

**Perceived Affiliations through Spatial Positions and Status Dynamics
in the U.S. Fashion Industry**

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ABSTRACT

In this paper, we examine how spatial positions affect organizational status dynamics by creating perceived affiliations. While prior studies focused on bilateral affiliations, we argue that the perception of affiliations by external audiences regardless of the intentions of the involved parties can also lead to status dynamics. In particular, we argue that, by creating perceived affiliations in the minds of the audiences, spatial positions in terms of premium locations and relative proximity to high-status organizations can improve the status of a focal firm. Furthermore, middle-status organizations benefit the most from these high-status spatial positions, because they are close to, but distant enough from the high-status position. In our empirical context of the U.S. fashion industry from 2001 to 2014, we find support for our theoretical arguments. Strategically placing an advertisement in a premium location or unexpectedly being featured near representative high-status fashion firms in a Vogue magazine has a positive impact on the average listed price of a focal company's fashion products, an important indicator of status positions among fashion companies. In addition, middle-status firms increase their listed prices most significantly through high-status spatial positions.

Keywords:

Status dynamics; spatial positions; fashion industry

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Research on organizational status, defined as a relative position in a social hierarchy (Linton, 1936; Jensen, Kim & Kim, 2011), has highlighted the self-fulfilling nature of social hierarchies (Gould, 2002; Podolny, 1994; 2005). Due to the disproportionately distributed resources and attention at the top of the hierarchy (Podolny, 2005; Simcoe & Waguespack, 2011) and the prevalence of homophily in relationship formation (Podolny, 1994; Higgins & Gulati, 2003), it is difficult for organizations to change their status positions. In this study, we propose an alternative pathway by which status dynamics can occur. While previous studies focused on actions driven by the focal firms to accumulate status such as investments in quality or affiliations with high-status actors (Podolny & Phillips, 1996), we focus instead on the situations in which external audiences can drive status dynamics through perceived affiliations with or without the intention of the involved parties. We specifically examine how spatial positions—absolute location in which an organization is positioned and relative proximity with other actors surrounding the focal organization—influence the perception of the audiences to create affiliations between organizations. In other words, unlike the relationships based on bilateral agreements whereby the lower-status actors would have to obtain the consent of the higher-status actor in affiliation formation, we address an important question of how spatial positions influence audiences to form perceived affiliations and therefore impact subsequent status dynamics.

Previous studies have shown that spatial positions possess two important characteristics that directly affect focal firms: both absolute locations and relative distance to other firms influence firms and their outcomes (Torre & Rallet, 2005; Abrams & Landgraf, 1990; McCann

& Folta, 2008). We further argue that both aspects of spatial positions affect status dynamics by influencing the perception of the external audiences. First, certain locations are often associated with high-status and firms in such locations may be perceived as being high-status as well (cf. Sharkey, 2014). In academic journal articles whereby authors are listed in alphabetical order regardless of their contributions, for example, the first author often gets more attention and credit from the audiences evaluating the work (Praag & Praag, 2008). Second, the audiences also infer affiliations between firms through their spatial proximity: In typical American malls, the high-end shops are often located together in the same wing, which facilitates the perception of close connections between them (Thompson, 2012). Taken together, we posit that through certain absolute and relative spatial positions, firms can create perceived high-status affiliations, which, in turn, leads to status growth. Furthermore, we argue that middle-status firms tend to benefit most from these spatial positions. High-status firms have less to gain from additional high-status perception, since they are already considered high-status, whereas low-status organizations may experience the contrast effect instead of the assimilation effect because of the significant difference between high-status spatial positions and their low social position.

Our focus on spatial positions is especially important in understanding the interactions between firms and external audiences for several reasons. First, most prior studies highlight the stable nature of status hierarchies and document the limitations of status accumulation for lower-status actors (Gould, 2002; Podolny, 2005). We identify specific situations in which lower-status actors can both *intentionally and unintentionally* influence status dynamics by altering the perception of the external audiences. Specifically, we propose that positioning in premium locations is an intentional approach to associate with high-status actors, and that spatial proximity to other high-status actors is an unintentional benefit, given that the focal firm cannot

fully control the positions of other high-status actors. Furthermore, we argue that different status groups enjoy the spatial positional benefits differently because of the difference in their position in the social hierarchy. Finally, while the emphasis on spatial positions in organizational studies is not new (McCann & Folta, 2008), our study shows that spatial positions can have a significant impact on the *perceived* characteristics of the focal firm. It is well-known that premium locations can enhance the visibility and accessibility of firms (Laulajainen & Stafford, 1995: 53), and that spatial proximity between firms facilitate information exchange (Shaver & Flyer, 2000; Alcacer & Chung, 2007). On top of the substantial resource benefits of spatial positions, however, we highlight that spatial positions can also benefit focal firms through influencing the perception of the external audience.

We examine our theoretical arguments of spatial positions on status dynamics in the U.S. fashion industry. The fashion industry provides an interesting context because of the widely prevalent status-based consumption as well as status being heavily influenced by the external audiences' subjective judgement of the firms rather than from the difference in the objective quality of the products (Breward, 2003; Davis, 1992). We especially focus on U.S. Vogue, a fashion magazine established in 1892, and collect data on fashion firms that advertised and/or listed their products' price information from 2001 to 2014. Compared to other spatial positions such as geographical storefront locations, magazine advertisement space provides a better context in which to test our arguments given that firms can strategically choose premium locations by investing more financial resources, but do not have control over the order of other advertisements. In addition, the listed price information in Vogue's editorials allows us to operationalize the status hierarchy among fashion companies (cf. Sherman, 2013; Davis, 1992). Using a sample of 177 firms whose products were listed in the editorials of U.S. Vogue at least

twice during our study period, we provide evidence that spatial positions, especially spatial proximity to representative high-status firms, are an important pathway by which firms can accumulate status. We further show that middle-status firms, compared to high-status or low-status firms, benefit most from high-status spatial positions.

THEORY AND HYPOTHESES

Status Dynamics and Affiliations

As widely documented in sociology and organization theory, high-status positions offer numerous benefits to organizations that occupy such positions within a social hierarchy, including better perceived quality and independence from social pressures (e.g., Podolny, 1993; Phillips & Zuckerman, 2001; Jensen et al., 2011). Although, some firms that occupy middle- or low-status positions focus on their own market niches (Podolny, 1994; Phillips & Zuckerman, 2001) and high-status positions are not without their disadvantages (Rhee & Haunschild, 2006; Jensen, 2008; Jensen & Kim, 2015), many firms desire higher-status positions and strive to move up the status hierarchy. Prior research on status dynamics identifies two main sources by which actors can increase their status positions (Podolny & Phillips, 1996). First, as status and perceived quality are strongly correlated especially under uncertain conditions (Podolny, 1993; 2001), organizations can move up the status hierarchy through actual quality investments in product offerings (Shapiro, 1983). Second, status growth is also possible through affiliations with other high-status actors (Higgins & Gulati, 2003). Status accumulation through quality investment, however, is difficult because higher-status actors often produce better quality products at lower costs (Podolny, 1993; Benjamin & Podolny, 1999). High-status actors also tend to prefer relationships with similar counterparts due to concerns of status leakage,

preventing status-heterophilous affiliations (Podolny, 1994). As a result, status hierarchies, once established, tend to perpetuate, and status growth therefore is difficult to achieve (Burris, 2004; Malter, 2014).

In this study, we focus on status dynamics through affiliations with high-status actors, and by relaxing an important assumptions in prior studies, we introduce an alternative source of affiliation formation that can lead to potential status accumulation. More specifically, previous studies have argued that status growth through high-status affiliations is difficult because of status homophily among high-status actors. The implicit assumption in these studies is that affiliations are created through bilateral agreements, and that lower-status organizations face difficulties obtaining the consent of higher-status organizations to enter into exchange relationships (cf. Castellucci and Ertug, 2010). Studies, for example, have highlighted status homophily in the affiliations formed in underwriting syndicates of investment banks (Podolny, 1993; 1994), the relationships between entrepreneurial firms and underwriters for their IPO (Higgins & Gulati, 2003), and the hiring process of academics from departments of similar-status levels (Burris, 2004). By relaxing this assumption, we argue that affiliations can be formed even without bilateral agreements, and further show that perceived affiliations by external audiences can also impact status dynamics.

Affiliations are typically understood as close connections or relationships with an individual or an organization as a member or a partner. While previous research has focused on the connections formed through intentional matching, in order for affiliations to have an impact on actors' status, the connections only need to be created in the minds of the external audiences. For example, conspicuous consumption of luxury goods is one way in which individuals can create a perception of affiliations with a high-status firm without its direct consent aside from

selling the product to the consumers (Veblen, 1899; Bagwell & Bernheim, 1996). Firms also try to create connections with higher-status firms without their direct consent as seen in the example of fashion companies such as Zara trying to locate their storefronts next to luxury firms such as Prada or Gucci (Thompson, 2012). As illustrated in these examples, the perception of affiliations can be created in the minds of the audience even without the intention of all the parties involved in the exchange. Specifically, we focus on spatial positions, such as where an organization is spatially located or what is surrounding it, and examine its potential effect on status dynamics through influencing the perceived affiliations of the focal organization. We argue that affiliations with higher-status organizations without bilateral agreement can be opportunities for organizations, especially lower-status ones, to change their current status positions – a source of status dynamics that has not been examined in prior studies.

Status Dynamics through Spatial Positions

Spatial positions have long been a focus of many organizational studies given the importance of especially geographical locations (e.g., Hotelling, 1929; Marshall, 1920; Porter & Stern, 2001). While the most intuitive examples of spatial positions may be the geographical location of firms' offices and subsidiaries, or locations of retail outlets, spatial positions can also refer to locations of individual offices within an organization (Chown & Liu, 2015), ordering of products within a product portfolio (Kim & Jensen, 2011), or positioning of products or brand logos within an advertisement space (Teixeira, Wedel, & Pieters, 2010). While the focus has traditionally been on the impact of spatial positions on the internal dynamics within the focal location such as interactions among organizations and its consequences (e.g., Alcacer & Chung, 2007; Liu & Srivastava, 2015), spatial positions can also impact the perception of the focal firm

by the external audience regardless of the substantial interactions between the co-located actors. Firms that position within the Silicon Valley, for example, can receive substantial knowledge spillover from spatially proximate firms (Saxenian, 1994), but also signal to the external audiences that the focal firm possesses certain characteristics such as being young, innovative and dynamic. Spatial positions may be especially important in shaping the (perceived) status of the focal actor in the minds of the audiences as visual cues are particularly relevant in “persuading audiences, and acquiring reputation and legitimacy” (Meyer et al., 2013: 525).

Two specific aspects of spatial positions are potentially important in influencing status dynamics. Spatial positions can be illustrated in terms of the absolute location and the relative distance to other actors (Abrams & Landgraf, 1990). Organizations can, for example, geographically locate within Silicon Valley (absolute location) which will position them relatively close to other prominent firms such as Google or Facebook (relative distance to other actors). While both the absolute location and relative distance can have implications for the focal organization, one of the key differentiating characteristics of the two is the intentionality or the controllability behind the decision. More specifically, the absolute spatial location can be a strategic decision by the focal firm, whereas the relative distance to other (high-status) organizations may not be fully controllable by the focal firm as this is partly determined by the location choices of other firms. A simple illustration can be the seating choice when buying a flight ticket: One can choose the absolute location be it first class, business class or economy class, but cannot fully control the exact people who sits next to you, even though buying first class tickets may increase the likelihood of sitting relatively closer to high-status actors compared to buying economy class tickets.

Building on the distinction between absolute location and relative distance in spatial positions, we examine the impact of such positions on the status dynamics of firms. We argue that firms' status positions can improve through both aspects of spatial positions – positioning in a premium location (absolute location) and positioning relatively proximate to other high-status firms (relative distance to others). Nevertheless, we emphasize that the former is a strategically controllable action by the focal firm in an attempt to benefit from the status of the location itself. Such location choices obviously come with a cost that can be relatively high for lower-status firms with less resources. Our focus is not on whether premium location choices are cost effective. We are instead most interested in, given the location choice, whether it has significant impact on status dynamics. On the other hand, relative distance to other high-status firms is not fully controllable by the focal firm as this is dependent on the location decision of other firms. Therefore, whether the focal firm is proximate to other high-status firms is somewhat a function of unexpected luck rather than being a strategic decision. Through examining the impact of relative distance to high-status firms on status dynamics, we also explore how status growth through spatial positions can partly be influenced by luck, a component not fully controllable by the focal firm as opposed to intentional strategies (Barney, 1986).

Regardless of the strategic controllability behind premium location choice and proximity to high-status actors, both can have a positive impact on status accumulation for the focal firm. Similarity proximity between actors have been shown to have a positive impact on group perception (e.g., Campbell, 1958; Hannan et al., 2007; Murphy, 2004; Tversky, 1977). Similarly, high-status spatial positions (both absolute and relative) can facilitate the formation of perceived affiliation between the focal actor and the high-status counterpart. First, premium locations are associated with high-status and therefore, firms positioned within such locations may be able to

increase their status positions by convincing the audiences that they also belong to the high-status group. The aforementioned purchasing first class seats on flights, locating in Champs Elysees shopping district in Paris, or advertising during the NFL Superbowl halftime are examples of positioning in such premium locations. Second, regardless of the status level of the absolute location, relative proximity to high-status actors can also positively influence the status of the focal firm. Because the audiences use visual cues to construct status hierarchies (Meyer et al., 2013; Thompson, 2012), being proximately located to other high-status actors may create a perceived affiliation not necessarily intentioned by the involved parties and therefore, influence the audiences to associate the focal firm as belonging to the same high-status group. In sum, we hypothesize as follows:

H1: Positioning in a premium location increases the status of the focal firm.

H2: Spatial proximity with other high-status firms increases the status of the focal firm.

Having examined the main effects of spatial positions on the status change of the focal firm, we shift the focus to the question of which status group benefits most from high-status absolute and relative spatial positions. First, firms that already occupy high-status positions have little to gain from perceived affiliations with other high-status firms. Intentional affiliations among high-status actors are obviously beneficial as witnessed by the widely documented prevalence of status homophily (Jensen & Roy, 2008; Stuart, Huang & Hybels, 1999). However, the influence of perceived affiliation on status dynamics of high-status partners will likely be limited given the minute status difference between the actors. In other words, if a high-status focal firm is positioned in a premium location or is relatively proximate to another high-status firm, the external audiences are likely to simply confirm their existing status beliefs rather than

perceive the focal firm as even higher-status than before. In contrast, low-status and middle-status firms have much to gain from being affiliated with high-status firms. In fact, studies have shown several positive outcomes of heterophilous relationships between higher-status and lower-status organizations, including better coordination due to clear role differentiation (Cowen, 2012) and extra efforts by low-status actors translating into positive performance outcomes (Castellucci & Ertug, 2010).

We, however, argue that middle-status organizations will benefit from affiliations with high-status actors due to assimilation effects, whereas low-status actors will not due to contrast effects (Mussweiler, 2003). First, the status difference between low- and high-status firms can be very significant, making the audiences to be less convinced that the two firms belong to the same status bracket, but rather to emphasize the contrast in the status positions. Even if the audiences do not have a prior baseline regarding the status level of the low-status firm, the products offered by the low-status firm may potentially highlight the contrast between the focal firm and the high-status comparison. In advertisements or retail stores, for example, if a low-status firm is positioned next to a high-status firm, the features presented in the ads or in the storefront window are likely to differ and therefore will be less likely to create a perceived affiliation in the minds of the audiences. On the other hand, the status gap between middle-status and high-status firms is moderate, making the contrast effect less likely. Social psychology research on comparison processes have shown that in most comparison situations, the audiences are most likely to focus on the similarities, as long as salient cues do not highlight the differences, of the targets rather than focus on the differences (Festinger, 1954; Mussweiler, 2003). Given the moderate status gap between middle-status and high-status firms, it is more likely that the audiences will be

influenced by the spatial positions and form perceived affiliations between the firms. Therefore we posit the following:

H3a: Status increase from positioning in a premium location will be the strongest for middle-status firms.

H3b: Status increase from proximity with other high-status actors will be the strongest for middle-status firms.

METHODS

U.S. Fashion Industry

The U.S. fashion industry represents an interesting and appropriate context in which to explore our theoretical arguments about the effects of spatial positions on status dynamics. First, it is well known that firms and the external audiences in the fashion industry are sensitive to the status hierarchy among fashion companies (Davis, 1992; Cappetta, Cillo, & Ponti, 2006). The consumption of fashion products, including apparel, handbags, and shoes, is often status-conscious: People consume fashion products in order to signal their status to other relevant audiences (Som & Blanckaert, 2015; Sherman, 2013; Nelissen & Meijers, 2011). Consequently, the desirability of a fashion item and its fashion company tends to increase with the (perceived) status of the firm (Godart, 2012; Leibenstein, 1950; Veblen, 1899). A necessary condition for this status-conscious consumption, however, is that the status hierarchy among fashion companies is easily understood and shared by the relevant audiences. Prices of luxury goods, especially their listed prices play an important role in simplifying the communications about the status hierarchy in the fashion industry: In many cases, the (average) listed prices of fashion products serve as an appropriate representation of status hierarchies (Sherman, 2013; Rambourg, 2014; see also Askin & Bothner, forthcoming; Benjamin & Podolny, 1999; Jensen et al., 2011). Then, it becomes important, especially for the external audiences, to access reliable and

independent sources of the listed price information to infer the status hierarchy in the given industry.

Second, another important characteristic of the fashion industry for our study is the importance of visual representation through photography and the concurrent creation of spatial advertisement space for fashion companies (Breward, 2003; Angeletti & Oliva, 2012; Passikoff & Shea, 2008). Since the twentieth century, fashion press, especially fashion magazines, have played a central role in linking fashion companies and external audiences through visually representing and creating the demand for fashion products (Breward, 2003). To more efficiently provide the visual presentations of fashion products, fashion magazines have allowed more fashion companies to place advertisements on their mediums. As a result, fashion magazines are generally very advertisement-heavy (Breward, 2003; Cowles, 2013). The percentage of advertisement pages for a U.S. *Vogue* September issue, for example, easily reaches over 75 percent, except in 2009 when the economic recession negatively affected the advertisement market (Odell, 2009). The emphasis on advertisement by fashion magazines, spearheaded by U.S. *Vogue* magazine, therefore, has created ample virtual advertisement space for fashion companies to intentionally or unintentionally enjoy the aforementioned benefits of spatial positions—either premium location or spatial proximity to high-status firms—and in turn, make it an appropriate context to examine and operationalize the effects of spatial positions in advertisement space on their status change.

The *Vogue* magazine is therefore critical for our study. *Vogue* is generally known as the most influential and respected fashion magazine in the world (Angeletti & Oliva, 2012; Breward, 2003; Weber, 2006). Indeed, it is often called as a fashion bible and its “quality and prestige has always remained impeccable” (Vergani, 2010: 1320). In particular, a U.S. *Vogue* September

issue, in line with the typical cycle of the fashion industry which begins in September, is regarded as the most important and representative issue of Vogue and the magazine puts the most efforts and time in creating its September issue (Chernikoff, 2013; Cutler, 2009; Martel, 2012). The Vogue's September 2012 issue, for example, has been its largest issue with 916 total pages and 658 advertisement pages (Martel, 2012). In a documentary specifically covering the making of the Vogue's September issue in 2007, its publisher also said in an advertising sales team meeting that "1 in 10 American women, almost 13 million people will get that issue" (Cutler, 2009). More importantly, in its *editorial* sections, U.S. Vogue often lists the prices of fashion products. With its longstanding reputation of editorial independence (Breward, 2003; Cappetta et al., 2006), the Vogue's listed price information has been a credible source for the fashion-conscious to infer the aforementioned status hierarchy among fashion companies. With the centrality and popularity in the fashion industry, Vogue also has become the most important advertisement space for high-end fashion companies (Angeletti & Oliva, 2012). U.S. Vogue is, therefore, an important data source to understand the potential effects of spatial positions of fashion companies in Vogue's advertisement space on status increase based on listed prices in Vogue.

Sample and Variables

Our sample consists of fashion companies (brands or fashion labels) whose products' prices were listed in U.S. Vogue September issues at least twice between 2001 and 2014.¹ As

¹ We also increase the sample to include March, June, and December issues of U.S. Vogue in our study period and find consistent results. We only report the results using the September issues given its aforementioned significance as well as the sheer difference in volume compared to the other issues.

previously mentioned, many products featured in Vogue's editorial sections have price information listed on the same page or in an index at the back of the magazine, called 'In This Issue.' We collected all the listed price information along with company and product information in U.S. Vogue September issues. Since we are interested in status dynamics, we excluded fashion companies that were cited only once over the time frame of our study. Furthermore, as we relied on listed price information in order to construct the status hierarchy in the fashion industry, we excluded companies without price information. We aggregated all the price information by fashion firm and year, and therefore our basic unit of analysis is fashion firm-year. Because a few fashion companies have multiple fashion labels with different price levels that often target different audiences, we used the Fashion Model Directory (FMD), an online database of professional fashion information (FMD, 2015), to identify and adjust the proper unit of analysis. We regarded the *sub*-labels of a fashion company independently if they were listed as independent fashion labels on the FMD fashion-company list. Michael Kors Holdings, an American fashion company, for example, encompasses not only Michael Kors, its flagship label, but also more accessible and viable labels, Michael Michael Kors and Kors by Michael Kors. We treated these three labels as different fashion companies and collected data independently for each one. In sum, our final sample between 2001 and 2014 includes 177 fashion companies and 702 firm-year observations.

Dependent Variables. Because listed price is an important indicator of the status level of a company in the fashion industry (Sherman, 2013; Davis, 1992), we measure the dependent variable using Vogue's price information. We took the logarithm of the average price of all the focal fashion company's items that were listed in a specific September issue of Vogue magazine to operationalize status (*Average Price [ln]*). To be able to compare the price level of similar

fashion items we excluded jewelry, watches or items made with exotic material like crocodile leather. As an alternative dependent variable, we also created a relative ranking of each fashion company within an issue (*Price Rank*). We used the percentile measure of the average price (ln) variable: A fashion company with the highest average price in issue would get a score of one, whereas another fashion company with the lowest price would get a score very close to zero. Hermès, Fendi, and Jean Paul Gaultier Haute Couture are exemplar companies that at least once occupied the highest ranking position, whereas Gap, H&M, and Target often occupied the lowest ranking position during our research period. The other firms would be evenly distributed in between zero and one.

Independent Variables. We have three independent variables. First, in order to capture the premium advertising location for fashion companies, we focus on Vogue's advertisement space before a masthead. For most fashion magazines, including Vogue, placing advertisements before a masthead (that is, the table of contents) is the most expensive, given its visibility (Passikoff & Shea, 2008). Therefore, we counted the total number of advertisements that a fashion company place in a specific Vogue edition and calculated the percentage of the advertisements placed before the masthead (*Advertisement before Masthead [%]*). Second, in order to measure the spatial proximity of a focal company with high-status companies, we first defined a set of the representative high-status fashion companies by using the Brand Z ranking reports, the World's largest repository of brand equity data (Brand Z, 2015).² The Brand Z annually announces the Top 10 most powerful luxury brands. These rankings remain quite stable over the years with Louis Vuitton coming out as number one during the time frame of our study.

² We assume that the audiences are likely to recognize only several representative high-status firms without explicit price information (Medin & Schaffer, 1978; Murphy, 2004).

Then, we numbered all the advertisements in each Vogue issue in ascending order and examined how close (or far away) they are from the advertisements by the Top 10 Brand Z fashion companies (*Advertisement Distance [ln]*). Specifically, we used the below equation to calculate the advertisement distance to all the Brand Z fashion companies (cf. Barnett, 1997; Jensen & Kim, 2014):

$$\ln(C_i) = \ln(\sum_{k=1}^n \sum_{j=1}^T d_{ikj}^{-\alpha} + 1),$$

where T and n are the total numbers of advertisements by the Top 10 Brand Z fashion companies and the focal company i in each Vogue issue, respectively, d_{ikj} is the order difference between a focal company i 's k^{th} advertisement and one of the Brand Z companies' advertisements, j , and α is one (using $\alpha=2$ provided a similar result). A higher number indicates a closer distance to the most representative high-status fashion companies.³

Finally, to test our last hypotheses, we first defined three status groups based on the price information. As our average price (ln) variable generally follows the normal distribution, we used this variable to create three status group dummy variables –high-status fashion companies whose average prices are one standard deviation above the mean (e.g. Chanel, Christian Dior, Giorgio Armani, Hermès), low-status fashion companies whose average prices are below the mean (e.g. Banana Republic, Gap, J Crew, Tommy Hilfiger) and middle-status fashion companies including all the others (e.g. Michael Kors, Proenza Schouler, Stella McCartney, Chloé). If a fashion company does not list any item in Vogue in a particular year, we granted the previous-year status group to the company. We then multiplied each status group dummy

³ We confirmed through series of interviews with fashion firms that while firms can pay more to advertise in certain pages of fashion magazines such as before the masthead, they do not know which other firms will be advertising in a specific issue, nor do they know the locations of any specific firms' advertisements prior to the publication.

variable by each of the two aforementioned independent variables to create the last sets of independent variables (*Low Status_Advertisement Independent Variable*, *Middle Status_Advertisement Independent Variable*, and *High Status_Advertisement Independent Variable*).⁴

Control Variables. We controlled for several magazine-level and organizational-level variables to rule out alternative explanations. First, at the magazine-level, we included two control variables, the number of advertisements and the average length of the advertisements by a focal company to control for any size effect (*Advertisement Number* and *Average Advertisement Length*). In addition, some fashion companies do not place advertisements in a Vogue September issue, but their products are mentioned in Vogue’s editorial sections. In order to control for this ‘no advertisement’ effect on average price, we created a dummy variable, coded one if a fashion company does not have an advertisement in a specific issue (*No Advertisement*). The Vogue’s September issue is also the largest one in each year, but there exists inter-annual variance in total pages. Therefore, we included the number of total pages of each September issue (*Total Page*). At the organizational level, we controlled for whether a focal company is a specialist or generalist by including the number of product categories it listed in Vogue (*Number of Categories*). There are some specialist companies like Manolo Blahnik—a Spanish company that only focuses on a high-end shoe manufacturing, whereas many flagship luxury companies like Prada, Gucci, and Vuitton manufacture diverse product categories, including apparel, shoe, and handbag. Whether or not a company focuses on a specific product category could affect the average listed price of its products, so, it is important to control for this

⁴ We do not include the status group variables as main effect since the groups are calculated based on the (lagged) value of the dependent variable that is already included in the models (see Jaccard & Turrisi, 2003; Stata FAQ, 2015).

effect. We also included a dummy variable of whether a focal fashion company engaged in the New York Fashion Week in a given year to control for its publicity effect on average price (*NY Fashion Week*).

Annually updated Vogue data from 2000 to 2014 were used to measure all control variables. All the independent variables lagged one year behind, and Table 1 contains summary statistics and bivariate correlations.⁵

Insert Table 1 about here

Statistical Analysis. Because we are interested in how organizational status changes over time, our statistical model should include the lagged dependent variable (cf. Podolny & Phillips, 1996; Greene, 2008; Pollack, Lee, Jin, & Lashley, 2015). In order to address a concern that the lagged dependent variable is endogenous due to the unobserved heterogeneity (Greene, 2008), we applied the Arellano-Bond regression models (Arellano & Bond, 1991; Roodman, 2009). In particular, because the advertisement before masthead variable is potentially endogenous (which is consistent with our argument that the premium location can be a strategic choice, whereas the relative distance to high-status actors is not completely controllable), we used one-, two-, and three-year lags of the lagged dependent variable, the lagged advertisement before masthead variable and all values of the remaining variables as the instruments for our models. We also included year dummies to control for any year-fixed effects. Hansen J statistics and AB statistics

⁵ As presented in Table 1, the correlations between some variables are high. However, we conducted VIF tests and the results suggest that multicollinearity was not a significant concern in our models (mean VIF 2.19, maximum VIF 3.65).

indicate that our model specification does not violate the orthogonality and the second-order autocorrelation conditions, respectively (Roodman, 2009; refer to Tables 2 and 3).

RESULTS

Table 2 reports the results of the Arellano-Bond regression models on the average price (ln) variable and presents overall support for our hypotheses. First of all, in all models, the lagged average price variable has a consistently positive impact on the dependent variable, supporting the status growth model, generally suggested in status literature (Podolny & Phillips, 1996; Shipilov & Li, 2008; Cowen, 2012). In addition, the number of the total pages of a Vogue September issue increases the average listed price of all the items of the focal fashion company in that issue, suggesting that Vogue indeed focuses on the fine fashion industry, the higher-end of prêt-à-porter (cf. Davis, 1992; Cappetta et al., 2006) and more pages mean room for more expensive products. Models 1 and 2 add the first two main independent variables, the percentage of advertisements before the masthead and the advertisement distance to representative high-status actors, respectively, and the results strongly supports the first two hypotheses which argue that premium location and spatial proximity with other high-status firms increase the status of the focal firm. The control variables have highly consistent effects on average price in terms of sign and significance. In Model 3, we include the advertisement before masthead by status variables and the result strongly supports the Hypothesis 3a, which argued that middle-status firms enjoy the prestigious location effect most significantly. It presents that middle-status firms statistically significantly increase their status through placing advertisements in premium positions. In Model 4, we add the advertisement distance by status variables and the result is also consistent with our

Hypothesis 3b that hypothesized that the effect of spatial proximity to high-status firms on status increase is the strongest for middle-status firms.

Insert Tables 2 and 3 about here

We performed several robustness checks and report the most important ones in Table 3. In Model 5, we included both independent variables and the result suggests that the advertisement distance variable has a positive effect on the increase in average price, whereas the advertisement before masthead variable becomes statistically insignificant (it still has a positive effect on the increase in average price). In Models 6 to 8, we use the alternative dependent variable, the price rank measure, and the overall results corroborate our hypotheses. First of all, in all the three models, the lagged dependent variable still positively affects the dependent variable, suggesting the status growth model. In addition, like Model 5, Model 6 shows that the advertisement distance variable has a more statistically positive impact on the increase in the dependent variable than the advertisement before masthead variable. Although Hypothesis 3a is not supported in Model 7, Model 8 presents that middle-status firms increase its relative ranking more significantly through spatial proximity to higher-status firms as our Hypothesis 3b predicted.

CONCLUSION

In this paper, we focused on organizational status dynamics that can be driven by the external audiences. We examined how high-status locations and spatial proximity to high-status organizations create perceived affiliations in the minds of the external audiences, which in turn, can improve the status of the focal organization regardless of the intentions of the affiliated

organizations. Furthermore, we argued that the positive effects of spatial locations are the strongest for middle-status organizations: They are located close enough to the high-status position to expect assimilation, not contrast, effects from the external audiences, and at the same time, they are distant enough from the high-status position to fully enjoy the benefits of the high-status affiliation. Using data on firms in the U.S. fashion industry from 2001 to 2014, the empirical findings strongly support our theoretical arguments. The average listed price of a fashion company's products in a specific Vogue September issue increases if the company (strategically) put its advertisement in a premium location and/or if its advertisements were (unexpectedly) located closer to the representative high-status fashion companies' advertisements in the previous year. Our results also indicate that middle-status fashion firms have the statistically most significant improvement in their status through high-status spatial positions, especially proximity to high-status fashion companies.

Our study makes several important contributions to the status literature as well as literature on spatial positions. First, relatively few studies have examined the changes in status positions (cf. Podolny & Phillips, 1996; Cowen, 2012; Pollock et al., 2015; Shipilov & Li, 2008) due to the inherent nature of status hierarchies to be self-fulfilling (Gould, 2002; Podolny, 1994, 2005). While we acknowledge that lower-status organizations face difficulties in entering into voluntary relationships with higher-status organizations (Podolny & Phillips, 1996), we suggest that relationships need not be formed through bi- or multi-lateral agreements between the involved parties. In other words, our study shows that status dynamics can occur through affiliations created in the minds of the external audiences regardless of the intentions of the organizations. Specifically, our findings identify a crucial opportunity for lower-status organizations for their attempted status accumulation through high-status affiliations: While

studies have either emphasized that status-heterophilous relationships are difficult to form, or that lower-status organizations have to compensate by offering substantial resources to enter into such relationships (Castelluscci & Ertug, 2010), this study suggests that lower-status organization can also attempt to find ways in which they can create perceived affiliations from the external audiences' perspective, without necessarily having to obtain the consent from the higher status organization.

Second, by examining who benefits most from high-status affiliations, our study provides new insights regarding status-heterophilous relationships. While most status research has focused on status homophily among organizations due to threats of status leakage (Podolny, 1993; Chung, Singh & Lee, 2000), a few studies have documented the advantages of status-heterophilous relationships (Ertug & Castellucci, 2010; Cowen, 2012). Ertug and Castellucci (2010), for example, showed that in buyer-supplier relationships, high-status firms can benefit from having lower-status partners who exert more effort into the exchanges to compensate for the lack of status. Cowen (2012) also argued that in mergers, status difference between the target and the acquirer leads to better role differentiation and coordination. Both studies are in agreement that status-heterophilous relationships lead to better exchange outcomes if the status difference between the partners becomes larger. In contrast to these studies that focused on voluntary status-heterophilous relationships with substantial resource exchanges among partners, our study focused on perceived affiliations without actual interactions between the organizations and highlights that moderate, rather than extensive, status difference is the most effective in status growth. We do not dispute that in relationships with actual interactions, larger status difference leads to more complementary skills and resources, and thus better outcomes. We simply add to literature on status-heterophilous relationships that, in terms of perceived

affiliations, moderate-level status difference is more convincing to the external audiences and thus, lead to more positive status growth.

Third, our paper contributes to research emphasizing the importance of locations by showing that spatial positions impact not only the organizations themselves, but also the audiences surrounding the organizations. Prior studies have highlighted the significance of location choice on various organizational outcomes, such as access to better labor markets, input markets and customers (Marshall, 1920; see McCann & Folta, 2008 for a comprehensive review), and obtaining knowledge spillover from geographically proximate organizations (Chung & Alcacer, 2002; Saxenian, 1994). In other words, specific locations can provide firms with substantial resources and opportunities, as well as facilitate interactions between the co-located firms. Our study suggests that the effects of spatial positions are not bound to the focal firms, but also to the external audiences. A few studies have shown that spatial positions can lead to non-economic or social benefits such as providing legitimacy of location choice under uncertain conditions (Henisz & Delios, 2001) or grant authenticity to products associated with certain locations (Jones & Smith, 2005). We build on this stream of research and specifically show that spatial locations affect the external audiences' perception of firm status by associating the focal firm with not only the status of an absolute location but also the status of firms surrounding the focal firm. The latter is especially important in that we show spatial positions can affect audiences' perception in a way that way originally unintended by the focal firms.

We realize that our study is not without its limitations. First, although we use the most reputable source of fashion information to empirically test our theoretical arguments, there may be other sources of spatial positions such as ordering of TV commercials or locations of retail outlets that affect status dynamics of fashion companies. We are confident, however, that Vogue

is widely read by the relevant audiences in our context that can influence status dynamics. Moreover, as aforementioned, magazine advertisements provide a unique opportunity to tease apart the effects of premium location from the effects of proximity to high-status organizations due to the simultaneity in location choice. Nonetheless, we believe that future research should start exploring if other spatial positions are also important in causing status dynamics. Second, while we have highlighted that perceived affiliations, as opposed to voluntary bilateral affiliations, are important, we were not able to compare the magnitude or the stability of their effects on status growth. We suggest that an interesting area for future research would be to explore whether the impact of perceived affiliation on status growth is sustainable without additional improvements in actual product quality or subsequent bilateral affiliations with higher status partners. Finally, we believe that perceived affiliations can be created through not only spatial positions but also sources such as imitative product offerings or co-mentions in the media. Having established the importance of spatial positions and perceived affiliations on status dynamics, we hope to have opened up for future discussions on additional pathways for organizational status growth.

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TABLE 1
Summary Statistics and Bivariate Correlations

	Mean	STD	1)	2)	3)	4)	5)	6)	7)	8)	9)
1) Average Price [ln]	7.41	1.24	1.00								
2) Advertisement before Masthead [%]	0.15	0.33	0.17	1.00							
3) Advertisement Distance [ln]	0.23	0.27	0.22	0.67	1.00						
4) Number of Categories	1.45	0.69	0.18	0.24	0.21	1.00					
5) Advertisement Number	0.87	0.94	0.13	0.24	0.42	0.21	1.00				
6) Average Advertisement Length	1.95	1.99	0.16	0.30	0.51	0.18	0.41	1.00			
7) No Advertisement	0.35	0.48	-0.17	-0.33	-0.61	-0.25	-0.69	-0.73	1.00		
8) NY Fashion Week	0.06	0.24	0.02	0.03	0.05	-0.02	0.02	0.07	-0.02	1.00	
9) Total Page	784.67	85.81	0.11	0.02	0.08	-0.01	0.11	0.06	-0.06	0.24	1.00

TABLE 2
Arellano Bond Dynamic Regression on Average Price in Issue (ln)

Variable	Model 1	Model 2	Model 3	Model 4
Lagged Average Price [ln]	0.197* (0.088)	0.177* (0.088)	0.296** (0.098)	0.245* (0.104)
Lagged Advertisement before Masthead [%]	0.437* (0.192)			0.214 (0.218)
Lagged Advertisement Distance [ln]		0.626*** (0.160)	0.374 (0.242)	
Low Status_Advertisement IV ^a			-0.059 (0.466)	0.148 (0.494)
Middle Status_Advertisement IV ^a			0.659* (0.317)	0.802** (0.249)
High Status_Advertisement IV ^a			0.068 (0.276)	-0.005 (0.428)
Advertisement Number	0.069 (0.082)	0.093 (0.089)	0.086 (0.085)	0.083 (0.102)
Average Advertisement Length	0.063† (0.037)	0.043 (0.046)	0.088* (0.044)	0.066† (0.038)
No Advertisement	0.087 (0.202)	0.161 (0.214)	0.381† (0.210)	0.245 (0.225)
Total Page	0.007*** (0.001)	0.007*** (0.001)	0.005*** (0.001)	0.006*** (0.001)
Number of Categories	0.088 (0.055)	0.096 (0.059)	0.084 (0.056)	0.092 (0.060)
NY Fashion Week	0.071 (0.162)	0.019 (0.168)	0.081 (0.184)	0.143 (0.172)
Year fixed-effect	Significant	Significant	Significant	Significant
Number of observations	702	702	702	702
Number of groups	177	177	177	177
Number of instruments	114	69	162	117
Hansen J statistic	74.43	41.36	68.36	72.66
(p-value)	0.882	0.627	0.999	0.909
2nd-order autocorrelation test (p-value)	0.618	0.553	0.541	0.532

^a In Models 3 and 4, the advertisement before masthead and advertisement distance variables per status are used, respectively

Standard errors in parentheses *** p<0.001, ** p<0.01, * p<0.05, † p<0.1

TABLE 3
Arellano Bond Dynamic Regression on Average Price or Price Rank in Issue

Variable	Model 5	Model 6	Model 7	Model 8
Lagged Average Price [ln]	0.183* (0.080)	0.224* (0.091)	0.335*** (0.091)	0.253* (0.110)
Lagged Advertisement before Masthead [%]	0.218 (0.216)	-0.003 (0.056)		0.001 (0.058)
Lagged Advertisement Distance [ln]	0.595** (0.222)	0.148** (0.047)	0.105* (0.044)	
Low Status_Advertisement IV ^a			-0.085 (0.114)	0.012 (0.117)
Middle Status_Advertisement IV ^a			0.083 (0.053)	0.200*** (0.053)
High Status_Advertisement IV ^a			-0.020 (0.059)	0.020 (0.107)
Advertisement Number	0.075 (0.083)	0.027* (0.013)	0.026 (0.019)	0.030† (0.016)
Average Advertisement Length	0.060† (0.034)	0.015 (0.010)	0.016† (0.010)	0.017† (0.009)
No Advertisement	0.191 (0.198)	0.037 (0.047)	0.052 (0.046)	0.048 (0.043)
Total Page	0.006*** (0.001)	0.000** (0.000)	0.000* (0.000)	0.000*** (0.000)
Number of Categories	0.101* (0.049)	0.028† (0.015)	0.026† (0.015)	0.030* (0.014)
NY Fashion Week	0.108 (0.171)	0.017 (0.040)	0.019 (0.039)	0.013 (0.042)
Year fixed-effect	Significant	Significant	Significant	Significant
Dependent Variable	Average Price	Price Rank	Price Rank	Price Rank
Number of observations	702	702	702	702
Number of groups	177	177	177	177
Number of instruments	115	115	162	117
Hansen J statistic	71.50	76.22	72.76	75.99
(p-value)	0.925	0.849	0.999	0.854
2nd-order autocorrelation test (p-value)	0.573	0.922	0.920	0.927

^a In Models 7 and 8, the advertisement before masthead and advertisement distance variables per status are used, respectively

Standard errors in parentheses *** p<0.001, ** p<0.01, * p<0.05, † p<0.1