Can the implementation of AI technologies affect Luxury Brands' Associations?

Literature Review

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Abstract

This investigation aims to explore the literature regarding the relationship between the implementation of Artificial Intelligence technologies and Luxury Brands' image, as to understand if these technologies should be also managed from a branding standpoint. Core definitions of Branding, Luxury Brands, Brand Equity and Brand Image are gathered. The impact of Artificial Intelligence on Luxury Products is brought up and discussed. This study is achieved through a literary review. As a result of this study, a lack of deeper understanding regarding the relationship between Luxury Brand Associations and Artificial Intelligence technologies has been found. Beyond functional aspects (product manufacture, E-commerce, etc.), that are bettered by Artificial Intelligence, branding wise, a lack of specificity regarding Brand Associations is felt, incapacitating complete management knowledge of Brand Equity on this new technological paradigm.

Keywords:

Luxury Brands; Brand Image; Brand Associations; Artificial Intelligence

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Introduction

As Digital Age is settling, Brands' communication and Marketing efforts must adapt. It is no longer a mere tool – it is a realm and integrate part of the common operational basis. Its main takeaway is the unprecedented speed with which it operates. (Steenkamp, J.-B. E. M., 2020) Moreover, with the development and adoption of Artificial Intelligence (AI) Technologies by brands, a shift on the digital paradigm can be felt which also encompasses Luxury Brands. These range from Marketing tools (Vlačić, B., Corbo, L., Costa e Silva, S., & Dabić, M.,2021) to E-commerce assistants, like chatbots (Li, C.-Y., & Zhang, J.-T., 2023).

When taking in consideration the importance of managing a Luxury Brand, particularly in an online setting, it is not farfetched to wonder how AI Technologies might impact consumers' perception and awareness of Luxury Brands (Rossi, 2020). With AI Technologies being something yet to be understood by many, it is a subject that can divide consumers', whether by indifference or by distaste for it (Zhang, 2021).

As such, a literature study is required to comprehend the root concept of Brand before diving into its luxury segment. At the same time, an analysis on what Brand Equity is also needed. Having these considerations in mind, then, we can discuss what we know as of now regarding the impact of AI technologies in Luxury Brands and in what direction further studies should head.

Therefore, this paper starts with the literature review that includes the conceptualization of Brand, Brand Equity and its Management. With these core concepts in mind, Luxury Brands are then explored, followed by the relationship between Brands, both Luxury and not, and Artificial Intelligence. With the results of this literature review, brought up afterwards, a discussion on the findings is ensued. After a summary of the paper, achieved with a conclusion, further studies on relevant matters to this paper are suggested.

Methodological Approach

This study has been conducted throughout the months of April and May of 2023 and it is the outcome of the gathering and reading of several scientific articles, all pertaining to the subject at hand.

The keywords used in this research were "Artificial Intelligence", "Branding and Artificial Intelligence", "Luxury Brands and Artificial Intelligence" and "Luxury Brands Image and Artificial Intelligence". The engine search of choice was Google Scholar. This search returned over thirty papers, twenty-three of which were the most relevant.

Brand equity and Brand Management

Brand

Before exploring what grants a Brand its Luxury, a definition of the core concept of Brand is required. Brands are defined as “a name, term, design, symbol or any other feature that identifies one seller’s goods or service as distinct from those of other sellers.” (American Marketing Association, 2023[1]). This definition is followed by various authors, such as Aaker (2012) and Keller (2012). Bennett (1988) defined a Brand as “a name, term, design, symbol or any other feature that identifies one seller’s good or service as distinct from those of other sellers”, giving emphasis to the idea that differentiation might arise from a component which isn’t necessarily tangible. As such, there’s a clear distinction between Brand and Product. Beyond a proposition that is being offered to an end that is rooted at a need or want, a Brand encompasses characteristics that allow for differentiation between products conceived to target the same need (Keller, 2012).

Brand Equity

This is where Brand Equity comes to play. There are multiple definitions of this concept, mainly due to the perspective from which Equity is concerned. Aaker (1996, pp.15-16) defines it as a “set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customers”. These elements are brand loyalty, name awareness, perceived quality, brand associations in addition to perceived quality and other proprietary brand assets (Aaker, 1996). Keller (2012, pp. 58) considers Brand Equity to be what “consists

[1] https://www.ama.org/topics/branding/

of the marketing effects uniquely attributable to a brand", which in turn sheds light on how it is possible for a non-branded product to have better results, marketing wise, to have different results than those of a branded product.

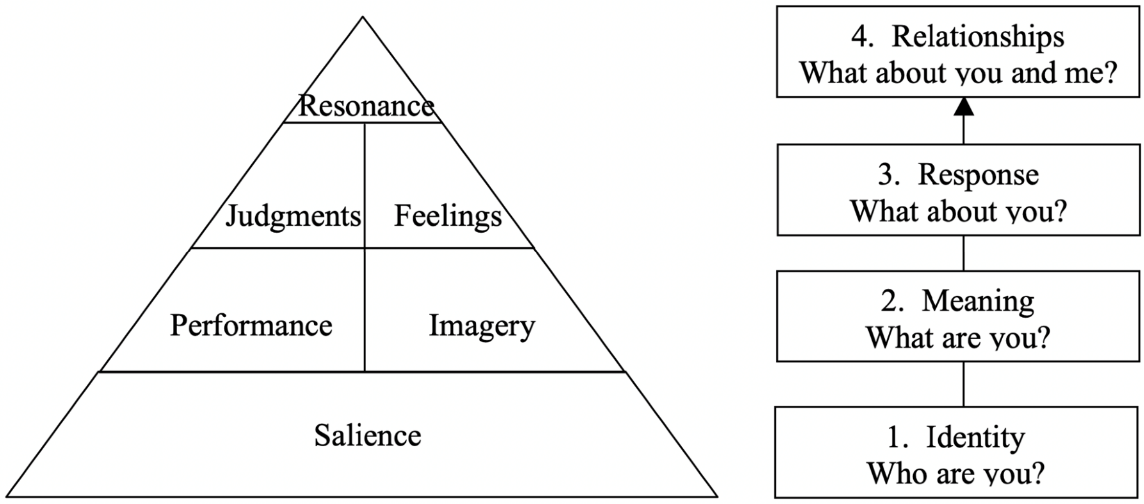

Figure 1 - Keller's Brand Equity Model

With Keller's Brand Equity Model in mind, we understand the hierarchy of how customers interact with brands. They first go through a phase of identification, which will resort to a brand's name. Secondly, visual identity (logo, slogan, colors, typography, etc.) comes into play, alongside its performance. No judgmental response is had at this moment, as it is a part of the third phase. With judgment, feelings arise regarding the brand, and an opinion is formed. At the top of the pyramid (Figure 1), we see that resonance is the core of the relationships that arise between consumers and brands.

Brand Equity Management

It is not sufficient to have a brand recognized – it matters how its recognition and perceptions are managed, through Brand Equity. Aaker (1996) underlines four main strategies, namely brand positioning and values, brand marketing programs, brand performance and growth and sustainability of brand equity. As Aaker also mentions, as an important consideration in managing Brand Equity, leveraging secondary associations goes together with this strategy. Regarding different products and markets, Aaker states that Branding Equity should be managed taking in consideration a single criterion that does not fit under the umbrella of marketing strategies. Hence, Brand Equity Management should focus on asset values that are not duplicated by competitors. These criteria may be loyalty, premium price, customer satisfaction, perceived quality, brand personality and associations. Pertaining associations, consistency is key to maintaining them (Aaker, 1996). Regarding Customer Equity, Kapferer (2008) underlines the importance of loyal customers, as they are more profitable in the long term. Hence, the magnitude of brand equity. Within Brand Equity lies Brand Image, which is the following subject of study.

Brand Image

Brand image is a representation of ideas and attributes, allowing for differentiation. (Gardner & Levy, 1995) Brand image is much in touch with brand awareness. While awareness pertains to how likely a certain brand is recognized and recalled, brand image is embodied by associations. These associations can be favorable, unique and/or strong. As these associations are developed, attributes that arise from them will then be made a part of a brand's image (Keller, 2015). A brand's image is the consumers' perception, as opposed to its identity, which is how a brand wishes to be perceived (Aaker, 2012). Brand image does not exist without a cause. It serves functions, such as establishing market pioneering, by being the first brands to do something or to sell a specific product, brand alliances, by merging different brands' associations, and brand extensions, which diminish the costs of bringing about a new product (Kahle & Kim, 2006).

Beyond market influences, brand image is also at the heart of the relationship between brand and consumer. Brands may find the need to adapt their image in accordance with that of their consumers' lifestyles, at a given moment in time (Farquhar, 1989).

The Branding of Luxury in the Digital Age

Luxury Brands

Regarding Luxury Brands, the definition of what deems a brand to be luxurious is not clear. Due to its subjectiveness, consumer perception and evaluations is at the core of the literature. These evaluations are, namely: high quality, authenticity, prestige, premium price (that is justified) and the capability of inspiring emotional ties. Veblen's (2005) theory regarding Luxury Brands is that the consumption of Luxury Brands, when made public, has the intent of showcasing the consumer's wealth and status. In comparison to value brands, luxury brands have an appeal that lasts longer, due to its desirable dreamlike appeal (Hagtvevdt & Patrick, 2009). Luxury and its perception goes beyond the product. One of its sources is the country of origin of a brand (Godey et al., 2012).

At the heart of it all, though, luxury brands share a common ground – recognition. Some brands, however, are known through products that are iconic enough to be representative of the brand itself, such as Chanel Nº5 and Porsche 911. This reality signifies that consumers do not perceive luxury brands on a critical level. Thus, luxury brands are the sum of both tangible and intangible parts, merging meanings that go beyond a product and its factual characteristics, which might be referred to as "magic" (Kapferer, 1998).

Above all, the luxury industry is characterized by the predominance of brands and their influence. Despite the recognition of specific landmark products, as mentioned aforehand, customers do not go out of their way to search for a determined type of product – they search for the brands themselves. It is the dream that is brought to life by luxury brands, on their own, that moves consumers to act (Kapferer, 2015).

Luxury Brands and the Internet

Since the Internet allows brands to achieve ubiquity, the concept of exclusivity, associated with luxury brands, can seem to be at risk. This, however, is not the case. Ubiquity has the power to allow luxury brands to enhance and build on the dream they are selling. Thus, the dream that they sell is, thanks to the Internet, observable to new consumers. In this sense, traditional consumers can also receive content that is uniquely curated for them, maintaining, and preserving the idea of exclusivity (Hennigs, Wiedmann & Klarmann, C., 2012).

Since the Internet is mainly operated for the masses (and in masses), luxury brands must know how to act in it. A successful strategy will allow luxury brands to have their awareness heightened. This process of brand building, on a digital setting, must be meticulously thought through, as to avoid burning out audiences while, at the same time, managing for the brand to have market penetration. This is mainly achieved not by E-Commerce strategies but Communication strategies. Considering this, luxury brands are curators of branding material of the highest quality (Kapferer, 2015).

Brands, Luxury Brands and AI

When it comes to AI, it can have a negative impact on luxury brands, product wise. It is deemed that the luxury sought after in luxury products is devalued when their development is aided by AI. This is a result of it being in contraction to the associations consumers have of luxury brands, namely heritage (Xu & Mehta, 2022).

This is further reinstated by Camilla (2020), whose study asserted that the usage of AI technologies devalues the heritage perception of luxury products. However,, no harm was done regarding the brand. Regarding a wider scope of brands, AI has been sighted as a helpful endeavor towards brand recognition, specifically when we take its interactive technology capabilities. Not only that, but there are also widely recognized brands, such as Amazon and eBay, that heavily rely on AI systems. Thus, they are known for their technological advancement (Varsha, Akter, Kumar, Gochhait & Patagundi, 2021).

Results

With this literature analysis, we can understand the importance of building a brand. It is via branding that consumers' can firstly get to know and recognize, and secondly engage with brands and their products. This engagement is not done blindly, as consumers will perceive brands, either positively or negatively, according to their own image, unique to themselves. This is where brand equity management comes to play, to deepen and better the brand-consumer relationship. As such, one of the key elements is brand equity management consistency, as to maintain that one unique characteristic of a brand, inimitable by other brands. This is one of the many ways thanks to which a non-branded product will have worse performance than a branded one. Not only that, consumers, when faced with two similar products of different brands, will showcase preference towards the product of a brand they appreciate.

When it comes to luxury brands, brand image is crucial. Due to the predominance of ideas and dreams that underly luxury brands' agency, both in identity and marketing, the brand image maintenance cannot be understated. Thus, brand associations must be taken in consideration. If influence is key in the luxury market, a luxury brand's influence must be understood, maintained, and leveraged. Luxury brands do not live under the shadow of consumers' needs – they go above and beyond and resemble, by themselves, a set of emotions, dreams or ideas that may result, in practice, in hedonistic motivations.

Having in mind that luxury brands act on the level of the intangible, communication is strongly at their core. Content creation, curated towards communication, has been greatly focused with the immergence of the Internet, namely, social media.

Discussion

Despite much investigation regarding the impact of AI on brands' performance, E-commerce wise, few has been explored when it comes to brand image. As AI gets more and more complex and, above all, popular, it is necessary to understand how it might affect consumers' perception regarding a luxury brand that utilizes AI. Due to its complexity, AI is not a mere new technological device or set of tools. It has severe implications and is much discussed as to how much it can shake the world.

With this study we are aware of all these managerial implications, product wise, Aaker's Brand Equity Model remains to be put to the test regarding brand associations that AI brings forth. However, a sense of clarity regarding how AI can affect brand image is not achieved. It is not a matter of understanding if it affects it, to begin with, but how. Can it ever put customer equity, following Kapferer's works, at risk? We understand that luxury products have their luxury undervalued with AI, but we do not know how that might extend towards the luxury brand itself and if that is a more worrying matter.

Branding is not a mere argument as to why consumers should prefer a product over another, much less in the luxury market, as Kapferer states. Luxury brands strive to embody concepts that are desirable to consumers, without selling them. Consumers' desire relies on the dreams that luxury brands sell, which then, when bought, will be a part of the consumer's behavior and manner of presenting themselves in public. These considerations cannot be managed without a clear and precise understanding of how a luxury brand wants to be perceived, mainly regarding brand image, as Keller has explored. If, for instance, AI is deemed as a negative and an unnatural reality, luxury brands can be tainted by it. The opposite might occur, in the sense that AI can be perceived as positive and innovative, but those associations, however positive, might not fall in line with how a luxury brand desires to be perceived.

Conclusion

This investigation shines a light on a gap, research wise, regarding AI's impact on the brand associations pertaining to luxury brands.

Branding is not a new concept, however, its management has been challenged differently throughout time. With the digital age, luxury brands require communication strategies and efforts that take full advantage of digital means, mainly, social media. It is through branding that specific products are brought to life, as trademarks and icons, especially when it comes to luxury products. Nevertheless, brand management remains a key element in maintaining a clear and advantageous relationship with consumers and their perception of brands.

It is, as such, worthwhile to pursue this subject. However, it is required to understand at what length traditional Brand Equity Models are compatible with today's luxury marketing practices, namely the use of AI.

All in all, luxury brands strive from maintaining an image and narrative that is aligned with the proposition of dream selling. Such intangible notions are always at play, thanks to digital ubiquity, which leads consumer to easily across marketing efforts and interact with brands by simply browsing social media.

Further Investigations

With the conducted study, new topics of further investigation are brought forth:

- Is brand love at risk for luxury brands with AI technologies?
- Is luxury branding compatible with AI?
- How does brand image of a luxury brand is affected using AI?

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