The effect of distribution channel diversification of foreign luxury fashion brands on consumers’ brand value and loyalty in the Korean market

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ABSTRACT

The purpose of this research is to examine South Korean consumers' brand value and brand loyalty toward foreign luxury fashion brands and current distribution channels for those brands (i.e., Department stores/Specialty stores, Factory outlet, Internet retailing, TV home shopping). Furthermore, this research examines the impact of channel diversification on consumers' brand value and brand loyalty toward foreign luxury fashion brands. This study employed a quantitative research method. Factor analysis, ANOVA, Duncan test, and multiple regression analysis were employed to test the hypotheses. When testing brand values for each channel diversification case, participants evaluated brand value differently depending on the type of distribution channel. Participants did not show significantly different brand loyalty depending on distribution diversification cases. When the influence of brand value on brand loyalty was tested, different brand values affected brand loyalty depending on the type of distribution channel. Also, this research could suggest possible distribution channel options for foreign luxury brands to be successful in the Korean market and values they need to put an importance depending on the retail types. In addition, foreign luxury brands could apply the results of this study to their own markets.

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1. Introduction

The United States (US) and South Korea (SK) signed a free-trade agreement (KORUS FTA) on April 1, 2007, to expand the bilateral trade and investment ties and create new economic opportunities for the people in both the countries. SK is the world’s tenth largest economy with a GDP of nearly $1 trillion (United States and the Republic of Korea sign landmark free trade agreement, 2007), and is the US’ seventh largest goods-trading partner, with a two-way goods trade valued at approximately $78 billion in 2006. The implementation of KORUS FTA is expected to create highly valuable new export opportunities for the American textile and apparel companies, by phasing out or eliminating tariffs and quotas on a broad range of products. Nearly 95% of the bilateral trade in consumer and industrial products may become duty-free within 3 years, with all the remaining tariffs eliminated within 10 years.

The US textile and apparel companies that comprise globally well-known luxury brands have strong interests in expanding the market access and investment opportunities owing to the high popularity of foreign luxury brands in SK. According to Wagle (2003), the US luxury apparel and footwear brands achieve more than 30% of their total sales from Asia, and the most profitable markets are Japan, SK, and Hong Kong. SK is one of the most important markets for the luxury fashion brands, not only from the US but also from the European countries. In the first week of February in 2008, more than 100,000 South Koreans visited Paris for luxury fashion goods shopping, which is a 40% increase than the previous year (Go, 2008). SK is one of the top five countries that shop for luxury fashion goods in Paris. Even with the current economic crisis, the three major department stores in SK increased the sales of luxury fashion brands by 28.5% in 2008 (The Ministry of Knowledge Economy, 2008).

The KORUS FTA is expected to provide a competitive advantage to the US luxury fashion companies (e.g., Calvin Klein, Ralph Lauren, Marc Jacobs) doing business in SK. US companies will be able to offer a lower price range than that of the European luxury fashion brands (e.g., Gucci, Ferragamo, Coco Chanel, Louis Vuitton) owing to the exclusion of duties and tariffs. To take advantage of this benefit, the US luxury fashion companies need to know what the South Korean consumers value, and what systems create their brand loyalty toward foreign luxury brands. In addition, they need to know how the foreign luxury fashion goods are distributed in the South Korean market, which is
different from the US distribution system. Recently, the distribution channels of foreign luxury fashion brands (FLFB) in SK have become more diversified than those in the US.

US luxury fashion brands need to understand this changing South Korean distribution trend and the South Korean consumers’ store preferences, for their market expansion in SK. However, no research has been carried out regarding the distribution channel diversification for FLFB and its impact on the consumers’ shopping behavior, especially the brand value and brand loyalty toward FLFB.

The purpose of this research is to examine the South Korean consumers’ brand value and brand loyalty toward FLFB and the current distribution channels for those brands (i.e., Department stores/Specialty stores, Factory outlet, Internet retailing, and TV home shopping (TVHS)). Furthermore, this research examines the impact of channel diversification on consumers’ brand value and brand loyalty toward FLFB.

2. Literature review

The market size of foreign fashion brands in SK has continuously increased since 2000 (e.g., Year 2000: $1200 billion, Year 2005: $2300 billion) (Jeong and Park, 2006). In particular, the sales of FLFB have continuously increased, and the highest growth rate of sales has been observed at major department stores in SK. In 2005, more than 800 foreign apparel brands existed in SK, and products from the US, France, and Italy comprise 69.2% of the market (190 brands from the US, 182 brands from France, and 178 brands from Italy) (Jeong and Park, 2006). When KORUS FTA is implemented, all the international duties between the two countries will be eliminated, which will possibly reduce the US luxury fashion brand prices in SK. At present, the US fashion brands tend to increase the quality of products in SK and open more wholly owned subsidiaries, by bringing and selling products directly from the US for a higher profit, instead of licensing. The future of US-origin luxury fashion brands in SK is expected to increase with the support from the new FTA agreement between the two countries.

Currently, in the South Korean market, “parallel importation” for FLFB is allowed by the government. Parallel importation allows direct importation of FLFB from the retail stores in foreign countries to those in SK without permission from the brand owners or authorized vendors in SK, e.g., licensees. As the stores using parallel importation can offer 30–50% cheaper prices than the department and specialty stores, the market share has continuously increased (Geon, 2001). Before the parallel importation was allowed, FLFB were primarily sold at department stores and specialty stores under contracts with brand owners, and served the high-income-class consumers who were the traditional target market for FLFB. However, with the recent increase in the middle-income-class consumers purchasing FLFB, they have become another major target market, and distribution channels have been diversified accordingly. In SK, FLFB are currently being sold via Internet stores, including blog shops, TVHS, and outlet stores, in addition to traditional distribution channels (TDC) (i.e., department stores, specialty stores) (Jeong and Park, 2006). However, this distribution channel diversification has not occurred in the US, where FLFB are mostly being sold through TDC.

2.1. Distribution channel diversification

Stone et al. (2002) studied an emerging distribution strategy using more than one retail type to serve consumers, which is multichannel retailing, and they concluded that multichannel retailing provided unique shopping experiences and values for consumers. Accordingly, consumers have accustomed to shop at multiple channels for a product; therefore, Stone et al. (2002) emphasized the importance of management for multichannel shoppers. Vijayasarathy and Jones (2000) researched multichannel customer management and suggested for retail types to provide their customers unique benefits/values (e.g., product values, 24-h access, product comparisons) to compete with other retail types. Neslin et al. (2006) studied multichannel strategy and identified challenges/issues in multichannel customer management. They indicated that integrating customer data that depicts which channel the customer accessed during each stage of the decision making process is the most important area for researchers and it requires future attention. The researchers also suggested to understand customer behavior, especially what makes the customer choose one channel over another including price because some customers showed less brand loyalty and some showed increased brand loyalty by multichannel strategy. The researcher mentioned that allocating resources across channels could be a challenge for companies using multichannel strategy and not much attention was received in this area. This study examines the areas Neslin et al. (2006) suggested for the future research by identifying factors (brand values) that lead brand loyalty and suggests what resources (brand values) need to be allocated or more emphasized depending on retail types.

Currently, FLFB are using multichannel strategy in SK. FLFB are being sold not only via TDC (i.e., department stores, specialty stores), but also through the newly emerging distribution channels by parallel importation (i.e., TVHS, Internet stores, outlet stores). According to Jeong and Park (2006), in 2005, the market share of FLFB through retail-type sales is as follows: department stores: 23.5%, specialty stores (Korean branches): 19.2%, Internet/TVHS: 18.6%, outlet stores: 18.5%, and licensee specialty stores: 18.4%. The most popular shopping destinations for FLFB were department stores. However, specialty stores (Korean branches) and Internet/TVHS have also continuously increased their market share. On the other hand, licensee specialty stores, outlet stores, and department stores showed a steady or declining growth rate (Jeong and Park, 2006). The results revealed that consumers who previously shopped at TDC changed their shopping preferences to Internet stores and TVHS.

2.2. Department stores

Due to the economic crisis, the number of department-store customers has continuously decreased; however, the amount of sales has increased since 2004 (Sales data, 2004–2007). This shows that loyal customers have continuously shopped at department stores regardless of the economic crisis, and spent more money than before. The report showed that the sales of FLFB have particularly increased when compared with other product categories in department stores. Therefore, department stores currently focus on FLFB by offering more FLFB brands and improving the atmosphere by renovating the interiors to compete with other channel types (C. Han, 2006).

Low product assortment due to limited space discourages consumers to shop for FLFB at department stores. Most FLFB at department stores offer only accessories including handbags, shoes, small leather goods, and luggage, as well as only limited clothing, if at all. However, owing to loyal customers, department stores are expected to remain as a major distribution channel for FLFB in the future (Won, 2003).

2.3. TVHS

The advantages of TVHS are their lowest-price guarantee and ability to deliver detailed product information. In addition, TVHS has improved the problem of one-way communication that
previously made consumers hesitate to shop at TVHS with an advanced two-way communication technology via TV. Recently, TVHS has emerged as a major distribution channel for apparel products in SK, as more consumers started to accept products and convenience that TVHS offers. The sales through TVHS have consistently grown since 2002, and TVHS has expanded their business to the Internet and catalogue as well. This expansion has helped to reduce their inventory level by selling more than 90% of the inventory (C. Han, 2006). TVHS offers FLFB, and import them in two ways: either by purchasing directly from the brand owners or importing agents, or by parallel importation. However, the factors that discourage consumers to shop at TVHS include low quality, out-of-season products, unclear labels, and limited sizes (Apparel News, 2006).

2.4. Internet stores

Internet retailing has grown fast in SK. In 2006, its market size was $13 billion, which grew to 49.8% from the previous year (Lee, 2007). Park and Leslie (2005) studied the trend of Internet shopping for apparel and found that a level of familiarity with a brand significantly affected the purchase decision, and the experience of Internet shopping provided confidence to the consumers in the future purchase via Internet. Therefore, highly recognized fashion brands could have a positive outcome when they expand their business to the Internet. This is the reason for many Internet stores to offer FLFB with already-established brands. Among the Internet stores, many blog shops are offering FLFB. Blog shops add a retail function to a blog site and are considered as a customer-to-customer (C2C) store-type (S. Han, 2006). Many Internet stores are using parallel importation without any middleman to reduce costs and lower the prices. In addition, due to economies of different scales, Internet stores purchase FLFB with 30–40% discount, which allows them to offer consumers about 20% cheaper prices than the department stores. Though Internet stores offer customer services, consumers have complained about the poor services on refund, exchange, and repair (Apparel News, 2006).

2.5. Outlet stores

A majority of the outlet stores still offer off-season products. Many outlet stores offer FLFB by importing products from foreign buying offices. The products in the outlet stores are typically 20–50% cheaper than TDC (Yum, 2005). The FLFB outlet, New Core outlet store, instantly gained high popularity among the consumers who look out for luxury fashion brands with reasonable prices. The unique feature of this outlet store is that it offers out-of-season products (typical merchandise assortment of outlet stores) as well as new season items, six or seven times a year, which are directly purchased from the brand owners. However, according to Apparel News (2006), consumers have complained about the refund, exchange, and repair policies at the outlet stores.

2.6. Controversy of diversification of distribution channels

With the implementation of KORUS FTA, the South Korean market is expected to have more channel diversification to serve the South Korean consumers who show high preference toward FLFB. However, experts have warned the luxury-brand companies about channel diversification that may result in possible damage to their brand image and the scarcity of the products. Also, since FLFB is a high socio-economic risk product, distribution channels should offer store attributes that maintain a luxury status of FLFB brands (Chaudhuri, 1998; Prasad, 1975). In addition, experts have suggested the luxury brand-name companies to decide retail channels based on the characteristics of the brand and to target different consumer groups depending on characteristics of distribution channels (Seringhaus, 2002).

2.7. Brand value

Many researchers have studied on how consumers value brand names, and observed various aspects of brand value. Phau and Prendergast (2000) identified factors that complete luxury brands. They found that luxury brands are a subjective concept and consist of exclusivity, perceived quality, brand awareness and a well known brand identity. Lee (2001) found that the brand name, store type, and a discount rate directly and indirectly influenced the consumers’ perception/evaluation of a brand (i.e., brand value). Choi (2004) proposed seven factors that make up the brand value, including joy, trust, differentiation, reputation, economic/practical value, social acceptance, and social status. It was found that joy, differentiation, economic/practical values, and social acceptance significantly affected the consumers’ attitude toward brands. In addition, both trust and joy were the important factors when establishing consumers’ preferences and making purchase decisions. These results showed the importance of emotional and symbolic benefits from products with a brand name. In addition, Choi (2003) suggested that the motivation for purchasing, risk awareness, and consumers’ shopping behavior were the major factors that affected consumers’ brand value. In this study, the most commonly found factors that comprised the consumers’ brand value were physical value, economic value, expressive/social value, emotional value, and service value.

2.8. Physical value

Physical value is the benefit that the consumers gain from the physical functions of a product (Choi, 2003). Park and Park (2003) found that the quality of a product (one of the physical functions) significantly increased the purchase motivation and affected the consumers’ purchasing decision. Therefore, they suggested that the marketers should increase the consumers’ confidence in the quality of their products, which is the most effective strategy to encourage consumers’ purchase. Vigneron and Johnson (2004) proposed personal and non-personal perception of luxury brands. As non-personal perceptions, uniqueness (i.e., scarcity, exclusivity) and quality were included which are equivalent to physical value/function of a product. They found that both uniqueness and quality enhanced the desirability of a brand. Arghavan and Zaichkowsky (2000) identified indicators of luxury brands, and they defined luxury brands with higher quality and price and fancy packaging (i.e., physical indicators). Park and Park (2002) compared the imported foreign apparel brands with the domestic apparel brands, and found that the design and quality of domestic apparel brands provided less satisfaction to the consumers than the foreign imported apparel brands. Therefore, they concluded that domestic apparel brands should improve their design and quality. In the studies of distribution channels, consumers were found to consider the physical value more than the other values when purchasing through TVHS, Internet stores, and outlet stores (Park and Park, 2005; Yang and Cheon, 2000).

2.9. Economic value

Park (2005) studied the consumers’ economic value of luxury brand-name products. The results showed that when consumers
perceived low financial risk with a luxury brand-name product (i.e., high economic value), they sought symbolic value and fashionability over other brand values. In the study of distribution channels, Choi and Kim (2003) found that consumers purchased luxury brand-name products via TVHS and/or Internet stores, because of cheaper prices and price promotions (i.e., high economic value).

2.10. Expressive/social value

The expressive/social value relates to “seeking for beauty,” self-expression, and social evaluation of self-expression. Previous researchers proposed beauty, fashionability, sociability, psychological risk, social risk, and expression of personality as the factors that comprise expressive/social value (Park and Park, 2003; Park, 2005; Hong, 1996). Vigneron and Johnson (2004) identified the extended-self as a personal perception of luxury brands and the conspicuousness as a non-personal perception. Both are seeking social representation by expressing and positioning consumers’ social status. They found that perceived extended-self encouraged luxury brand purchase because consumers use luxury brands as a means of classification or distinguishing from others. Arghavan and Zaichkowsky (2000) also suggested that consumers symbolized their social position/class with luxury brands so they sought a well known brand name that carries a certain symbolic identity in a society.

2.11. Emotional value

The emotional value includes joy, stability, positive feeling, satisfaction, trust, and affiliation according to Choi and Kim (2003). Vigneron and Johnson (2004) mentioned hedonic feelings as a personal perception of luxury brands. Consumers purchase luxury brands to seek emotional satisfaction and enjoyment. Consumers who purchased luxury brands from TVHS and/or Internet stores showed less trust and joy than those who purchased from other distribution channels. Soh (2001) found that consumers who had an experience in purchasing FLFB showed a higher level of joy than those who have never purchased FLFB before. Furthermore, experienced consumers shopped FLFB to release stress as well.

2.12. Service value

The service value was measured by consumers’ satisfaction with retailers’ services. Arghavan and Zaichkowsky (2000) identified indicators of brand value, and exclusive store locations, which is one of retail services, satisfy consumers’ service expectation. Yang (2000) found that Internet stores provide convenience in purchasing, which is the major merit/service of the Internet stores. On the other hand, TVHS offers better services in providing detailed product information (i.e., design, color, materials, quality, size) than other distribution channels, which generate a higher trust in quality and high purchase intention. For FLFB, Park and Park (2002) noted a low level of service value owing to the difficulty in exchange/refund, lack of variety, and limited store location.

2.13. Brand loyalty and the relationship with brand values

Consumers’ brand loyalty is established when they show a positive attitude toward a brand, and purchase the specific brand repetitively (Oliver, 1999). Aaker (1991) found that consumers who showed brand loyalty had an emotional relationship with the brand. Lee (2001) also observed that consumers repetitively purchase a specific brand when the brand fits the images that the consumers seek, and offers the attributes they prefer. These attributes can be characterized as brand values in this study. Wood (2000) proposed that brand can be measured by real, illusory, rational, emotional, tangible and intangible values (e.g., brand image, products, services). She recognized that brand value led the degree of brand loyalty and stressed an importance of the relationship between brand value and brand loyalty for a true brand asset. She concluded that the high degree of brand loyalty led the high competitive advantage which could in turn generate high profit. Pitta and Katsanis (1995) also suggested that brand equity measured by brand values increased the probability of brand choice, which leads to brand loyalty. This study examined the influence of brand value on brand loyalty.

3. Conceptual model and hypotheses

A conceptual model was developed to examine the effect of channel diversification of FLFB on brand value (Hy 1) and brand loyalty (Hy 2), and also the influence of brand value on brand loyalty by channel diversification (Hy 3). The four different channel diversification cases, developed based on the literature review, are as follows: (1) FLFB sold only at TDC (i.e., department stores, specialty stores), (2) FLFB sold at TDC and outlet stores, (3) FLFB sold at TDC and Internet stores, and (4) FLFB sold at TDC and TVHS. Most FLFB in SK are currently being sold at TDC. The TDC (i.e., case 1) is already a major distribution channel for FLFB; therefore, all the channel diversification cases included TDC, and were diversified to a currently emerging distribution channel (i.e., cases 2–4). In this study, five brand values were selected from the previous research, including expressive/social value, physical value, service value, emotional value, and economic value. Brand value, brand loyalty, and the influence of brand value on brand loyalty were tested for each channel diversification case. The hypotheses developed were as follows (see Fig. 1):

H1. Channel diversification will not affect the consumers’ brand value toward FLFB.

H2. Channel diversification will not affect the consumers’ brand loyalty toward FLFB.

H3. The influence of brand value on brand loyalty will not be affected by the channel diversification.

![Fig. 1. Proposed model.](https://example.com/fig1.png)
4. Research method

This study employed a quantitative research method. The questionnaire asked participants' brand value and brand loyalty for all the channel diversification cases. For brand value, participants were asked to evaluate the emotional value, expressive/social value, physical value, service value, and economic value of the FLFB. For brand loyalty, the participants' preference of FLFB, willingness to recommend to others, and willingness to repurchase were questioned. A seven-point scale was used. Two pretests were conducted with 50 participants aged between 19 and 39 years, and subsequently, the unclear questions were revised. To ensure that the participants considered the appropriate FLFB as the researcher intended, a pretest was carried out, which required the participants to write down the known FLFB names in their mind. Nineteen of the most frequently mentioned FLFB were suggested and shown in the final questionnaire.

5. Data collection and analysis

About 600 questionnaires were distributed to males and females in their 20s and 30s, who are the main target customers for FLFB in SK (Bae, 2002; Sohn and Lee, 2007). A snowballing technique was used to recruit the participants. A total of 475 questionnaires were used for the data analysis that used SPSS 12.0. Factor analysis, ANOVA, and Duncan test were employed for the Hypotheses 1 and 2. Multiple regression analysis was used to test Hypothesis 3. Table 1 shows the portfolio of the participants. More females (58.9%) participated than males (40.9%), and the majority of the participants were in their 20s (76%). Thirty-two percent of the participants spent between $100 and $199 on clothing per month, while 24% spent between $200 and $299. The majority of the participants had monthly household incomes between $2000 and $5999 (60.8%), and had a college degree or was currently enrolled in a college (68.2%).

6. Results

Factor analysis was employed to validate the questions for brand value (see Table 2). A total of 25 questions were originally included in the survey. Varimax Rotation was used to select the questions that had an eigenvalue > 1. After factor analysis, 14 questions were employed for the study. As suggested in a previous research (Choi, 2005), five factors of brand values were considered (i.e., expressive/social, emotional, economic, physical, and service value). However, as the factor analysis combined the physical and service values as one value, they were renamed as utilitarian value for this study. Thus, four brand values were identified which included expressive/social, emotional, economic, and utilitarian value. Among the four brand values, the expressive/social value had the strongest ability to provide an explanation (29.96%), followed by utilitarian value (19.48%), emotional value (16.00%), and economic value (12.91%).

Hypothesis 1 was tested with ANOVA and Duncan test to determine whether participants perceived brand value differently depending on the type of distribution channel. The TDC and Internet store case received a significantly lower score in the expressive/social value than the other distribution diversification cases (m=3.92) (see Table 3). This result shows that participants perceived low pride of possession and social value of FLFB when it was sold at Internet stores as well as TDC.

A significant difference was shown in the utilitarian value. Participants perceived the highest utilitarian value (m=4.8) when FLFB were sold only at TDC, and the lowest utilitarian value in the TDC and TVHS case (m=3.40). A possible explanation may be that the sourcing process of FLFB at TVHS has consistently been an issue, and that consumers have doubts on its unclear sourcing process and possible distribution of counterfeits. Therefore, participants distrusted the quality and services of FLFB sold through TVHS. This result supports the study of Jeong and Park (2006), who found that consumers’ satisfaction with quality and services of FLFB was significantly lower with respect to TVHS, Internet stores, and outlet stores.

Participants showed a significantly higher emotional value in the case with TDC only (m=4.5), than the other distribution diversification cases. Participants realized their emotional joy when shopping at TDC, which is consistent with the result of Choi and Kim’s study (2003). Choi (2004) also found that joy (emotional value) significantly influenced the consumers’ preference and their purchase intention on luxury brands.

With regard to the economic value, the participants perceived the highest economic value in the TDC and TVHS diversification case (m=3.72). When the participants realized that the same FLFB was sold not only at TDC, but also through TVHS, they assumed they could purchase it cheaper at TVHS. In fact, TVHS offers FLFB 10–15% cheaper than the TDC by reducing the margins; therefore, consumers acknowledged that they have a good chance to buy FLFB at cheaper prices through TVHS. The TDC and Internet-store diversification case received the lowest score in economic value (m=2.90). It is assumed that if FLFB were sold at Internet stores with significantly cheaper prices, consumers might conclude that the FLFB are actually cheap or possibly counterfeits; therefore,
consumers evaluated the economic value of the FLFB as low with respect to Internet stores. This result is in contrast to the previous research. Choi and Kim (2003) and Park et al. (2004) noted that the most frequently answered reason for shopping at Internet stores was cheaper prices than TDC offers. In all the channel diversification cases, all the brand values were decreased, except for the economic value, when the participants realized that FLFB were sold through other distribution channels than TDC. Thus, marketers should carefully choose a channel diversification strategy depending on their focus on the brand values.

For Hypothesis 2, questions about brand loyalty were tested using factor analysis. Varimax Rotation was used and the questions that had an eigenvalue $>1$ were selected. Questions about brand loyalty included participants' willingness of recommendation, repurchase intention, and level of preference. The difference in the brand loyalty among channel diversification cases was examined with ANOVA and Duncan test. The result showed that participants did not show a significant difference in the brand loyalty among channel diversification cases. As consumers established brand loyalty after accumulating long-term brand attitudes, it may be difficult to change the brand loyalty using any short-term marketing strategy. Even though the result was not significant, the mean scores of brand loyalty for the TDC and TVHS case were the highest. Consumers generally had a positive attitude toward TVHS as they offer FLFB to improve their image with a limited discount rate and sales frequency.

Multiple linear regression was employed to test the type and extent of brand values that affect the brand loyalty in each channel diversification case (Hypothesis 3). The multiple linear regression equation used was $Y=a+b_1X_1+b_2X_2+b_3X_3+b_4X_4+e$ (where $Y$ is the brand loyalty, $X_1$ the expressive/social value, $X_2$ the utilitarian value, $X_3$ the emotional value and $X_4$ the economic value). In the “TDC only” case, all the brand values, except the economic value, significantly influenced the brand loyalty ($f=25.40$) (see Fig. 2). In other words, participants established brand loyalty when they perceived the expressive/social value, utilitarian value, and emotional value at TDC; however, the economic value did not affect their brand loyalty at TDC. As the TDC sells FLFB with fixed prices without any discount, except for sales seasons, participants might not expect high economic value at TDC. Among the brand values, the emotional value greatly affected the brand loyalty at TDC, indicating that the emotional feelings that the participants enjoyed at TDC made them revisit TDC. When the distribution channel was diversified to outlet stores, all the brand values significantly affected the brand loyalty (see Fig. 3). The expressive/social value had the

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### Table 2

Factor analysis for brand value.

<table>
<thead>
<tr>
<th>Brand value</th>
<th>Questions</th>
<th>Loading</th>
<th>Eigenvalue</th>
<th>% of variances</th>
<th>Cronhbach's $\alpha$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expressive/social value (person who wears FLFB)</td>
<td>Looks like financially successful 0.897</td>
<td>4.194</td>
<td>29.959</td>
<td>0.939</td>
<td></td>
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<tr>
<td></td>
<td>Looks like sophisticated               0.852</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Looks like high social class           0.846</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Looks like respected by others         0.833</td>
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<tr>
<td></td>
<td>Looks the brand good/fit on the person 0.800</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilitarian value</td>
<td>Easy to mix and match with other products 0.864</td>
<td>2.726</td>
<td>19.475</td>
<td>0.805</td>
<td></td>
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<tr>
<td></td>
<td>Consistent quality                     0.861</td>
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<td></td>
<td>Easy to refund and exchange            0.815</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>Easy to maintain and launder           0.630</td>
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<tr>
<td>Emotional value</td>
<td>Release stress when shopping FLFB      0.830</td>
<td>2.241</td>
<td>16.007</td>
<td>0.824</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Refresh her/himself by purchasing FLFB 0.777</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Affiliate with social others           0.718</td>
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<tr>
<td>Economic value</td>
<td>Cheaper than other similar FLFB        0.779</td>
<td>1.807</td>
<td>12.906</td>
<td>0.816</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reasonable price                      0.723</td>
<td></td>
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</tr>
</tbody>
</table>

### Table 3

ANOVA and Duncan test for brand value in each channel diversification case.

<table>
<thead>
<tr>
<th>Brand value</th>
<th>Channels</th>
<th>TDC</th>
<th>TDC+outlet</th>
<th>TDC+Internet stores</th>
<th>TDC+TVHS</th>
<th>$F$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expressive/social value</td>
<td>5.24* A</td>
<td>4.88 A</td>
<td>3.92 B</td>
<td>5.18 A</td>
<td>25.069***</td>
<td></td>
</tr>
<tr>
<td>Utilitarian value</td>
<td>4.80 A</td>
<td>3.98 B</td>
<td>3.72 B</td>
<td>3.40 C</td>
<td>28.668***</td>
<td></td>
</tr>
<tr>
<td>Emotional value</td>
<td>4.50 A</td>
<td>4.04 B</td>
<td>3.78 B</td>
<td>3.91 B</td>
<td>6.192***</td>
<td></td>
</tr>
<tr>
<td>Economic value</td>
<td>3.36 B</td>
<td>3.63 B</td>
<td>2.90 C</td>
<td>3.72 A</td>
<td>7.874***</td>
<td></td>
</tr>
</tbody>
</table>

*** $p<0.001$ (on 1–7 scale with 1: not at all, and 7: very much).

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*Fig. 2. Multiple regression analysis for the influence of brand value on brand loyalty: TDC only case.*
highest influence on brand loyalty, followed by economic value at outlet stores. Participants believed that the prices of FLFB at outlet stores were reasonable and that this economic value did not damage their unique personality, fashionability, and social status. When the distribution channel was diversified to Internet stores, all the brand values significantly influenced the brand loyalty, except for utilitarian value (see Fig. 4). This may be because consumers frequently have issues with FLFB’s originality and services at Internet stores. Consumers have experienced problems, such as counterfeits, unrealistic discount rates, and difficulties in exchange and refund, and hence, they doubt the utilitarian value of FLFB at Internet stores. This result is consistent with that observed by Choi (2003), who found that the utilitarian value was not a significant factor for consumers’ purchase intention for apparel products at Internet stores and TVHS. In addition, the result indicated that brand loyalty was the most affected by the emotional value with respect to Internet stores. When participants acknowledged that they can purchase FLFB not only at TDC, but also at Internet stores, they felt joy when shopping at Internet stores. In the case of TDC and TVHS, all but the utilitarian value significantly influenced the brand loyalty (see Fig. 5). The expressive/social value had the greatest influence on brand loyalty. Participants were concerned about the scarcity of FLFB; therefore, when purchasing an authentic, high-quality FLFB from TDC, they can expect to differentiate themselves from other distribution channels. The economic value was high when FLFB were sold at newly emerging distribution channels (i.e., TVHS, outlet stores); therefore, these distribution channels need to focus on providing FLFB at cheaper prices than TDC, without hampering its utilitarian and expressive/social values. Among the channels, Internet stores received the lowest score on the economic value. Consumers have been concerned about the possible sale of FLFB counterfeits through Internet stores, because they are 30–50% cheaper than those at TDC. The most attractive attribute of Internet stores was inexpensiveness; however, at the same time, the low prices increased the consumers’ distrust toward the FLFB sold at Internet stores. Thus, Internet stores need to set the appropriate price strategy, considering the image of the stores and FLFB.

Participants did not show any significant difference in brand loyalty depending on the distribution diversification cases. Participants preferred, repurchased, and were willing to recommend their favorite FLFB to others, regardless of the type of the distribution channels.
When the influence of brand value on brand loyalty was tested, different brand values affected the brand loyalty depending on the type of distribution channels. When FLFB were sold only at TDC, the emotional, utilitarian, and expressive/social values were important to establish brand loyalty. Especially, emotional value was the most significant value on brand loyalty. Thus, TDC needs to satisfy consumers by providing emotional pleasure. When diversifying to outlet stores, all the brand values, especially expressive/social value, significantly affected the brand loyalty. Outlet stores should consider providing consumers all values but more focus on expressive/social value. The economic, emotional, and expressive/social values were significantly influenced on brand loyalty at Internet stores and TVHS diversification cases. The most important value on brand loyalty in the Internet stores was the emotional value and the expressive/social value for the TVHS. Retail types should emphasize more on the values which mostly affected on consumers’ brand loyalty. The expressive/social value and emotional value of FLFB were the significantly influential values on brand loyalty in all diversification cases. Regardless of retail types, participants perceived expressive/social and emotional values are important factors for their brand loyalty. Therefore, marketers in any distribution channels need to continuously provide these values to retain consumers’ loyalty. The utilitarian value was a significant factor on brand loyalty only in the “TDC only” case. Participants perceived a risk in the utilitarian value in all retail types except TDC.

Hence, marketers in these channels need to improve the utilitarian value, such as consistent services and quality of the products. Nowadays, Internet stores tend to buy an insurance that covers refunds and select vendors who have a good reputation in refund/return, to improve the utilitarian value.

This study provided recommendations for retail types to be successful in the Korean market. Also, this research could suggest possible distribution channel options to the US luxury brands for their own US market and also values they need to put an importance based on the results in the Korean market. However, a longitudinal study is recommended to test the brand loyalty in newly emerging distribution channels, because brand loyalty is established by long-term experience.

References