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Procedia Social and Behavioral Sciences

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Procedia - Social and Behavioral Sciences 181 (2015) 269 – 275

3rd International Conference on Leadership, Technology and Innovation Management

Innovation Management to market performance: The effect of consumer identification in the evaluation of brand extensions

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Abstract

Some companies apply innovative management and going beyond the conventional marketing mix to incorporate corporate-level intangible assets such as their identities and reputations into their marketing initiatives. Research has investigated the determinants of consumers' brand extension evaluations, although results have not been entirely consistent since there are successfully brand extensions and alliances with low product fit. In our research we introduce consumer-company identification to better explain brand extensions and alliances' success. Findings confirm a moderator effect of identification on the effect of product fit on purchase intention, both for corporate brand extensions and alliances

Keywords: Innovation Management, Brand extensions, Brand strategy, Firm performance, High performing organizations

Peer-review under responsibility of Uluslararası Stratejik Yönetim veYöneticiler Derneği (usyyd) (International Strategic Management and Managers Association).

1. Introduction

Innovation refers to invention and exploitation (Roberts, 2007) of useful and novel offerings (Amabile, 1997). This means inventions have to diffuse via the market and/or via peer-to-peer diffusion in order to become successful innovations. Diffusion research shows that the adoption of new products depends on factors such as adopter awareness of the innovation, its perceived value, and perceived risk (Rogers, 2003). Marketing and branding efforts support the diffusion of innovations by providing potential adopters with information on these matters. Successful experiences by early adopters can then lead to adopter loyalty and advocacy with respect to the value of the brand and product (Vakratsas and Ambler, 1999)

Brands serve several valuable functions. At their most basic level, brands serve as markers for the offerings of a particular firm. For customers, brands can simplify choice, promise a particular quality level, reduce performance risk, and/or engender trust. Several general strategic issues arise in managing a brand: the optimal design of the brand

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1877-0428
Peer-review under responsibility of Uluslararası Stratejik Yönetim veYöneticiler Derneği (usyyd) (International Strategic Management and Managers Association).
doi:10.1016/j.sbspro.2015.04.888

architecture, the effects of brand extensions, and brand alliances and global branding strategies (Keller and Lehman 2006).

In studying consumer perceptions of brand extensions and brand alliances, research has investigated the determinants of consumers' brand extension evaluations, focusing largely on brand affect (Aaker & Keller, 1990), brand fit to the core brand or brand ally (Park et al., 1991), and product fit (Simonin & Ruth, 1998). However, the results of the brand extensions literature have not been entirely consistent with this rationale, since there are successfully brand extensions and alliances with low product fit. Moreover, extant research has not developed an extensive understanding of how and when identification affects brand extensions and brand alliances strategy (Gammoh et al., 2006). Brand research will benefit from a better understanding of how and when identification influences consumer's evaluations of new products (Keller, 2003).

We propose a relevant role of consumer-company identification (CCI) in the evaluation of brand extensions and brand alliances based on three ideas. First, several studies show that a positive affect toward the brand leads to higher purchase intentions of the brand extension (Klink & Smith, 2001). Second, non-product-related associations, which are related to the self- and value-expressive benefits of the brand, are expected to play a greater role in brand extension evaluation (Aaker, 1996). Finally, research shows that CCI lead consumers to extra and positive behaviors supporting companies, as consumer with high CCI show a higher affect to the corporative brand that not-identified individuals (Bhattacharya & Sen, 2003).

In this research we adopt a corporate branding perspective to analyze the impact of product fit and consumer-company identification on purchase intention of a new product launched either as a corporate brand extension (CBE) or under a corporate brand alliance (CBA) with other brand. Our main hypothesis is that consumers who strongly identify with the company are likely to be motivated to maintain their high purchase intention in evaluations of CBE and CBA in situations of high and low product fit, and in situations of positive and negative attitudes toward the allied brand

2. Literature Review And Hypotheses

2.1. Brand strategies for new products and the role of C-C Identification

A product's brand name is a cue for consumers and represents images that have been formed based on their experience with the brand or information they have obtained about the brand (Swait et al., 1993). Although a firm's product branding strategy and its corporate branding strategy are clearly interrelated (Gürhan-Canli & Batra 2004), we consider them unique firm assets with distinct characteristics (e.g., Aaker 1996). When communicating with customers, companies can choose whether to label an particular product by a separate brand name ("stand-alone"), by the corporate brand name (CBE) only, or by the two names together (CBA) (Berens et al., 2005).

Bhattacharya and Sen (2003) define C-C identification as "the primary psychological substrate for the kind of deep, committed, and meaningful relationships that marketers are increasingly seeking to build with their customers" (p. 76). Identification with a company also results in a commitment to it (Bergami and Bagozzi 2000; Brown et al., 2005), implying attitude strength, loyal behavior, and repeat buying. Attitudinal and behavioral commitment represents likely outcomes of identification and would be likely to reinforce the strength of identification (Einwiller et al., 2006).

As Davis and Venkatesh (1996) argue, an individual's intention to use is "the single best predictor of actual usage." Identifying with a company is likely to be associated with a desire to enhance the company's welfare, and choosing the company's products over those of its competitors is an important way that this desire will manifest itself in the customer context. Product usage constitutes a good example of behavioral commitment. Therefore, we expect that stronger customer-company identification will lead to increased product utilization.

Hypothesis 1: When exposed to a corporate brand extension, consumers who strongly identify with the company will show a higher purchase intention than those who weakly identify with the company.

Identification causes people to become psychologically attached to and care about the organization, which motivates them to commit to the achievement of its goals, expend more voluntary effort on its behalf, and interact positively and cooperatively with organizational members (Bhattacharya & Sen, 2003). Then, similarly to what happen in a corporate brand extension, A corporate brand will be highly accessible and salience in CBA, which facilitates that identified consumers transfer positive associations of the corporate brand to the alliance, which will increase purchase intention.

Hypothesis 2: When exposed to a corporative brand alliance, consumers who strongly identify with one of the allied companies will show a higher purchase intention than those who weakly identify with any of the companies.

2.2. The role of C-C Identification in the influence of product fit on purchase intention

Product fit refers to the degree of similarity between an extension product category and existing products affiliated with the brand (Delvecchio & Smith, 2005). Identified consumers are motivated to maintain associations with a company as a means of preserving the company as a source of positive identity and self-esteem, which suggests that identification may suppose an underlying psychological variable that drives different outcomes like loyalty, company promotion, participation and resilience to negative information about the company (Bhattacharya & Sen, 2003; Einwiller et al., 2006).

As identified consumers are interested in these interactions, and highly committed with the company and its goals (Ahearne et al., 2005), they will buy the new products launched by the company under CBE whether they are products with high or low product fit. However, for non-identified consumers, pre-existing attitudes may be either unformed or weak in terms of attitude strength and accessibility (Fazio, 1989). Although it is also true that if they are customers of the company they will have favorable associations with the brand, coming from previous evaluations of alternatives and/or from repeated exposures to the brand they are consuming. Therefore, for CBE with high product fit, non-identified consumers they will transfer their positive brand associations of the brand to the CBE, while this transference will not show up for CBE with low product fit. We propose, then:

Hypothesis 3: When exposed to a CBE, consumers who strongly identify with the company will show a similar purchase intention for new products with high and low level of product fit

Hypothesis 4: When exposed to a CBE, consumers who weakly identify with the company will show a higher purchase intention for new products with high level of product fit than for new products with low level of product fit

Consumers identified with company will perceive a significant dominant effect when exposed to the corporate brand, either under an extension or an alliance, because the corporate brand will be salient and accessible in their memory. Identification motivates people to commit to the achievement of the organization's goals and expend more voluntary effort on its behalf (Ahearne et al., 2005). The implication being that there would be a void created if the company or brand were no longer present or available. Strong identification with the organization keeps members attuned to the well-being of the organization as a whole.

However, consumers with a low-level of identification with the company will not perceive that dominance nor salience effects when evaluating the brand alliance. For them, the transfer of relevant information from individual constituent brands to the extension product requires that the two brands hold have a high degree of product-level fit with the extension product (Park et al., 1996). In this sense, Simonin and Ruth (1998) have shown that both product fit and brand fit are related to attitudes toward brand alliance. Therefore, from a company perspective, it would be possible to collaborate successfully with a brand that has somewhat less favourable brand attitudes but represents a favourable fit in terms of product or brand. Based on these reasoning, we propose:

Hypothesis 5: Consumers who strongly identify with the company will show a similar purchase intention for CBA with high and low product fit

Hypothesis 6: Consumers who weakly identify with the company will show a higher purchase intention for a CBA with high product fit than for a CBA with low product fit

3. Methodology

3.1. Research Goal

In this survey we aim to identify the moderating effect of consumer identification on the relationship between brand fit and purchase intention. In order to test the hypotheses we conducted a field experiment.

3.2. Sample and Data Collection

. Respondents were consumers of a large financial services provider, who were asked to evaluate products that were marketed by this company soon after. These products were shown on advertisements in which we manipulated the brand strategy and the product fit of the corporate brand. The main study was conducted using a 2 ×2 ×2 experimental design with two variables manipulated inter-subjects, brand strategy (extension vs. alliance) and product fit (high-insurances vs. low-travels) and one measured variable (identification). Each respondent evaluated one of the four alternatives after being confronted with the product advertisement. A total of 380 respondents participated in the study (95 each cells).

Measures of attitudes toward each partner brand and the brand alliance were assessed through seven-point bipolar semantic differential scales from Simonin and Ruth (1998). It also use this scale to measure control variables such as attitude toward the sector, attitude toward the company action and attitude toward the product category. We measured purchase intentions with three items from Grewal et al.(1998), used in a brand extensions context by Taylor and O'Bearden (2002). We also used Bergami and Bagozzi (2000) scale to measure consumer identification with the company, a combined visual and verbal scale used by Ahearne et al. (2005).

Confirmatory factor analysis was used to evaluate the reliability and validity of the constructs. A completely standardized solution produced by the maximum likelihood method (Jöreskog and Sörbom 2004) showed that all of the indicators were loaded highly on their corresponding factors (Table 1), which supported the independence of the construct and provided strong empirical evidence of the indicators' validities. Overall, the fit statistics of the measurement model indicated a reasonable level of fit for the model.

Table 1.- Results of the Confirmatory Factorial Analysis

Items	Scores	$\lambda_{c.e}$ (t)	R2	Reliab.
Product Fit: FIT				
The "complementarity" of the financial services and insurance services (cruises) is very high	3.68 (1.89)	0.76 (10.01)	0.58	ρc = 0.71 v.e.= 0.55 Alfa=0.74
The substitutability of the financial services and insurance services (cruises) is very high	3,81 (1,62)	0,75 (9,98)	0,55	
The usefulness of the service skills and resources of the financial service for developing an insurance service (cruises) is very high	4.64 (1.68)	0.73 (9.84)	0.54	
Purchase Intention: PI				
If I were going to buy car insurance (cruise), the probability of buying this one is very high	4.07 (1.74)	0.94 (24.54)	0.88	ρc = 0.92 v.e.= 0.80 Alfa=0.94
The probability that I would consider buying this car insurance (cruise) is very high	3.93 (1.75)	0.93 (24.09)	0.86	
The likelihood that I would purchase this car insurance (cruise) is very high	4.25 (1.86)	0.83 (19.96)	0.68	
Consumer-Company Identification ID				
Visual scale (Bergami and Bagozzi, 2000)	3.95 (1.90)	0.95 (19.29)	0.91	ρ_c = 0.76 v.e.= 0.63 Alfa=0.73
Indicate to what degree your self-image overlaps with X`s image	3.29 (1.74)	0.6 (12.06)	0.36	
Attitude toward company action AAC				
My attitude toward this company action is positive (negative)	5.21 (1.64)	0.97 (26.45)	0.94	ρ_c = 0.98 v.e.= 0.95 Alfa=0.98
My attitude toward this company action is favorable (un favorable)	5.20 (1.63)	0.99 (27.67)	0.98	
My attitude toward this company action is good (bad)	5.19 (1.62)	0.97 (26.64)	0.94	

Attitude toward financial sector AFI				
My attitude toward financial sector is positive (negative)	4.75 (1.65)	0.98 (27.24)	0.96	ρ_c = 0.98 v.e.= 0.96 Alfa=0.99
My attitude toward financial sector is favorable (unfavorable)	4.77 (1.64)	0.99 (27.46)	0.97	
My attitude toward financial sector is good (bad)	4.77 (1.65)	0.98 (27.27)	0.97	
χ^2 (149)=374.76 p-value=0.00; AGFI=0.88 GFI=0.91 CFI=0.99; RMSEA=0.06 NNFI=0.98				

3.3. Analyses and Results

Several analyses were conducted first to support the integrity of the experimental stimuli, manipulations, and procedure. To check the manipulations for the product fit, the three items measuring the degree of complement/supplement/transfer (Aaker & Keller, 1990) into one measure (α = .92). The means of this variable in the two conditions differ significantly (MLOW FIT= 3,45, MHIGH FIT Fit = 4,24; (F(2,378)=35.05, p<0.01). Median split was conducted to separate participants into high and low identification groups based on a summed measure. The resulting mean composite identification scores (MLOW IDE= 2,84, MHIGH IDE= 4,92) were significantly different between the two groups (p<0.01). Mean scores for purchase intentions are shown in Table 2.

Table 2.- Means scores for Purchase Intentions

	High fit			Low fit			Total		
	No Ide.	Ident.	Total	No Ide.	Ident.	Total	No Iden.	Ident.	Total
Extension	3,53 (1,53)	4,84 (1,21)	4,25 (1,5)	2,32 (1,14)	5,02 (1,62)	3,34 (1,88)	2,83 (1,44)	4,91 (1,62)	3,79 (1,88)
Alliance	3,42 (1,66)	5,01 (1,47)	4,22 (1,75)	2,29 (1,20)	4,84 (1,49)	3,55 (1,86)	2,84 (1,20)	4,92 (1,49)	3,89 (1,83)
Total	3,47 (1,59)	4,92 (1,34)	4,24 (1,63)	2,31 (1,16)	4,92 (1,54)	3,45 (1,86)	2,84 (1,49)	4,92 (1,43)	3,84 (1,79)

The ANOVA test was significant, and consumer identification showed a significant influence on purchase intention (F(1,379)=194,64; p<0,01) so much for extension (MEXT LOW IDE= 2,83, MEXT HIGH IDE= 4,91 as for alliances (MALLI LOW IDE= 2,84, MALLI HIGH IDE= 4,92). These results confirm H1 and H2. For CBE, hypotheses H3 and H4 proposed a moderator effect of identification in the relationship between product fit and purchase intention. Results confirm that idea, because, first, the interaction effect between identification and product fit is significant (F(1,399)= 16,29; p<0,01). Next step was to asses that this moderation was in the right direction. Table 3 shows that for identified consumers, there is not a significant difference in the purchase intention for new products with high and low product fit (M LOWFIT IDE=5,02; M HIGHFIT IDE= 4,84; p>0,10). However, the purchase intention of less identified consumers is significantly higher for new products with high product fit than for those with low product fit (M LOWFIT NOIDE= 3,53; M HIGHFIT NOIDE=2,32; p<0,05). For CBA, results also confirm the moderating effect of identification in the influence of product fit on purchase intention, with no differences in the purchase intention for identified consumers (M LOWFIT IDE=4,84; M HIGHFIT IDE= 5,01; p>0,10) and a significant difference for less identified ones (M LOWFIT NOIDE= 2,29; M HIGHFIT NOIDE)=3,42; p<0,01). These results confirm H5 to H6.

Table 3.- Main effects and interactions

Variable	F	*p*
EXTOALI.	0,07	0,79
RELAC	15,85	0,00 ***
IDE	194,64	0,00 ***
EXTOALI * RELAC	0,19	0,66
EXTOALI * IDE	0,06	0,81
RELAC * IDE	16,29	0,00 ***
EXTOALI * RELAC * IDE	0,54	0,46

4. Conclusions

In this era of global competition, companies are going beyond the conventional marketing mix to incorporate corporate-level intangible assets such as their identities and reputations into their marketing initiatives in efforts to garner sustainable competitive advantages. A key problem that plagues many brand extensions studies, both in the popular press as well as in academic research, is that they have not been entirely consistent, because there are successfully brand extensions with low product fit. In this paper we show a compressive explanation for that based in the consumer identification with the company. Literature (Bhattacharya & Sen, 2003; Ahearne et al., 2005; Einwiller et al., 2006) suggests that consumer's identification with a given company leads to both in-role (loyalty and worth of mouth) and extra-role behaviors (customer recruitment, participation, reactions to variable levels of negative publicity about a company). The first two tested hypotheses (H1 and H2) show that, in the primary effect of identification, purchase intentions for identified consumers are higher than that of less identified consumers, both for CBE and CBA. Our research findings (H3-H6) also confirm a moderator effect of identification on the effect of product fit on the purchase intention, also for CBE and CBA. This is, then, a consequence of identification, an immunizing effect in acceptance of new products of the company whether they have a high or a low product fit, under different brand strategies (extension or alliance), and for almost any partner in case of alliance. This contribution to the identification literature about the identified consumers is added to others yet proposed like loyalty, promotion, participation or resilience to negative information (Bhattacharya & Sen, 2003; Einwiller et al., 2006).

Moreover, this research contributes to the brand strategy literature in two ways. First, the study extends the concept of consumer-company identification to decisions of adequate brand strategy. Second, our analyses brand strategy in an overall model. Decisions about the label of a new product must take into account the level of consumer identification with the company because highly identified consumers accept products with similar purchasing intents. However, the acceptance of less-identified consumers depends on the product fit and the attitude toward the allied brand.

In addition to its contributions to marketing theory, this research holds important implications for marketing managers. For brand managers, this research suggests strategies for extension category selection, segmentation strategy, identification cuing and brand allied searching. The findings of this research are most relevant to companies that operate in different markets and with well-known products following an "exploit brand equity" strategy (Dawar & Anderson 1994) that label their products with the corporate brand.

Although this study reports important findings, it is not without limitations. First, we assessed people's associations with respect to a single company, which implies that we have to be careful in generalizing the results of this study to situations in which people acquire similar products from different companies, which may be the case for financial services. Second, the context tested here provides a view of a single industry; testing in additional organizational settings is necessary to understand whether and how the role of CBE and CBA fully functions across contexts. This study does not account for the possibility of a new brand, such as a possible brand strategy.

Consumer-company identification and all of its potential benefits and pitfalls clearly offer many intriguing avenues for future research. For example, researchers should examine how the emotional aspects of consumer-company identification influence consumers' responses to companies' actions such as redeployments (Voss et al. 2006), and how consumer-company identification results in the transference of corporate brand/product brand when products are not labeled with the corporate brand (Berens et al. 2005).

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