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Context effects in the evaluation of business-to-business brand alliances

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ABSTRACT

Brand alliances in the business-to-business domain are becoming increasingly popular. This study investigates the impact of context-related effects on the formation of evaluation perceptions in B2B brand alliances. Assimilation and contrast effects represent the conceptual framework. Employing an experimental design we test the influence of two contextual factors on a range of product attributes: quality perceptions of the known brand ally (valence), and amount of information provided for the brand alliance. Using data collected from a cross section sample of large B2B UK companies we report assimilation effects across different product attributes of the alliance. Positive valence of the known brand ally results in higher evaluations of the brand alliance. In terms of provision of information, we find that, (a) unlike consumer markets, in the B2B domain higher evaluations are the result of detailed information, and (b) the impact of detailed information is significant only for tangible product attributes. Further, we find that valence of the known brand ally and amount of information provided are independent factors. The results add significantly to the knowledge on context effects in B2B brand alliances and lead to a number of managerial recommendations on partner selection and marketing communication of new brand alliances.

1. Introduction

An increasing emphasis on branding activities is evident in B2B markets. Papers in the recent IMM special issue on branding (IMM, 2011) articulate the importance of branding in the B2B domain and provide commentaries on the benefits, implementation, and role of branding in B2B markets. The contributors to the IMM special issue concur in their assessment that, (a) much of the B2B literature is grounded on theories developed in B2C, (b) despite recently expanded academic interest, the field remains under-researched (especially compared to B2C branding), and (c) the related literature lacks systematic treatment, thus resulting in a fragmented body of knowledge.

Despite evidence of its application in a wide range of commercial activities, an area of B2B branding that remains under-researched is brand alliances, also referred to as co-branding. Brand alliances range from initiatives that present several brands in a single advertisement (e.g., Sony Ericsson and Carphone Warehouse), to cause-related brand alliances (e.g., Royal Mail Group and the Barnardo's children's charity), and dual-branded products (e.g., Flash with Febreze). Brand alliances benefit the partners through reputation endorsement and access to resources and competencies, such as distribution and technology (Bengtsson & Servais, 2005; Cooke & Ryan, 2000; Erevelles, Horton, & Fukawa, 2008).

An examination of the brand alliance literature identifies only eight studies located in the B2B domain, as briefly discussed below. Norris (1993) presents a case study of Intel, highlighting the benefits of its component branding strategy of Intel-inside. Bucklin and Sengupta (1993) show that successful brand alliances involve partners with relatively equal power and managerial resources, while Dahlstrom and Dato-on (2004) indicate that both asymmetry and complementarity of company assets are positive determinants of a firm's decision to co-brand. Evidence of asymmetric benefits to the parent brands is confirmed by Bengtsson and Servais (2005) and Kalafatis, Remizova, Riley, and Singh (2012) who report that customers predict greater benefits for the lesser known brand than its larger partner. An econometric model by Erevelles et al. (2008) reveals differential benefits to participants in vertical brand alliances, finding that upstream suppliers enjoy reduced competitive activity while downstream manufacturers are rewarded with a lower price. Ghosh and John (2009) use transaction cost economics to show that original equipment manufacturers are more likely to use branded components when the brand name of such components provides them with opportunities for significant market differentiation. Finally, Gammoh and Voss (2013) demonstrate that a company's propensity to engage in brand alliance activities is contingent on the extent and quality of related past experiences, managerial competence, and attitude toward brand alliance.

With the exception of Bengtsson and Servais (2005), Kalafatis et al. (2012) and Gammoh and Voss (2013), the above studies are grounded in economic theory while the other studies adopt inter-firm rather than customer perspectives. None of these studies focus on the mechanisms of evaluation of B2B brand alliances. Furthermore, despite research

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consistently highlighting the importance of brand-related attributes and conditions under which evaluations take place, these considerations are not addressed by related research (see review article by Leek & Christodoulides, 2011). Our study addresses the above by focusing on customer evaluations of specific (product) attributes, and examining the impact of *context effects* (i.e., conditions) on evaluations of brand alliances in the B2B domain.

According to Todorović (2010, p. 17), "Context effects are present when the perception of an object changes when its context changes, without any physical change in the object itself." The evaluation of an object (e.g., brand, product) is determined not only by its innate or true qualities, but also by the contextual factors or stimuli which, although external to the object, are present during the evaluation process (Dhar, Nowlis, & Sherman, 2000; Herr, 1986; Huber, Payne, & Puto, 1982; Simonson & Tversky, 1992). The theoretical explanations of context effects are found in the accessibility and social judgement theories (e.g., Higgins, 1996; Sherif & Hovland, 1961) which stipulate that evaluation, preference and decisions towards a focal object are influenced by or are functions of the contextual stimuli within which such activities take place (e.g., Bettman, Luce, & Payne, 1998; Ha, Park, & Ahn, 2009; Simonson & Tversky, 1992). An illustration of context effects is provided by Norris and Colman (1996) who report that evaluations of the same advertisement (the object) differ depending on respondents' perceptions of involvement, entertainment and enjoyment related to the programme (the context) within which the advertisement is presented. Therefore context effects arise from the interplay between representations related to the object being evaluated and the accompanying contextual stimuli (Bless & Greifeneder, 2009; Bless & Schwarz, 2010).

Within the brand alliance literature the impact of context effects is discussed by Simonin and Ruth (1998, p. 32) who state that "judgments about the brand alliance are likely to be affected … by the context of the other brand. The brand alliance stimulus information, presented through advertising or by experiencing it directly, accesses related affect and beliefs about those brands and products that are stored in memory." This perspective encompasses two elements, transfer of evaluation effects between brand allies, and contextual cues about the brand alliance. The above viewpoint is in line with Simonson and Tversky (1992) who consider that context includes not only characteristics of the choice set but also of the environment within which choices are made. In the B2C brand alliance studies, context effects are observed in the form of brand leveraging (Ghosh & John, 2009), resource allocation (Heide & John, 1990), feedback effect (Park, Jun, & Shocker, 1996), quality signals (Rao, Qu, & Ruekert, 1999), and are shown to affect preference for familiar stimuli (Cooke & Mellers, 1998; Simonson & Tversky, 1992) and to help interpretation of unfamiliar stimuli (Sen, 1998; Wright & Rip, 1980). However, despite advances in the consumer literature, research in the B2B domain is silent in terms of the role of context effects on evaluations of brand alliances.

Our view that context effects represent an appropriate platform for the study of brand alliances within the B2B domain is also supported by evidence of a 'halo' effect in the form of evaluation transfers from one brand to another (Hutton, 1997). Grounding our study within the broad domain of context effects enables us, (a) to examine the manner in which perceptions related to the quality of a known parent brand (hereto referred as valence) act as a signalling mechanism for the quality of the (unknown) brand alliance, and (b) provides an interpretive frame for the examination of the impact that provision of information has on perceptions towards a brand alliance. Our study offers new insights on the processes involved in managerial evaluation of B2B brand alliances, and adds significantly to the related body of literature. The findings reported here can benefit managerial decision-making in selecting an alliance partner and for promoting the advantages of the alliance.

We present the theoretical underpinnings within which we examine the impact of context effects in Section 2 and develop hypotheses and a research model in Section 3. Section 4 deals with the adopted research design and related methodological activities. The results of the analysis are presented in Section 5. Discussion of the findings and the contributions they make to knowledge, followed by managerial implications and avenues for further research complete this paper.

2. Theoretical underpinnings

Research examining context effects is grounded in theories located in cognitive and social psychology. These theories emphasise the primacy of two cognitive mechanisms of evaluation, namely assimilation and contrast (Greifeneder & Bless, 2010; Zhu & Meyers-Levy, 2009). Assimilation occurs when the evaluation of an object or stimulus (usually referred to as target) moves toward the contextual object or stimuli that accompany it (often referred to as context); contrast occurs when evaluation shifts away from the context. Below we present two illustrations of assimilation and contrast.

Stapel, Koomen, and Velthuijsen (1998) report that participants evaluated an unfamiliar restaurant more favourably after exposure to a well-known luxury (high valence) rather than a well-known casual (low valence) clothing brand. In this example, the clothing brands serve as the context and the unfamiliar restaurant is the target under evaluation. Assimilation occurred because priming respondents with either a high or a low valence brand resulted in their judgements of an unfamiliar target brand moving towards the context. When the unfamiliar restaurant was primed with a luxury clothing brand, it was judged to be more elegant than when the same restaurant was primed with a casual clothing brand. Herr (1989) finds evidence for both assimilation and contrast. Respondents primed with information about existing car models (either expensive or inexpensive) were asked to evaluate the price of a fictitious car (unfamiliar) and a real car. Unfamiliar cars were appraised as 'less expensive' when primed with an inexpensive car, and 'more expensive' when primed with expensive cars, indicating assimilation. However, when real cars were evaluated this pattern was reversed; priming with expensive cars led to lower evaluations than priming with inexpensive cars, indicating contrast.

According to Levin (2002, p. 147–148) "assimilation and contrast are continuous, co-acting processes rather than all-or-none outcomes and that the net context effect represents the balance of these two in any given situation". A number of studies demonstrate that the degree of ambiguity (i.e., the level of information or knowledge) of the target product is an important factor in determining the balance between assimilation and contrast (Lee & Suk, 2010; Meyers-Levy & Sternthal, 1993; Nam & Sternthal, 2008). This perspective underscores two important points, (a) missing information for a target may be inferred from a context (assimilation) simultaneous with shared attributes being compared (contrast), and (b) it is possible to alter the processing of contextual information such that the same context produces assimilation in one situation and contrast in another. Factors found to affect processing include timing of information provision (Jordan & English, 1989), the descriptive information provided (Fiske, 1998), and the decision maker's expertise (Nam & Sternthal, 2008).

Two theoretical explanations are proposed to explain when and why assimilation rather than contrast occurs. The first suggests that the extent of feature overlap between a context and a target object determines whether assimilation or contrast is found (Herr, 1986, 1989). This theory proposes that upon encountering an unfamiliar target object, an individual attempts to categorize it conceptually using a category that is most accessible because of some contextual activation. Accordingly, judgement concerning product attributes of an unknown target brand is made by assigning values similar to those of the known context. Cooke, Sujan, Sujan, and Weitz (2002) illustrate how this process leads to assimilation using a hypothetical example of a recommendation of an electronic agent to a potential customer of an unknown or unfamiliar music CD. The authors state that "If the agent recommends the unfamiliar CD with other more familiar titles, the consumer will be better able