THE DARK SIDE OF METAVERSE FOR LUXURY: IMMERSIVE EXPERIENCE AND BRAND AUTHENTICITY

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Abstract

This work offers a preliminary investigation on how consumers perceive luxury brands experience in Metaverse (as opposed to physical), focusing on three important dimensions for luxury brands, namely authenticity, exclusivity and prestige. A quantitative study conducted in France in the context of luxury suggests and demonstrates the key mediating role of Brand Perceived Authenticity. Interestingly, our results show that presenting a luxury brand in association with a Physical experience leads to higher perceived brand authenticity (in comparison to a Metaverse experience), leading in turn to higher perceived brand exclusivity and brand prestige. This work serves as a starting point to characterize how consumers perception of luxury brands can be affected by digitalization and in particular the risks of reduced prestige and exclusivity in the Metaverse.

Keywords: *Luxury, Metaverse, Authenticity, Prestige, Exclusivity*

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Introduction

The luxury industry, renowned for its timeless appeal and dedication to craftsmanship, finds itself at a crossroads in the 21ˢᵗ century. Indeed, the luxury industry has undergone a significant transformation due to a combination of factors, including changing consumer habits, digital advancements, globalization, and the rise of emerging markets (Gutsatz & Heine, 2018). These transformations are compelling luxury brands to reevaluate their traditional strategies and adapt to an ever-evolving environment (Heine & Berghaus, 2014). Indeed, providing exceptional experiences offline and online is gaining significance in the luxury industry so that luxury is now focusing on consumer experience to the same extent as on products (Holmqvist, Ruiz & Peñaloza, 2020). Similarly, consumers' expectations and attitudes have known a shift towards prioritizing short-term experiential goods over long-term tangible product acquisitions (Chandon, Laurent and Valette-Florence, 2016). Thus, luxury brands have come to realize that the notion of "luxury" extends beyond the products themselves but rather encompasses the real and digital experiences that consumers can go through when interacting with these high-end goods (Dion & Borraz, 2017).

The internet, along with a variety of digital technologies, has had a profound influence over consumer behavior, redefining the way luxury is perceived and accessed. Luxury brands, historically known for their aura and delivering customized service, now encounter a unique set of new opportunities but also challenges in the digital era. The shift to digital environment forces luxury brands to confront the paradox of preserving their exclusivity, prestige and authenticity while engaging with a broader, younger and digitally-savvy audience (Rathi et al., 2022). In this context, the metaverse emerges as a transformative frontier, offering a dynamic virtual space where consumers can interact with brands and products in novel ways. These transformations have important implications for luxury, a sector traditionally grounded in tangible experiences, craftsmanship, and exclusivity. This research endeavors to navigate this territory by exploring how the metaverse influences brand perceptions within the luxury industry.

The metaverse refers to a platform or network of virtual environments that uses virtual reality technology to provide an immersive and interactive experience (Dincelli & Yayla, 2022). In today's highly digitalized society, where individuals of all ages devote nearly seven hours each day to screen time, the metaverse presents a promising frontier for brands (Brienza, 2022), even though questions arose recently as some companies seemed to reorient investments toward Artificial Intelligence (Thorbecke, 2023). However, the metaverse continues to attract attention and growing research in marketing seeks to examine how digital worlds impact consumer behaviors and relationships to brands. Past research explored how consumers perceive the experiences in the metaverse (Han et al, 2022; Hadi et al, 2023; Dwivedi et al, 2023) and provided valuable insights especially regarding representation of identities in virtual worlds (Zimmermann et al., 2022), social interactions between avatars (Pedica & Vilhjálmsson, 2009) and virtual ownership through NFTs (Atasoy & Morewedge, 2018).

In the luxury domain, metaverse can offer consumers a more engaging experience as they can virtually explore and interact with luxury products, brand ambassadors, and digital showrooms. By understanding and harnessing the unique characteristics of the Metaverse, luxury brands can position themselves at the forefront of a new era of digital engagement and

consumer interaction (Park & Lim, 2023). From Balenciaga selling character skins on Fortnite to Dolce & Gabbana launching a digital collection in collaboration with UNXD, luxury brands have swiftly embraced the opportunities offered through metaverse (Holland, 2022 – CNN), by leveraging technology, vibrant colors, intricate designs, and premium materials (Girod, 2023 – Forbes). A few studies examined the specificities in the luxury sphere. For instance, past research showed that luxury experiences in metaverse bring fantasies, feelings and fun (Jiang et al. 2023) and that consumers place high importance on the appearance and image projected by their avatars in the metaverse (Sung et al., 2023). However, more research is needed to fully understand how luxury brands can venture into metaverse but still maintain their uniqueness and differentiation. Thus, our main research question is the following: ***How does the metaverse impact luxury brand perception?***

Theoretical background

Luxury brand experience is often evoked by the sensational, emotional, cognitive and behavioural responses and its associated stimuli (Brakus et al., 2009). In the physical world, customers can feel the prestige of the brand through the physical features of the store and the products. In addition, customers can feel the exclusive dimension of the brand as they visualize the limited assortment, the rarity of each item. While in the real space customers can develop a physical connection to the brand, in the virtual space the connection is indirect and intermediated through avatars, without the possibility to touch, try or directly discuss with a real sales representative. Consumer experiences in the Metaverse are mediated by digital technology as consumers interact both through the technology and with the technology (Hadi, Melumad & Park, 2023). Digital mediation enables unbounded creative expression, but it is also subject to the limitation of dematerialization (Leung et al., 2022). As such, digitalisation is transforming how luxury brands interact with customers. However, limited research has examined how the metaverse's impact consumer perceptions of their connection with luxury brands.

At its core, this study focuses on critical attributes of luxury brand unique positioning, namely authenticity, prestige and exclusivity. We examine the consequences on these key dimensions associated with luxury when the interaction happens in the immersive metaverse environment versus the familiar, tangible setting of traditional brick-and-mortar stores.

As we investigate the impact of the metaverse on prestige and exclusivity, we also aim to uncover the underlying mechanism. We suggest that because metaverse is a virtual universe, customers will perceive lower brand authenticity, which in turn will lower the perceived prestige and exclusivity of the brand. We detail next how we arrive at these hypotheses.

Authenticity is a crucial aspect of luxury perception as customers seek products that are not only visually stunning but also built to stand a lifetime, original, and immune to imitation (Ko, Phau & Aiello, 2016). Authenticity can be expressed through origin, originality and uniqueness, and it refers to the degree to which a brand perceives as genuine, transparent and truthful in terms of its values and promises (Bruhn et al., 2012). More subjective forms of authenticity include a connection to a time and place (Beverland, 2009). Authenticity or an experience often depends on sensory and tactile dimensions. In a physical luxury store, consumers can engage with products, assess their craftsmanship, and experience the ambiance and service in a tangible manner. These sensory elements contribute to a perception of authenticity, as they align with traditional notions of what constitutes genuine luxury. In contrast, the metaverse, while immersive and interactive, may fall short in replicating these sensory dimensions, potentially leading to a lower perception of authenticity. Hence, we assume

that consumers will perceive luxury brands as more authentic when encountered in physical luxury stores compared to their presence in the metaverse.

Prestige is an essential element of luxury, often tied to the historical significance and reputation of physical luxury spaces. Luxury brand's promotion strategy to adopt a selective distribution strengthens their sense of exclusiveness and uniqueness while preserving their culture of desire (Das, Jebarajakirthy & Sivapalan, 2022). Consumers associate luxury brands with social recognition, using them as symbol of status, wealth, and achievement to gain approval and admiration from others (Roux, Tafani & Vigneron, 2017). The perception of luxury goes hand in hand with its symbolic value, leading luxury items to be perceived as precious which make them extremely desirable (Gattuso, 2021). In essence, prestige is not just about price; it's about the embodiment of sophistication, refinement, and a commitment to being the best in the world (Ko, Costello & Taylor, 2019). The tangible, real-world experiences offered by physical stores, including personalized service contribute to the perception of prestige. In contrast, the metaverse, while immersive, may struggle to replicate the same level of prestige due to its virtual nature. We assume that consumers will hold distinct perceptions of prestige when engaging with luxury brands in the metaverse versus physical luxury stores, with physical stores being more strongly associated with prestige.

Exclusivity has long been a symbol of luxury, and it often derives from the limited access to products, personalized services, and the ambiance of physical luxury stores. Luxury products are intentionally designed to be exclusive and rare, therefore ensuring they are not readily accessible to everyone (Tynan, McKechnie & Chhuon, 2010). Limited availability, coupled with the perception of being part of an elite group, are key drivers of exclusivity. Moreover, exclusivity has profound social and psychological dimensions, as luxury consumers seek products that set them apart from the masses, symbolizing their elite status (Roux, Tafani & Vigneron, 2017). The digital landscape of the metaverse, while offering accessibility to a broader audience, may therefore reduce the sense of exclusivity that has traditionally been associated with luxury. By comparing how consumers perceive exclusivity in these two distinct settings, this hypothesis aims to reveal the evolving dynamics of exclusivity within the luxury industry.

In conclusion, we suggest the below conceptual model as we hypothesize that a luxury brand experience happening in the metaverse (versus in physical store), will appear as less authentic to consumers, which in turn will reduce its perceived exclusivity and prestige.

Figure 1: The impact of Metaverse Experience on Authenticity, Exclusivity and Prestige
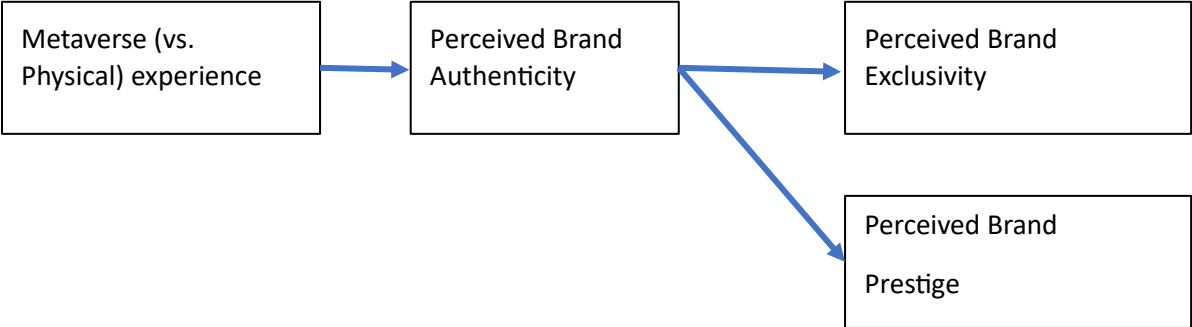
Methodology

This study employs a quantitative research approach to investigate the impact of offering a metaverse experience on consumers' perceptions regarding luxury brands. We conducted an experiment with 72 French respondents, displaying a diverse range of demographic attributes. Gender-wise, the majority of participants identified as female, comprising 56 individuals, while 15 respondents identified as male, and one respondent identified as non-binary. In terms of age, the median is 23 years old and the average is 33 years old, with a standard deviation of 13 years.

Participants were randomly assigned to one of two conditions. A key difficulty when creating an experiment to test reactions of consumers in the metaverse environment is to manage to project participants in a scenario which make them feel as if they were truly immersed in a digital environment. Thus, the two scenarii were very carefully crafted to immerse respondents in realistic and distinct environments and experiences. In the metaverse experience condition, the luxury brand was presented in a virtual environment and offering an immersive virtual experience. In the physical experience condition, the luxury brand was presented in a physical store and offering a real-world traditional experience. To enhance the immersion of participants in each scenario, we used immersive videos. These videos were designed to provide a visual and sensory experience that would allow participants to immerse themselves fully in either the metaverse space of LUMIERE or the physical store of LUMIERE, depending on their assigned scenario. In order to ensure the results were not influenced by pre-existing brand perceptions, we introduced a fictive luxury brand named "LUMIERE". Thus, efforts were made to create a comprehensive brand story and atmosphere that would engage participants without any biased opinion.

We completed a manipulation check to verify that our respondents were able to project themselves in the experience as intended. Indeed, participants exposed to the Metaverse scenario perceived the experience as significantly more immersive and virtual, than the other participants ($p < .001$). In addition, those exposed to the Physical scenario perceived the experience as significantly more real and sensorial ($p < 0.01$), confirming that our manipulation was successful.

Findings

Concerning authenticity, our data revealed a significant effect of our manipulation ($p = .004$), indicating that participants perceived greater authenticity in the scenario presenting a physical store brand experience compared to the metaverse experience ($M_{metaverse} = 3.43$; $M_{physical} = 4.49$), regardless of their age group. Indeed, we compared the effect between two age groups (based on the Median age point of 23 years old) and it appears that age has no discernible effect on perceptions of authenticity. Thus, it is evident that authenticity is better preserved in the physical realm, even when comparing it to the immersive experience offered by the metaverse.

We tested our mediation model using Model 4 of the PROCESS macro (Hayes, 2013), using bootstrapping analyses with 5,000 bootstrap samples and 95% bias-corrected CIs.

We verified the mediation of authenticity on the link between the type of experience (Physical versus Metaverse) and perceived Brand Exclusivity as well as between the type of experience and perceived brand prestige. As expected, we verified that immersion into a Physical (as opposed to Metaverse) brand experience significantly improves its perceived authenticity ($\beta = 1.05$; $p = .004$), which, in turn, significantly increases its perceived exclusivity ($\beta = .633$; $p = .00$) and its perceived prestige ($\beta = .487$; $p = .00$). The indirect effects were

significant, for Exclusivity (β = .645; 95% CI = .230 to 1.230) as well as for Prestige (β = .516; 95% CI = .154 to .980), as zero was not included in the 95% CI. However, the direct effect of the type of experience is significant neither for Exclusivity nor for Prestige, suggesting a fully mediated effect.

These findings confirm that when immersed in a metaverse experience for presenting the universe of a luxury brand, consumers perceived the brand as less authentic, which in turn negatively affects the perception of its prestige and exclusivity. We thus highlight the importance of maintaining a physical presence for sustaining perceived authenticity of luxury brands as it constitutes a critical factor in maintaining luxury brands uniqueness and attractivity.

Discussion

In conclusion, this preliminary study sheds an interesting light on the pivotal significance of authenticity in the luxury industry, demonstrating that this aspect is better preserved in a physical environment but might be endangered when the brand is experienced in the metaverse.

Our findings contribute to the literature on luxury as it highlights the limits of expanding the horizons of luxury brands to virtual interactions with their customers. We highlight the risks of reducing perceived authenticity with their customers or potential buyers. Thus, luxury brands must strike a delicate balance between the two realms, utilizing the creative potential of the metaverse while safeguarding the fundamental elements that sustain an authentic and strong relationship with their consumers. Our findings also add to the knowledge about customers' experience in metaverse. It brings to light an important limit revolving around the lack of perceived authenticity for brands which are exclusively offering virtual experiences. As such, it highlights the importance of ensuring complementarity between digital and physical presence to protect the brand image and attractivity.

This study is not without limitations. As we aim to create a fictitious scenario to avoid the risk of biasing the answers depending on their appreciation of certain brands, we had to develop environments which were as realistic as possible but future research may benefit from replicating the study in real life. It would be also important to differentiate the reactions depending on whether the brand belongs to the luxury industry or not and whether respondents are luxury buyers or already familiar with the metaverse environment.

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