

# A brand loyalty–risk framework in the luxury watch market

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loyalty–risk  
framework

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## Abstract

**Purpose** – In a society that encourages consumption, attributes such as exclusivity and social recognition are important in what is intended to be restricted to a certain exclusive segment. Luxury is something that is more desirable than necessary. This study develops and tests a model that analyses the brand loyalty–risk relationship in the luxury watch market.

**Design/methodology/approach** – To test the proposed research model, a sample of 306 international consumers and enthusiasts of luxury brand watches was collected. The data were analysed using structural equation modelling.

**Findings** – The results show that perceived quality has a negative indirect influence on brand risk and brand trust has a strong direct negative effect on brand risk. However, the findings also show that in the luxury market, the greater the affection for the brand, the greater the risk perceived by consumers.

**Research limitations/implications** – The study was conducted in a single market, luxury watches and the sample includes both enthusiasts and consumers of the luxury brands.

**Practical implications** – Managers should be aware of the double-edged role of brand affect on brand risk. The quality of a brand and the trust in its promise decrease the risk to the consumer.

**Originality/value** – This pioneering study is one of the first to approach an underexplored topic as is the case of the risk associated with a brand in the context of the luxury goods market. Moreover, it relies on an international sample composed of consumers from several countries.

**Keywords** Marketing strategy, Risk perception, Luxury, Involvement, Social value, Risk-taking theory

**Paper type** Research paper

## 1. Introduction

Luxury has historically influenced consumer behaviours and aspirations. The thriving demand for luxury products has contributed to the growth of the luxury goods industry, which is expected to reach \$382.6bn USD with an annual growth rate of 5.4 since 2021 (Wong, 2023). Two catalysts in this growth are the increasing luxury consumption in Asian markets and the rising purchasing power and interest of young consumers in luxury goods (Wong, 2023).



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Among the various product categories in the luxury market, watches are among the most desirable ones. Knight Frank (2022) highlights watches and wine as two asset classes that had a notable growth in luxury investments in 2021. Regardless the exponential expenditure on luxury goods, research exploring the ways in which luxury goods impact consumers is still limited (Husain *et al.*, 2022).

The concept of brand risk is pivotal in consumer behaviour. Risk is a very personal decision-making process affected by the category of the product (Paulssen *et al.*, 2014). Thus, risk is strongly associated with luxury due to cost, emotional attachment and purchase efforts (Yu *et al.*, 2018). There is consistent evidence that risk influences how consumers evaluate brands. When the risk is high, which is the case of luxury brands, consumers base their brand evaluation on the perceived risk reduction function (Tezer *et al.*, 2022). Therefore, a key task for luxury brand marketing managers is to reduce consumers' uncertainty and encourage them to buy their products. This can be achieved by building brands that signal a high level of risk reduction (Tezer *et al.*, 2022). Nevertheless, the mechanisms and nature of risk in the luxury literature remain understudied (Chang and Ko, 2017; Yu *et al.*, 2018). Furthermore, the loyalty–risk link may be influenced by product type, but existing research is inconclusive (Verhage *et al.*, 1990a, b).

This article draws on the risk-taking theory (Taylor, 1974) to develop and test a conceptual framework for analysing risk in the luxury watchmaking industry, characterised by high-risk and high-involvement products (Song *et al.*, 2012; Hur *et al.*, 2014). Using an international sample, we investigate the impact of perceived quality, social value, involvement, trust, affection and loyalty on the risk associated to luxury brands. The findings add to risk management literature by identifying key variables for risk reduction in the marketing and luxury brand context. Additionally, it sheds light on the loyalty–risk relationship in high-involvement products such as luxury watches. The next section presents the context of the study and the research hypothesis.

## 2. Literature review

### 2.1 Context of the study

According to the risk-taking theory, consumers purchase products with uncertainty or risk, including potential financial, social or psychological losses (Taylor, 1974). The luxury industry relies on strong brands to gain competitive advantage (Zhang and Müller, 2022), as consumers of luxury brands develop strong connections and affection to these brands such as brand love (Robertson *et al.*, 2022; Bazi *et al.*, 2023). In the luxury industry, signalling social status is also important due to subjective evaluations (Philippe *et al.*, 2022), meaning risk is higher than in non-luxury industries. We focus on the fine watchmaking market known for high luxury spending (Wong, 2023) as is the case of *Haute-Horlogerie* watches. This industry represents the luxury sector as the high prices and sociocultural narratives strongly influence consumer decision-making (Zhang and Müller, 2022).

### 2.2 Hypothesis development and research model

The risk associated with brand choice reflects the magnitude of negative consequences of a decision (Tezer *et al.*, 2022). Consumers use strategies to reduce risk by gathering and managing information, decreasing uncertainty and mitigating the potential consequences of their decisions (Taylor, 1974). For that, consumers choose dominant brands to reduce risk (Tezer *et al.*, 2022). Luxury brands anticipate an apparently lower risk because of their associated quality, image and prestige (Ko *et al.*, 2019), however, consumers perceive higher risks for hedonic products such as luxury products than for utilitarian products (Chang and Ko, 2017). High prices and psycho-social risk perception (e.g. product disapproval) may encompass potential losses for consumers (Yu *et al.*, 2018). Some brand variables influence the perception of risk (e.g. Song *et al.*, 2012) and to some extent, consumer behaviour can be

determined according to such risk (e.g. [Lin et al., 2022](#); [Tezer et al., 2022](#)). This study explores how the hypothesis examining the impact of perceived quality, social value, involvement, brand affect, brand trust and loyalty are related to brand risk.

*2.2.1 Perceived quality.* Similar to risk, consumer attitudes towards brand quality influence shopping intention as consumers aim to meet their personal quality standards ([Venkatesh et al., 2022](#)). Perceived quality can be defined as the “consumer’s judgment about a product’s overall excellence or superiority” ([Zeithaml, 1988](#), p. 3). Quality is a vital aspect for producers and marketers, supporting opportunities for differentiation ([Konuk, 2018](#)). Luxury brands are associated with high quality due to their prestige and longevity ([Wong, 2023](#)). Quality assumes an important role in the luxury context as it aligns with the expectations of excellent quality and authenticity of luxury brands ([Ko et al., 2019](#)).

*2.2.2 Involvement.* Brand involvement reflects individuals’ internal states of interest, arousal, or emotional attachment to a brand ([Yang et al., 2022](#)). Research indicates that brand involvement is related to brand attitudes, purchase intention, advertising attitudes and online shopping behaviours ([McClure and Seock, 2020](#)). Similarly, quality perception is also considered an attitudinal construct ([Yang et al., 2022](#)). Previous research has shown that the quality of information is related to involvement ([McClure and Seock, 2020](#)). Considering that both quality and involvement are attitudinal dimensions, the expected high quality of luxury goods should foster a favourable brand attitude. Thus, we propose:

*H1.* The perceived quality of a luxury brand is positively related to brand involvement.

*2.2.3 Social value.* Consumers favour socially beneficial products and brands ([Büyükdag̃ and Kitapci, 2021](#)). In the field of luxury goods, society plays a crucial role. The desire to express identity and social status drives the demand for luxury brands, achieved through unique and exclusive brand characteristics ([Wiedmann et al., 2009](#); [Park et al., 2008](#)). Luxury brands use marketing tools that vary based on consumer involvement and interaction intensity ([Wiedmann et al., 2009](#); [Shin and Back, 2020](#)). This contributes to facilitating a special consumer experience as consumers seek luxury brands for social appreciation ([Park et al., 2008](#)). The importance individuals place on an object is influenced by its social value. Purchasing luxury brands is closely tied to consumers’ self-image and ego, with higher social value brands attracting more consumer involvement as consumers seek brands who represent them. Therefore, we propose:

*H2.* The social value of a luxury brand is positively related to brand involvement.

*2.2.4 Brand affect.* Brands aim to create emotional bonds with consumers, especially in the luxury market where product tangible features alone do not differentiate them. The luxury industry emphasises the need for strong emotional connections between consumers and brands, evident in advertising campaigns that reflect consumer affection ([Shimul and Phau, 2022](#)). Brand affect is “a brand’s potential to elicit a positive emotional response in the average consumer as a result of its use” ([Chaudhuri and Holbrook, 2001](#), p. 82). Consumers with high brand affect experience happiness, joy and affection from brands ([Huaman-Ramirez et al., 2019](#)). Emotions play a significant role in products with high hedonic value, surpassing rational evaluations ([Chaudhuri and Holbrook, 2001](#)). The sharing of symbols and values associated with luxury is particularly relevant in group experiences ([Wiedmann et al., 2009](#)), and luxury brands serve as important social symbols ([Park et al., 2008](#)). The social value derived from the social benefit influences consumers’ sense of belonging ([Büyükdag̃ and Kitapci, 2021](#)). Thus, we propose:

*H3.* The social value of a luxury brand is positively related to brand affect.

Emotional attachment and involvement are related as consumers conceive mental images and personal reflections when engaging with a brand ([Kim et al., 2018](#)). Moreover, brands increasingly focus on creating experiential value, recognising that “experiential marketing

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views consumers as emotional beings, focussed on achieving pleasurable experiences” (Atwal and Williams, 2009, p. 344). In this sense, involvement positively impacts hedonic values (Park *et al.*, 2006), which are related to the affective attachment to the brand (Chaudhuri and Holbrook, 2001). Consumer interactions with the brand generate conceptualisations and evoke positive emotional responses (Park *et al.*, 2006; Kim *et al.*, 2018; Shin and Back, 2020). Thus, it is proposed:

*H4.* Luxury brand involvement is positively related to brand affect.

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*2.2.5 Brand trust.* Brand trust is the belief that the brand will consistently deliver value and fulfil its promises to benefit the consumer (Huaman-Ramirez *et al.*, 2019). When consumers perceive a brand as meeting their expectations, they develop trust, and in the case of trustworthy brands, they believe the brand will address any issues that may arise (Kim *et al.*, 2021). Trust is built through prior experiences and interactions along the consumer-brand journey. Quality is often a key factor in building trust with consumers. In the case of luxury brands, which are typically perceived as high quality, the associated risk is expected to be lower, leading to increased consumer trust. Previous research has confirmed the positive influence of perceived quality on brand trust (Konuk, 2018). Hence, we posit:

*H5.* The perceived quality of a luxury brand is positively related to brand trust.

O’Cass (2004) argues that brand involvement shapes an individual’s belief in brand competence and trust. This implies that trust is influenced by affective feelings (Morrow *et al.*, 2004). Highly involved consumers can distinguish brands more readily and have greater confidence in their attributes (Shin and Back, 2020). Furthermore, involvement also leads consumers to believe the brand as reliable and fulfilling its functions diligently (Chaudhuri and Holbrook, 2001). Therefore, it is proposed:

*H6.* Luxury brand involvement is positively related to brand trust.

The literature suggests that consumers develop brand trust through their emotional attachment (Shimul and Phau, 2022). Brand affect positively influences trust because “affective attachments form the basis for caring and benevolent actions that build trust” (Williams, 2001, p. 379). Consumers trust brands that generate feelings and emotions (Huaman-Ramirez *et al.*, 2019). Affective states shape instincts and perceptions of goodwill, leading consumers to believe their partner will not act opportunistically (Chen-Yu *et al.*, 2016). Thus, it is formulated:

*H7.* Luxury brand affect is positively related to brand trust.

*2.2.6 Brand loyalty.* Achieving consumer loyalty is a key objective for luxury fashion brands (Bazi *et al.*, 2023). Brand loyalty comprises behavioural loyalty (repeated brand purchases) and attitudinal loyalty (emotional connection to the brand) (Robertson *et al.*, 2022). The consumption experience is a meaningful point for brand trust, as it influences consumer relationships (Husain *et al.*, 2022). Building strong relationships with consumers is fundamental for brands, and trust plays a vital role in encouraging the purchase and consumption of luxury brands (Husain *et al.*, 2022). Brand trust is recognised as a major factor in creating consumer loyalty (Huaman-Ramirez *et al.*, 2019). Hence, we propose that:

*H8.* Luxury brand trust is positively related to brand loyalty.

In the luxury brand market, emotions cannot be dissociated from the purchase process as around 80% of purchase decisions are based upon affective factors (Roberts, 2005). Positive evaluations of a brand can lead to consumer loyalty (Soedarto *et al.*, 2019). A positive brand affect discourages the exploration of potential alternatives, fostering long-term relationships (Gundlach *et al.*, 1995). Brand trust and brand affect both positively contribute to behavioural and attitudinal loyalty, although their effects may vary (Chaudhuri and Holbrook, 2001).

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Emotionally attached consumers exhibit higher brand loyalty than those who are not (Bazi *et al.*, 2023). Previous research supports the positive relationship between brand affect, commitment and loyalty (Kim *et al.*, 2021). Thus, we propose that:

*H9.* Luxury brand affect is positively related to brand loyalty.

*2.2.7 Brand risk.* Risk is related with the possibility of incurring in losses (Lin *et al.*, 2022). Risk theory posits that decision-making involves uncertainty about outcomes and consequences (Taylor, 1974). This is particularly relevant for luxury goods, which require significant investment (Yu *et al.*, 2018). Risk can be related with social status and acceptance linked to product usage (Apaydin and Köksal, 2011), as well as with the fear of a brand not fulfilling its promise (Chaudhuri and Holbrook, 2001). However, trust in a brand can mitigate this risk, as it represents confidence in the brand's ability to deliver its promise (Hur *et al.*, 2014). Trust in a luxury brand, in particular, reduces uncertainty and risk associated with high-priced products. Thus, it is proposed:

*H10.* The trust in a luxury brand is negatively related to the risk of that brand.

Consumers' affective attachment is beneficial in uncertain environments involving brand risk (Gundlach *et al.*, 1995). Consumption emotion and risk are related, as emotions shape experiential knowledge, which impacts risk perception (Chaudhuri, 1997). For example, consumers who experience positive feelings during brand interactions perceive lower risk and associate the brand's products with positive feelings (Chaudhuri, 1997). The prevalence of positive emotional states influences the consumer perceived risk (Song *et al.*, 2012). Past research highlights that emotional states significantly contribute to perceived risk (Chaudhuri, 1997). Hence, we propose that:

*H11.* Luxury brand affect is negatively related to the perceived brand risk.

The relationship between brand loyalty and brand risk remains unclear. Brand loyalty has been considered an antecedent, outcome and unrelated to risk. Early research suggests that consumer loyalty can help alleviate risk (Roselius, 1971; Verhage *et al.*, 1990a). However, this relationship varies across product categories and countries (Verhage *et al.*, 1990b). Recent studies indicate that risk and loyalty are unrelated (Song *et al.*, 2012; Hur *et al.*, 2014) or that loyalty is an outcome of risk (Lin *et al.*, 2022). In the context of luxury market, which involves high consumer involvement, we propose that loyalty decreases risk. Consumers with stronger brand involvement are better equipped to handle risk and have less uncertainty when buying luxury brands compared to those with lower involvement (Ward and Lee, 2000). Moreover, if risk is low enough to stimulate an initial purchase, loyalty may develop and encourage additional purchases, further reducing risk (Bennett *et al.*, 2005). Thus, we propose that:

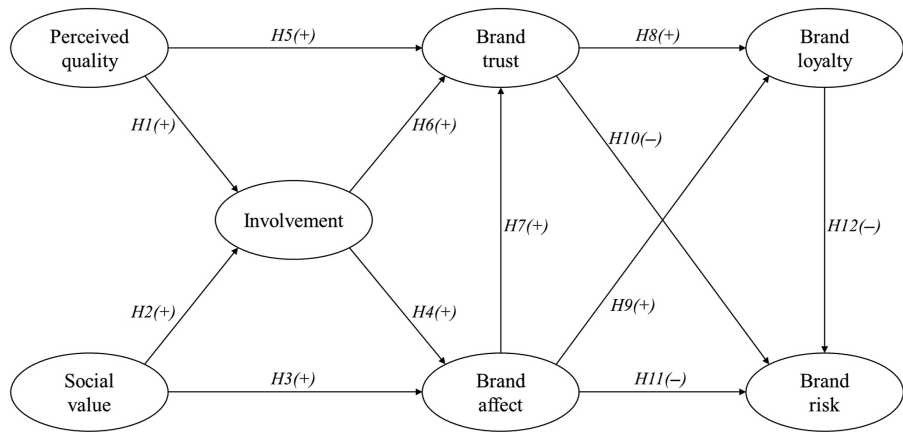
*H12.* Luxury brand loyalty is negatively related to the perceived brand risk.

Figure 1 presents the full theoretical model and the expected sign of the research hypotheses.

### 3. Methodology

#### 3.1 Survey design and measures

According with the objectives, the study employed a quantitative approach and data were collected through a questionnaire. The constructs were measured using five-point Likert scales adapted from previous studies. Perceived quality and social value were measured using three and four items, respectively, adopted from Sweeney and Soutar (2001). Involvement was assessed with four items adapted from Traylor and Joseph (1984). Brand trust was measured using four items from Kabadayi and Alan (2012) and from Sung and Kim (2010). Brand affect was measured using three items from Chaudhuri and Holbrook (2001),



**Figure 1.**  
Research model,  
hypothesis and  
expected sign

**Source(s):** Created by authors

and brand loyalty was measured using three items from [Song et al. \(2012\)](#). Finally, brand risk was measured using three items adapted from [Espejel et al. \(2009\)](#).

### 3.2 Data collection

The study focused on consumers and enthusiasts of Swiss luxury watches, and an international sample was collected. The measurements, initially in English, were translated into Portuguese, German, French and Russian and back-translated to English to ensure accuracy. Before the final application of the questionnaire, a pre-test was conducted on a sample of 50 consumers to check the clarity of the questions. Subsequently, the questionnaire was distributed online in international forums and communities dedicated to watches and luxury items. Initially, permission was asked to host the questionnaires on the websites and several forums accepted to participate and share the questionnaire within their communities. The questionnaire was available in the five different languages to facilitate the responses from native speakers. Participants were asked to complete the survey and share it with other consumers and enthusiasts, using a non-probabilistic sampling method (snowball technique).

Respondents were informed that participation was voluntary, there were no right or wrong answers, honest responses were expected, and anonymity was guaranteed to reduce evaluation apprehension ([Podsakoff et al., 2003](#)). The questionnaire was organised in three parts. The first one included the study's objective, general consent, identification of the Swiss luxury brands under investigation and whether the participant owned or was an enthusiast of Swiss luxury watches. Respondents who answered "no" to at least to one of these questions were excluded from the study. The second part included the questions related to the constructs analysed in the model. The final part of the questionnaire addressed demographic information. A total of 328 responses were obtained, of which 22 were incomplete or included brands not relevant to this study. Thus, a final sample of 306 questionnaires was considered ([Table 1](#) presents the demographics of the respondents).

Of the 306 respondents, 54.6% are brand owners while 45.4% are enthusiasts. The sample comprises 35 nationalities, with 69.3% of the respondents being males and aged between 31 and 40. Regarding brand preferences, most respondents choose Rolex and Omega as their favourite brands. These results are in line with the [Digital Luxury Group's \(2014\)](#) world watch report which ranks Rolex and Omega among the top three watch brands in the world.

Variable	Frequency	Percentage	Variable	Frequency	Percentage
<i>Gender</i>			<i>Nationality</i>		
Female	94	30.7	Portuguese	84	27.5
Male	212	69.3	Russian	63	20.6
<i>Age</i>			North American	33	10.8
<30	80	26.2	German	27	8.8
31 to 40	94	30.7	British	16	5.2
41 to 50	72	23.5	Others	83	27.1
>50	60	19.6	<i>Favourite brand</i>		
<i>Consumer</i>			Rolex	89	29.1
Yes	167	54.6	Omega	87	28.4
No	139	45.4	Tissot	28	9.2
<i>Position</i>			Patek philippe	27	8.8
Executive	52	17.0	Breguet	12	3.9
Employed	118	38.6	Longines	12	3.9
Self-employed	55	17.9	Hublot	4	1.3
Student	37	12.1	Rado	4	1.3
Retired	15	4.9	Others	43	14.1
Other	29	9.5			

Source(s): Created by Authors

**Table 1.**  
Sample demographics

### 3.3 Measurement model

To address potential common method bias (CMB), we conducted Harman’s single-factor test. The results confirmed that 32.484% of the total variation could be attributed to a single factor, which is below the 50% threshold (Hair *et al.*, 2010). Additionally, a common latent factor test was employed comparing the standardised regression weights of all items for models with and without the common factor. All differences were below 0.20, indicating that CMB is not a major issue (Serrano Archimi *et al.*, 2018). We then analysed item loadings, scale reliability and convergent and discriminant validity. The factor loadings for all items were greater than the minimum threshold value of 0.50 (Hair *et al.*, 2010), except for one item from the brand risk construct. However, some authors propose a less conservative threshold of 0.4 (Ertz *et al.*, 2016). Internal consistency was confirmed through Cronbach’s alpha with values ranging from 0.741 to 0.900. Composite reliability (CR) analysis indicated values above 0.70 for all constructs (Hair *et al.*, 2010). Convergent validity was supported by average variances extracted (AVE) above 0.50 for all the constructs. Considering that brand risk exhibited a Cronbach’s alpha and AVE above 0.7 and 0.5, respectively, all its items were retained. Table 2 presents the measurement items and properties.

All constructs’ square root AVEs were found to be greater than their correlation coefficients, confirming the discriminant validity of the model (Fornell and Larcker, 1981). Table 3 shows the correlations between constructs.

Finally, a confirmatory factor analysis (CFA) was run using AMOS. The overall measurement model revealed a good model fit:  $\chi^2 = 587.927$ ;  $df = 231$ ;  $\chi^2/df = 2.545$ ; Incremental Fit Index (IFI) = 0.920; Tucker–Lewis Index (TLI) = 0.904; Comparative Fit Index (CFI) = 0.919; and the Root Mean Square Error of Approximation (RMSEA) = 0.071 (Hair *et al.*, 2010).

## 4. Results

### 4.1 Structural model

The research hypotheses were tested using covariance-based structural equation modelling (SEM). As theory-driven causal modelling was used in the research model, AMOS SEM was

Constructs and measurement items	Mean	S.D	C.R	Item loading
Perceived quality ( <i>Cronbach alpha = 0.900, AVE = 0.755, CR = 0.902</i> )				
This brand has a consistent quality	4.539	0.751		0.880
This brand is well made	4.458	0.785	21.219	0.903
This brand has an acceptable standard of quality	4.497	0.716	18.282	0.821
Social value ( <i>Cronbach alpha = 0.867, AVE = 0.628, CR = 0.870</i> )				
This brand would help me feel accepted	2.353	1.357		0.710
This brand would improve the way I am perceived	2.918	1.354	12.948	0.803
This brand would make a good impression on other people	2.676	1.302	13.872	0.880
This brand would give its owner social approval	2.157	1.226	12.435	0.768
Involvement ( <i>Cronbach alpha = 0.868, AVE = 0.631, CR = 0.872</i> )				
I can relate this brand to many things in my life	2.748	1.318		0.841
My favourite brands represent who I am	2.595	1.343	17.014	0.837
When I use this brand, others see me the way I want them to see me	2.356	1.263	14.331	0.738
There are no substitutes for my brand	2.552	1.345	14.833	0.757
Brand trust ( <i>Cronbach alpha = 0.866, AVE = 0.625, CR = 0.869</i> )				
I trust this brand	4.232	0.903		0.869
I rely on this brand	3.915	1.046	14.841	0.734
I feel secure when I buy this brand because I know that it will never let me down	3.941	1.016	16.907	0.800
This is an honest brand	4.078	0.906	15.379	0.752
Brand affect ( <i>Cronbach alpha = 0.862, AVE = 0.699, CR = 0.874</i> )				
This brand makes me happy	3.454	1.275		0.867
This brand gives me pleasure	3.611	1.261	19.535	0.897
I feel good when I use this brand	3.327	1.395	14.873	0.736
Brand loyalty ( <i>Cronbach alpha = 0.768, AVE = 0.533, CR = 0.773</i> )				
I would purchase this brand in the future	3.265	1.225		0.793
I would recommend this brand to a friend or relative	4.082	0.990	11.989	0.722
I would be willing to pay a higher price for this brand over other brands	3.193	1.198	11.096	0.669
Brand risk ( <i>Cronbach alpha = 0.741, AVE = 0.541, CR = 0.764</i> )				
I am afraid that my purchase of this brand may have a negative influence on what other people think about me	1.627	0.912		0.415
I am afraid of feeling dissatisfied or frustrated with this brand	1.791	1.075	6.706	0.909
I am afraid of wasting my time due to a possible negative result of the brand	1.823	1.126	6.904	0.790

**Table 2.** Measurement items and properties

**Source(s):** Created by Authors

	CR	AVE	1	2	3	4	5	6	7
1. Perceived quality	0.902	0.755	<i>0.869</i>						
2. Social value	0.870	0.628	0.056	<i>0.793</i>					
3. Involvement	0.872	0.631	0.143	0.510	<i>0.795</i>				
4. Brand trust	0.869	0.625	0.769	0.149	0.404	<i>0.790</i>			
5. Brand affect	0.874	0.699	0.290	0.324	0.709	0.534	<i>0.836</i>		
6. Brand loyalty	0.773	0.533	0.368	0.345	0.665	0.717	0.631	<i>0.730</i>	
7. Brand risk	0.764	0.541	-0.297	0.238	0.068	-0.020	-0.339	-0.167	<i>0.735</i>

**Table 3.** Correlations between constructs and discriminant validity

**Note(s):** The italics diagonal scores are the square root of AVE; the off-diagonal scores are the correlations among constructs

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utilised (Hair *et al.*, 2010). The structural model exhibited an adequate level of adjustment:  $\chi^2 = 636.283$ ,  $df = 239$ ;  $\chi^2/df = 2.662$ ; IFI = 0.911; CFI = 0.910; TLI = 0.896; RMSEA = 0.074. Table 4 presents the results of the structural path analysis.

Perceived quality positively influences brand involvement ( $\beta = 0.146$ ;  $p \leq 0.01$ ) and brand trust ( $\beta = 0.694$ ;  $p \leq 0.01$ ), supporting H1 and H5. Social value is positively ( $\beta = 0.502$ ;  $p \leq 0.01$ ) related to involvement, supporting H2, but not statistically related to brand affect ( $\beta = -0.043$ ;  $p > 0.05$ ), rejecting H3. Involvement positively influences brand affect ( $\beta = 0.761$ ;  $p \leq 0.01$ ) but not brand trust ( $\beta = 0.103$ ;  $p > 0.05$ ), supporting H4 but rejecting H6. Brand affect is positively related to brand trust ( $\beta = 0.283$ ;  $p \leq 0.01$ ), brand loyalty ( $\beta = 0.566$ ;  $p \leq 0.01$ ) as hypothesised, supporting H7 and H9, but also to brand risk ( $\beta = 0.318$ ;  $p \leq 0.01$ ) whereas a negative relation was expected, thus, rejecting H11. Brand trust is positively related to brand loyalty ( $\beta = 0.343$ ;  $p \leq 0.01$ ) supporting H8 and negatively to brand risk ( $\beta = -0.400$ ;  $p \leq 0.01$ ), supporting H10. Finally, brand loyalty is not statistically related to brand risk ( $\beta = -0.144$ ;  $p > 0.05$ ), rejecting H12.

#### 4.2 Total, direct and indirect effects

We then examined the indirect and total effects which were calculated through the AMOS bootstrapping procedure. Perceived quality was found to indirectly influence brand loyalty ( $\beta = 0.317$ ;  $p \leq 0.01$ ) and brand risk ( $\beta = -0.307$ ;  $p \leq 0.01$ ). Social value has a positive indirect effect on brand affect ( $\beta = 0.383$ ;  $p \leq 0.01$ ), brand trust ( $\beta = 0.148$ ;  $p \leq 0.01$ ) and brand loyalty ( $\beta = 0.243$ ;  $p \leq 0.01$ ). As such, it is clear that the mediation effect of involvement influences the total effect of social value on brand affect ( $\beta = 0.339$ ;  $p \leq 0.01$ ). Involvement was found to have an indirect effect on brand loyalty ( $\beta = 0.540$ ;  $p \leq 0.01$ ), and there is an important indirect effect ( $\beta = 0.216$ ;  $p \leq 0.01$ ) mediated by brand affect inducing a positive total effect ( $\beta = 0.319$ ;  $p \leq 0.01$ ) between involvement and brand trust. Finally, there are two important aspects regarding brand affect: first, it indirectly influences brand loyalty ( $\beta = 0.097$ ;  $p \leq 0.01$ ), mediated by brand trust; and second, it is negatively and indirectly related to brand risk ( $\beta = -0.209$ ;  $p \leq 0.05$ ), but the total effect ( $\beta = 0.110$ ;  $p > 0.05$ ) is not statistically significant. Table 5 summarises the direct, indirect and total effects of the variables under study.

Hypotheses	Path	<i>t</i> -value	$\beta$	<i>p</i> -value	Supported
H1	Perceived quality → Brand involvement	2.590	0.146	**	Yes
H2	Social value → Brand involvement	7.519	0.502	**	Yes
H3	Social value → Brand affect	-0.728	-0.043	ns	No
H4	Brand involvement → Brand affect	10.898	0.761	**	Yes
H5	Perceived quality → Brand trust	13.364	0.694	**	Yes
H6	Brand involvement → Brand trust	1.412	0.103	ns	No
H7	Brand affect → Brand trust	3.862	0.283	**	Yes
H8	Brand trust → Brand loyalty	5.568	0.343	**	Yes
H9	Brand affect → Brand loyalty	8.628	0.566	**	Yes
H10	Brand trust → Brand risk	-3.994	-0.400	**	Yes
H11	Brand affect → Brand risk	2.810	0.318	**	No
H12	Brand loyalty → Brand risk	-1.107	-0.144	ns	No

Note(s): \*\*  $p \leq 0.01$ ; \*  $p \leq 0.05$ ; ns-not significant

Source(s): Created by Authors

Table 4.  
Hypothesis test results

**Table 5.**  
Standardised direct,  
indirect and total  
effects

	Perceived quality			Social value			Involvement			Brand trust			Brand affect			Brand loyalty		
	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
Involvement	0.146**		0.146**	0.502**		0.502**												
Brand affect		0.112**	0.112**	-0.043	0.383**	0.339**	0.761**		0.761**									
Brand trust	0.694**	0.047**	0.741**		0.148**	0.148**	0.103	0.216**	0.319**				0.283**		0.283**			
Brand loyalty		0.317**	0.317**		0.243**	0.243**		0.540**	0.540**	-0.343**		0.343**	0.566**	0.097**	0.663**			
Brand risk		-0.307**	-0.307**		0.014	0.014		0.037	0.037	0.400**	-0.049	-0.450**	0.318**	-0.209*	0.110	-0.144		-0.144

**Note(s):** \*\* $p \leq 0.01$ ; \* $p \leq 0.05$   
**Source(s):** Created by Authors

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## 5. Discussion

The results confirm that perceived quality positively influences trust and involvement. The quality–trust link is already well documented in the literature (Konuk, 2018). Regarding the quality–involvement link, the findings suggest a more attitudinal perspective of quality within the luxury context. Perceived quality strongly and indirectly contributes to reducing brand risk, a novel finding in this study. This suggests that when consumers perceive guaranteed quality in luxury products, their perceived risk decreases (Yu *et al.*, 2018). In line with previous research, perceived quality was found to be indirectly related to brand loyalty (see Quoquab *et al.*, 2021).

Social value directly influences brand involvement but not brand affect. A greater social value leads consumers to believe that they create a good impression on others. This suggests that social value is more associated to external approval than with internal feelings such as the happiness or joy of wearing a brand. Indirectly, social value influences brand loyalty, as consumers who perceive a luxury brand as a representation of their identity and as capable of making a positive impression on others, exhibit favourable behaviours such as repeat purchases and recommendations (Hennigs *et al.*, 2015). Conversely, social value does not indirectly influence brand risk, suggesting that risk perception in the luxury context is not so significantly tied to the external approval of these brands. This may be due the already established reputation and social approval enjoyed by these brands.

Higher consumer involvement with a brand did not result in higher levels of trust. Nonetheless, the results support a positive indirect relationship between involvement and trust mediated by brand affect. Prior research in the fashion industry has shown that involvement contributes to the development of positive emotions (Park *et al.*, 2006) and our results in the luxury industry suggest the same. The direct relationships between brand trust, brand affect and brand loyalty were in line with the marketing literature (Chaudhuri and Holbrook, 2001; Soedarto *et al.*, 2019).

Contrary to our expectations, the results revealed that consumers who experienced positive emotions with their brands perceived them as riskier. A possible explanation for this counterintuitive finding is that higher emotional involvement may amplify the perception of risk due to the perceived potential for loss. Brand trust played the most important role in mitigating brand risk. Like Hur *et al.* (2014), we also found an asymmetrical relationship between brand trust, brand loyalty and brand risk. However, in our case, the effect of brand trust in reducing brand risk was slightly stronger than its influence in enhancing brand loyalty.

Finally, the results did not statistically support the loyalty–risk relationship. Previous literature has found these variables to be negatively correlated in both luxury and non-luxury contexts (Song *et al.*, 2012; Hur *et al.*, 2014; Lin *et al.*, 2022), however, examples of causality are scarce and as Verhage *et al.* (1990a) advanced, it may simply be the case that loyalty does not differentiate based on perceived risk (or vice versa).

### 5.1 Theoretical implications

The risk-taking theory poses that decision-making involves uncertainty about the outcome, which can be addressed by acquiring and managing previous information and uncertainty about the consequences, which can be mitigated by reducing the stakes involved (Taylor, 1974). This study suggests two mechanisms that influence risk differently. Firstly, luxury brands need to prioritise high quality and deliver their promises (Yu *et al.*, 2018), which helps reduce uncertainty regarding the consequences of a purchase. Secondly, the affection towards a luxury brand appears to increase risk by raising the stakes. For that, luxury brands should build an image of trustworthiness. Brands need to recognise that establishing emotional connections with consumers does not necessarily decrease risk. In fact, as consumers become more attached to a brand, their expectations rise and they perceive more to be at stake.

### 5.2 Managerial implications

Consumers are willing to pay premium prices for luxury brands because they are associated with superior quality, prestigious image and attributes like artisanship, craftsmanship or service quality (Ko *et al.*, 2019). Interestingly, although consumers perceive luxury to have high quality, it often does not reach their expectations. The perception of better quality arises from the higher price paid, which is primarily for exclusivity (e.g. restrict supply) or brand prestige when showcased to others. For example, some luxury watches are crafted by hand or using traditional methods, resulting in uniqueness but potentially compromising quality. However, the notion of quality also encompasses the level of excellence in artisanship and craftsmanship, which explains why mechanical watches, despite being less reliable than quartz watches, are traditionally more expensive and tend to hold or increase their value over time.

Luxury watches do not aim to solve a specific problem, they prioritise prestige, heritage, brand uniqueness and admiration over functional benefits, as their purpose lies in being symbols of status. While other watches may provide far more features and functional benefits, they cannot match the exclusivity of a brand like Rolex. Our results highlight the importance for marketing managers in the luxury watch industry to build an image of quality and trustworthiness. Quality extends beyond reliability and includes the level of craftsmanship and artisanship involved. To effectively communicate this message of trustworthiness to the target audience, luxury brands should consistently uphold their brand values. As Rolex's slogan put it, "It Doesn't Just Tell Time. It Tells History", and for it to be true, the watch should be seen as reliable so that it can last for a lifetime, but also as timeless (enduring the test of time and passing through generations). This can be achieved, for example, through advertisements promoting trust-related values, associations with celebrities who have an image of trustworthiness and dependability and by highlighting the exceptional workmanship in manufacturing the timepiece.

## 6. Conclusion

This study analysed the antecedents of brand loyalty and risk in the luxury watchmaking market. Perceived quality and brand trust emerge as two of the main antecedents of risk, whereas the social value of a brand leads to greater brand loyalty. Theoretically, quality and trust reduce uncertainty on the relationship outcome, while brand affect increases the stakes, thereby increasing risk. Overall, managers in the luxury watch market should be mindful of these mechanisms and carefully address them. The first entails meeting high-quality brand standards and fulfilling trustful brand promises to mitigate brand risk. The second is effectively managing brand affect as it jointly contributes to brand loyalty (which is desirable) but also to brand risk.

This study has some limitations. The research focuses on the luxury watchmaking industry within the luxury market, limiting the generalisability of findings to other industries. Also, the sample includes both consumers and enthusiasts without distinguishing between loyalty levels. Future studies can evaluate whether results may be different between loyal consumers (users) and enthusiasts, as only the former deal with the consequences of brand usage.

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