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When Fashion Becomes Experience: Assessing the Experiential Diversification Strategy of Luxury Fashion Brands

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Abstract

Luxury consumers have increasingly started to desire something to fully live rather than merely purchase, leading to brands having to shift from selling products to providing experiences. In order to cope with this trend, some luxury fashion brands have opened the doors to diversification entering in experiential sectors. This strategic decision has not only allowed these brands to align, even if not fully, with the shift towards experience but has also given them the possibility to diversify their risk and improve their branding. Grounded in the Resource-Based View Theory (Wernerfelt, 1984), this works assessed the effect of luxury fashion houses' diversification in experiential sectors on consumers' willingness to buy the brand's original product. In addition, the model also explored the moderating role of the intensity of the experience and the mediating one of the emotional brand attachment.

To answer the research question, a quantitative between-subject design analysis was used, with respondents being casually assigned to one of two possible scenarios, one describing a luxury fashion brand diversifying into experiential sector and one not. To analyze the responses a moderated mediation, with moderation of the a Path and the c' Path (Model 8, Hayes, 2018) was run.

The results of the work highlight the existence of a positive relationship between luxury fashion brands' diversification in experiential sector and consumers' willingness to buy the brands' original product, proving the effectiveness of this corporate strategy in creating positive externalities onto the brand. Moreover, this interaction is also explained by the emotional brand attachment, confirming the hypothesized mediating role of the variable. Lastly, the intensity of the experience was found to moderate both the a and the c' Paths but in opposite way. While the moderation of the path between the independent variable and the mediating one was found to strengthen together with the increases in intensity, the one of the c' path was proven to become weaker as the intensity increased.

This work comes with significant implications for both the previous literature on the topic and the practitioners of the field. Indeed, it highlights new drivers and outcomes of the variables considered while also contributing to the Resource-Based View and the Four Realms of Experiences Framework. Moreover, from a managerial standpoint, the results of the work point out benefits and best practices to lever the diversification strategy in the luxury field.

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Introduction

Armani Caffè, Gucci Osteria, Bvlgari Hotel, Fondation Louis Vuitton. These are just some of the most renowned examples of luxury fashion brands that decided to diversify their business towards experiential sectors.

The luxury fashion industry is no stranger to diversification strategies. For years now these brands, in an effort to increase their revenue streams and broaden their potential consumers' pool, have developed new lines of products within adjacent and complementary categories to their original offerings like beauty or home décor, as happened with Dior Beauty and Fendi Casa for example.

Nonetheless, in recent years, consumers started desiring something to fully live rather than merely purchase with emotional realization taking over product ownership, leading to brands needing to adapt to keep flourishing (Statista, 2024). Indeed, according to the latest report on the luxury fashion industry by Business of Fashion & McKinsey & Company (2024), customers are opting to reduce their luxury product purchases in exchange for more experiences, like travel. Such a shift has proven to be true across all categories of consumers, especially in high-net-worth individuals (HNWIs) of which around 80% are expected to rebalance their spending towards experiential activities. This tradeoff is mainly driven by the fact that experiences are perceived as more exclusive and personal, also carrying more social clout than simply owning luxury products. The importance of the experience trend is also proven by the economic condition of the luxury sector. In a period of global uncertainties and recession, especially for the fashion industry, experiences are driving the market, showing a 5% growth in 2024 compared to a negative 2% for luxury goods (D'Arpizio & Levato, 2024).

To cope with this major trend, the diversification wave of the luxury fashion sector has shifted from offering new lines of products, as it happened in the past, to developing new businesses in experiential sectors. Therefore, with this practice gaining traction in the industry, it is always more common to see fashion brands opening up bistros, creating luxurious hotel chains and hosting art exhibitions. Experiential sector diversification not only provides the same benefits as other product categories, like elevating the branding, diversifying the risk, increasing the revenue streams and enlarging the consumers' pool, but also plays a role in enhancing consumers' experience (Hwang & Ok, 2013).

This work embarks on a journey through the discovery of the diversification towards experiential sectors, focusing on the Food & Beverage, Hospitality, and Art ones, aiming to understand if, in addition to the above-mentioned benefits, this practice can also lead to positive externalities on the brand. Thus, this thesis will investigate the effects of experiential sectors diversification of luxury fashion brands (X) on consumers' willingness to buy the brands' original products (Y) through the effect of emotional brand attachment (Me). In addition, also the intensity of experience (Mo) moderating effect on the relationship between the independent and both the dependent and mediating variables will be considered.

In order to do so, a quantitative between-subject design analysis will be used, with respondents being casually assigned to one of two possible scenarios, one describing a luxury fashion brand diversifying into experiential sectors and one not. Afterward, all participants will answer the same set of questions to assess the intensity of the experience, the emotional brand attachment and their willingness to buy the brand's original products. To analyze the responses a moderated mediation, with moderation of the a Path and the c' Path (Model 8, Hayes, 2018) will be run.

The study is grounded in the Resource-Based View (Wernerfelt, 1984). This theory asserts that the internal assets of a company, both tangible and intangible, are its main source of competitive advantage, especially if these can be considered to be valuable, rare, inimitable and non-substitutable (VRIN). In the context of luxury fashion, without any doubt one of the most crucial intangible assets a company can have is its brand equity, defined as a set of company assets and liabilities linked to a brand, like a name or a symbol, that can increase or diminish the value provided by the firm's product or service to the customers (Aaker, 1992). Building on this aspect, the present work argues that from a RBV perspective brand equity can serve as a strategic resource capable of creating and transferring value across different sectors. Therefore, firstly brands can leverage their brand equity to successfully transition into new experiential sectors. Later, these new activities have the potential to reinforce the attachment and create further value, strengthening the brand equity, ultimately enhancing consumers' willingness to buy the brand's core product. In this sense, brand equity represents an asset that can be seen as the enabler of cross-sector value creation and a lever for customers' acquisition.

The thesis unfolds across six different chapters. In the inaugural one, a comprehensive exploration takes place, elucidating the current state of the luxury industry. This section thoroughly navigates the luxury landscape, starting from a general view of the economic performance of the sector as a whole, to later focus specifically on the fashion one and its main figures. It also examines the main trends that are currently driving the consumers' demand and shaping the brands' business decisions, looking also at the afore-mentioned experience-seeking demand trend. As this work's goal is to assess the importance of the methodologies through which the brands are adapting to this trend, this chapter will provide the background knowledge needed in order to understand the relevancy of the topic, while also helping in the development of the research question.

The second chapter will instead focus on a systematic literature review, aiming to develop a theoretical background for the study. Each variable, diversification in experiential sectors, experience's intensity and emotional brand attachment, is presented through existing contributions. This review will not only serve to give a general picture of the state of the art regarding these variables but will also play a role in identifying the research gap. Therefore, these insights lead to the hypotheses development and the introduction of the conceptual model that will be tested.

In the third chapter, the methodologies employed will be presented in depth. Firstly, a detailed overview of the approach followed will be outlined, also assessing the composition of the survey and the goal of each one of its sections. Secondly, a description of the sampling procedure and the consequent sample composition will be provided.

Then, in the fourth chapter, the data gathered through the survey will be studied using a linear regression running a moderated mediation, with moderation of both the a and c' Path, and then the results will be discussed in order to offer a picture of the outcome of the analysis.

The fifth chapter is dedicated to the discussion of the results of the study, presenting a detailed and extensive interpretation of the findings. The section will begin with a general discussion of the consequences of the results, highlighting and explaining the key insights provided by the study. Afterwards, building on this, the chapter will go on outlining the main theoretical implication, to highlight the study's contribution to existing literature, and managerial ones, presenting practical recommendations directly deriving from the results of the work that could be leveraged by experts of the sector to improve the way in which the diversification strategy is employed. Lastly, this section will also outline possible limitation of the work from which future research endeavors could take inspiration.

The last chapter will provide a conclusion, discussing the key points presented throughout the whole work, serving as a recap of the main points outlined throughout the research.

First Chapter - The State of The Luxury Industry

1.1 The Luxury Industry

No universally accepted definition of luxury exists. Luxury is, indeed, a highly subjective matter and relative concept (Mortelmans, 2005), and what can be considered as luxurious by one, may not be by another. Some might tie luxury with functional characteristics like being made with precious material or being characterized by a higher level of quality, while others might think that high prices define luxuriousness. Some may even link the concept of luxury with feelings, and these could be positive ones, like self-realization, for people who appreciate the industry, but also negative ones for those who associate luxury with something unnecessary.

Probably, the question what luxury is could be asked to a large number of people, and the answers would always end up being different. Despite this, the topic of luxury became so relevant in the research world that many tried to come up with a definition for what this industry refers to. To define it different approaches have been used, either focusing on consumers' behavior, managerial determined dimensions, or even physical characteristics of the product. In 2019, Ko *et al.* reviewed multiple prior literature definitions for luxury, in order to identify recurring aspects that could be functional to come up with a new definition of this concept. In this way, five elements were determined to be essential in order to constitute a luxury product or brand with these being: high quality; offering authentic value through wished benefits (either functional or emotional); holding an elevated image in the market established through artisanship, craftsmanship or service level; being able to impose a premium price; and managing to build a deep emotional connection or resonance with the customers.

Another peculiar aspect regarding the luxury industry is linked to consumers' behavior. This segment of customers is, in fact, characterized by individual differences, referring to unique characteristics distinguishing one subject from others, including personality traits, cognitive abilities, or behavioral patterns (Cooper, 2002), that shape their consumption decisions in a unique way when compared with others. In contrast with different industries' consumers, who purchase for functional motifs, people who acquire products from the luxury industry are driven by completely different aspects. Also regarding this topic there are a plurality of studies, nonetheless, a widely recognized framework is the luxury-seeking consumer behavior by Vigneron & Johnson (2004). In this work, the authors identify five primary motivations, three interpersonal and two personal, that determine luxury consumers' purchase decisions, with these being: perceived conspicuousness, which is the need to communicate wealth and status through the visual display of the belongings (Kim & Jang, 2017; O'Cass & McEwen, 2004; Amatulli & Guido, 2012); perceived uniqueness, being the desire to differentiate themselves from the mass (Fromkin & Snyder, 1980); perceived extended self, suggesting that people see their possessions as part of their being (Belk, 1988), and thus used to boost one's self-concept or mirror others (Dittmar, 1994); perceived hedonism, meaning evaluating purchase decisions based on subjective emotional and pleasing benefits rather than functional ones (Sheth *et al.*, 1991); and lastly, perceived quality, as it is expected that luxury brands offer higher qualitative products than non-luxury ones (Aaker, 1991).

Even the borders of the luxury industry are characterized by being extremely blurry, with a plurality of products and services that could potentially enter into the discussion of being part of the luxury category. For the purposes of this work, in line with Bain & Company 2024 Luxury Report, the term luxury industry will comprehend: personal luxury goods, which are all luxury products worn or used directly by consumers, luxury vehicles, including cars, yachts and jets, fine art and design furniture, food and beverages experiences, ranging from wine and spirits and gourmet food to fine dining, and out-of-home experiences, like luxury hotels and cruises. In the next two paragraphs, an overview of the economic performance of both the broad luxury sector and the luxury fashion industry will be portrayed. All the data will be drawn from the Fall Edition 2024 of Bain & Company Luxury Report (D'Arpizio *et al.*, 2024). The choice of relying on a single, authoritative source, given how widely the definition of luxury can vary, was taken to ensure consistency throughout the work.

1.2 Luxury Industry's Economic Performance

After this brief introduction regarding the luxury industry, this paragraph will discuss the current economic condition of the sector as a whole.

Looking at the performance of the last years, the luxury sector has shown an impressive capability of bouncing back from the Covid-19 crisis, strongly recovering in 2021 and 2022, respectively growing by 13% (D'Arpizio *et al.*, 2021) and 19% (D'Arpizio *et al.,* 2022), and experiencing a normalization of the growth in 2023, with a moderate 8% growth (D'Arpizio *et al.,* 2023). After three years of more than positive performances, which enabled the market to grow beyond pre-pandemic levels, 2024 represented a highly challenging period for the industry, facing various pressures that led to a progressive deceleration and an ultimate contraction. These factors led to a final result for 2024 of €1.48 trillion globally, representing a 3% decrease when compared to 2023. This struggle is evident when considering the performances of the industry's leading brands. Indeed, the top eight luxury companies underperformed the market average by 2%. This data becomes even more relevant when taking into account the fact that in the previous five years, these brands had, on average, grown twice as fast as the market. Still, not only large-sized brands suffered, as only one third of the companies of the sector managed to close the year positively, a significant decrease from 2023, when 65% of them were able to close out the year with a growth.

Geographically speaking, the whole world suffered this past year, in particular the broad luxury markets. Indeed, APAC & Japan, mainly because of China, showed a 3-percentage points contraction, the Americas and Europe remained flat, whereas only the rest of the world showed a slightly positive growth. The slowdown in the APAC region and in the Americas has strongly impacted the economic performance of the sector and its capability to increase its revenues in the year. Indeed, these areas had been driving the growth of the industry since 2019, contributing to around 66% of the total market and respectively showing a 6% and a 3% CAGR from 2019 to 2023 (D'Arpizio *et al.,* 2023).

The main sources of challenge can be found in the customers' shift towards non-luxury brands and the rise of competitors offering smart pricing strategies that are more appealing to younger generations. Most importantly, luxury consumers are starting to increasingly become less satisfied with the brands' offerings, perceiving the products as lacking in value, especially when compared to before, leading to a loss of trust. This can be seen as a direct consequence of the sharp increase in price experienced in recent years, which, according to consumers, has not been followed by a coherent increase in quality, either of the product or of the services linked with them (Shoaib, 2024). Therefore, luxury has to find again itself, rebalancing the value offering, trying to elevate the experience and increasing the perceived value of the brands.

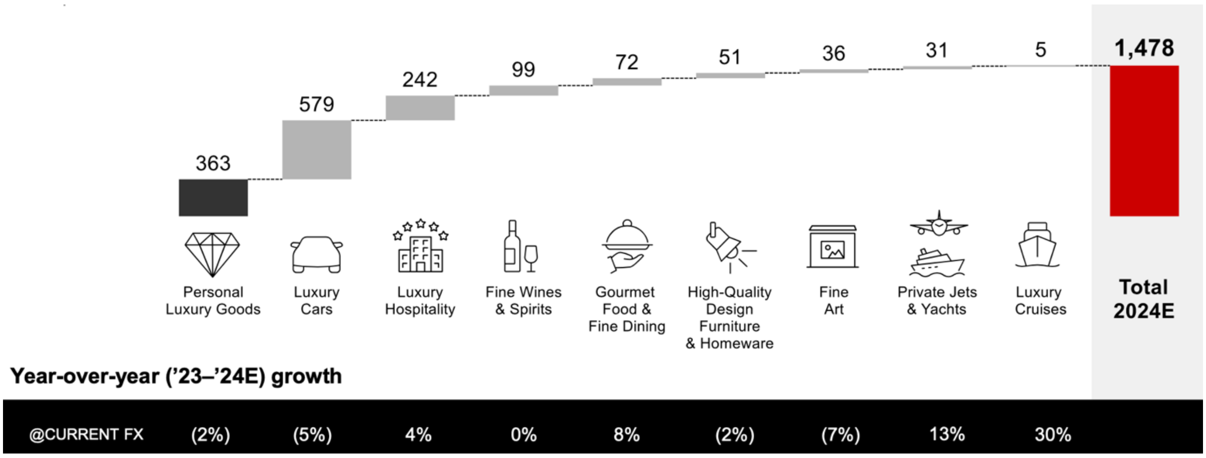

Figure 1. Luxury Industry's 2024 Performance by Segment (Source: D'Arpizio et al., 2024)

Focusing on the different segments that make up the sector, and their respective growth (*Figure 1*), it is clear that in this period of global uncertainty and economic slowdown, experiences have led the market over products, with all the segments showing a positive trend being linked to the experiential field. The experience market as a whole, comprehending fine dining, luxury cruises and luxury hospitality, showed a 5% growth in 2024, driven by the consumers' desire to prioritize personal treatment and wellness rather than products. Experience-based goods, instead, closed the year with a negative 3% growth, but a positive 2% one when excluding luxury cars, showing a dual trend with a relevant contraction in the entry segment, but a strong and constant performance among the HNWIs. The experience compartment, especially the fine dining, managed to maintain a growth even in the APAC region, driven by touristic inflows and the demand for authentic local experiences. Moreover, the trends of the segment show that the desire for experiences is still not completely fulfilled. As a matter of fact, consumers keep requesting more intense and authentic experiences. The food and beverage segment is, for example, characterized by a rising demand for new restaurant concepts offering multisensory and unforgettable atmospheres, factors that are able to create a completely immersive experience that could remind clients of entertainment-like situations. All of these elements not only show that this segment is in great health everywhere, even in the areas that are struggling the most, but also highlight that there is still room to grow and opportunities to be exploited.

Contrastingly, the luxury product segment, which will be covered more in-depth in the next paragraph, had a 2% decrease compared to 2023, because of, among other factors, last year's inflationary pressures and brands elevating the positioning of their offering. Even among this segment, the most promising and sought-after characteristics are bespoke and limited-edition models or highly personalized products, again emphasizing the consumers' desire for more than just an item, but something to live and that adapts to the holder's needs.

From the picture described in this paragraph, it is evident how consumers' demand is shifting, starting to desire more from the brands, and not being satisfied by simple products, requesting something deeper and more experiential, showing the need for companies to adapt to this trend to keep thriving in the future.

1.3 Luxury Fashion Industry's Economic Performance & Trends for the Future

For fifteen years straight, excluding the Covid-19 pandemic, the personal luxury goods segment has recorded year-over-year growth. However, in recent times macroeconomic uncertainty has led people to refrain from purchasing discretionary items, leading the luxury customers' pool to shrink by 50 million in the last two years, and causing a 2% decline in 2024, recording total sales of €363 billion. While this compartment managed to stay strong among top customers, who remained the ones responsible for the majority of the purchases, it is among youngsters, and particularly Gen-Z, that personal luxury goods struggled the most. This is because these consumers find themselves in a less stable financial condition than their cohorts (Dentsu, 2024), which translated into them becoming more price sensitive because of the high inflationary pressures that characterized recent years. In addition, Gen-Zers are also less loyal than other generations and prefer to move around looking for the latest trend rather than sticking with one brand (State of Fashion 2025 Consumer Survey). To testify to the challenges that the luxury fashion industry had to face this year, this was also the first time since 2010, excluding the Covid-19 pandemic, in which the value creation in the fashion industry was led by the non-luxury fashion segment (McKinsey Global Fashion Index, 2024).

From a geographic standpoint, Europe and the Americas remained the two biggest markets and showed signs of resilience being able to set respectively a 3% and a 1% growth, sustained by an increase in tourism which led to positive performance, especially in the most important cities. The main cause of the segment's deceleration can be attributed to the Chinese slowdown. Indeed, this market alone shrunk by 22% throughout 2024, because of the macroeconomic uncertainty jeopardizing domestic spending. Furthermore, consumers' and the government's recent pushback against conspicuous consumption contributed to pivoting purchases towards quieter and more affordable products (Balchandani, 2024). This factor is pushing fashion brands to turn to other Asian markets to find the lost revenues, and Japan came up strong in 2024 establishing itself as a pillar for the luxury fashion market, putting up a 12% growth which is expected to continue in 2025, mainly fueled by favorable currency rates which attracted luxury shoppers from around the world resulting in an increase in tourist spending.

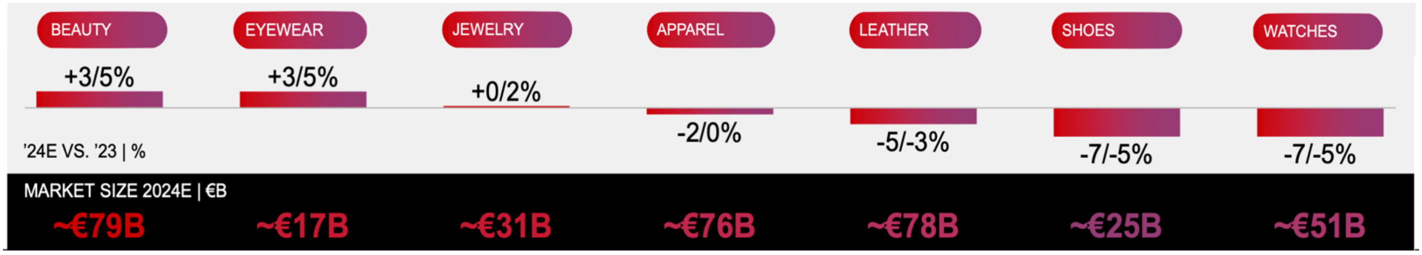

Figure 2. Personal Luxury Good Industry's 2024 Performance by Segment (Source: D'Arpizio et al., 2024)

The personal luxury goods market comprises seven different segments, whose economic performance can be seen in *Figure. 2*. Excluding beauty, which is not part of this analysis as it does not fall under the fashion industry, only one segment managed to close out the year with a positive trend, this being eyewear. The reason behind this growth is that during a year of uncertainty for the fashion market, consumers have gone on a quest for small indulgencies that was also strengthened by a wave of fresh and new creativity between eyewear designers. Among the core luxury fashion categories, instead, jewelry is the one that showed the most resilience, mainly thanks to a renewed customer-centric approach and high-jewelry overperforming expectations. The remaining segments struggled throughout 2024 mainly because of elevation-related volume declines with brands paying for their past choices of increasing the prices.

Therefore, the current situation mirrors the negative environment that was expected by many at the beginning of the year. However, even with the economic uncertainty and the consumers' changing preferences and needs, there is still room to grow, but to capture it brands will need to be ready to react and adapt to the trends that are shaping the business. When talking about the trends, it is not only important to identify them, but what is significant is also to understand which actor is bringing them up, for this reason, two categories of trends will be presented, brand-driven and customer-driven.

Starting with the former, given the previously presented decreasing attractiveness of luxury fashion brands towards Gen-Z, in contrast with what happened in the past when the luxury fashion brands' target were the youngsters, most brands are starting to focus more on the "Silver Generations", who are those people aged over fifty (Balchandani, 2024). This is because with longer life expectancies and a birth rate that is constantly declining, this generation is becoming more and more relevant growing at a faster rate than any other (Adams *et al.,* 2024), with them expecting to represent more than 33% of the population by 2050, as opposed to the current 25% (McKinsey Global Institute, 2024). Moreover, these consumers are benefitting from years of accumulated wealth which gives them disposable cash to use on fashion, a privilege that younger people cannot have. In addition, this generation is also extremely loyal, with 52% of their wardrobe, on average, being from the same brand (State of Fashion 2025 Consumer Survey). Secondly, one of the challenges which luxury fashion brands have always been faced with is inventory, needing to find the perfect balance to limit excess stock. In 2023 the excess stock produced by the fashion industry was estimated to be worth between $70 and $140 billion in sales value, and just in the first half of 2024 luxury inventories rose by 2% compared to 2023 (Balchandani, 2024). This is mainly because of shortened fashion cycles which push brands to produce a wider range of products and unpredictable seasonality due to climate change making it difficult for brands to sell through the stock (Hausfather, 2024). The problem with this is that excess stock comes with a price in the form of eroded profitability, and with sales volume being flat, brands will need to focus on optimizing inventories to enhance their margins (Balchandani, 2024). Thirdly, with the Chinese market slowing down, it is time for luxury brands to look somewhere else in the APAC region to find their revenue streams. The overall sentiment among fashion managers on Asia is extremely positive, with one in five respondents in the BoF McKinsey State of Fashion 2025 Executive Survey mentioning India and, one in four luxury executives mentioning Japan as a focus market in the years to come (Balchandani, 2024). Lastly, after Covid hit the role of the stores has evolved. Now, around 70% of retail sales are digitally influenced, meaning that stores are no longer places for initial discovery but rather for building brand loyalty and conversion (CBRE, 2024). What this means is that brands will have to elevate their in-store experience in order to meet expectations by mixing together technological advancements and employee training in order to elevate the experience and rebalance the luxury value equation (Balchandani, 2024).

Looking at consumer-driven trends, instead, in today's world it is impossible to talk about the future without mentioning AI. Even in the luxury fashion market this element is slowly managing to obtain increasing importance, with a growing portion of consumers demanding AI-powered shopping experiences (Balchandani, 2024). Specifically, answering a Google survey, 82% of people said that they want AI to suggest products that match their needs in order to reduce the time spent doing research (Google & Wired Consulting, 2024). In response to this 84% of the organization say that one of their top priorities for the next year is to create a hyper-personalized experience for consumers (Rouse, 2023). Sticking with the technology topic, another phenomenon that is shaping the industry is the use of social media to discover brands, as nowadays, finding out about brands on this medium is equally as probable as finding out about them through search engines (Makari, 2024). In addition, as already happened in China, where social commerce is already a thing, this form of shopping is expected to gain importance also in the West in 2025, with it expected to double in size by 2027 (Chevalier, 2024), driven by predictive algorithms, content tools and integrated shopping experiences. Lastly, what is probably the most influential factor that is changing the industry dynamics, as already said before, is the fact that in recent years consumers have perceived a decrease in the value that they get from this kind of products. This dynamic is helping the growth of high value for money segments, like dupes, which entered in the picture because of Gen-Z, but later expanded to become an every-age phenomenon with one third of US adults intentionally purchasing luxury products dupes, and with them spreading also among consumers who can afford the original product (Hill, 2024). Therefore, brands who want to stay relevant need to demonstrate that they are worth the premium price, and to do so they need to put in motion a strategic reset, identifying the needs and the values of their target consumers and deliver on those elements. Many brands, to capture the attention of consumers who are increasingly prioritizing value, are creating "money-can't-buy" experiences, either in the store or out of it through different channels, which align with the brand's ethos, in an effort to bring back the perceived value to the level it once was (Balchandani, 2024).

1.4 Experiential Sector Diversification to Re-Establish Value

From the description given in the paragraphs above it is evident how in 2024 the luxury industry has faced a challenge it had not faced in a long time. Indeed, looking at both the broad luxury sector and the fashion one, it is possible to notice how it is starting to become more and more challenging for these brands to satisfy the needs and preferences of the customers, which, in turn, translated into an erosion of the sales and consequently of the profits. The causes of this phenomenon are multiple, but the most recurring one is the feeling of betrayal that arose in the consumers because of the constant price increases of the industry which were not followed by an improvement in quality, resulting in a reduction of the perceived value. Also looking at the possible solutions to this condition, many roads are viable but looking at the trends and at the segments of the industry that are performing better, one solution that could be potentially profitable for brands lies in the diversification towards experiential sectors. As a matter of fact, the experiential compartment is the one that has shown the most resilience and ability to grow even in a negative period like the one that we are living in, as it is able to transfer a deeper level of emotional connection and consequential value. For this reason and given the inclination of luxury fashion brands to expand their businesses in the experiential sectors, this research wants to analyze if this strategy might be an option for brands to rebalance the luxury value equation and go back to growing. Consequently, the research question that this work wants to answer is: *does luxury fashion brands' diversification towards experiential sectors generate positive externalities on the core business?*

Second Chapter – Literature Review

2.1 Resource-Based View

From the 1960s up until the theorization of the Resource-Based View, a single organizing framework had been used in order to study and understand what the sources of a sustained competitive advantage are. According to that theory, this condition could be obtained by firms which implemented strategies that leveraged their internal strengths, responding to the opportunities given by the external environment while also taking into consideration the external threats and the weaknesses of the firm. In the context of this reference theory, most researchers had either focused on the external environment (Porter, 1980) or the internal one (Hofer & Schendel, 1978).

In the first years of the ’80s, the Resource-Based View (RBV) was theorized. According to it during the creation process a firm utilizes many production factors, the majority of which are considered to be elastic in supply, meaning they can easily be replicated and obtained by the competitors. Nonetheless, the RBV also argues that there are some resources and capabilities that, because of their nature, require time to be developed and cannot be bought or sold, and that for this reason can be considered to be inelastic in supply (Barney, 1991). These resources are the ones that enable firms to generate above normal profits and thus obtain a competitive advantage over the other firms. However, not all the resources that are inelastic have the potential to enable the firm to reach a favorable position to last in time. According to Barney (1991), these resources need to possess four key characteristics: value creation, rareness, imperfect inimitability, and non-substitutability. A resource is considered to be valuable to a firm when it possesses the ability to leverage the opportunities or to eliminate the threats of the external environment. Rareness, instead, is configured when it is difficult for the current or potential competitors of the firm to get their hands on the same resource. Imperfect inimitability, on the other hand, can be reached for three main reasons: when the possibility of a firm to obtain a resource depends on unique historical conditions; when there is casual ambiguity in how the resources generate the sustained competitive advantage; or when the resource is socially complex (Dierickx & Cool, 1989). Lastly, non-substitutability refers to the fact that in the external environment there must not be some strategically equivalent resources that are either not rare or inimitable. Two resources are strategically equivalent when they can be utilized separately in order to implement the same strategy with the same results (Barney, 1991)

In this context, it is also important to highlight what firms resources are considered to be. According to Daft (2007), this term indicates all assets, processes and attributes that a firm possesses, and which give it the possibility to put in motion strategies that could enhance either the company’s efficiency or effectiveness. As this is a broad definition that can include numerous factors, these can be classified into three main clusters: physical capital resources, meaning all tangible and concrete factors used by a firm (Williamson, 1997), human capital resources, referring to all the individual managers and workers of the company (Becker, 1964) and organization capital resources, which take in consideration the firm's structure, planning and controlling systems and all formal and informal organization's elements (Tomer, 1987).

However, rarely resources alone can be valuable, but it is how the resource is employed that actually makes the difference (Peteraf & Bergen, 2003). Indeed, resources have a variety of functionalities but not in all contexts they may act as enablers of a sustained competitive advantage. For this reason, it is crucial how managers determine the most useful and profitable employment of the resource. Moreover, another aspect to consider is that most of the time it is not the resource on its own that allows the firm to reach a position of advantage but rather the combined utilization of a variety of resources that are either complimentary (Harrison *et al,*1991), related (Dierickx & Cool, 1989) or co-specialized (Lippman & Rumelt, 2003). This concept of combining resources falls under the literature on capabilities which are indeed defined as the ability to combine and transform a variety of inputs into an output that has a value that is superior to the sum of the values of the starting factors (Wade & Hulland, 2004).

Consequently, it is when a firm possesses resources that are simultaneously valuable, rare, inimitable and non-substitutable and it uses them in the proper manner combining them thanks to its capabilities, that it is possible to reach a sustained competitive advantage. The latter is defined as a favorable position over the competitors and is sustained only if it keeps existing even after the competition's efforts to copy it (Rumelt, 1984).

Throughout the years the RBV came across some critiques of its logic and validity. A first issue that was pointed out by Priem and Butler (2001), is circular reasoning, in the sense that the theory attributes a firm's success based on the rareness and value creation ability of the resources but at the same time says that resources are valuable and rare when they lead to success. Additionally, according to RBV, the sources of a company's sustained competitive advantage have to do with firm-specific circumstances and are, therefore, imperfectly observable (Ambrosini & Bowman, 2001). This condition generates a problem as many studies focusing on RBV, prefer looking at more observable resources not because these are the ones that make the difference but as it is easier to measure their impact rather than the one of the firm-specific resources. Another point that was brought up by the literature on this theory is the fact that, especially in large organizations, the reason for success cannot be attributed to a single element but rather to a combination of small initiatives (Lockett *et al.,* 2008), which makes it again difficult if not impossible to empirically test the validity of the theory.

After this brief overview on the concept and theory behind the RBV, it is clear how according to it the success factors of a firm are internal and related to the resources and the way these are used and combined together. Past literature, focusing on this aspect, has pointed out how one of the fields in which the resources and the components of the products matter the most is the luxury one (Rigaud-Lacresse & Pini, 2017). Indeed, these brands are valued because of their quality, which is linked to the physical characteristics of the raw materials, the creativity of the designer, which is connected with the human resources of the firms, and even the brand name, which is a combination of many singular factors that blend together in order to form a construct perceived as superior against the competition. In luxury, competencies are imprinted in the brand identity and its legacy and can be transmitted across different generations and industries.

On the basis of this, the present work utilizes the RBV as its key theoretical framework, arguing that brand equity serves as a strategic resource, made up of various internal characteristics of the company, among which the quality of the resources, the creativity of the products, the legacy and heritage of the brand, that when combined together enable the firm to create and transfer value across different sectors. For this reason, the resource of the brand name, which is linked to brand equity, stands as a key success factor which can be seen as an enabler of cross-sector value creation and a lever for customers' acquisition.

2.2 Diversification Strategy

Strategy is the most important aspect any firm needs to take into account and plan in order to flourish in any given industry. When dealing with this matter there are two main questions every company needs to answer: where it wants to compete and how it wants to compete in that field. The answers to these questions outline two crucial topics which are the brand's corporate and business strategy. The latter defines how the firm will compete. In contrast, corporate strategy defines the scope of the organization in terms of the industries and markets it competes in. Multiple dimensions refer to this area, including the products the firm supplies, the customers it serves, the locations in which it operates and the number of vertical activities it pursues (Grant, 2021). The corporate strategy that refers to when a company expands its range of activities in order to offer a larger line of products serving a more diverse range of consumers is the diversification. This strategy is, therefore, linked with a change in the company's product line and/or market of reference (Ansoff, 1957).

Because of the relevance of this topic, over the years the theme of diversification strategies has attracted the attention of numerous researchers who delved deep into the aspects of this lever to define the antecedents and main reasons that drive managers to opt for diversification, the choices they need to take when undertaking such strategy, the benefits it can bring to the company as well as the potential challenges that might arise from it.

First and foremost, this work will assess the main drivers of diversification. There are a variety of reasons that might push a firm to choose diversification as the proper strategy to follow in order to grow further, and these can be grouped under different areas: utilize excess resources (Kor & Leblebici, 2005; Lim *et al.,* 2009), mitigate risk (Markham, 1973), managerial motives (Tihany *et al.,* 2000; Jensen & Zazac, 2004), competition (Stern & Henderson, 2004; Meyer, 2006) and industry performance (Mayer & Whittington, 2003).

Regarding the resources, firms might find themselves in situations in which they have an amount of tangible, intangible or even financial assets that are more than enough to cover the needs of their core business, and instead of letting them go or wasting them in contexts in which they cannot express their full potential, companies might decide to use them in different industries (Chatterjee & Wernerfelt, 1998). Tangible resources, such as sales force, are particularly useful to facilitate diversification among sectors that are similar to each other, and they could generate interrelationships that could be exploited to grow further (Porter, 1989). Intangible resources, instead, which are for example the organizational capital (Gort *et al.,* 1985) or the core skills of the business (Rumelt, 1974), are according to Porter (1989) the easiest to transfer across related businesses, as they require the least amount of cost and can generate the greatest benefit for the companies as they enable the new business to flourish by leveraging already built skills. Lastly, for what concerns an excess in financial resources this is also crucial to exploit. Indeed, the goal of every firm is to generate profits, and in order for companies to reach this objective a firm must earn a rate of return on its investments that is greater than its cost of capital (Grant, 2021). Therefore, when a firm is able to generate extra profits, these could be reinvested in new businesses in order to obtain a greater return (Williams *et al*., 1988; Montgomery, 1994, Ansoff, 1957).

Sticking with the financial reasons for diversification, it may be pursued to benefit from cheaper debts, coming from a lower cost of capital because of the fact that this strategy is seen as a road to mitigate the risk of bankruptcy or reduce taxes (Higgins & Schall, 1975). Moreover, the portfolio theory suggests that diversified investments lead to a more balanced risk. Indeed, according to Markham (1973), when different cashflows of multi-business firms are not perfectly correlated, diversification can be used in order to reduce the total risk of the company, and this in the past has stood as one of the main drivers for diversification. Nonetheless, many believe that diversification should be undertaken as a way to mitigate risk only if there are operating synergies across the two businesses that the company could exploit, otherwise the firm value would not be improved and the risk mitigated (Levy & Sarnat, 1970). This view sparks from the capital asset pricing model (CAPM), according to which there are no risk benefits of diversification that shareholders cannot obtain on their own by diversifying their portfolio. Hence, in order for diversification to have a positive impact on the shareholders, the benefits coming from it must be more than the mere risk decrease, as this is a condition they can pursue on their own by buying diverse stocks.

It can also happen that firms decide to diversify their businesses pushed by managerial motives and preferences that are not always aligned with the company's. This is because one of the consequences of diversification is a reduction in the employment risk of top executives (Amihud & Lev, 2002), which might influence managers' decisions as they may want to pursue diversification in order to mitigate the possibility of losing their job or seeing a decrease in their income. In addition, diversification also leads to an increase in the firm size, which is closely correlated with executive compensation (Tosi & Gomez-Mejia, 1989), giving another reason to managers to diversify even though it might not be in the company's best interests. However, past studies on agency theory show that governance structures and mechanisms have been able to limit the managerial tendencies to overdiversify.

Lastly, also the external environment conditions might lead the firm to choose such a strategy. Indeed, especially when industries reach their maturity stage, firms might find themselves being prisoners of their own sectors (Grant, 2021). This is because when this phase of the industry's lifetime cycle is reached it becomes extremely difficult for companies to grow further, and any additional percentage of market share needs to be obtained by fighting with the competition and stealing clients from them. Therefore, when reaching this moment firms might opt to enter into new aspiring businesses for defensive reasons (Leontiades, 1986). As a matter of fact, this could enable them to grow and flourish, increasing their revenue streams, because of the expansion of the new industry, allowing the company to survive over the long term.

After having looked at the reasons that might push a firm into deciding to diversify their business is important to talk about three interdependent decisions that need to be taken, which are the level, the type and the mode of diversification (Dhir & Dhir, 2015). The level of diversification refers to the extent to which the new sector where the company enters is linked or connected to the original one (Khanna & Palepu, 1970). Therefore, diversification can be related, when the new business has some similarities with the core activity of the firm, or unrelated when it is a completely different activity (Hill & Hoskisson, 1987). Related businesses can generate synergistic benefits such as economies of scope (Teece, 1980), the exploitation of the same resources, and the sharing of R&D for similar products (Lim *et al.,* 2009). Unrelated diversification, on the other hand, mainly leads to the possibility of benefiting from financial economies (Hill & Hoskisson, 1987) and increased bargaining power (Dhir *et al.,* 2014). According to the RBV, related diversification enables firms to obtain superior performances when compared to both unrelated diversification and single-business strategy (Barney, 1991) as it allows to maximize the pool of resources and capabilities (Wan *et al.,* 2011). Starting from this premise, RBV researchers gave birth to the inverted-U model (Palich *et al,* 2000), according to which performance is directly proportional to diversification when the level is low and indirectly correlated for moderate and high levels of diversification. This is because the benefits of unrelated diversification may be neutralized by the higher costs the firm needs to cover to hire the top executives which are necessary to manage an increasingly diverse business portfolio (Markides, 1992).

Moving on to the different types of diversification, it is possible to distinguish among horizontal, vertical, concentric and conglomerate (Ansoff, 1957). Horizontal diversification can be defined as the entrance in businesses that, even though are different from the original one, can be appealing to the existing customers. The concentric one happens, instead, when a company enters into businesses that are related with the current offering of the brand but are appealing to a new segment of customers (Sahu, 2017). This type of diversification can lead to the achievement of efficiency of scale and increased market power by exploiting the connections between the two businesses (Helfat & Eisenhardt, 2004). Vertical diversification involves expanding into the production of components, parts and materials (Ansoff, 1957), which positively impacts the business by reducing transaction costs and the dependence on external actors (Williamson, 1975). While, these first types are restrictive, meaning that they are still somewhat connected to the past, conglomerate diversification is limitless, as it involves opening the doors of the firm to sectors that do not have something in common with previous activities (Sahu, 2017). This typology comes with greater risk and learning needs as the skills and capabilities available in the company, for the most part, are not transferable, but at the same time has significant upside potential.

The modes of diversification deal with the manner in which the resources necessary for the expansion are obtained (Yin & Shanley, 2008). These could be internal development, acquisition, alliances or even a combination of them (Lamont & Anderson, 1985). The choice depends on a variety of different factors, such as the characteristics of the new business sector, the structure of the firm, the availability of resources, and the competition (Rawley, 2010).

In addition to the benefits presented thus far, diversification is also an instrument through which companies can create an entry barrier to the sector, lowering the competition by elevating the performance standards needed in order to compete in the market, allowing in such a way existing firms to gain price premiums and larger market shares (Bordley, 2003). By expanding the brand portfolio such a strategy also leads to increased demand as the company starts to attract and satisfy heterogeneous and fickle consumers' needs (Lancaster 1990). This factor is particularly crucial as excelling in this area leads to an increase in customer satisfaction and impacts purchase decisions (Tarunay & Pratama*,* 2024).

Nonetheless, it is also important to underline how diversification does come with some challenges and problems. Indeed, much more than other growth strategies it requires a break from the past and the need to learn new skills, adapt to new market conditions, preferences and needs of the customers (Ansoff, 1957). Moreover, Quelch and Kenny (1994) have found that in some instances the launch of multiple activities may lower brand loyalty and stimulate consumers' brand switching behaviors. In addition, having to deal with multiple businesses across different sectors, especially when these are unrelated, generates organizational complexities (Hengartner, 2006).

2.3 Experience Economy

As mentioned in the introduction of this work and outlined in the first chapter, in today's world experiences are becoming increasingly important, with more and more consumers starting to opt for this kind of purchases rather than physical ones. The significance of this phenomenon can be understood not solely by analyzing the figures of the luxury sector but is also reflected in the words of prominent personalities of this field. Indeed, in an interview with Business of Fashion for their annual report (Business of Fashion & McKinsey & Company, 2025), Andrea Guerra, CEO of Prada Group, which is one of the few luxury fashion houses that have been able to grow in the last year, has expressed the crucial importance of adapting to the industry's experiential shift. Specifically, he stated that "people do not just want a tag, people want to live inside a brand" (Business of Fashion & McKinsey & Company, p. 18, 2025) and that is what they, as Prada Group, have focused on delivering to their consumers. Additionally, he underlined how according to his view, granting unique experiences is the way in which brands can go back to delivering the adequate value to their customers, which is, as outlined in the first chapter, one of the main issues that is causing the slowdown of the sector.

The rising importance of this segment is also driven by the fact that modern consumers want to establish a relationship with brands that goes beyond the mere monetary transaction (Shin *et al.,* 2021), seeking to form emotional and sensory connections (Verhoef *et al,* 2009), a sentiment which is even stronger when dealing with luxury brands (Hwang & Kandampully, 2012). Moreover, in recent years there has been a progressive democratization of luxury goods (Kapferer & Laurent, 2016), which has led to a decrease in the value of these products as status symbols. This element is extremely relevant for this sector as luxury consumers are characterized by showing high levels of status consumption orientation, which is defined as the desire to gain prestige through the possession of high-end goods (O'Cass & McEwen, 2004). Therefore, with luxury items losing their ability to elevate the holder's status, consumers are starting to shift towards luxury experiences to show-off their wealth (Jain *et al.,* 2015), leading to an enhanced importance of this segment.

Up until this point, this work has focused on today's relevance of this trend, however, it had already attracted academic attention in the past. Experiences have been defined as intangible and memorable offers crafted through the sensorial and emotional participation of the consumers (Carù & Cova, 2007). This type of offering is different from commodities, goods and services. Indeed, the former are fungible, the second are tangible, and the latter are intangible, while experiences are memorable and exist when a company engineers unforgettable events by leveraging services as the stage and goods as props (Pine and Gilmore, 1998).

Pine and Gilmore (1998) were the first to analyze this concept in order to build a theoretical framework, known as the Four Realms of Experiences, distinguishing and categorizing the different types of activities that a brand can offer. According to their view, experiences can be seen across two dimensions, participation and connection. The former has to do with the extent to which people actively take part in the experience or not, and ranges from active participation, when the actions of the consumer are crucial in order to reach the desired performance level, to passive participation, when the person merely observes the act. On the other hand, connection refers to the relationships that are created between the participant and the experience, and the two extremes are absorption, when engagement happens mentally drawing information, and immersion, when the person is physically or emotionally involved by the event. Consequently, four categories of experiences are identified (*Figure 3*). Passive participation and immersion translate into esthetic experiences, in these consumers are immersed in the environment, engaging with it in a physical and emotional manner, but cannot interact with it and modify it in a way that makes a difference. An example of activities that fall under this category is visiting a monument. Retief (2012) has found that the esthetic dimension of experience can influence consumers' intention to come back to the place, moreover, this dimension also has an effect on the possibility of visit recommendation to personal connections (Sadachar & Fiore, 2018). When participation is still passive, but the connection is of the absorption type there is the entertainment category, in which people cannot act in a way that modifies the outcome of the activity, and the interaction is more mental than physical. Activities of this kind could be looking at a TV show. This typology of experiences has the power to develop an emotional connection between the participant and the brand (Pine & Gilmore, 2011) and can also stimulate the consumer's return to the event and enhance his or her support for it (Retief *et al.,* 2018). Moving towards the active participation side, instead, if there is a relationship of absorption, the experiences are considered of the educational typology, in which clients' actions can modify the way in which the experience unfolds, by asking questions or interacting with it, but the connection is more mental than physical, as it happens, for example, when attending a class. These experiences, applied to the business world, can have a positive effect on brand awareness and brand recognition (Surchi, 2011) as they give the consumers the tools to understand the distinguishing factors of the company. When the participation is active and there is immersion, there are escapist experiences. These can teach participants just as well as the educational ones, while also having the same level of amusement of the entertainment events, but carry a greater immersion level, translating into a deeper sensorial and physical experience. Acting in a play is a task which falls under this category. These experiences merge together the positive effects of the prior categories, while also having the potential to add hedonic value to otherwise utilitarian activities and helping to differentiate the brand from its competition (Klein *et al,* 2016). Lastly, at the intersection point of all these categories, there is the so called "sweet point" which constitutes, according to Pine and Gilmore (1998), the richest experiences able to merge together all the positive aspects of every other kind. Nonetheless, literature regarding this topic is relatively scarce and inconsistent as it is highly theoretical and difficult to translate into practical applications, hindering in this way both its empirical investigation and strategic application.

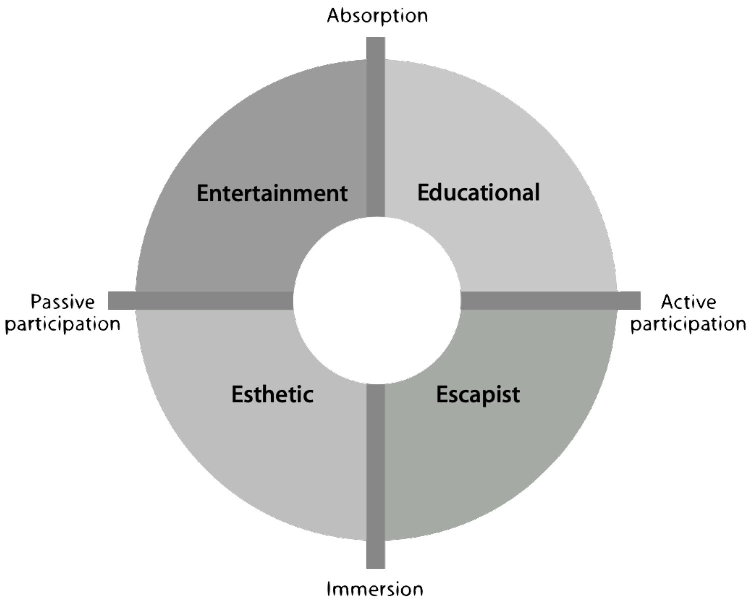

Figure 3. The Four Realm of Experiences Framework (Pine & Gilmore, 1998)

Following Pine and Gilmore's study theorizing the Four Realm of Experiences Framework, Atwal & Williams (2017) have applied this concept to the luxury world, identifying which activities of this field fall under each category. An esthetic experience in this sector configures when a person goes and admires the architectural and interior design of a brand's boutique stores. In recent years increasing importance has been given to curating the appearance of fashion brand stores, especially flagship ones, trying to work on every detail and aligning them with the brand identity and leveraging them as a way to vehiculate the image that the company wants to represent. An example could be Louis Vuitton's temporary flagship store opened in New

York City in November 2024 (*Figure 4*) which presents four sixteen meters tall sculptures, designed by Shohei Shigematsu, modeled after the iconic brand's trunks, instantly drawing visitors into the world of the brand. Moreover, all throughout the store, memorabilia, books and vintage furniture are placed in order to communicate the brand's history (WWD, 2024).

Figure 4. Louis Vuitton's Flagship Store in NYC (Colyar, 2024)

Looking at entertainment experiences, instead, an example from the luxury world could be fashion shows, which represent an opportunity to get in contact with the brands but with low possibility of interacting with it and fully experiencing it. Nonetheless, brands are trying to reconfigure how these events happen in order to get the viewers' attention and try to go viral and attract more lights on the company. This has been done by trying to break the traditional standards of fashion shows. A brand that mastered this approach is Avavav, an independent fashion house, that became known in the fashion world because of its stunts during runways. For example, for the presentation of their Spring Summer 2023 collection, they went out and broke all rules of cat walking having their models constantly fall during their walkouts catching the public attention and getting famous for their creativity and ability to think outside of the box, elevating in this way the experience of those who attend their fashion shows ever since (Hersom, 2025).

Educational activities, on the other hand, represent a crucial way in which brands can persuade consumers, get their attention and turn them into lovers of the company, as through them people can get to know the brand more thoroughly. A fitting example could be Gucci Garden Galleria, an exhibition space curated by Maria Luisa Frisa, inside Palazzo Della Mercanzia in Florence, which is divided into multiple themed rooms depicting the Italian fashion house's vision through the celebration of archive items, old advertising campaigns, retro objects and artisans' images (Gucci) (*Figure 5*). Through this space, Gucci has managed to get in contact with their consumers, making them understand the roots of the brand and what the pillars that inspire it are, increasing in this way the chances of visitors to recognize the brand's products and style in the future and the brand awareness.

Figure 5. Gucci Garden Galleria's Exhibition Rooms (Gucci)

Lastly, escapist activities are the ones that carry the highest level of immersion and participation in the brand translating into the formation of deeper connections with clients, and examples from the luxury world could be luxury restaurants and hotels. Also in this case, multiple cases of luxury fashion brands entering these sectors could be found, for example, Bvlgari Hotel in Bali. With this opening Bvlgari managed to blend together the communication of the brand's distinguishing features, like attention to detail, with local traditions and uses, such as the botanical garden, massage areas and so on, creating, in this way, an environment that merges authenticity and luxury, crafting an optimal 360-degree experience (*Figure 6*).

Figure 6. Bvlgari Hotel Bali (Bvlgari Hotels & Resorts)

2.4 Emotional Brand Attachment

Psychology defines attachment as an emotion-led bond between a person and another in which both parties display strong pleasure from the other's presence and expressions of affection, while also feeling distress because of distance and rejection (Bowlby, 1969). The degree of emotional attachment gives insight into the nature of the relationship, with high levels of attachment being associated with stronger commitment, greater intention to invest in the relationship and willingness to sacrifice for the other (Hazan & Shaver, 1994). Bonding is considered to be a basic human need (Ainsworth *et al.,* 1978), that starts from the first stages of life, with the attachment to a parent (Bowlby, 1980) and continues throughout the lifespan manifesting in the form of romantic relationships or friendships (Trinke & Bartholomew, 1997). Nonetheless, this bond does not arise only in human relationships, but people can be attached also to pets (Sable, 1995), places (Rubinstein & Parmelee, 1992), and even brands (Thomson *et al.,* 2005).

Emotional brand attachment, therefore, reflects a profound desire to maintain the relationship with the brand and avoid separation from it, being characterized by deep feelings of affection, connection and passion (Thomson *et al.,* 2005). The former implies that the brand is able to generate personal feelings in the buyer linked to the area they are most attached to (Sciarrino, 2015). The second helps in preserving the affection that was created in the buyer and in further persuading him or her into repurchase which happens through consistent and reliable practices put in motion by the brand. Lastly, after this connection has formed most buyers will develop a growing passion for the brand (Sciarrino, 2015), which is defined as a strong and difficult to control emotion that can be challenging to convince against. Even though people encounter thousands of brands every day, they develop an emotional attachment with only a small portion of them (Schouten & McAlexander, 1995) as this feeling arises over time after numerous interactions between the two parties (Baldwin *et al,* 1996).

Past literature has thoroughly focused on the possible elements that can lead to the formation of emotional brand attachment. A first driver is related to the brand's marketing efforts and capabilities with the company's advertisement being linked with the arousal of feelings of connection and affection towards the brand (Ruth, 2001). Marketing messages' ability to foster attachment is tied to the user-specific benefits they promote and is particularly effective when these emphasize identity reinforcement and the self-concept as these resonate the most with the consumer (Escalas, 2004). Secondly, the characteristics of the brand's offering can play a crucial role, especially pricing, quality, service excellence and availability (Lai *et al.,* 2009; Veloutsou & Moutinho, 2009). The former's ability to generate attachment is explicated by the fact that too high prices can translate in consumers feeling deceived by brands while correct prices lead to them being perceived as honest and trustworthy. When products are considered to be of high quality, they stimulate in consumers' the arousal of positive emotions which can support the development of stronger emotional connection. Service excellence, instead, plays a role in attachment formation by making consumers feel valued and special, increasing in this way the likelihood of forming a long-lasting bond with the brand. Extrinsic attributes, which are elements that relate to but are not part of the product, also contribute to attachment, and some examples of the most powerful are the brand name, organizational values and the country of origin (Zeithaml, 1988; Veloutsou & Moutinho, 2009). This is because all these elements are instrumental in shaping the symbolic meaning and perceived identity of the brand. In this way, these characteristics enable consumers to reflect their aspirations and cultural associations onto the company they are engaging with. When these cues resonate with the consumer's values, they foster emotional and psychological connection, forming in this way emotional brand attachment. Lastly, attachment can result when brands are able to bring back to the consumers' minds memories that are linked with profound emotions (Park & MacInnis, 2006), as this stimulates in their minds a connection between the brand and positive feelings influencing the way in which the brand is perceived and the relationship between the two parties.

Throughout the years emotional brand attachment has received significant academic attention because of the numerous positive effects this variable can generate for the brand. Firstly, attachment acts as a driver in consumers' decision-making processes, posing as a force that shapes preferences and guides consumers' choices, reducing uncertainty and adding emotional weight to the selection (Park *et al.,* 2010). In addition, one of the main goals of any company is to retain consumers and encourage repeated purchases as these translate into consistent revenue streams and sustained financial profits (Reichheld, 1996). In order to reach this objective, companies use multiple strategies like implementing loyalty programs or creating switching costs to lock consumers into repurchases. Nonetheless, these mechanisms are perceived negatively by the consumers as they link them to a brand because of artificial elements and not natural ones. A largely more effective strategy to obtain consistent revenue streams from the same consumers is building strong connections with them (Dick & Basu, 1994). Indeed, emotional brand attachment creates a commitment to repurchase and brand loyalty (Oliver, 1999), and the revenue streams coming from these consumers are less vulnerable to disruption when compared to the ones coming from clients locked in through other strategies. Indeed, when the affective bond is created brand loyalty is formed and this ensures repurchase even in situations in which consumers could obtain better deals elsewhere or when they have incentives to leave (Oliver, 1999). This enhanced loyalty and repurchase intention also translates into a higher willingness to pay, therefore enabling brands to increase their revenue streams and improve their profit margins (Hollenbeck, 2012). Furthermore, this willingness to pay does not limit to the monetary aspect but can be expanded to the more general concept of being willing to allocate more resources, like for example time, in order to obtain that specific product (Van Jaarsveld, 2010). Emotional brand attachment is also linked with brand advocacy and propensity to positive word of mouth (Han *et al.,* 2018), this element is particularly important as it means that creating a meaningful connection with consumers does not only bring financial upsides but can also turn consumers into ambassadors leading to positive effects on brand awareness. In turn, this can trigger a virtuous cycle: attached consumers involve their connections into the brand, who may develop similar feelings themselves and further expand the brand's consumers' base. The advocacy that sparks from attachment does not stop with positive attitudes and actions towards the brand but is also expanded in negative ones towards competition. Indeed, Lydon *et al.* (2003) have found that commitment encourages negative appraisal of otherwise attractive alternatives because of their desire to uphold their support to the chosen brand and consolidate their relationship (Loureiro, 2012).

2.5 Research Gap and Hypothesis Development

Even though the state of the art regarding Resource-Based View, diversification strategies, experiences, and emotional brand attachment offer rich foundation, significant gaps still remain, especially at the intersection point of all of these. First and foremost, while many researchers have focused on diversification as a corporate strategy and both its positive and negative effects on the brand's performance, little attention has been placed on the effects of this kind of strategy towards experiential segments, such as food & beverage, hospitality and art, especially starting from the luxury fashion industry. Moreover, no previous work has focused on the ability of diversification strategies to increase the propensity to purchase the brand's original product, therefore investigating the capacity of diversification strategies to generate positive externalities on the brand and acting as a cross-seller enabler.

Second, despite the increasing importance of the experiences in the luxury sector, the lack of studies on the potential effects of such strategy is also related to the field of emotional connection to the brand, with no previous works having focused on the ability of experiences of facilitating the arousal of emotional connection. In addition, while literature has thoroughly focused on outlining the antecedents and the outcomes and effects of emotional brand attachment still no previous research has taken into consideration the role of this variable in mediating the relationship between diversification efforts and willingness to buy.

Third, regarding the field of experiences, much attention has been placed on the categorization of such activities and on the potential positive effects of each type, but literature still lacks an analysis examining the potential moderating role of experience intensity.

Building upon the theoretical foundation outlined above and the consequent gap identified, this study proposes that experiential sectors diversification from luxury fashion brands can enhance consumers' willingness to buy the brands' core fashion products. This relationship is hypothesized to be mediated by the emotional brand attachment, as meaningful experiences are expected to foster emotional connection and strengthen consumer engagement. Attention will be posed also on the moderating role of the experience intensity, which is expected to positively influence both the relationship between the independent and the dependent variable and the one between the independent and the mediating variable.
Hence, this work postulates the following hypothesis:

Hypothesis*: Experiential sector diversification by luxury fashion brands positively influences consumers' willingness to buy the core product through the effects of emotional brand attachment. However, the intensity of the experience magnifies both the effect of diversification on willingness to buy and emotional brand attachment.*

This work is based on model number 8 by Hayes (2018), representing a moderated mediation model, with moderation of both the a Path and the c' Path (*Figure 7)*.

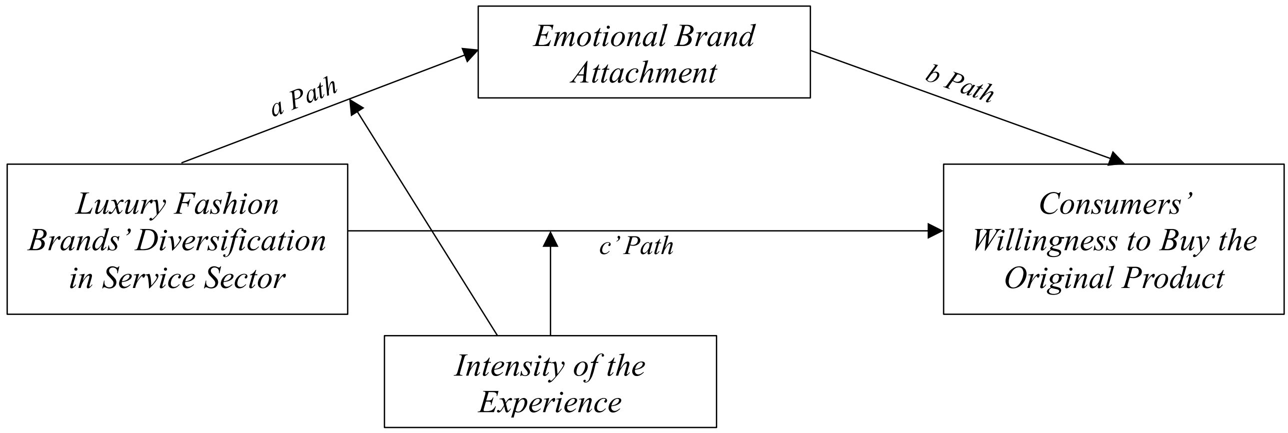

Figure 7. The Proposed Conceptual Framework (Source: Personal Elaboration Based on Model 8 Hayes, 2018)

Third Chapter - Methodologies and Sample

3.1 Methodologies

In order to test the afore-mentioned hypothesis, this study employs a quantitative approach through the development of a questionnaire. The choice of using this methodology rather than a qualitative one was dictated by the objective of the research itself. Indeed, a quantitative design ensures more rigorous testing of the hypothesized relationships, precise measurements of the effects and their respective magnitude, and greater generalizability of the findings.

Specifically, among the numerous quantitative approaches available, this study leverages an experimental design, through which it is possible to observe and gauge a behavior in an abstract and controlled environment (Charness *et al.,* 2012), enabling to establish a causal relationship between the variables by exposing the participants to different treatments (Thomas & Zubkov, 2023). This manipulation is done by changing the value of the independent variable, which, in this type of research, is also known as the intervention variable, and measuring how this change affects the dependent variable (Brockopp *et al.*, 2018). In this way, the participants are split into two groups (Livingston & Lewis, 2019): the experimental one, in which people experience the change in the independent variable, and the control group, whose primary purpose is to establish the baseline behavior (Creswell, 2014). There are two main ways in which these environments can be created: the within-subject and the between-subject design approach. In the former, each participant is exposed to one or more of the treatments being tested, and, as long as the environments to which people are exposed are independent, causal estimates can be obtained by comparing how the individuals' behavior varied in the different instances. In the latter, instead, each respondent encounters only one treatment and, in this case, causality is obtained by ensuring that the assignment to the different conditions happens randomly and the effects are gauged by juxtaposing the behaviors from the individuals in one group to the ones of those in the other (Charness *et al.,* 2012). This work leverages an experimental between-subject design in which the participants are casually assigned to one of two possible groups, which vary in the treatment of the independent variable, the diversification into experiential sectors of the luxury fashion brands. Further details on how this manipulation happens will be provided in the following paragraphs.

The final survey consisted of five sections and can be found in the Annex. In the first section, participants were randomly exposed to two different kinds of stimuli that highlighted or not the presence of differentiation. To prevent the influence of personal taste and opinions about the brand at hand, both described the same fictitious fashion brand. The differentiating factor between the two stimuli was that in one, to which 93 people were assigned, the described brand represented a historical luxury fashion brand that had only operated in that one sector. Conversely, in the second one, to which the remaining 79 participants were exposed, the same historical luxury fashion brand was described, but in addition to operating in its core sector, in this case it had also diversified into the food and beverage, the hospitality and the art ones.

The second section aimed at measuring the moderator variable, namely the intensity of the experience. In order to do so, a four-item scale was created by selecting and combining together questions coming from the works of Brakus *et al.* (2009) and Schouten *et al.* (2007) (i.e. “Based on the description, this brand results in bodily experiences”; “I feel that I could truly enjoy the described brand experience.”; “The described brand experience seems to be intense.”; “If I engaged with the described brand, I would be completely immersed in the experience.”). Each item was then measured using a seven-point Likert scale where one stood for “Strongly Disagree”, whereas seven stood for “Strongly Agree”.

Following, the third section measured the emotional brand attachment, which served as a mediator variable, through a four-item scale extracted from the work of Thomson *et al.* (2005) (i.e. “After reading the scenario, I feel that a bond could form between me and a brand of this kind.”; “The described experience makes me feel I could be emotionally connected to a brand of this kind.”; “I feel I could be attached to a brand of this kind based on the scenario I just read.”; “I am captivated by the idea of this brand and the experience it offers.”). Also in this case, the responses were given following a seven-point Likert scale where one indicated “Strongly Disagree” and seven “Strongly Agree”.

Then, the fourth section aimed to gauge the respondents’ willingness to buy the original product of the brand they had read about in the initial stimulus, which posed as the dependent variable of the model. In this instance, the used scale was composed of two items drawn from Dodds *et al.* (1991), and the questions were slightly modified in order to adapt to the specific necessities of the present work. Indeed, whereas the original scale was meant to measure the willingness to buy the product, in this case the objective was assessing the willingness to buy the original product of the brand and for this reason the items of the scale had to be adjusted to reach this objective (i.e. “Based on the scenario I read, I would be willing to purchase a product from this brand’s fashion collection.”; “I would consider buying one of this brand’s fashion items.”). A seven-point Likert scale was used in this section as well, with one indicating “Strongly Disagree” and seven “Strongly Agree”.

In the last section of the survey, control variables were included, firstly controlling for the respondents’ attitude towards luxury brands through a two-item scale drawn from Firdausa Nuzula & Wahyudi (2022) (i.e. “I enjoy purchasing luxury fashion brands’ products.”; “I value luxury brands.”). Controlling for this variable is essential as it can significantly impact how the respondents interpret and consequently respond to the stimulus. People with a positive disposition toward luxury are more likely to report higher emotional brand attachment and willingness to buy regardless of the actual experimental condition they were exposed to. Conversely, skeptical individuals or those who negatively perceive this sector and typology of products may be less receptive to the experiential strategies presented in the stimulus, hence biasing the results. Therefore, including this variable in the model enables to isolate the effects and ensuring that the observed outcomes are not simply a consequence of the participants’ preferences but rather a result of the manipulated scenario to which they were exposed. In this section, sociodemographic information on the participants were also gathered, namely age, gender, geographic location, employment, education level, and level of income, the results of which will be presented in the following paragraph describing the sample composition.

3.2 Data Collection

As previously stated, to collect the needed answer, this study uses a quantitative approach through the development of a survey. Said questionnaire was created on Qualtrics and the distribution phase lasted about seven weeks, from June 3rd, 2025, to July 26th, 2025. In this period, 172 answers were collected, which is well-above the general 10:1 Rule of Thumb, requiring at least ten observations per item in the survey.

Regarding how these answers were obtained, and therefore the sampling method, this work used a non-probability approach. In contrast with probability samples, which require random selection to choose individuals from a group using some sort of probabilistic mechanism (Shorten & Moorley, 2014; Fricker, 2017); the non-probability ones, instead, rely on the researcher's discretion in selecting the participants (Elfil & Negida, 2017) and afterwards, is up to them to decide whether to take part to the survey or not. Specifically, the sampling methodology consisted of a combination of convenience and volunteer sampling. The former involves obtaining responses through the sharing of the questionnaire to individuals who are close to the researcher (Hossan *et al.,* 2023), which in this case happened through sending invitations to personal connections. The latter, instead, implies that participants choose to opt-in the survey on their own when they find it online or through other sources (Hossan *et al.,* 2023). In the case at hand, this approach was followed by posting the link to the survey on social media platforms like Facebook, Instagram and LinkedIn. Additionally, in order to increase the responses' reliability and diversity of the sample, the link was also published on survey-sharing platforms, such as Survey Circle and Survey Swap.

3.3 Sample Composition

As mentioned above, the final sample consisted of 172 respondents, offering a diverse yet predominantly European picture, which is summarized in *Table 1* and will be described in the current section.

In terms of gender, the sample presented a well-balanced distribution among female participants at 52.3% of the total responses (90 out of 172) and male ones at 47.1%, with only one person (0.6%) preferring not to disclose their gender.

Age-wise, the sample was fairly varied as well, despite being skewed towards younger age groups, with Gen-Z and Millennials combined representing approximately two-thirds of the sample at 75.6%, with greater representation of the younger generation (49.4%). The next most represented generation is Gen-X with a total of 25 respondents, and the remaining answers came either from people over the age of 60 (6.4%) or younger than 18 (2.9%). This minimal representation of very young individuals shadows the adult-oriented nature of the study. This age distribution is also optimal for the potential managerial implications of the work, as it collects responses from those who can be considered to be the current and future consumers of luxury goods.

Concerning the geographic location of the participants, the sample presents a strong majority of European individuals (84.9%), with the remaining observation spread across Asia (8.7%), North America (3.5%), South America (2.3%) and only one response from Africa (0.6%). Even though this geographic imbalance may limit the generalizability of the findings to non-European markets, it was also a predictable outcome given that the research was conducted within a European academic and cultural environment. Moreover, the focus on luxury fashion brands, for which Europe still represents the largest market across the world, renders the European perspective highly relevant to the research objective and to the practitioners of the sector.

Educational levels observed in the sample were fairly high, with two-thirds of the respondents either holding a Bachelor's or Master's degree. High school graduates were the third most represented class, making up 22.1% of the sample, while a very small fraction held a PhD (1.2%) or had not completed high school (0.6%).

Regarding the employment status of the participants, over half of the observations came from employed individuals (50.6%), while 43.6% were students. Small representation came from unemployed or retired people who together made up approximately 6% of the answers.

In terms of income levels, the sample was reasonably spread. Even though a significant portion preferred not to disclose their income (27.9%), something which is common in self-reported financial data, the remaining answers were distributed among all income levels, with the most represented being the one under € 20.000 with 44 answers (25.6%), followed by the € 20.000 to € 39.999 income bracket (18.6%) and the € 40.000 to € 59.999 one (16.3%). A smaller, but notable share, instead, reported incomes between € 60.000 and € 89.999 (8.1%), while only 3.5% of the respondents stated that they exceeded € 90.000 annual earnings.

Overall, the sample is characterized by being fairly balanced in terms of gender, age, education level and income level, being able in such a way to gather the points of view of both current and future potential consumers of luxury fashion goods, a feature that is highly relevant given the objective of the research. Under the geographic lens, the sample shows a disproportionate representation of European consumers, which may pose some constraints on the generalizability of the findings to markets outside of that continent, but at the same time the insights will still hold relevant value for managers and practitioners of the luxury world given that Europe still represents the biggest market for this sector.

Sample Composition	N	%
Gender		
Female	90	52.3%
Male	81	47.1%
Prefer not to specify	1	0.6%
Age		
<18	5	2.9%
18-28	85	49.4%
29-44	45	26.2%
45-60	26	15.1%
60+	11	6.4%
Geographic Location		
Europe	146	84.9%
Asia	15	8.7%
North America	6	3.5%
South America	4	2.3%
Africa	1	0,6%
Level of Education		
Lower than High School	1	0.6%
High School	38	22.1%
B. Sc	69	40.1%
M. Sc	62	36.0%
PhD	2	1.2%
Employment		
Student	75	43.6%
Employed	87	50.6%
Unemployed	4	2.3%
Retired	6	3.5%
Income Level		
Less than € 20.000	44	25.6%
€ 20.000 - € 39.999	32	18.6%
€ 40.000 - € 59.999	28	16.3%
€ 60.000 – € 89.000	14	8.1%
More than € 90.000	6	3.5%
Prefer not to specify	48	27.9%

Table 1. Sample Composition (Source: Personal Elaboration)

Fourth Chapter – Results

4.1 Results Analysis Procedures

As stated in the previous chapters, this work aimed to delve into the existing relationship between luxury fashion brand's diversification into experiential sectors and consumers' willingness to buy the brand's original products. Based on an analysis of the state of the art on the topic, it was hypothesized that a positive relationship existed between these two variables. Furthermore, this theory was broadened by postulating that this relationship would be mediated by the emotional brand attachment, and that the strength of the mediation and of the direct relationship between the independent and the dependent variable would vary across different levels of the experiential intensity. In statistical terms, the described framework corresponds to a moderated mediation model, namely Model 8 by Hayes (Hayes, 2018).

The analysis of the responses was conducted using SPSS Process Macro, employing the afore-mentioned Model 8, which allows to gauge a mediation process in which the effect of the independent variable on both the mediator and the dependent variable is moderated by a single variable. To assess the soundness of the hypothesis, several methodological decisions were made in order to ensure the robustness and validity of the results. Firstly, as a way to facilitate the interpretation of the interaction values and diminish multicollinearity, continuous variables that defined products were mean centered. Secondly, to analyze the moderating relationships, the conditioning values for the focal predictors were estimated at low, medium and high levels of the moderator, with the former being at one standard deviation below the mean, the second being the mean, and the latter being at one standard deviation above the mean. Then, bootstrapping was applied to gauge the confidence intervals. This statistical technique enables to overcome a limitation of the traditional methods, which is that these assume that the residuals are normally distributed, an assumption that, if not met, implies inaccuracy of the standard errors, of the confidence intervals and of the p-values. Being this issue particularly relevant in moderated mediation models, in which the presence of multiple variables elevates the probability of non-normality, the choice of bootstrapping the confidence intervals allows to obtain robust inferences that do not depend on normality assumptions. Lastly, to ensure the accuracy of the results, a HC4 robust standard error was employed to address the potential presence of heteroscedasticity. This approach allows to have hypothesis tests and confidence intervals that remain valid even under conditions of constant variance, enhancing in this way the soundness of the results.

4.2 Results

To discuss the outcome of the tested moderated mediation model in an effective and clear way, the results will be presented by focusing on each Path of the framework separately in the following subsections. Therefore, the first section will delve into the c' Path, namely the direct effect of diversification on consumers' willingness to buy the brand's original product; then the focus will shift towards the a Path, which shows the relationship between the independent variable and the emotional brand attachment; afterwards the effect of emotional brand attachment on the dependent variable will be discussed; as a result of the two precedent sections the indirect mediating effect will be presented. Subsequently, the moderating effects of the experience's intensity on both the c' Path and the a Path will be assessed. Finally, the results of the index of moderated mediation will be presented in order to see if the overall model turned out to be valid or not. Additionally, for this work, the Johnson-Neyman analysis was run as well in order to identify the exact values of the experiential intensity at which the moderation becomes relevant and statistically significant, providing in this way a more thorough explanation of the nature of these relationships.

4.2.1 c' Path: Diversification Effect on Consumers' WTB the Brand's Original Products

Firstly, focusing on the direct effect that the diversification exerts on consumers' willingness to buy the brand's original products, the outcome model, illustrated in *Table 2*, indicates the existence of a positive and statistically significant direct effect ($b = 0.630$; $p < 0.001$). In addition, the output also shows that the control variables of the model did not yield a significant effect on consumers' willingness to buy the brand's original products ($b = 0.004$; $p = 0.669$). This insight is particularly important as it underlines the fact that the observed relationship is not confounded by the control variables taken into consideration in the analysis.

Predictor	***b***	***SE***	***t***	***p***	***95% CI***
Diversification (X)	.630	.130	4.833	.000	[.373, .887]
Control Variables	.004	.009	.428	.669	[-.014, .021]

Table 2. c' Path: Direct effect of X on Y (Source: Personal Elaboration)

Looking at the overall fit of the model (*Table 3*), it is possible to see how almost the entirety of the variance in the dependent variable was explained by the predictors of the model and their interactions ($R = 0.995$; $R^2 = 0.991$), demonstrating the robustness of the model itself.

R	***R^2***	***MSE***	***F(HC4)***	***df1***	***df2***	***p***
.995	.991	.035	4144.811	5.000	166.000	.000

Table 3. Model Summary for Dependent Variable (Source: Personal Elaboration)

The insights reported in this section prove the existence of a positive and significant relationship between the luxury fashion brand diversification towards experiential sectors and the consumers' willingness to buy the brand's original product, proving in this way the validity of the c' Path of the hypothesized model.

4.2.2 a Path: Effect of Diversification on Emotional Brand Attachment

Looking now at the a Path, which shows the relationship between the independent variable and the mediator, the results displayed in *Table 4* highlight how the diversification has a largely positive and significant effect on the emotional brand attachment ($b = 1.023$; $p < 0.001$). Also in this case, the control variables do not exert a significant influence on the model, meaning that the detected relationship is not biased by the control variables taken into account in the present framework.

Predictor	***b***	***SE***	***t***	***p***	***95% CI***
Diversification (X)	1.023	.095	10.783	.000	[.835, 1.210]
Control Variables	-.004	.011	-.318	.751	[-.026, .019]

Table 4. a Path: Effect of X on Mediator (Source: Personal Elaboration)

For this outcome too, focusing on the fit of the model (*Table 5*) majority of the variance of the mediator is explained by the model itself, underlining the soundness of the framework ($R = 0.991$; $R^2 = 0.983$).

R	***R^2***	***MSE***	***F(HC4)***	***df1***	***df2***	***p***
.991	.983	.062	3165.265	4.000	167.000	.000

Table 5. Model Summary for Mediating Variable (Source: Personal Elaboration)

Hence, this finding shows that luxury fashion brand diversification into experiential sectors positively influences the emotional brand attachment, leading to the formation of a stronger bond between the brand and its consumers. This insight proves the validity of the a Path of the hypothesized model.

4.2.3 b Path: Effect of Emotional Brand Attachment on Dependent Variable

The b Path is the part of the model that connects the mediator with the dependent variable. In the context of the present research, the results highlight that the emotional brand attachment imparted a significant and positive effect on consumers' willingness to buy the brand's original products (b = 0.738; p < 0.001), as reported in *Table 6*.

Predictor	***b***	***SE***	***t***	***p***	***95% CI***
Emotional Brand Attachment (M)	1.023	.095	10.783	.000	[.835, 1.210]

Table 6. b Path: Effect of Mediator on Y (Source: Personal Elaboration)

In light of this, the results have proven that the existence of emotional brand attachment between a brand and its consumers leads the latter to be more open towards the purchase of the brand's original product, proving in this way the validity of the b Path of the hypothesized model.

4.2.4 Indirect Effect: Emotional Brand Attachment Mediation

The two previous sections have proven the reliability of the individual Paths that make up the mediating section of the model, indicating that the independent variable significantly affects the mediating one and that the mediator, in turn, significantly predicts the dependent variable. Nonetheless, while these insights suggest initial support for the hypothesized relationship, in order for mediation to be proven, these are not sufficient. Indeed, for this relationship to exist, it is necessary to have a statistically significant indirect effect of the independent variable on the dependent one through the mediator. For this reason, this section will present the results of this analysis.

As shown in *Table 7,* the conditional indirect effects are positive and statistically significant at all levels of the experiential intensity, thereby proving that the emotional brand attachment mediated the relationship between the independent and the dependent variable.

Experience Intensity	***Effect***	***BootSE***	***BootLLCI***	***BootULCI***
-1.729	.477	.161	.198	.819
.000	.754	.136	.518	1.043
1.729	1.031	.127	.802	1.302

Table 7. Indirect effects of X on Y through the Mediator (Source: Personal Elaboration)

As a consequence of these results, it is clear that the emotional brand attachment acts as a key variable in transferring the effect of the luxury fashion brand's diversification towards experiential sectors on consumers' willingness to buy the brand's original products. This means that focusing on emotional brand attachment could facilitate the impact of diversification on consumers' purchase intention.

4.2.5 Moderation of the c' Path

This work postulated that the c' Path was moderated by the intensity of the experience, with consumers' willingness to buy the brand's original product increasing proportionally with the level of intensity. According to the results, the interaction term proved to be negative and significant ($b = -0.192$; $p < 0.001$), meaning that the moderation weakens while the experience intensity increases. This effect can clearly be seen from both *Table 8* and *Figure 8,* which represent the effect of the moderator on the dependent variable, both from a numerical and visual standpoint, at three levels of the moderator (high level: mean + 1 SD; mid: mean; low level: 1 – SD).

Experience's Intensity	*Effect*	*se(HC4)*	*t*	*p*	*LLCI*	*ULCI*
-1.729	.961	.148	6.486	.000	.669	1.254
.000	.630	.130	4.833	.000	.373	.887
1.729	.298	.149	1.996	.048	.003	.593

Table 8. Conditional Effects of Focal Predictor at values of the Moderator (Source: Personal Elaboration)

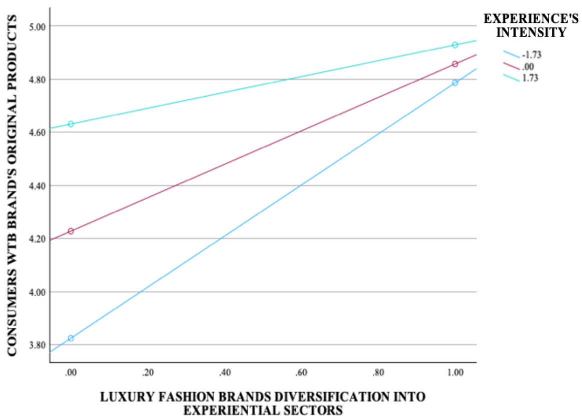

Figure 8. Experience's Intensity Moderation of c' Path (Source: Personal Elaboration)

Therefore, as the intensity of the experience increases and moves towards the high levels, the slope decreases, resulting in the line to become flatter, which indicates that the greater the experience's intensity is, the smaller the effect of diversification on consumers' willingness to buy the brand's original product becomes. Consequently, the hypothesized relationship revealed to be only partially correct, as even though the intensity of the experience always acts as a moderator of the relationship between the diversification and consumers' willingness to buy the brand's original product, the moderation weakens as the intensity increases.

4.2.6 Moderation of the a Path

The moderation of the a Path was another of the components of the hypothesis of the present research, meaning that the positive relationship between the diversification towards experiential sectors and the emotional brand attachment was supposed to strengthen as the experiences proposed by the brand became more intense. Looking at the outcome of the analysis, the interaction term was found to be positive and statistically significant ($b = 0.217$; $p < 0.001$), resulting in the moderation to exist and increase together with the experience intensity.

Also in this case, this effect can clearly be appreciated from both *Table 9* and *Figure 9,* which represent the effect of the moderator on emotional brand attachment, both from a numerical and visual standpoint, at three levels of the moderator (high level: mean + 1 SD; mid: mean; low level: 1 – SD).

Experience's Intensity	*Effect*	*se(HC4)*	*t*	*p*	*LLCI*	*ULCI*
-1.729	.947	.162	3.992	.000	.327	.967
.000	1.023	.095	10.783	.000	.835	1.210
1.729	1.398	.076	18.430	.000	1.248	1.548

Table 9. Conditional Effects of Focal Predictor at values of the Moderator (Source: Personal Elaboration)

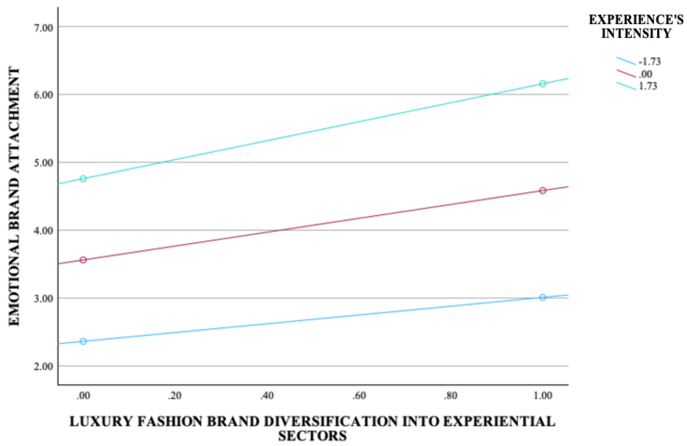

Figure 9. Experience's Intensity Moderation of a Path (Source: Personal Elaboration)

Hence, as the intensity of the experience increases and moves towards the high levels, the slope increases, resulting in the line to become steeper, which indicates that the greater the experience's intensity is, the greater the effect of diversification on emotional brand attachment becomes. Subsequently, these results fully confirm the hypothesized relationship of moderation in the a Path.

4.2.7 Index of Moderated Mediation

The paragraphs above have confirmed the validity of the individual Paths that make up the model of this research. Nonetheless, while these results are relevant to obtain insights regarding the interaction and the mechanisms at play between these variables, they are not sufficient in order to confirm the validity of the overall moderated mediation hypothesis. In order for this to happen it is necessary to take under examination the index of moderated mediation, which serves as a formal statistical test to see if the mediation effect is contingent on the moderator, thereby confirming the validity of the model.

Table 10 shows that the index of moderated mediation is 0.160 and that it results statistically significant as the bootstrap confidence intervals that are formed do not include zero between them (BootLLCI=0.102; BootULCI=0.216), thereby validating the model.

Index of moderated mediation	***Effect***	***BootSE***	***BootLLCI***	***BootULCI***
Experience's Intensity	.160	.029	.102	.216

Table 10. Index of Moderated Mediation (Source: Personal Elaboration)

As a consequence of this outcome, the model proposed in the present research turned out to be valid, with its main hypothesis backed up by the gathered data. Therefore, luxury fashion brands' diversification into experiential sectors has a positive effect on consumers' willingness to buy the brand's original products with this relationship being mediated by emotional brand attachment and both the c' Path and the a Path being moderated by the intensity of the experience proposed to the clients.

4.2.8 Johnson-Neyman Analysis

In this section, the results of the Johnson-Neyman analysis for both the c' and the a Path will be presented. As already stated above, this is a statistical technique used in moderation analyses to point out the values of the moderator at which the effect becomes statistically significant or non-significant, therefore defining the exact region of significance.

For what concerns the c' Path, the identified significance threshold is the moderator's value of 1.743, below which the direct effect of diversification on consumers' willingness to buy the brand's original products was significant (≈ 73.3% of the sample). These results imply that the positive effect of the diversification into experiential sectors on consumers' willingness to buy the brand's original product may be more effective when their experiential involvement is limited.

Regarding the a Path, instead, the significance region stands above the moderator's value of -2.801 (98.9% of the sample). In contrast with what happens in the c' Path, in this case, the fact that the relationship between experiential sectors diversification and emotional brand attachment remains significant for almost the entirety of the sample indicates that this corporate strategy reliably strengthens consumers' attachment to the brand.

Fifth Chapter – Discussions and Implications

5.1 General Discussions

After the Covid-19 pandemic hit, the luxury fashion world managed to quickly recover and go back to pre-crisis levels. Nonetheless, 2024 represented another challenging year for the sector, with a contraction of 3% compared to 2023. This slowdown has especially involved the personal luxury good segment, whereas the experiential one has continued to thrive, representing the most resilient compartment of the industry, able to grow under unfavorable conditions. In light of these events, this work was developed in order to test if luxury fashion brands could turn to experiential sectors diversification as a way of regaining traction and start growing again. Specifically, the focal point of the research was to determine if entering such industries could lead to the generation of positive externalities on the core business in the form of consumers' transfer from one segment to the other.

On the basis of these premises, the Resource-Based View represents the theoretical grounding of the analysis, arguing that under the perspective of this theory, brand equity can act as an enabler of cross-sector value creation, seeing the brand's name as the main resource through which this phenomenon can happen. Therefore, when a consumer has a positive encounter with the brand in the experiential business, he or she could decide to try out the luxury products of the same company, expecting the same level of quality, leading in this way to the creation of positive externalities. Additionally, the emotional brand attachment and the experience's intensity were believed to play a role in this process, with the former acting as a mediator of the relationship, and the latter enhancing the influence of the independent variable on both the dependent and the mediating one.

After collecting the responses to the survey and analyzing them, the data fully back up the hypothesis, proving that the proposed model of moderated mediation resulted to be valid and statistically sound. Hence, the following paragraphs will focus on each one of the individual Paths that composed the theoretical framework, to discuss them under a more practical lens than the one used throughout chapter four.

First and foremost, according to the findings, luxury fashion brands' diversification into experiential sectors has a positive influence on consumers' willingness to buy their original products. This is a crucial takeaway, as it proves the focal point of the work, that is, entering into these sectors implies the development of positive externalities onto the core business. This phenomenon can be attributed to the fact that sharing the same brand's name across two areas of the business leads consumers' to shift the positive feelings and perceptions they have developed about the company through the interaction in one field onto the other, generating in them the desire to test the brand's products to see if they deliver the same level of quality and service.

What is more, is that this relationship is also positively moderated by the intensity of the proposed experience. However, in contrast with what was hypothesized at the beginning of the work, this moderation diminishes as the experience becomes more intense. This means that less intense experiences enhance the consumers' intentions to try out the original products of the brand more than higher intensity ones do. The revealed relationship could be explained by the fact that once consumers have such a memorable interaction with a brand, they are going to be predisposed to keep connecting with it in the same way in the future, because they have an assurance that it will yield them a high level of quality, service and most importantly enjoyment and satisfaction. This factor gives them a reason to relive the experience as often as possible, rather than strand from it in favor of interacting with the same brand in another field, which would represent an uncertainty in terms of happiness, quality and service that it could deliver. The described mechanism results in being even more significant in consumers' minds when dealing with luxury brands. Indeed, engaging with such companies entails high costs, and given the risk adverse nature of human beings, it is predictable that they would prefer to opt for a safer alternative rather than going for something which is unknown.

Switching onto the mediating Path of the proposed model, the results have highlighted that the positive effect of luxury fashion brands' diversification into experiential sectors on consumers' willingness to buy the brand's original product is mediated by the emotional brand attachment. Consequently, this kind of corporate strategy does not only lead to the creation of positive externalities onto the brand but also strengthens and fosters the development of a bond between the consumers and the brand itself. This finding is particularly relevant because, as highlighted during the literature review section, emotional brand attachment has multiple positive effects on the company's performance. Some of these are facilitating the decision-making process, increasing brand loyalty and stimulating brand advocacy, all elements that have a significant positive impact on the brand's performance, which highlights the importance of being able to form a strong bond with consumers. Additionally, also the relationship between diversification and emotional brand attachment turned out to be positively moderated by the intensity of the experience. Contrastingly, though, in this case, the more the proposed experience is perceived to be intense, the more the diversification will lead to the creation of a link between the customers and the brand, resulting in experience's intensity becoming a powerful lever on which brands can work in order to connect with their clients on a deeper level. This kind of moderation can be explained by the fact that more intense experiences often turn out to be the most memorable ones, leading consumers' to link them with positive moments and feelings, which also influences the way in which they interact and connect with the brands that offer them.

The difference in the typology of moderation played by the strength of the experience between the two analyzed Paths, puts brands in front of an important trade-off. Indeed, opting for diversifying into more intense fields can lead to the development of more profound bonds between companies and consumers, nonetheless, it will also diminish the transfer of clients from one business to the other. On the other hand, trying to maximize the conversion of customers requires the entrance into less intense sectors, resulting in a weaker effect on emotional brand attachment. Therefore, before choosing which sector to diversify into, in view of the findings of the present work, brands will not only need to weigh all the factors considered up until now but also understand whether they aim to build a stronger attachment or greater conversion.

Another key finding this research has brought up is that emotional brand attachment is also a driver of cross-sector value creation, meaning that this variable has a strongly positive influence on consumers' willingness to buy the original product of the brand. As a consequence, not only does diversification acts as a creator of positive externalities for the brand, but also the creation of a strong connection with consumers does. This positive relationship is, to some extent, also backed up by previous literature on the topic of emotional brand attachment. Indeed, as introduced in the second chapter, attachment has an influence on multiple positive behaviors towards the brand. These could be summed up into a general desire to support it in a variety of different ways, for example, by sharing it with personal connections or by making repeated purchases. In this sense, the intention to purchase and try out other offerings from the same company can be seen as a direct extension of these positive behaviors.

5.2 Theoretical Implications

The results discussed thus far contribute significantly to enlarging previous knowledge regarding the variables at hand.

Firstly, being this work grounded on the Resource-Based view, the findings extend the scope of this theory by shedding light on the role of brand equity, in the form of the brand name, as a crucial strategic resource able to cause the creation of positive externalities across sectors. This phenomenon happens as this intangible resource stands as a symbol of assurance regarding the quality one can expect when interacting with the company, helping in this way the brand in obtaining a sustained competitive advantage against the competition. Indeed, the brand name is a resource that matches all four of the criteria pointed out by Barney (1991), being, by definition, a valuable, rare, inimitable, and non-substitutable resource of the company. In this way, this study also demonstrates how consumers' feelings, perceptions and interpretations about a certain brand act as levers of competitive advantage, thereby broadening the theoretical understanding on how firms can leverage their intangible resources to obtain cross-sector value creation.

Looking now at the independent variable of the model, the insights provided by this work enrich the state of the art on the topic of diversification as well. Specifically, this theme has often been treated in terms of the financial advantages it can bring to the table, such as better investment opportunities (Chatterjee & Wernerfelt, 1998) or lower cost of capital and mitigation of the risk of bankruptcy (Higgins & Schall, 1975; Markham, 1973); Levy & Sarnat, 1970). This research, on the other hand, brings up significant upsides, both at the corporate strategy and at consumer level that this lever can provide the company with. Firstly, focusing on the former, diversifying into experiential sectors enables brands to benefit from positive externalities across businesses, which represents an element of paramount importance for any brand, as it allows them to unlock synergies and create values far greater than any single unit on its own. Shifting the lens towards the consumer, the findings also underline the psychological dimension of diversification. As a matter of fact, these suggest that diversification into experiential sectors does not limit to act as a corporate maneuver but comes with significant implications on how consumers connect with the brands, demonstrating that such moves can strengthen emotional brand attachment. In this way, these insights bridge the gap between the corporate level strategies literature and the individuals' psychology one.

The research on emotional brand attachment is impacted as well by what this analysis has discovered. This is not only because the present work uncovers another driver of this variable, with this being the diversification into the experiential sectors, but most importantly because it underlines its role as a mediator in the process of shaping consumers' decisions, actively influencing the willingness to buy the brand's original product, generating in such a way positive externalities for the brand. This perspective enriches past literature on the topic by reframing emotional brand attachment not only as a variable that provides the brand with consumers' level benefits, but also with corporate level ones.

Lastly, significant contributions also come regarding the field of experiences. Indeed, the results highlight the role of the intensity of the experiences as a moderator in the relationship between diversification strategies and both consumers' willingness to buy the original product of the brand and the emotional brand attachment. Most importantly, though, the type of moderation relationship that unfolds between these variables holds value for the Four Realms of Experiences Framework (Pine & Gilmore, 1998) and its application to the luxury field developed by Atwal and Williams in 2017. Indeed, according to the latter, the connection variable, used to categorize experiences by the original model, can be measured using the intensity of the experience as a proxy. Consequently, the results of this work directly contribute to expand the knowledge regarding the effects that the four typologies of experiences categorized by past literature have on the business. Indeed, low intensity quadrants, namely the entertainment and the educational ones, are better suited for those companies that wish to influence the consumers' willingness to buy the brands' original product with their diversification strategy. Conversely, for those whose goal is to achieve a stronger connection and build powerful links with their consumers, opting for greater intensity experiences can result in being more effective, and therefore, should diversify into sectors that fall either under the aesthetic or escapist quadrant of the Four Realms of Experiences Framework.

5.3 Managerial Implications

After having discussed the theoretical consequences that this work has on past literature on the treated topics, it is also important to explore the implications that the results imply from a managerial and business perspective.

Given the current crisis the luxury fashion sector is facing, it is important to point out that the findings of this work stand as a possible solution to the main issues that are plaguing the industry in the latest years. This downward trend, as outlined in the initial chapter, can be mainly attributed to the arousal of a feeling of betrayal in the consumers and a consequent loss of faith in the brands, which has led the luxury customer base to shrink by around 50 million people in the last two years (D'Arpizio *et al.,* 2024). The unveiled insights are directly correlated to both of these problems, posing diversification into experiential sectors as a key lever luxury companies can use to regain traction and go back to growing. The loss of trust from the consumers can be seen as an erosion of the brand-consumer relationship. As, according to these results, diversification into experiential sectors can strongly influence the strengthening of the bond that exists between these two parties, this corporate strategy can represent an important lever the brands can employ in order to form meaningful bonds with them. Additionally, the findings also suggest that diversification can have a positive influence on consumers' willingness to buy the original product of the brand. This element is also particularly significant as it tackles the other issue that the luxury fashion sector is dealing with, which is the contraction in consumer pool. Indeed, whereas luxury personal goods are suffering, the experiential compartment is still growing and attracting new consumers. Consequently, entering this segment, in light of the results of the present research, can represent an opportunity to not only obtain new revenue streams, but also to enlarge the customer base of the core business, by converting and transferring consumers from one business to the other.

As a consequence, this research provides managers with additional reasons to justify significant investments to enter the experiential sectors and diversify. Indeed, traditionally this strategy has served mainly corporate or financial goals, whereas now it can also be linked to the consumer behavior aspect. The results show that investing in experiential diversification is not only a mere branding exercise to increase visibility or a tool to mitigate risks and increase revenue streams but rather a powerful lever to tighten emotional attachment and influence consumers' willingness to buy core products.

Lastly, another relevant element that was discovered is that not all experiential sectors are the same, and not all types of experiences carry the same consequences for the business. This is caused by the fact that the proposed experience's intensity matters and has a different impact on emotional brand attachment than on consumers' willingness to buy the brand's original product. Hence, according to the goal brands want to achieve through this strategy, the most suitable sector to enter and experience to offer changes significantly. If the objective is forming a more profound bond, it is better to go with high-intensity industries, while if brands want to achieve greater conversion and consumer transfer, low-intensity experiences are the better choice. This finding is again closely linked and of extreme relevance to the current situation the luxury market is living. Indeed, as a consequence of this difference in the moderation, managers of brands which are suffering mostly of consumer trust erosion and brand disengagement, should probably prefer entering in sectors characterized by elevated levels of engagement and participation, as these have a greater impact on emotional brand attachment. Managers of brands suffering from a progressive shrink in consumer pool, instead, should prefer sectors with a lower intensity, as this have shown greater potential to increase consumers' conversion from one sector to the other.

5.4 Limitations and Future Research

Despite providing relevant implications, both from a managerial and a theoretical point of view, there is the need to acknowledge that the present work comes with certain limitations. Nevertheless, these could be useful for future investigations and to stimulate research in this domain.

Primarily, considering the sample composition, it being for the majority made up of Europeans surely represents a limiting factor when it comes to the generalizability of the findings. Indeed, despite these being very relevant and extendable for a European consumer pool, it is not certain that the same can be said for people coming from other continents. Starting from this element, future research could focus on testing the model on consumers of different nationalities and even looking at how the findings vary across them.

Additionally, it is also worth noting that the analysis did not encompass the influence of age, specifically how the findings might vary when considering distinct generational cohorts. Consequently, follow-up studies could explore this aspect, seeking to elucidate how the influence that diversification has on consumers changes across different age groups. In this way, such investigations would shed light on which generation is swayed the most by this kind of corporate strategy.

Lastly, future research endeavors may also try to broaden the proposed conceptual model by including other potentially related variables. As an example, it could be interesting to analyze the moderating effect of the brand's reputation or fame, which are variables that could strongly sway the results one way or the other.

Sixth Chapter – Conclusions

6.1 Conclusions

In conclusion, this work embarked on a comprehensive exploration of the dynamic interplay between luxury fashion brands' diversification into experiential sectors and their influence on consumers' willingness to buy the brand's original products. Inspired by the current crisis this sector is facing, the research navigated these corporate topics to analyze if they can stand as growth opportunity for the brands.

The first chapter provided a complete immersion in the luxury world, starting from its definition and a broad description of what it stands for and ending in an accurate depiction of the current economic picture. This financial exploration of the industry started from the general, progressively narrowing down the scope of the analysis and reaching the state of the personal luxury goods. The portrayed picture uncovered the issues affecting the market, namely the loss of consumers' trust leading to a contraction in the customer base and finding out the main trends that could pose as options to recover from the crisis, as, for example, the utilization of experiences.

Afterward, the second chapter ventured deeper into the heart of the inquiry by delving into the concept of Resource-Based View, diversification, experiences and emotional brand attachment. It highlighted the state of the art on these topics focusing on both the pros and cons that these can generate for the brands. This assessment was functional to introduce the proposed theoretical framework tested in the analysis, a model of moderated mediation, and formulate the hypothesis.

The last three chapters marked the culmination of the research journey, as empirical research was central in this stage. This phase undertook a meticulous presentation of the methodology, data analysis, results and their subsequent implications. This research aimed to assess, through a quantitative approach, the relationship between experiential diversification of luxury fashion brands and consumers' willingness to buy the brand's original products. Furthermore, the moderated mediation analysis was conducted to elucidate the mediating influence of the emotional brand attachment, along with the moderating impact of the intensity of the experience on the relationship between the independent variable and both the mediating and dependent one.

The results of the analysis affirm the statistical significance of the studied moderated mediation model, thereby establishing a critical link within the described variables. It conclusively demonstrates that when luxury fashion brands diversify into experiential fields they positively impact consumers' willingness to buy also its original products. This effect is mediated through the emotional brand attachment, signifying the crucial role played by forming meaningful connections with the consumers in shaping their needs and preferences. Moreover, the intensity of the experience plays a pivotal role in the choice of sectors, as it moderates both the hypothesized relationships but in opposite manners. The moderation of the a Path gets stronger with enhancements in the experience's intensity, while the moderation of the c' Path gets weaker as the intensity increases, putting managers in front of a trade-off and an important element to consider before embarking in a diversification strategy.

These findings have significant implications both in theoretical and managerial terms. They enlarge the current knowledge on all the variables at hand, by uncovering either new drivers or new positive effects they come with. Moreover, regarding the experiences, they play a pivotal role in expanding and providing further specifications to the Four Realms of Experiences Framework (Pine & Gilmore, 1998). Most importantly though, from a managerial standpoint they propose an answer to the two most important issues plaguing the industry, offering an action that could counteract both of them, by strengthening the brand-consumer relationship and by increasing customer transferring across businesses. Therefore, this research could serve as a compass guiding luxury fashion managers in in navigating the complicated landscape they are facing, providing critical information that could be leveraged to regain traction among consumers and getting out of the present crisis.

Annex

Introduction

Dear participant,

I am conducting a research study, and I need your help.

Please note that there are no wrong or right answers, but I am sincerely interested in your opinion. No personal data will be shared, and your answers will be analyzed only at an aggregate level.
Moreover, the responses will be kept anonymous and used for research purposes only.

Thanks in advance for taking the time to help me out!

Diversification in Service Sectors (X)

Non-Diversified Brand	Diversified Brand
"Y" is a historic luxury fashion house renowned for its craftsmanship and timeless elegance. Its ready-to-wear collections and leather goods are celebrated for their quality, sophistication, and refined silhouettes. Over the decades, "Y" has remained dedicated exclusively to the luxury fashion sector. Thanks to product innovation and elevated customer service, the brand has become an icon of luxury and high-end in-store experience. The brand has always operated solely in the luxury fashion industry, a factor that allowed "Y" to specialize itself, and elevate to a guarantee of legacy, artistry and exclusivity in this sector.	"Y" is a historic luxury fashion house renowned for its craftsmanship and timeless elegance. Its ready-to-wear collections and leather goods are celebrated for their quality, sophistication, and refined silhouettes. Over the decades, "Y"'s business has remained centered on the luxury fashion sector, and thanks to product innovation and elevated customer service, the brand has become an icon of luxury and high-end in-store experience. Nonetheless, "Y" wanted to not only sell a product but offer an experience to its customers. For this reason, it stepped into service sectors, transferring the same level of attention to detail and customer centricity to create a complete luxury experience.

Today, "Y" clients know that they can expect nothing less than exceptional quality, curated in-store service and pure expression of heritage.	"Y" firstly entered the food and beverage realm, through cafes and restaurants, where people could share fine dining experiences in beautifully designed spaces. Later, it expanded into hospitality, offering exclusive and bespoke stays in the most luxurious cities. Lastly, it started offering art events, with rotating exhibitions to celebrate the heritage of the brand. By combining its luxury fashion roots with the experiences in these service sectors, "Y" creates a 360-degree luxury lifestyle experience that truly connects with its customers.

Experience Intensity (*Mo*)

Source: Brakus, J. J., Schmitt, B. H., & Zarantonello, L. (2009). Brand Experience: What Is It? How Is It Measured? Does It Affect Loyalty?. *Journal of Marketing*, 73(3), 52-68.
Schouten, John W., James H. McAlexander, and Harold F. Koenig (2007). Transcendent Customer Experience and Brand Community. *Journal of the Academy of Marketing Science*, 35 (3), 357-368.

Items:
On a scale from 1 to 7 (where 1 = Strongly Disagree and 7 = Strongly Agree), how much do you agree with the following sentences:

- Based on the description, this brand results in bodily experiences.
- I feel that I could truly enjoy the described brand experience.
- The described brand experience seems to be intense.
- If I engaged with the described brand, I would be completely immersed in the experience.

Emotional Brand Attachment *(Me)*

Source: Thomson, M., MacInnis, D. J., & Whan Park, C. (2005). The Ties That Bind: Measuring the Strength of Consumers' Emotional Attachments to Brands. *Journal of Consumer Psychology*, 15(1), 77-91.

Items:
On a scale from 1 to 7 (where 1 = Strongly Disagree and 7 = Strongly Agree), how much do you agree with the following sentences:

- After reading the scenario, I feel that a bond could form between me and a brand of this kind.
- The described experience makes me feel I could be emotionally connected to a brand of this kind.
- I feel I could be attached to a brand of this kind based on the scenario I just read.
- I am captivated by the idea of this brand and the experience it offers.

Willingness to Buy the Brand's Original Product (Y)

Source: Dodds, W. B., Monroe, K. B. and Grewal, D. (1991). Effects of Price, Brand, and Store Information on Buyers' Product Evaluations. *Journal of Marketing Research*, 28(3), 307-319.

Items:
On a scale from 1 to 7 (where 1 = Strongly Disagree and 7 = Strongly Agree), how much do you agree with the following sentences:

- Based on the scenario I read, I would be willing to purchase a product from this brand's fashion collection.
- I would consider buying one of this brand's fashion items.

Control Variables

- *Source:* Firdausa Nuzula, I., & Wahyudi, L. (2022). Effects of Brand Attitude, Perceived Value, and Social WOM on Purchase Intentions In Luxury Product Marketing. *Innovative Marketing.*
  Item:
    - *On a scale from 1 to 7 (where 1 = Strongly Disagree and 7 = Strongly Agree), how much do you agree with the following sentence:* I enjoy purchasing luxury fashion brands' products.

    - *On a scale from 1 to 7 (where 1 = Strongly Disagree and 7 = Strongly Agree), how much do you agree with the following sentence:* I value luxury brands.
- *Gender:* Male; Female; Prefer not to specify
- *Age:* <18; 18-28; 29-44; 45-60; 60+
- Geographical Location: Europe; Northern America; Southern America; Asia; Africa
- *Employment*: Employed; Not employed; Student; Retired
- *Level of income*: Less than €20.000; €20.000 – €39.999; €40.000-€59.999; €60.000-€89.999; €90.000+; Prefer not to specify
- *Level of Education:* Lower than High School, High School, B. Sc; M. Sc., PhD

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