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

Alicia Rubio, Longinos Marin^{a*}

^b *Facultad Economía y Empresa, Espinardo, University of Murcia, 30100 Murcia, Spain*

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

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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

* Corresponding author. Tel. + 34-868 88 7803 fax. . + 34-868 88 7803

E-mail address: arubio@um.es

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 corporate brand than 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 a 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.

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