Brand experience and consumers' willingness-to-pay (WTP) a price premium: Mediating role of brand credibility and perceived uniqueness

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ABSTRACT

How brand experience can be leveraged to enhance profitability is attracting growing interest from both practitioners and academics. This study develops and empirically validates a conceptual model that investigates how brand experience may influence consumers' willingness-to-pay (WTP) a price premium, as mediated by brand credibility and perceived uniqueness. Based on data collected from 405 new automobile buyers, analysis reveals that brand experience affects consumers' WTP a price premium directly as well as indirectly through brand credibility and perceived uniqueness. This research contributes in the domains of experiential marketing, brand management, and pricing strategy and offers actionable insights for managerial practice.

1. Introduction

The marketing domain is progressing toward a relational mindset that involves emphasizing experiential characteristics of a product aimed at creating more direct and meaningful experiences with consumers (Ebrahim et al., 2016; Nysveen et al., 2013). We are beginning to understand that consumption of brand is a complex (multi-faceted) phenomenon that can manifest through sensory, cognitive and behavioral experiences for consumers (Holbrook and Hirschman, 1982; Hultén, 2011; Tynan et al., 2014). As a result, brand experience, conceptualized as consumer sensations, feelings, cognitions, and behavioral responses evoked by brand-related stimuli (Brakus et al., 2009) has emerged as a novel construct. The rapidly increasing brand experience scholarship highlights its role in influencing critical consumer level outcomes such as loyalty (Ding and Tseng, 2015), repurchase intention (Ebrahim et al., 2016), satisfaction (Brakus et al., 2009; Nysveen et al., 2013), and positive word of mouth (Ngo et al., 2016).

With the cost of creating a better brand experience often being disproportionately high, the question arises if such investment can increase the potential for consumers to pay higher price which is directly tied to firm profits. While there is a general recognition that strong brand associations can command higher price (e.g., Dewar, 2004), direct linkage between brand experience and consumers' willingness-to-pay (WTP) a price premium remains understudied. The main goal of this article is to fill this research gap. While examining this intriguing relationship represents an important contribution on its own, consumers' WTP a price premium represents a critical indicator of brand

value and competitive advantage (Aaker, 1996). Furthermore, our theoretical underpinning focuses on consumer-perceived credibility- and uniqueness-based pathways, through which the effect of brand experience materializes. That is, we propose that brand experience affects consumers' WTP a price premium both directly and indirectly through brand credibility and perceived uniqueness. To accomplish this investigation, we use data from a survey of automobile consumers.

Our study proffers several key contributions. First, to our knowledge, the present study is the first to focus on the value relevance of brand experience by linking that to consumers' WTP a price premium which subsequently leads to higher profit. From a theoretical standpoint, this research not only adds depth to nuanced understanding of experiential marketing (Holbrook and Hirschman, 1982; Schmitt, 1999), but also expands the literature by showing an important downstream consequence of brand experience (Brakus et al., 2009; Francisco-Maffezzolli et al., 2014). Second, the current research theoretically delineates and empirically assesses how brand credibility and perceived uniqueness mediate brand experience's positive impact on consumers' WTP a price premium. By doing so, this study explicates heretofore unexamined pathways through which brand experience may shape consumers' WTP a price premium. Third, we broaden the nomological network of brand experience. Most notably, we document consumers' WTP a price premium as an outcome of consumer brand experience. Thus, this research fits into the literature on the drivers of consumers' WTP a price premium, which is considered as a vital component of brand equity (Aaker, 1996; Netemeyer et al., 2004). Our contribution lies in shedding considerable light on factors that may

determine the effectiveness of price premium strategy and thereby enhancing our ability to model potential (price-premium-based) brand value. Finally, this study's findings furnish actionable managerial insights as firms are increasingly keen on leveraging brand experience. Managers are realizing that superior features and functions are insufficient to create differentiation and 'how' a brand delivers has taken precedence over 'what' is delivered. In an era of shrinking marketing budgets, we identify a key area for firms to invest and as such, our findings recommend that firms would be well served in expanding experiential marketing efforts.

In the sections that follow, we first lay out the conceptual background and develop the hypotheses. Then, we introduce the research context and illustrate the research methodology. Subsequently, we report the data analysis and results. Finally, we draw implications of our results and consider limitations and directions for future studies.

2. Theoretical background

A growing body of work recognizes that consumers can have diverse forms of consumption experiences (e.g., Holbrook and Hirschman, 1982; Hultén, 2011; Tynan et al., 2014). Along this vein, consumers can experience brands in multiple (e.g., sensory, cognitive and behavioral) ways (Brakus et al., 2009). The objective of this research is to stretch the current understanding of how positive brand experience influences consumers' WTP a price premium. To articulate this conceptual link, we provide the theoretical foundation that pertains to the direct effect of brand experience on consumers' WTP a price premium and employ brand credibility and perceived uniqueness as process variables mediating this relationship. We develop hypotheses pertaining to these effects. The conceptual model is depicted in Fig. 1.

2.1. Brand experience

Brand experience captures consumers' affective, cognitive, social, and physical responses to a firm or a brand (e.g., Verhoef et al., 2009). This multi-dimensional conceptualization is aptly captured in Brakus et al.'s (2009, p. 53) definition of brand experience: "sensations, feelings, and cognitions, and behavioral responses evoked by brand-related stimuli that are part of a brand's design and identity, packaging, communications, and environments." The experiential turn in marketing, different from instrumental modes of consumer decision-making, dates to Holbrook and Hirschman's (1982) conceptualization of consumption that seeks "fun, amusement, fantasy" (p. 135). Subsequently, theoretical expositions relating to multi-sensory, fantasy, and emotive aspects of product use have been the beneficiary of scholarly scrutiny (Lemon and Verhoef, 2016; Schmitt, 1999). This stream of research advocates creating sensory and emotional connections with consumers instead of focusing on the physical aspects of product and service. Brand experience forms when consumers search, examine, evaluate, purchase, or consume products, or receive after-sales services (Schmitt, 2009). Table 1 summarizes the relevant empirical literature into downstream impact of brand experience.
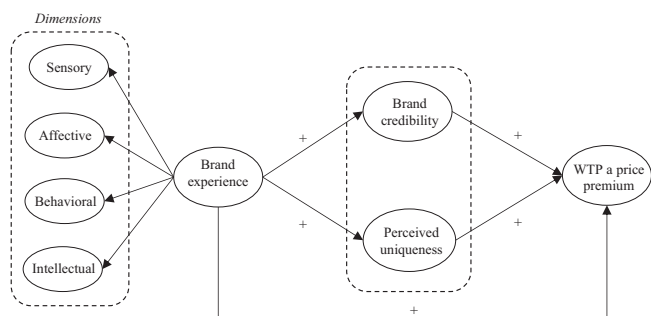

Fig. 1. The conceptual model.

2.2. Brand experience and consumers' WTP a price premium

Traditional economics literature conceptualizes price premiums as prices that yield above-average profits (Klein and Leffler, 1981). In our context, when a seller, usually of high-quality products, is able to charge a price that is higher than the minimum average price of high-quality, the difference between the high price and the competitive price can be perceived as a price premium (Rao and Monroe, 1996). This abstracts away from consumers' WTP, which is defined as the maximum amount a consumer is willing to spend for a product or service. The literature has examined the contexts under which consumers are willing to pay more for their preferred brands (DelVecchio and Smith, 2005; Rao and Monroe, 1996). Dewar (2004) asserts that a brand can charge a premium for simplifying the purchase process and reducing consumer risk.

Consumers tend to value the opportunity to enhance their enjoyment of experience (Clarkson et al., 2013). In the same vein, experiential purchases, when compared with materials purchases, can result in heightened satisfaction and well-being (Nicolao et al., 2009). Applied to our context, consumers might be willing to pay a price premium that commensurate with their brand experience. Our expectation stems from consumer-brand relationship dynamics (e.g., Fournier, 1998). Post-purchase consumption experiences with brands (which represents our research context) entail direct consumer-brand interactions and enhance the relevance of the brand. This is akin to developing and maintaining an ongoing relationship. Over time, these brands are perceived as relational partners and consumers may invest time, effort and money towards sustaining such relationships. Unique and memorable experience can be an important platform to establish positive consumer-brand relationship. In consumer-brand relationship terms, one might expect that consumers may want to continue a favourable ongoing relationship with a brand, resulting in consumers becoming less price-sensitive towards that brand (Thomson et al., 2005). That is, when consumers derive personally fulfilling experiences with a brand, they will likely pay a price premium for that brand in the future. Together, these arguments indicate that a positive brand experience will enhance consumers' likelihood to pay a higher price. We thereby hypothesize,

H1. Brand experience positively and significantly impacts consumers' WTP a price premium.

3. The mediating role of brand credibility and perceived uniqueness

Next, we focus on the underlying mechanism of this relationship and explicate two pathways through which this relationship is mediated.

3.1. Brand credibility

The concept of brand credibility is based on Hovland et al. (1953) work on the credibility of a source's perceived ability and motivation to provide accurate and truthful information. Brand credibility captures whether a brand has the ability (expertise) and willingness (trustworthiness) to stay true to performance-enhancing credentials (Erdem and Swait, 2004; Rao and Ruekert, 1994). Firms can deploy brand as efficient market signals when consumers are uncertain about intrinsic product quality attributes (e.g., Erdem and Swait, 1998; Rao and Ruekert, 1994).

We theorize that brand credibility can form through repeated interactions with a brand capturing consumers' internal subjective and behavioral responses. This aligns with the notion that predictable and reliable performance over time is the essence of brand credibility. A brand is seen as a promise, as consumers continuously assess whether or not the brand offering can measure up to its claim. Viewed through this

Table 1
Downstream impact of brand experience: representative research.

Study	Outcome variable	Context	Key findings
Brakus et al. (2009)	Satisfaction and loyalty	Multiple categories	Brand experience affects consumer satisfaction and loyalty directly and also through mediation of brand personality association.
Iglesias et al. (2011)	Brand loyalty	Car, laptop, and sneaker	Positive brand experience-loyalty link is mediated by affective commitment.
Nysveen et al. (2013)	Brand personality, brand satisfaction, and brand loyalty	Multiple categories	Dimensions of brand experience positively affects brand personality, brand satisfaction and brand loyalty.
Dolbec and Chebat (2013)	Brand attitude, brand attachment, and brand equity	Fashion brands	Brand experience mediates the relationship between store image and brand attachment, brand attitudes and brand equity. The effect is more pronounced for flagship brands.
Cleff et al. (2014)	Brand image and brand awareness	Starbucks	Five different dimensions of brand experience have positive but differential impact on brand image and brand awareness.
Ramaseshan and Stein (2014)	Brand loyalty	Consumer products, electronics, and fast-food	Positive brand experience-loyalty link is mediated by brand personality and brand commitment.
Francisco-Maffezzoll et al. (2014)	Brand loyalty	Perfume and bath soap	Positive brand experience-loyalty link is fully mediated by brand relationship quality.
Ding and Tseng (2015)	Brand loyalty	Burger King, Cold Stone Creamery, McDonald's and Starbucks	Positive brand experience-brand loyalty relationship is mediated by brand association, perceived quality, and hedonic emotions.
Ebrahim et al. (2016)	Brand preference and Repurchase intention	Mobile phone	Brand experience positively affect brand preference and repurchase intention.
Klein et al. (2016)	Word of mouth	Pop-up car stores.	Brand experience mediates the effect of pop-up brand store characteristics (hedonic shopping value, store uniqueness, and store atmosphere) on word of mouth
Xie et al. (2017)	Customer citizenship behaviour: towards other customers and organisation	Airline and hotel	Brand relationship quality mediates the effects of four dimensions of brand experience on customer citizenship behaviour
Huang (2017)	Brand Love	Mobile phone	Positive brand experience-brand loyalty link is mediated by brand love and brand trust.
The current study	Consumers' WTP a price premium	New automobile	Brand experience influences consumers' WTP a price premium and the effect is partially mediated by brand credibility and perceived uniqueness.

lens, the quality of consumers' end-to-end brand experience will affect the way they evaluate the brand as a signal. That is, brand credibility will be assessed through the lens of consumer's own holistic exposure with the brand across pre-purchase, purchase, and post-purchase stages (as in our current context). Furthermore, in today's digital and interactive age, we would expect positive brand experience to generate real time positive word-of-mouth and unfiltered recommendations, which in turn will add to the credibility of a brand.

Evidence indicates that brand credibility is intricately linked to high perceived value and can improve consumer perceptions of brand attributes (Baek et al., 2010). Similarly, higher brand credibility can influence brand choice (Erdem and Swait, 2004) and exert a strong effect on purchase intention through the perceptions of high quality, low risk, and information cost saving (Baek and King, 2011). Based on prior research, we posit that brand credibility may play a role in consumer perception of price (Yang et al., 2003). Similarly, of direct relevance to our theorizing, studies have shown that brand credibility can reduce consumer price sensitivity (Erdem et al., 2002), increase immunity to pricing volatility (Sivakumar and Raj, 1997), and enhance consumer's WTP a higher price (Netemeyer et al., 2004).

In summary, we submit the following mediation hypothesis:

H2. Brand credibility significantly mediates the relationship between brand experience and consumers' WTP a price premium such that (a) brand experience positively and significantly influences brand credibility, and (b) brand credibility positively and significantly influences consumers' WTP a price.

3.2. Perceived uniqueness

Perceived uniqueness is the distinct element of a brand which makes it different from other brands. It means having a strong point-of-difference and reflects the degree to which a brand stands out so that it can be easily noticed, recognized, and recalled over competing brands (Keller, 2008; Netemeyer et al., 2004). If a brand cannot create and

sustain unique associations, consumers have little basis for choosing that brand over other brands (Keller, 1993, 2008).

We argue that a strong brand experience can establish key differentiating associations in the consumers' minds and shape perceptions of uniqueness relative to competitive offerings. The rationale underlying this is that positive brand experience stimulates consumers' senses and engage them through emotions, thoughts, and sensations which would eventually help reinforce brand-specific associations and memories (Keller, 1993). Based on choice theory, perceived uniqueness offers consumers analytical information that sets a brand apart from competing brands and helps reduce consumers' cognitive burden, thus presenting a simple heuristic for choosing among alternatives (Dhar and Sherman, 1996). Supporting this view, perceived uniqueness, separating the brand from the competition, provides an added value to consumers, thereby affecting consumers' WTP a price premium (Netemeyer et al., 2004). Along this line, Anselmsson et al. (2014) document that uniqueness is among the strongest determinants of price premium. Accordingly, we contend that the uniqueness of a brand could be a key reason for which consumers may pay the price premiums. As a case in point, Apple is having much success in leveraging a skimming pricing strategy which is backed by their unique products.

Our key tenet here is that brand experience provides the means to create a uniqueness for the brand, which translates into the capability to command a price premium. Thus, it is reasonable to assume that perceived uniqueness mediates the link between brand experience and consumers' WTP a price premium. Thus,

H3. Perceived uniqueness significantly mediates the relationship between brand experience and consumers' WTP a price premium such that (a) brand experience positively and significantly influences perceived uniqueness, and (b) perceived uniqueness positively and significantly influences consumers' WTP a price premium.

4. Method

4.1. Research context, sampling, and data collection

The research setting included a self-administered cross-sectional survey of the Australian automobile consumers who were selected with the help of a commercial research firm using a purposive sampling logic. We used purposive sampling since we wanted to survey consumers who had purchased a brand new car within the last year. This sampling design allows us to examine consumers' direct brand experiences that are relatively fresh in memory. The automobile product category has strong consumer involvement and great economic importance (Lambert-Pandraud et al., 2005). In addition, the industry is highly competitive where brand building is vital to marketing efforts. This data collection effort obtained 405 usable responses (50% female). The majority of the respondents (36.7%) were professionals and managers. In terms of age, 36.1% were between the age of 25 and 45, 35.8% were between the age of 46 and 65. 46.1% of the respondents were college graduates and 63% of the respondents have reported earnings of > $60,000 per year. We examined nonresponse bias by comparing early and late respondents (comparing means for the first quartile versus the last quartile of respondents for all variables). No significant differences ($p > 0.10$) emerged. Thus, nonresponse bias was not a major concern to our analysis.

4.2. Survey instruments

We operationalized the study constructs using multi-item reflective scales captured by five-point Likert scales, ranging from 'strongly disagree' (1) to 'strongly agree' (5). Brand experience was measured using the scale developed by Brakus et al. (2009). Brand experience was conceptualized and operationalized as a second-order reflective construct as the specified dimensions—sensory, affective, behavioral, and intellectual—are manifestations of the underlying brand experience construct (Law et al., 1998). That is, the brand experience construct is an underlying abstraction that is expressed through these four dimensions. Hence, a second-order reflective conceptualization seems appropriate. Brand credibility (Erdem and Swait, 1998) and perceived uniqueness (Netemeyer et al., 2004) were measured using seven and four items respectively. For consumers' WTP a price premium, we used a four-item scale based on Netemeyer et al. (2004).

To account for any possible extraneous variables, we included several covariates. We measured brand familiarity based on one-item based on Netemeyer et al. (2004). A four-item measure of product category involvement was adapted from Yoo and Donthu (2001). Finally, consistency of image was measured using a four-item scale that Erdem and Swait (1998) developed. Table 2 lists the measures and respective standardized item loadings obtained from a confirmatory factor analysis. Table 3 provides descriptive statistics and correlations.

4.3. Common method variance

To address common method variance (CMV), we used a series of procedural remedies in questionnaire design (Podsakoff et al., 2003). First, we ensured anonymity and respondents were made aware that there was no right or wrong answers. Second, we used sections, page breaks, and formatted the questionnaire such that the predictor variables did not precede the dependent variable. Third, we examined the fit of a single latent method factor that showed poor fit (χ^2 = 4370.67, degrees of freedom (d.f.) = 594, $p < 0.01$; CFI = 0.50, RMSEA = 0.101) relative to our assumed measurement model (χ^2 (549) = 1143.44, d.f. = 549, $p < 0.01$; CFI = 0.94, RMSEA = 0.052). Finally, we performed Lindell and Whitney's (2001) marker variable technique. We used respondents' love of nature (Perkins, 2010) as a single-item theoretical marker variable. We identified the lowest positive correlation between the marker variable and one of the variables

Table 2
Construct measures, standardized item loadings and composite reliabilities.

Measures and items	Loading	Composite reliability
Brand Experience		
Sensory:		0.82
[Brand] makes a strong impression on my visual sense or other senses.	0.80[*]	
[Brand] appeals to my senses.	0.77[*]	
I find [Brand] interesting in a sensory way.	0.76[*]	
Emotional:		0.88
I have strong emotions for [Brand].	0.85[*]	
[Brand] is an emotional brand.	0.85[*]	
[Brand] induces feelings and sentiments.	0.84[*]	
Behavioral:		0.86
[Brand] results in bodily experiences.	0.88[*]	
I engage in physical actions and behaviors when I use [Brand].	0.87[*]	
[Brand] is action oriented.	0.73[*]	
Intellectual:		0.91
[Brand] stimulates my curiosity and problem solving.	0.90[*]	
I engage in a lot of thinking when I encounter [Brand].	0.87[*]	
[Brand] makes me think.	0.86[*]	
Brand credibility		0.88
[Brand] has a name you can trust.	0.79[*]	
[Brand]'s product claims are believable.	0.78[*]	
[Brand] delivers what it promises.	0.76[*]	
[Brand] has the ability to deliver what it promises.	0.76[*]	
Over time, my experiences with [Brand] had led me to expect it to keep its promises, no more and no less.	0.75[*]	
[Brand] reminds me of someone who is competent and knows what he/she is doing.	0.65[*]	
Perceived uniqueness		0.89
I feel that [Brand] really stands out from other automobile brands.	0.84[*]	
I think that [Brand] is distinct from other brands of automobiles.	0.83[*]	
[Brand] is unique from other automobile brands.	0.81[*]	
[Brand] offers very different products than other automobile brands.	0.79[*]	
Willingness-to-pay a price premium		0.83
I am willing to pay a higher price for [Brand] automobiles than for other brands.	0.86[*]	
I am willing to pay a lot more for [Brand] than other automobile brands.	0.81[*]	
The price of [Brand] products would have to go up quite a bit before I would switch to another brand.	0.69[*]	
I am willing to pay more for [Brand] brand over other brands of automobiles.	0.60[*]	
Brand familiarity		0.84
I am very familiar with [Brand].	0.90[*]	
I recognize [Brand] very well.	0.80[*]	
Product category involvement		0.79
I am very involved with automobiles.	0.86[*]	
I consider myself an automobile expert.	0.83[*]	
Automobiles are very important to me.	0.57[*]	
Consistency of image		0.82
Everything is consistent about [Brand].	0.82[*]	
[Brand] automobiles have been consistent for many years.	0.75[*]	
The pricing of [Brand] matches its overall image.	0.69[*]	
[Brand]'s image in advertisements has been consistent for many years.	0.67[*]	

Note:.
 * Indicate the significant levels of 0.01.

(ρ 0.11, $p < 0.05$), and partialled out this correlation from the raw correlation matrix, and compared the results with those obtained from our unadjusted correlation matrix. Most of the originally significant inter-item correlations maintained their size and pattern of significance, indicating that the results cannot be entirely accounted for by CMV

Table 3
Descriptive statistics and correlation matrix.

Constructs	Mean	SD	AVE	1	2	3	4	5	6	7	8	9	10
1. Sensory	3.81	0.66	0.60	*0.77*									
2. Affective	3.37	0.84	0.72	0.65**	*0.85*								
3. Behavioral	3.17	0.91	0.69	0.57**	0.73**	*0.83*							
4. Intellectual	3.18	0.93	0.77	0.59**	0.73**	0.78**	*0.88*						
5. Brand credibility	3.96	0.58	0.56	0.61**	0.42**	0.35**	0.40**	*0.75*					
6. Perceived uniqueness	3.62	0.76	0.67	0.58**	0.56**	0.49**	0.52**	0.49**	*0.82*				
7. Price premium	3.03	0.88	0.56	0.53**	0.63**	0.58**	0.56**	0.48**	0.55**	*0.75*			
8. Category involvement	3.27	0.94	0.58	0.38**	0.36**	0.44**	0.47**	0.21**	0.33**	0.34**	*0.76*		
9. Brand familiarity	4.14	0.69	0.72	0.38**	0.32**	0.20**	0.22**	0.39**	0.39**	0.29**	0.39**	*0.85*	
10. Consistency of image	3.93	0.63	0.54	0.51**	0.33**	0.27**	0.26**	0.68**	0.53**	0.40**	0.26**	0.48**	*0.73*

Note: ** indicate the significance levels of 0.01; AVE refers to average-variance-extracted; the square-root of the AVE is typed in bold italics along the diagonal.

Table 4
Structural model estimates.

Hypothesized path	β	C.R.	95% C.I.
H1: Brand experience → WTP a price premium	0.56**	6.86	0.44 – 0.68
H2a: Brand experience → Brand credibility	0.24**	4.87	0.15 – 0.33
H2b: Brand credibility → WTP a price premium	0.15**	2.97	0.05 – 0.26
H3a: Brand experience → Perceived uniqueness	0.69**	10.79	0.62 – 0.75
H3b: Perceived uniqueness → WTP a price premium	0.16*	2.59	0.03 – 0.29
Specific indirect (mediated) effects:			
Brand experience → WTP a price premium (via brand credibility)	0.05*	–	0.01 – 0.13
Brand experience → WTP a price premium (via perceived uniqueness)	0.16*	–	0.02 – 0.31

Note:.

Two-tailed tests. β refers to standardised path coefficient; C.R. refers to Critical Ratio; C.I. refers to Confidence Interval.

* Indicate the significance levels of 0.05.

** Indicate the significance levels of 0.01.

(Lindell and Whitney, 2001). Thus, CMV does not seem to present a serious threat.

5. Analysis and findings

5.1. Measurement model analysis: reliability and validity

Construct validity is assessed through a confirmatory factor analysis (CFA). First-order measurement model fits the data reasonably well: χ^2 = 1143.44, d.f. = 549, ($p < 0.01$); χ^2/d.f. = 2.08; TLI = 0.93; CFI = 0.94; RMSEA = 0.052. The first-order standardized item factor loadings were highly significant ($p < 0.01$), mostly exceeding 0.50. The exception is one item measuring category involvement (i.e., 'I use automobiles very often') with $\lambda = 0.44$, on the basis of conceptual consideration, we deleted this item. The re-estimated measurement showed acceptable fit: χ^2 (515) = 1012.72 ($p < 0.01$); χ^2/d.f. = 1.97; TLI = 0.94; CFI = 0.95; RMSEA = 0.049.

Construct reliability constitutes another facet necessary for substantiating the measure validity. The standardized first-order loadings, as reported in Table 2, are large (range: 0.57–0.90) and significant (t-values exceed 11.00; $p < 0.001$), each item loads adequately on the respective factors, suggesting appropriate convergent validity. Furthermore, at 0.50 or higher, the Average Variance Extracted (AVE) for each construct (as reported in Table 3) exceeds the benchmark (Fornell and Larcker, 1981). The first-order constructs seem internally consistent as supported by Cronbach's α (ranging from 0.79 to 0.91), and composite reliabilities (ranging from 0.79 to 0.91); jointly demonstrating acceptable construct reliability (Bagozzi and Yi, 2012). Next, discriminant validity is also supported. First, the square-root of a construct's AVE exceeded its bivariate correlation coefficient with other constructs (refer to Table 3), confirming Fornell and Larcker's (1981)

criterion. Second, 95% Confidence Intervals (CIs) around the bivariate correlation estimates excluded '1.0', indicating a lack of perfect correlation, which again confirms discriminant validity. Overall, the scales exhibit sufficient psychometric properties.

5.2. Hypotheses testing

We used structural equation modelling (SEM) with IMB SPSS Amos 24.0 software to evaluate the hypothesized structural relationships because it is superior to regression analysis for testing indirect effects when parallel mediators are involved (Preacher and Hayes, 2008). The indices reveal an adequate fit of the hypothesized model (χ^2 (544) = 1253.64; $p < 0.01$; χ^2/d.f. = 2.30; TLI = 0.91; CFI = 0.92; RMSEA = 0.057). We also conducted a bootstrapping analysis specifying a 95% confidence interval (across 5000 sub-samples). Bootstrapping allows us to examine the plausibility of the parameters in a much bigger sample (Byrne, 2010). The 2nd-order brand experience significantly explains its four dimensions: sensory (standardized beta coefficient, $\beta = 0.82$, $p < 0.01$; 95% CI: 0.73–0.89), affective ($\beta = 0.91$, $p < 0.01$; 95% CI: 0.88–0.94), behavioral ($\beta = 0.90$, $p < 0.01$; 95% CI: 0.86–0.93) and, intellectual ($\beta = 0.89$, $p < 0.01$; 95% CI: 0.86–0.93).

The results of hypothesis testing (i.e., standardized path coefficients and significance levels) are provided in Table 4. The results indicate a significant positive relationship between brand experience and consumers' WTP a price premium ($\beta = 0.56$, $p < 0.01$; 95% CI: 0.44–0.68), in support of H1. Further, as we predicted, brand experience positively and significantly influences brand credibility ($\beta = 0.24$, $p < 0.01$; 95% CI: 0.12–0.37), brand credibility positively and significantly influences consumers' WTP a price premium ($\beta = 0.15$, $p < 0.01$; 95% CI: 0.04–0.27), supporting H2a and H2b respectively. Next, brand experience positively and significantly impacts perceived uniqueness ($\beta = 0.69$, $p < 0.01$; 95% CI: 0.62–0.75) and perceived uniqueness positively and significantly impacts consumers' WTP a price premium ($\beta = 0.16$, $p < 0.05$; 95% CI: 0.03–0.29), in support of H3a and H3b respectively. Finally, as for the control variables, the effect of consistency of image (control influence) on brand credibility is positive and significant ($\beta = 0.68$, $p < 0.01$; 95% CI: 0.54–0.79). The model explains a substantial amount of variance in uniqueness (variance explained = 48%; 95% CI: 38–57%), brand credibility (variance explained = 67%; 95% CI: 59–74%), and consumers' WTP a price premium (variance explained = 61%; 95% CI: 51–68%).

5.3. Mediation analysis

For the estimation of mediation, we followed Preacher and Hayes's (2008) recommendations and estimated the direct and the indirect effects simultaneously using a bootstrapping procedure (with 5000 sub-samples). First, we specified a direct path from brand experience to consumer's WTP a price premium. Significant direct path indicates the presence of a partial mediation via the two mediators. We then examined the overall indirect effect of brand experience on consumer's

WTP a price premium (via both mediators). We found a significant overall standardized indirect effect of 0.15 ($p < 0.01$; 95% CI = 0.05–0.24), which suggests that brand experience exerts a significant indirect effect on consumers' WTP a price premium.

Next, we examined specific indirect effects via each mediated pathway by conducting a phantom model analysis (Macho and Ledermann, 2011). A phantom model is typically added to a main model, and is made up of entirely latent variables whose parameters are constrained. The specific indirect effect to be tested in covariance-based SEM is specified as a total (unstandardized) effect in the phantom model. The method also permits the bootstrapping of confidence intervals for the specific indirect effects being examined. Given the presence of two specific indirect (mediated) paths from brand experience to consumers' WTP a price premium, two phantom models were specified and examined, corresponding to each specific indirect effect that is hypothesized. We used 5000 iterations to derive 95% bias-corrected confidence intervals. The specific indirect effect via brand credibility was 0.05 ($p = 0.01 < 0.05$; 95% CI = 0.01–0.13) and that via perceived uniqueness was 0.16 ($p = 0.025 < 0.05$; 95% CI = 0.02–0.31); these results lend support for both indirect pathways to be significant. Overall, the presence of a partial mediation via the two mediators suggests that brand experience exerts a significant overall indirect effect on consumers' WTP a price premium.

5.4. Robustness checks

To assess the stability and validity of our results, we performed several forms of follow-up analyses. First, we specified the effects of additional demographic influences (i.e., age, education, income, and occupation) on consumers' WTP a price premium to examine the change (if any) on the hypothesized path estimates. In terms of direction and statistical significance, the results mimic what we have reported in Table 4. Only education exerted significant impact ($\beta = 0.12$, $p < 0.01$). The additional control variables not changing the results indicate that core finding pertaining to the brand experience is robust. In the second follow-up analysis, we decomposed brand-level effects using a two-level premium and mass-market dummy variable, and re-estimated the model. The dummy variable did not exert a significant impact on consumer brand evaluation, suggesting that our results are robust across mass-market and luxury brands of vehicles. Third, we examined the moderating effects of involvement and brand familiarity, and did not find support for moderating effects of these variables on the hypothesized paths. These results indicate adequacy of our model.

6. Discussion and conclusions

Brand experience represents a burgeoning research area (e.g., Brakus et al., 2009; Khan and Rahman, 2015; Klein et al., 2016) and has implications for our understanding of brand performance. Prevailing thought suggests that in order to connect better with consumers, firms have to deploy compelling brand experiences (e.g., Verhoef et al., 2009). The Marketing Science Institute's 2014–16 Research Priorities classify customer experience as a 'Tier 1 Priority' (MSI.org, 2014). The current marketplace also reveals a mounting emphasis on experiential marketing. 'Customer experience is the new marketing,' notes Steve Cannon, CEO at Mercedes Benz, USA (Jaruzelski et al., 2011). With this research, we aim to provide a systematic conceptual and empirical integration on the extent to which positive brand experience can influence consumers to knowingly pay a price premium. Using a sample of new automobile consumers, our analysis finds support for a direct effect of brand experience, and reveals partial mediating effects of brand credibility and perceived uniqueness.

6.1. Implications

Our work primarily contributes to research streams in brand experience. By increasing knowledge at the intersection of brand performance and pricing strategy, we also relate our article to the literature on pricing. While relevance of price premium is well-entrenched in models assessing the potential financial value of brands (Aaker, 1996; Keller, 1993), this study provides a basis for informed decisions on price premium strategy. In particular, we contribute to the literature by proposing that an enriched brand experience represents a means for devising a successful price premium. Substantively, we make the case for brand managers to harness the power of experiential product attributes. Popular press adds credence to this notion that positive brand experience may be associated with higher financial payoff. For instance, in China, Häagen-Dazs offers wedding cakes and desserts along with ice cream, creates an indulgent experience, and successfully implements a price premium strategy through locating stores in upmarket areas (Hollis, 2014).

Given that firms are constantly mobilizing technology and re-designing functions around consumer needs to improve consumers' consumption experiences (Bolton et al., 2014), the insights developed herein bear implications for brand practitioners. While creating a rich brand experience may require significant investment at various consumer touch points, this research suggests that doing so has the potential to enhance profitability in the long run through price premium. Thus, our findings should give confidence to brand managers that creating a rich brand experience should be a strategic priority and various brand encounters should be thoughtfully managed as part of a brand's overarching positioning strategy. This resonates with Nike CEO Mike Parker's goal of making the digital experience 'simple and personal' (Vizard, 2015). Nike has created the Nike + ecosystem which provides users access to training programs, fitness history, and favourite sportswear. This line of thinking rings true with recent research emphasizing the need to create superior brand experience for luxury retail (Klein et al., 2016). Examples abound where firms allocate substantial resources to build maximally pleasurable experiences and make the brand come alive, thereby connecting closely and intimately with consumers, and charge price premium. For illustration, consider how Warner Brothers studio tour (London), Disney theme parks (Orlando) or World of Coca Cola (Atlanta) successfully engage consumers through imparting unique experiences.

Finally, our finding of the mediating route suggests that building brand credibility and uniqueness could be an effective way to attract customers, which in turn also makes it easier for consumers to justify paying a higher price for the brand experience. In addition, explication of the routes through which brand experience may influence customers' WTP a price premium is vital from a managerial perspective. The multistep process implies that investments into developing compelling brand experiences will likely shape multiple interim brand outcomes—consumer perceptions of brand credibility and uniqueness—in addition to the impact on consumers' WTP a price premium. When viewed in light of our overall results, an enhanced brand credibility and uniqueness will make it easier for consumers to justify paying a higher price for a brand in future.

6.2. Limitations and further research

There are several limitations to acknowledge when considering this study. At the same time, they might open up promising avenues for future research. First, the cross-sectional nature of the study can only provide a snapshot of the hypothesized paths; longitudinal design can be used to map out temporal facets and provide more rigorous empirical support for the theory. Second, we are keenly aware of the fact that the focus on a single product category limits the generalizability of our results. At the same time, it allows for important controls and enhances internal validity of the results. Future studies may wish to validate our results to other product categories. For example, it is conceivable that brand experience could be more relevant for service (versus product), high (versus low) involvement, and hedonic (versus

utilitarian) offerings. On a related note, we examined the hypothesized model in a high-involvement category of brand new automobiles; further testing across low-involvement categories (e.g., instant coffee and toothpaste brands) could be worthwhile. Third, the present research is limited by the constructs studied. Future studies may delve into other brand-level effects and interactions to shed light on the potential boundary conditions. Fourth, another limitation of our study is the presence of a potential bias resulting from consumers mentally confirming or reinforcing their expectations of a favourable experience arising from acquiring a brand new vehicle.[1] However, we observed a healthy spread of scores across the four dimensions of brand experience, so this bias may not be threatening. Nevertheless, we caution future researchers to this bias so that the potential severity of this bias can be reduced. For instance, researchers may adopt an alternative sampling design, such as estimating the hypothesized model on a qualitatively different sample of consumers (e.g., using a mix of recent buyers and established users) to address this issue. Finally, the partial mediation that we find upholds the view that understanding of this process is tentative and warrants additional research.

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