

## HOW GAME ADVERTISING INFLUENCES THE BRAND EQUITY OF LUXURY BRANDS

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### ABSTRACT

Throughout recent years, many physical establishments were forced to close, and events were canceled due to the outbreak of Covid-19. Consequently, brands, especially luxury brands, saw their contact with consumers greatly diminished and revenues decreased significantly (D'Arpizio et al., 2021). On the contrary, the global gaming industry saw its demand, exposure, and revenues increase. In fact, this industry is expected to exceed \$200 billion by the end of 2023 (Gilliland, 2020), and there were more than 2.6 billion players worldwide in 2020 (Palframan, 2021). Thus, in 2020, many luxury brands opted to significantly upsurge their investments in the world of online gaming. The adoption of game advertising also represents a way for the luxury industry to adapt to its current target, as 81% of Gen Z and 77% of Millennials are gamers (Jain, 2021). By 2025, both generations are expected to account for 50% of the market, making them important players in the sector. However, there is still little empirical research regarding consumers' perceptions of game advertising in the context of luxury brands. Thus, this research aims to study the impact that brand credibility and the use of game advertising have on the perceived coolness of luxury brands and, subsequently, on their equity.

### Game Advertising

In early 2019, we witnessed Moschino with a capsule collection featuring iconic Sims motifs that were later sold in-game. Soon after, Louis Vuitton was a major pioneering brand with the sale of “skins” – “a graphic download which changes the appearance of characters in video games” (parentzone, 2022) – in the League of Legends game, where a clothing piece costs between \$220 and \$7350. After Louis Vuitton, several brands followed this concept and created collaborations with online games, namely Gucci, Marc Jacobs and Valentino, and Balenciaga. According to the literature currently available, in-game advertisements can hold a user's attention for a longer period than conventional ads, and they enable advertising companies to gather information about customers while the game is being played (Ferrazzi et al., 2003). There is also the opportunity to accurately gauge and assess the effect of a message delivered via an internet medium. Over 70% of gamers think that in-game advertising is desirable and appropriate, adding realism to a virtual environment (Balaban et al., 2009). However, the digitalization of luxury brands and the use of game advertising is still considered a recent and debatable topic. Luxury brands are traditionally associated with high quality, prestige, premium, and uniqueness (Ko et al., 2019). These described attributes may

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differ somewhat from the types of games they are associating with and/or creating, which are more mainstream (Woodcock, 2008), and possibly less niche than the traditional approach of luxury brands. Additionally, even though luxury brands want to communicate that they exist; they also want to be discreet (Bechtold, 1991) and combine, as stated by Geerts and Veg-Sala (2011, p.83), "selectivity and diffusion, rarity and enlargement, elitism and increased awareness".

### **Brand Credibility**

Erdem and Swait (2004) describe brand credibility as the ability and willingness of a brand to consistently deliver on its promises, as determined by consumers' views of the product position information encoded in the brand. Brand credibility can predict brand preference and purchase intentions in the context of luxury brands, particularly in luxury restaurants (Jin et al., 2014), and act as a moderator between online brand experience and behavioral intentions in a destination context (Jiménez-Barreto et al., 2020; Wang et al., 2020). Clear and credible signals emitted by brands through their marketing strategies are received by consumers as factors that decrease perceived risk and information costs (Maathuis et al., 2004), increasing perceived quality (Aaker, 1991), brand value (Maathuis et al., 2004) and, consequently influencing consumer choice for that same brand in the case of having two equal offers in the remaining attributes. (Erdem & Swait, 1998). Thus, brand credibility has a positive influence on consumer decision-making, and can lead to higher purchasing intentions (Goldsmith et al. 2000; Wang & Yang, 2010). As previously stated by Maathuis et al. (2004), perceived brand credibility influences the increase of the brand value (Useful), and accordingly to Morhart et al. (2015), one potential pillar for building brand credibility is the degree to which the brand is viewed as genuine and honest (Authentic).

### **Brand Coolness**

Brand Coolness can be defined as "a subjective and dynamic, socially constructed positive trait attributed to cultural objects inferred to be appropriately autonomous" (Warren and Campbell, 2014, p. 544). Coolness is a subjective, social, and dynamic construct (Budzanowski, 2017). There have been identified several antecedents for coolness, namely: authenticity (Southgate, 2003), aesthetic appeal, originality, creativity, and innovativeness (Bird & Tapp, 2008), popularity (Wooten & Mourey, 2013), and fashionable, eye-catching, and entertaining (Rahman, 2013). More recently, Warren et al. (2019) identified ten dimensions of the concept. From the ten dimensions, the present study will consider five – Authentic, Useful, Subcultural, Popular, High-Status – as these were the attributes identified by Loureiro et al. (2020) in "Enhancing brand coolness through perceived luxury values: Insight from luxury fashion brands". Cool brands generate feelings of love in consumers and make them want to interact more with brands and feel the need to buy and interact with them again (Khamwon & Kularbkaew, 2021). The emotional attachment to the brand increases the relationship between the brand and the customer, improving the customer's perception of the brand and consequently its brand equity (Khamwon & Kularbkaew, 2021; Doorn et al., 2010).

### **Brand Equity**

Brand Equity has several definitions (Rangaswamy et al., 1993) whereby according to Keller (1993, p.2) it is defined as "the differential effect of brand knowledge on consumer response to the marketing of the brand." This value must be created through brand management, not only through superior quality but also through the trust and identification it passes on to the consumer (Keller, 1993, 2013; Schiffman & Kanuk,

2007). According to Aaker (1991) there are 4 dimensions to Brand Equity: Brand Recognition, Brand Loyalty, Perceived Brand Quality, and Brand Associations. A brand with a strong equity position and a clear promise should have a positive impact on outcomes (Raggio & Leone, 2007). Accordingly, to Raggio and Leone (2007), brand managers should shift their attention from managing Brand Equity to exploiting the equity that exists with individuals to maximize brand value, which calls for a shift from a business to a consumer-focused mindset (Raggio & Leone, 2007). A recently released bibliometric analysis demonstrates that one of the crucial components of the purchase intention of a luxury brand product is brand equity (Husain et al., 2021). Raggio & Leone (2007) further argue that brand equity is specific to each consumer; it may be built on perceptions that relate to certain attributes for one consumer or those that correspond to some general brand impression for another, and perceptions can exist at either a detailed attribute level or an overall brand level (Raggio & Leone, 2007). Just as brand equity resides in consumers, so does Brand Coolness, since it is subjective (Warren et al., 2019). Brands are only considered cool to the level that individuals think so (Connor 1995; Gurrieri, 2009; Pountain & Robins, 2000).

### **Methodology**

Based on the existing literature, the need arises to understand how the brand credibility of luxury brands, associated with the consistency and clarity with which they communicate their authenticity and prestige (Ko et al., 2019) can impact their equity. The study further seeks to assess the impact of game advertising on brand coolness perceptions, since this concept is associated with a niche and with prestigious and sophisticated brands, but also with popularity (Warren et al., 2019) and constant dynamics (Anik et al., 2017). To assess the impact that consumers' generation has on their perception of coolness and equity, a multi-group analysis was carried out. To carry out this analysis, the current study is based on the partnership between Louis Vuitton and League of Legends and uses a structured online questionnaire to collect data from 417 participants. The data processing and interpretation processes were performed using IBM SPSS Statistics 28 and SmartPLS4 software.

### **Findings**

Using structural equation modeling, findings reveal that brand credibility increases consumers' perception of brand coolness, just as it also positively impacts perceived quality, brand awareness and loyalty of a consumer towards a brand and, consequently, its brand equity. Additionally, according to the moderation analysis, the fact that individuals are consumers of luxury brands and that they are already aware of other brands using game advertising also has a positive impact on brand awareness.

### **Discussion**

This study offers an important theoretical contribution since it demonstrates that there is empirical evidence about the positive relationship between brand credibility and brand coolness. Further, the conducted research explains that brand coolness perceptions have a positive impact on the way consumers perceive brand quality, awareness, and loyalty. Finally, the study also helps to confirm what has been previously studied by some authors – such as Erdem and Swait (1998) and Spry et al. (2011) – that brand credibility could be related to brand equity. This study then proposes for discussion that both brand coolness and brand equity have a positive impact on the perceived quality, awareness, and loyalty of luxury brands.

The study also brings important insights for marketers. According to our findings, one way to obtain this cool characteristic is to be a credible brand, that performs brand investments to deliver what it promises. Furthermore, this analysis shows that the fact that a cool luxury brand uses game advertising helps increase brand recall. Additionally, a brand that wants to increase its loyal consumer base should invest in personalized experiences that entertain, amuse, and engage with consumers, which can be done by using Game Advertising.

**Keywords:** Brand Credibility, Brand Coolness, Brand Equity, Game Advertising, Luxury Brands

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