Instagram as a Marketing Tool for Luxury Brands

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Abstract - Instagram is one of the fastest-growing online photo social web services where users share their life images with other users, however the academic research related to this media is limited. This study aims to measure the relationships between Instagram marketing, brand equity, and customer behavior towards brand. The research attempts to evaluate the relative importance of the components of Instagram marketing regarding creating brand value and consumer preferences. Also, it tries to analyze the main components of brand equity creation through Instagram marketing and understand the effect of Instagram marketing and brand equity in creating brand loyalty, brand preference, and on brands' possibility to ask a premium price for their products.

Keywords – Brand Awareness, Brand Equity Brand Image, Brand Loyalty, Brand Preference, Consumer Responses, Instagram Marketing, Price Premium

1. INTRODUCTION

Individuals spend more time on Instagram than other similar sites, suggesting it is of importance to research this media type [1]. Often, just the brand hashtag itself is enough to have loads of engagement. Luxury brands have already begun taking advantage of this highly visual medium. They have a large and devoted following who are active on social networks. These brands have big budgets for quality and creative photography and videography. Their target audience is connected - 3 out of 4 luxury shoppers have a smartphone which heavily influences their buying decisions. Gucci, the most popular brand on Instagram, post images that are simple and bright, always keeping in mind that most viewers are checking the site from their smartphones. Their mix of celebrities, products and conceptual images keep their feed fresh and fun.

2. Conceptuel Framework

The conceptual model of the study is as follows as shown in Figure 1.

Instagram Marketing

This study examines the Instagram marketing efforts of different luxury brands from [2] five perspectives; entertainment, interaction, trendiness, customization and word of mouth.

Entertainment is the result of the fun and play emerging from the social media experience [3], [4] find that social media users consume brand related content for enjoyment, relaxation, and as a pastime. This study uses a survey to assess whether consumers find luxury brands' social media fun and interesting, and to subsequently measure entertainment.

Social media provide the latest news and hot discussion topics and are also core
product search channels. Consumers more frequently turn to various types of social media to obtain information, as they perceive them as a more trustworthy source of information than corporate-sponsored communication through traditional promotional activities [5; 6].

The level of customization describes the degree to which a service is customized to satisfy an individual's preferences [7]. By personalizing their site, brands can customize and express individuality, building stronger brand affinity and loyalty [8]. In the social media world, customization refers to the intended audience of the posted messages.

Social media are ideal tools for eWOM, because consumers generate and spread brand related information to their friends, peers, and other acquaintances without constraints [2; 6].

**Brand Equity**

The model of brand equity that [9] proposes is dominant, providing the link between its two dimensions: Brand Awareness is the likelihood that a brand name will occur to consumers as well as the ease with which it does so. Brand Image is the perception about a brand which the brand associations in consumers' memory reflect. [10; 9, 11]; [12] support that strong brand equity contributes to: increased brand preference willingness to pay a premium price customer loyalty. This study therefore focuses on the influence of brand equity on three important customer responses.

**Brand preference**

Brand preference is commonly measured by asking consumers to indicate their favorite brands from a category or selection of brands. Previous studies on luxury brands used specific brand preference scales [13; 14].

**Price Premium**

Price premium can be defined willingness to pay a premium price as the amount customers are willing to pay for their brand rather than another.

**Brand loyalty**

[15] describes brand loyalty as a decision-making unit's biased (non-random) behavioral response (purchase) over time regarding one or more alternative brands out of a set of brands and as a function of psychological processes.

3. **Methodology**

The objective of this study is to investigate the influence of Instagram marketing efforts on brand equity creation and consumer behavior towards a brand. Designing a quantitative survey targeting consumers and followers of prominent luxury brands with significant presence on Instagram. In addition to four established social media brands:

Chanel- 27.1 million followers; Louis Vuitton- 22.8 million followers; Gucci- 22.7 million followers; Dior- 18.9 million followers. One brand that more recently starting appearing in social media was also chosen Hermes- 6.4 million followers as in Figure 2.

Consumers who had made luxury brand purchases during the last year and who follow the brand on Instagram platforms, were approached for the survey. The approximate time spent on Instagram per week by each respondent was also recorded. Consumers from two main cities of Saudi Arabia: Riyadh and Jeddah were targeted for this study. The questionnaire was translated into Arabic.

The demographic profile of the respondents is as follows as in Figure 3

4. **Analysis and Result**

**Hypothesis 1.** Marketing efforts on Instagram have a positive and direct influence on consumer-based brand equity (CBBE).
H1 is tested with a structural equation model linking Instagram marketing efforts to brand equity. The impact of Instagram marketing on CBBE is significant at p < 0.001 level and accounts for 37.3% of the explanation of the brand equity variance in the tested luxury brands. The components of Instagram Marketing efforts are all statistically significant. The effect on brand equity is more on the luxury brand image than on its awareness. The impact of Instagram Marketing on Brand Equity is significant at p < 0.001 level and accounts for 37.3% of the explanation of the brand equity variance in the tested luxury brands. The components of the Instagram marketing are all statistically significant. The effect on brand equity is more on the luxury brand image than on its awareness as in Figure 4.

**Hypothesis 2:** Marketing efforts on Instagram have a positive and direct influence on the consumer preference, willingness to pay a premium price, and brand loyalty.

The study verifies Instagram marketing efforts direct influence on consumer preference, loyalty, and willingness to pay a premium price, and this influence is statistically significant (p < 0.001). However, the coefficient of determination explains just 21.6% of the consequences of consumers' positive behavioral intention towards luxury brands. The findings raised the question of whether there was a mediating effect in the relationship between Consumer Responses and Instagram Marketing which led to the testing of a comprehensive model introducing brand equity mediation to the initial relationship as in Figure 5.

**Hypothesis 3:** Brand equity (CBBE) has a mediating effect on the relation between marketing efforts on Instagram and consumer response (CR).

As the model fit was acceptable, estimates of the standardized regression weights, coefficients, and squared multiple correlations of the dependent variables were calculated. The results highlight the existence and relative importance of the link between Instagram Marketing efforts and brand equity with a coefficient of determination (R² = 0.362) significant at p<0.05 level. Instagram marketing efforts explain 79.8% variance in consumer responses when mediated by brand equity (CBBE) at p < 0.001 level as in Figure 6.

In this model of relationship between Instagram marketing and consumer responses in terms of preference, willingness to pay a premium price, and loyalty with the mediation of CBBE, an Instagram marketing strategy explains consumers' positive behavioral intentions towards luxury brands. The influence is mostly indirect and involves the prior formation of a CBBE for luxury brands. The two components of brand equity are almost equally affected by the tested luxury brands' Instagram marketing.

5. **Research Implications**

This result means that Instagram marketing should not only be thought of as a means of raising brand awareness and reaching new customers, but also as an increasingly important and serious brand image building tool. Investments in brand equity (online as well as offline) would strengthen Instagram marketing effects on customer responses.

6. **Research Limitations**

The main limitation of this study is its generalizability beyond the luxury sector and Saudi Arabia. While the results are
likely to be useful in the luxury sector, they may not be directly applicable to other industries. The general nature of the findings therefore needs to be confirmed in other contexts. The study employed brand awareness and brand image as dimensions of brand equity. Future research could also incorporate other dimensions, such as brand quality and brand associations, and re-evaluate the brand equity creation process. Lastly socio-demographic variables such as gender, age, income, and education, might have a significant influence, or a moderating effect, on the conceptual model and could be included in future analyses for a more thorough understanding of the studied phenomenon.

References

Figure 1: Conceptual Model

Figure 2: Brand Responses
Figure 3: Demographic Details of Respondents

Figure 4: Test of Hypothesis 1

1. The impact of Instagram Marketing on Brand Equity is significant at p < 0.001 level and accounts for 37.3% of the explanation of the brand equity variance in the tested luxury brands.

2. The components of the Instagram marketing are all statistically significant.

3. The effect on brand equity is more on the luxury brand image than on its awareness.
Test of Hypothesis 2

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| 1. The study verifies Instagram Marketing's direct influence on consumer preference, loyalty, and willingness to pay a premium price, and this influence is statistically significant ($p < 0.001$).
2. However, the coefficient of determination explains just more than 21.6% of the consequences of consumers’ positive behavior towards luxury brands.
3. The findings prompted us to test a mediating effect in the relationship between Consumer Responses and Instagram Marketing which led to the testing of a comprehensive model introducing brand equity mediation to the initial relationship.