

**LUXURY CHOCOLATE: IS SCARCER BETTER?
RETAIL SHELF -DISPLAYS AND PERCEIVED SCARCITY**

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LUXURY CHOCOLATE: IS SCARCER BETTER? RETAIL SHELF -DISPLAYS AND PERCEIVED SCARCITY

Abstract

Consumers within retail settings are more likely to infer that scarcer products are of higher quality and therefore more likely to choose them (Lynn 1989). As a result product scarcity coupled with shelf display organisation (shelf based scarcity) influence how consumers' process product information; which in turns alters their preference. Contamination Theory underpins the entire study, and varying shelf based scarcity is used a background variable to ascertain the differing effects on perception of luxury. Perception of luxury is the tested to investigate if this variable moderates the established relationship between perception of luxury, product evaluation and purchase intention. Methodological significance is added through the use of factorial design to simultaneously study shelf organisation and degrees of product scarcity, adding ecological validity with embedded stimulus and real life brand. The theoretical significance of this study is to add to the diminutive knowledge available surrounding scarcity, its application in luxury retail settings and retail context of contamination theory. Specifically, for practitioners, whether there is as optimal level of scarcity that may induce perceptions of luxury and increase product evaluation and purchase intention; as luxury management are under strain my marketing on the fragile perception of scarcity.

Keywords: Perceived Scarcity, Luxury branding, Luxury retail, shelf- displays, Perceptions of Luxury

Introduction

Over the last two decades, the growth and spending by consumers on luxury goods has increased tenfold. A total consumer spending was estimated at a whopping \$300 billion at the end of 2013 (Bain & Co., 2014). The Asia Pacific Region is expected to grow by up to 40.5% through to 2020 (Data monitor, January 2015). Luxury products are attracting new consumers to the market every year and are expected to reach over 500 million by 2030 (Bain & Co, 2014). Luxury

products are becoming increasingly sought after as consumers are able to signal their status (Belk 1985), style and uniqueness.

One of the key areas within the luxury retail is the use and management of emotions and contagion in retail settings. Emotional contagion should not be confused or mistaken for mood (Castro et al 2013), as emotional contagion effects information processing (Howard and Gengler 2001; Eagly and Chaiken 1993) and may be altered by contamination. Negative contamination is increasingly an issue within luxury retailing, as brands are taking preventative measures in order to diminish the effects of negative perceived contamination. These include things such as private viewings, personnel wearing protective clothing when touching products, limited stock on display and store partitioning. The importance of researching the contamination phenomenon is that touch plays an important part in the decision making process as a whole (Angyal 1941; Mooy and Robben 2002; Peck and Childers 2003) which can affect one's emotions. Therefore decisions are often made at the rack or display (Hoyer 1984), with consumers touching and assessing the product and then selecting an unblemished one off the rack to purchase (Argo et al 2006). This presents an issue particularly for display and last in stock models (Parker and Lehmann 2011), as well as those second-hand items (Kotler and Mantrala 1985).

Research Gaps

Through an extant literature review, a few key research gaps have been identified. In general studies have addressed positive emotional contamination and insights are lacking into negative emotional contagion. More studies are also required within the luxury retailing context, as researchers have often focused on convenience goods or regular fashion items. It is important to consider a wide range of product categories as numerous studies have suggested that negative contamination may differ across categories (Hagtvedt and Patrick 2008; Castro et al 2013; Parker and Lehmann 2011). Current research has measured the extent to which extrinsic cues have influences on perceptions and preferences in regard to shelf based scarcity, however no studies have measured the effect of emotion (intrinsic) of individuals. Numerous studies have been cited emotions as being important, meaningful and differing in valence and eliciting a feeling (e.g. Hagtvedt and Patrick 2008; Castro et al 2013; Argo et al 2006, 2008), however none of them actually measure emotion, but rather have taken the approach of 'observational contagion'

(Howard and Gengler 2001). In addition, the use of student samples has been largely used across the board of studies (Vigneron and Johnson 2004; Argo et al 2006, 2008, Christodoulides et al 2009; Parker and Lehmann 2011) and therefore when generalizing about conspicuous consumers within luxury retailing environment participants should be consumers of these products, versus hypothetical situation, in order to make generalizations and gain beneficial insights.

Objectives

This study aims to investigate the influence and understand the variance that emotional salience influences purchase intentions and luxury product evaluations. In turn this research will aim to address the phenomenon of shelf- based scarcity as it is closely linked to consumer buying behaviour. More specifically this research will be to:

1. Investigate the influence of shelf based scarcity on consumers luxury perceptions
2. Investigate the influence of shelf based scarcity on consumer product evaluations
3. Investigate the influence of shelf based scarcity on consumer purchase intentions

Literature and Hypotheses Development

Scarcity is a term that is used to describe the effect that a scarce product signals to consumers. It is often inferred that these products, within a retail environment, are more popular and of higher quality therefore increasing consumers' likelihood to choose them (Lynn, 1989). *Shelf Based scarcity*, the application of scarcity theory, is the display of goods on the physical shelves within retailers, and perceptions of contamination is affected. In past research (Castro et al, 2013; Argo et al 2008) emotion and shelf displays (scarcity) have a positive relationship, as consumers primed with a strong emotion often purchase products that are fully stocked (low perceived contamination) versus one product (high perceived contamination). The brand familiarity has been cited to have known effect on the salience of contamination, for example consumers would ignore perceived contamination when purchasing a display model Chanel handbag as consumers place higher importance and value on the brand name, exclusivity and status associated therewith.

Contamination is grounded in the Law of Contagion (Frazer 1959, Mauss 1972; Tylor 1974), which direct or indirect contact between two objects can lead to a transfer of essence which remains even after the physical contact has ceased (Rozin et al 1994). In a similar way that charisma is ‘contamination’ or non-mechanical endowing of qualities of uniqueness and otherness on a brand. Contamination by similarity and contiguity are evident as luxury brands try to reach ‘auratic status’ (Mauss and Hubert 1993; Dion and Arnould 2011).

The importance of researching the contamination phenomenon is that touch plays an important part in the decision making process as a whole, and refers to the contiguity of contamination (Angyal 1941; Peck and Childers 2003). Perceived contamination with the retail setting is high and is dependent on the number and salience of cues present (Chandon et al 2009; Morales 2005). Contamination cues are often perceived (Argo et al 2006), not involving physical ownership or soiling of goods (Rozin et al 1994, 1989). Contamination cues include personnel (Castro et al 2013), the overall presentation of shelves (Castro et al 2013), product packaging (Janiszewski 1993; Castro et al 2013) and merchandising (Underhill 2001 p 179).

Perception of Luxury- Luxury offers hedonic appeal to consumers, which is multisensorial and affect rich (Dion and Arnould 2011); connecting with consumers on an emotional level. As the chosen facet of luxury is sustenance, and the product category being chocolate, with the use of a real and identifiable brand. As the facet of luxury concerned is sustenance, ingested items are more susceptible to perceived contamination. Similarly perception of luxury is affected by the perceived contamination, perceived scarcity of the brand or product, further implicating the perception of luxury. The chosen product category were additionally chosen as they are more involving than others, therefore eliciting a higher hedonic appeal and multisensorial experience. Product scarcity is desirable as it displays an emotional feeling of uniqueness and distinguishes individuals from the group (Chen and Sun 2014). As a result the scarcity of products influences the way consumers’ process product information, leading them to make a decision more emotionally and entice them to purchase the product (Suri et al 2007; Wu et al 2012). Therefore higher perception of luxury leads to a positive evaluation of the product, increasing the likelihood of purchase. As retail settings are often purposefully staged to induce certain perceptions of luxury this research holds particular benefit for display products or scarcer items (Parker and Lehmann 2011).

Product Evaluation is positively influenced by perceptions of luxury. Product evaluation is the collective feeling and assessment of a brand experience, which need not be physical. As contamination theory suggests, the transfer of essence between a brands' charisma and the physical products remain after contact has ceased. Product evaluation is important as it has been shown to partially mediate the relationship between highly luxurious products (perceived) and purchase intention. As each consumer may have a similar, yet differentially developed schema (Park and Lessig 1981), their evaluative information processing would be diverse. In other words, just as consumers perception of luxury may differ, so does their product evaluations.

Purchase Intention is the process of analysis and used to predict the behaviour of consumers (Lin and Lin 2007); particularly their willingness to buy and use a specific brand. Higher purchase intention is an important indicator for marketing mangers as it indicates the collective experience of the consumer which affects their willingness to repurchase the brand (Chen et al 2012). The 'experience' referred to above is the evaluation that consumers have of the brand, which necessarily need not be a physical experience. Having 'a feel for the brand' can be attributed through a variety of means; as brands and products are often evaluated solely on their charisma or brand personality.

Based in the above literature Review and Research Gaps the following hypotheses are postulated:

H1: Perception of Luxury has a positive influence on purchase intention

H2: Perception of Luxury has a positive influence on product evaluation

H3: Product Evaluation has a positive influence on purchase intention

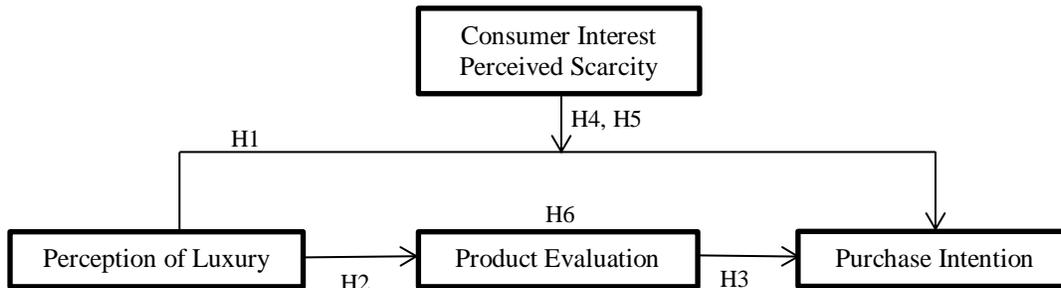
H4: Perceived Scarcity positively moderates the relationship between perception of luxury and purchase intention

H5: Consumer Interest positively moderates the relationship between perception of luxury and purchase intention

This study extends the mediation analysis model used by Hagtvedt and Patrick (2008) by introducing a third factor, to test the relationship of emotion and whether it too mediates and

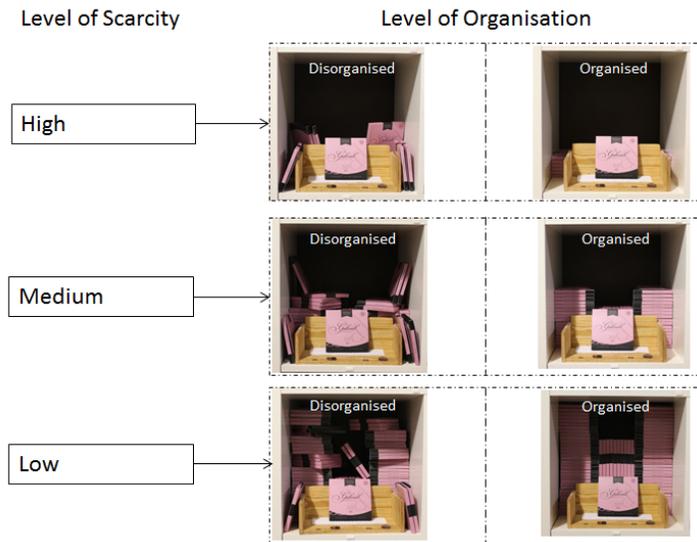
moderates any of the relationships between shelf based scarcity, perceptions of luxury and purchase intentions and product evaluations. Emotions might be the link to turn off the link between shelf- based scarcity and popularity inferences (Parker and Lehmann 2011) affecting the environmental cue congruency inferred by shelf based scarcity. Therefore, it is postulated that:

H6: Product Evaluation mediates the relationship between Perception of Luxury and Purchase Intention



Methodology

This study is a predominantly a quantitative inquiry, that uses a factorial design in order to test the shelf- based scarcity matrix that simultaneously assesses level of scarcity and shelf organisation (See image below). The benefit of doing so is to ascertain whether scarcity or shelf organisation have a greater impact on perception of luxury, product evaluation and purchase intention. By measuring perceived scarcity, aims to validate whether scarcity has been successfully measured, thus, perceived scarcity may differ between participants. The sample size for a 6 cell factorial design is about 600, thus leaving approximately 100 participants per cell. The data will be collected via a self- administered questionnaire, with an embedded stimulus (actual photos used shown below). The data will be analysed using SPSS, with multiple regression, moderation and mediation regression the main analysis technique, and SEM-AMOS for model fit.



Significance

Theoretical significance of the proposed study is that it aims to contribute to the diminutive knowledge and insights surrounding scarcity, the impact of perceived scarcity and, contamination theory within luxury retailing. Moreover the importance of this research aims to extend knowledge surrounding buyer behaviour when purchasing luxury brands.

Methodological significance of the proposed research is using a non-student sample in order to gain significant insights surrounding the scarcity and contamination phenomenon. Ecological validity is added through the use of an embedded stimulus and real life brand Gabriel Chocolate; and the use of factorial design is novel research method that has not been used within this field of inquiry.

Managerial significance of the proposed research is to provide a blueprint for policy makers and stakeholders including brand managers, advertisers, and designers in the development of various strategies to mitigate the negative effects of contamination and determine the optimal level of scarcity to induce favourable perceptions of luxury, product evaluation and increase purchase intentions.

Concluding Comments

The limitations of this study are that it uses only one product category, a single brand and is concerned with one facet of luxury. Future directions should extend to include a wider range of brands, compare two facets of luxury and/or use multiple product categories in order to validate the breadth of the phenomenon.

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