Aaker (1996)<br>Miller and Berry (1998)                 | 1. I consider the luxury brand logo the most important when shopping online.<br>2. I prefer purchase of familiar luxury brand when shopping online.<br>3. I purchase well-known luxury brand products when shopping online though the price may be high.                    | 0.722          | 0.557 | 0.790 |
| Brand image       | Keller (2003)   | 1. I value the luxury brand image more than the price paid when shopping online.<br>2. I consider the differentiated luxury brand image the most important when shopping online.<br>3. I have desire to possess luxury brand products of their images when shopping online. | 0.678          | 0.536 | 0.775 |
| Perceived quality | Zeithaml (1988)   | 1. I prefer purchase of luxury brand products of high quality when shopping online.<br>2. I prefer the products with fine workmanship when shopping online.<br>3. I prefer luxury brand products of fine designs when shopping online.                                      | 0.660          | 0.602 | 0.819 |
| e-satisfaction    | Aaker (1996)<br>Anderson and Mittal (2000)              | 1. I am satisfied with the purchase of the luxury brand of my choice online.<br>2. I am satisfied with both before and after experience of the purchase of the luxury brand products of my choice online.   | 0.799          | 0.736 | 0.901 |
| e-loyalty         | Zeithaml et al. (1996)<br>Chaudhuri and Holbrook (2001) | 1. I would purchase from the same luxury brand although the price may be higher than the other brands on my next online purchase.<br>2. I am attached to the luxury brand of my choice online.  | 0.797          | 0.736 | 0.901 |
| Brand trust       | Erdem and Swait (1998)<br>Morgan and Hunt (1994)        | 1. I trust the luxury brand with good after service when shopping online.<br>2. I trust luxury brand of highly guaranteed quality when shopping online.<br>3. I trust the company credibility of a brand together with their products when shopping online.                 | 0.735          | 0.659 | 0.852 |

Model specification:  $\chi^2/df=2,207^2$ ,  $p < 0,000$ ; DF=2,028; GFI=0.904; NFI=0.875; RFI=0.847; IFI=0.932; CFI=0.931; TLI=0.916; RMSEA=0.059

<Table 2> Construct Means, Standard Deviations, and Correlations

|              | Awareness | Image   | Quality | Trust   | Satisfaction | Loyalty |
|--------------|-----------|---------|---------|---------|--------------|---------|
| Awareness    | 1         |         |         |         |              |         |
| Image        | 0.331**   | 1       |         |         |              |         |
| Quality      | 0.345**   | 0.239** | 1       |         |              |         |
| Trust        | 0.455**   | 0.319** | 0.352** | 1       |              |         |
| Satisfaction | 0.514**   | 0.438** | 0.291** | 0.658** | 1            |         |
| Loyalty      | 0.471**   | 0.433** | 0.280** | 0.519** | 0.761**      | 1       |
| Mean         | 3.612     | 3.806   | 3.920   | 3.746   | 3.744        | 3.574   |
| S.D.         | 0.778     | 0.734   | 0.672   | 0.774   | 0.670        | 0.769   |

\*\* $p < 0.01$

<Table 3> Structural Model Results

| Structural Path                        | Coefficient         | S.E.  |
|--|---------------------|-------|
| H1: Brand Awareness → E-satisfaction   | 0.417***            | 0.065 |
| H2: Brand Awareness → E-loyalty        | 0.019 <sup>ns</sup> | 0.049 |
| H3: Brand Image → E-satisfaction       | 0.240*              | 0.436 |
| H4: Brand image → E-loyalty            | 0.198*              | 0.305 |
| H5: Perceived quality → E-satisfaction | 0.239***            | 0.057 |
| H6: Perceived quality → E-loyalty      | 0.065 <sup>ns</sup> | 0.041 |
| H7: E-satisfaction → e-loyalty         | 0.632***            | 0.098 |

Goodness-of-fit:  $\chi^2_{124} = 293.271$ ,  $p < 0.00$ ; GFI=0.907; NFI=0.859; RFI=0.828; IFI=0.913; TLI=0.892; CFI=0.912, RMR=0.079; RMSEA =0.068

\*\*\*  $p < 0.001$ , \*\*  $p < 0.01$ , \*  $p < 0.05$

<Table 4> Moderating Effect of Brand trust

|                                    | Brand Trust |        | Estimate (t) |
|------------------------------------|-------------|--------|--------------|
|                                    | Low         | High   |              |
| Brand awareness → e-satisfaction   | 0.232*      | 0.181* | -0.434       |
| Brand image → e-satisfaction       | 5.965       | 0.820  | -1.377       |
| Perceived quality → e-satisfaction | 0.030       | 0.177* | -0.446       |
| Brand Image → e-loyalty            | 6.039       | 0.330  | 2.082*       |

\*  $p < 0.05$

To examine the moderating roles of offline brand trust, group analysis was conducted. The results show that brand trust does not moderate the impact of brand awareness, brand

image, and perceived quality on e-satisfaction (Table 4). However, brand trust has a moderating effect on the relationship between brand image and e-loyalty ( $t$ -value=2.082,  $p < 0.05$ ). The

moderating effects of brand trust on the relationships between brand awareness and e-loyalty and between perceived quality and e-loyalty does not appear in the process.

## V. Discussion

The purpose of this study is to examine the causal relationships between offline brand equity (brand awareness, brand image, and perceived quality) and online consumer responses (satisfaction and loyalty) in the context of luxury brands. The analysis results support that brand awareness, brand image, and perceived quality positively influence consumers' e-satisfaction and brand image positively influences consumers' e-loyalty. In addition, e-satisfaction positively influences e-loyalty. Offline brand trust is found to have a moderating effect on the relationship between brand image and e-loyalty. The fact that brand awareness, brand image, and perceived quality have a positive impact on e-satisfaction proves that luxury brand consumers seem to carry their offline luxury brand recognition and perception to online platforms, which then affects their satisfaction with online luxury brand shopping. The findings of this study correspond to the results of previous studies that brand awareness, brand image, and perceived quality have a positive impact on consumer satisfaction (e.g., Homburg, Klarmann, and

Schmitt, 2010; Kim and Kim, 2005; Kim and Kum, 2004, Kim et al., 2003; Tolba and Hassan, 2009) and, by extension, on e-satisfaction.

The results also show a positive relationship between e-satisfaction and e-loyalty, which is in line with the results of Anderson and Sullivan (1993) who also examined the link between e-satisfaction and e-loyalty. Much research also shows a positive link between satisfaction and loyalty, asserting that satisfaction is an important antecedent to loyalty (e.g., Hallowell, 1996; Taylor and Baker, 1994). In addition, the results indicate that only brand image has a positive influence on e-loyalty. Brand image cannot be simply described as what consumers think of a brand. Brand image is a combination of what they think and how they feel about a brand (Faircloth, 2005; Roy and Banerjee, 2008). In other words, brand image is inclusive of consumers' knowledge, feelings, thoughts, and belief (Lee et al., 2011). Since brand image is complex, it would be a core component to strengthening brand equity by contributing to positive consumer behaviors such as willingness to pay a price premium and providing positive word-of-mouth (Martenson, 2007). Although brand awareness and perceived quality do not directly influence e-loyalty, both brand awareness and perceived quality have a positive impact on e-loyalty through e-satisfaction. The moderating role of brand trust is found in the relationship between brand image and e-loyalty. In exchange relationships, brand trust is a highly important

concept because brand trust results in attitudinal and behavioral loyalty toward a brand (Morgan and Hunt, 1994). Trust involves careful consideration and does not come instantly (Chaudhry and Holbrook, 2001). Therefore, brand trust is crucial to build a long-term relationship between consumers and a brand (Delgado-Ballester and Luis Munuera-Alemán, 2005).

## VI. Conclusions

### 6.1 Implications

The luxury industry has recently extended their market channel into online outlets. Despite a clear and rapid market change, the understanding of brand equity transfer from the traditional luxury market to the new online market has been limited. This study makes meaningful contributions to academia and industry practitioners because it is an early attempt to understand how the brand equity of luxury brands established in offline channels is transferred to online channels. This study demonstrates the significant impact of luxury brand equity (i.e., brand awareness, brand image and perceived quality) on consumer responses to extended online channels (i.e., e-satisfaction and e-loyalty). The main contribution of this study is that luxury brand image plays an important role in driving positive consumer

online responses as offline. The results of this study clearly provide critical implications for luxury brand practitioners. First, Brand managers need to understand that offline brand equity, including brand awareness, brand image, and perceived quality, can be transferred to consumers' online satisfaction and offline brand equity has an impact on online loyalty, both directly and indirectly. Therefore, a luxury brand which enjoys strong brand equity in offline is in a better position to extend its business to online channels. For a successful change to online, a luxury brand with relatively weaker offline brand equity needs to enhance its brand equity offline before a successful channel extension to online. The results also indicate that brand image plays a pivotal role in the process of brand equity transfer from offline to online channels. Brand image has direct positive impacts on both e-satisfaction and e-loyalty. Hence, brand managers who consider extension to online channels should focus on managing positive brand image when they have limited resources to manage all three factors of brand equity. Finally, luxury industry practitioners need to bear in mind that brand trust amplifies the positive transfer effects of offline brand image on e-loyalty. Thus, brand managers need to manage both brand image and trust in a balanced way to maximize the synergy effect. They should strive to build a favorable brand image and a solid basis of trust, appealing to the consumers' sense and sensibility as brand

image is based on thoughts and feelings, while brand trust is based on thorough consideration. This result is consistent with previous studies in that enhancing both brand image and trust will eventually increase firms' profitability (Aaker, 1992; Keller, 1993).

## 6.2 Limitations and Future Research

Despite the several contributions of this study, there are some limitations to be addressed. The main limitation of the present study is that it used consumers' general perception of luxury brands not specific brand or luxury industry. This may have limited generalizability to explain these results to other industries, such as fashion, electronics, automobile and so on. In addition, the data collection was based on respondents' subjective and personal purchase experiences. Therefore, respondents may have various products from various product categories in their minds when they answered the questionnaire. To enhance validity of the research results, future research could conduct a more controlled experiment. Also, there could be self-selection bias from the online sampling procedure. Future research could mitigate this bias by using an email list to send an online survey link.

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