



Branding strategies for high-technology products: The effects of consumer and product innovativeness[☆]

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ABSTRACT

Choice of an appropriate branding strategy is a critical determinant of new product success. Prior work on fast-moving-consumer-goods (FMCG) prescribes that new products carry new (vs. existing) brand names to appeal to earlier adopters - a critical target for new products. However, such a prescription may not be prudent for high-technology (HT) products, as they often involve considerably more consumer perceived risk than FMCG. By drawing on Dowling and Staelin's (1994) framework of perceived-risk handling, we propose that both earlier and later adopters will favor existing brands to cope with the elevated risk associated with an innovative HT product. Two studies - one conducted in an experimental setting and the other in a field setting - support the proposition that both earlier and later adopters respond more favorably to existing (vs. new) brands on innovative HT products.

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1. Introduction

The brand name is an important driver of new product success (Cooper, 1994). When naming a new product, companies often choose to either create a new brand name or take an existing one from another product—that is, develop a brand or line extension (e.g., Apple TV or Heineken Light beer). Some of the advantages of using existing brand names are that they incur lower marketing and brand development costs for the new products (Smith & Park, 1992). However, if consumers perceive inconsistency between the existing name and a new product, they may react unfavorably toward the new product, as well as the brand and its existing products (Aaker & Keller, 1990; Loken & Roeder, 1993).

Extending a brand name to new products has been a widely popular growth strategy for companies in the past few decades despite the risks (Ambler & Styles, 1997; Riley, Pina, & Bravo, 2013). According to a Research International study, >80% of new product launches involve use of an existing name (Les Échos, 2004). Other studies indicate that the

choice of an existing name for a new product is as high as 95% (Ogiba, 1988; Somji, 2000).

Perhaps driving the popularity of extending brand names is the belief that consumers respond more favorably to established brands, as brand familiarity helps reduce uncertainty in new product purchases (Klink & Athaide, 2010; Smith & Park, 1992). Klink and Athaide (2010), however, find that this preference is not uniform across consumers. Rather, consumer innovativeness, or the propensity to adopt earlier than later (Rogers, 2003), influences one's preference for existing brand names. Specifically, while the mass market may prefer existing brands, highly innovative consumers evaluate products carrying new brand names more favorably than brand extensions. This finding may reflect earlier adopters' greater tolerance of and perhaps even preference for risk (Rogers, 2003).

Importantly, Klink and Athaide (2010) conduct their study with fast-moving consumer goods (FMCG) (e.g., mouthwash, chewing gum, candy bar). New FMCG products typically carry relatively little perceived risk for consumers, such as (1) the risk related to purchasing a specific product in a given category and (2) the risk inherent to purchasing any product in the category (Dowling & Staelin, 1994). Regarding product-specific risk, new FMCG products usually involve less innovation, often *modifying* an existing product feature such as fewer calories, newer flavor, more recyclable packaging, and so forth. More innovative products often introduce *new* features that likely carry more uncertainty for consumers. With respect to category-specific risk, companies

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often introduce new FMCG products in mature product categories. Mature product categories involve less risk for consumers than earlier stages of the life cycle, as their familiarity with, knowledge of, and experience with a product category likely increase over time.

Innovations in FMCG categories typically carry lower perceived risk, but the same cannot be said of innovations in high-technology (HT) categories. Indeed, a hallmark characteristic of HT industries is uncertainty (Moriarty & Kosnik, 1989). Uncertainty characterizes both the HT innovation (e.g., will the new product function as promised) and the HT market (e.g., how quickly will market needs change). With respect to the innovation, the greater uncertainty could arise from new product features, particularly for more innovative products. For example, both bloggers and consumers were initially skeptical about the curved screen of the new Galaxy S6 Edge at the 2015 World Mobile Congress, mainly because they were unsure about the technical reliability of the curved technology and the long-term touch experience. This initial skepticism is inherent to these kinds of innovative features because new technologies tend to suffer from a liability of newness; they do not have a history of past performance. As a consequence, consumers are more uncertain about the potential flaws involved in such an immature technology, which are often corrected only in later versions.

Furthermore, highly innovative products may create new categories in which consumer familiarity, knowledge, and experience is limited, thus elevating perceived risk. The level of perceived risk that accompanies more innovative products could even reach a point at which even earlier adopters are adversely affected. That is, the perceived risk of a new product purchase may exceed the individual's acceptable level of risk (Dowling & Staelin, 1994). In such situations, both earlier and later adopters may seek out existing brands to help cope with the innovation's uncertainty.

The purpose of this research is to understand how consumers respond to alternative branding strategies for HT products. In particular, this research examines whether earlier adopters (i.e., individuals with high levels of consumer innovativeness) continue to favor new brands for HT products. The expectation is that for more innovative HT products, earlier adopters reverse their preferences and favor existing brands. Accurately gauging the response of earlier adopters is critical because they often represent the main target market for a new product introduction (Mahajan & Muller, 1998). Even when they are not the primary target, understanding their response is crucial because they influence later adopters. By determining the response of earlier adopters, this research helps inform brand-naming decisions for HT innovations.

In terms of theoretical contributions, this article extends theory developed and tested on FMCG products to HT products. This research includes Dowling and Staelin's (1994) constructs of product category-specific risk, product-specific risk, and consumers' level of acceptable risk to help reconcile theories on consumer innovativeness and branding, which can offer opposing prescriptions. On the one hand, the literature on consumer innovativeness suggests using new brand names on new products to appeal to innovators' "desire for the rash, daring, and the risky" (Rogers, 2003, p. 282), as prescribed by Klink and Athaide (2010). On the other hand, branding theory advocates using established brand names to reduce the perceived risk of a new product purchase. Because branding can be more important for HT products than for packaged goods (Mohr, Sengupta, & Slater, 2010) and the rate of technological innovation introduced in the marketplace is likely to accelerate, advancing theory at the intersection of branding and HT products is important.

The article's organization is as follows: Section 2 presents the theoretical background, which is rooted in Dowling and Staelin's (1994) framework for risk handling, and proposes hypotheses. Section 3 describes the research methods employed, which include an experimental study and a field study. Following the presentation of results, Section 4 discusses managerial implications, acknowledges limitations, and provides directions for future research.

2. Theoretical background

The Dowling and Staelin (1994) framework identifies perceived risk in new product purchases as comprising both category-specific risk and product-specific risk. Consumers deal with unacceptable levels of risk by engaging in risk-reducing strategies (e.g., seeking a known brand). The need to engage in such strategies is a function of one's level of acceptable risk or risk tolerance. Individuals with higher levels of consumer innovativeness have higher thresholds for perceived risk and thus are less likely to engage in risk reduction strategies (i.e., rely less on known brands and perhaps exhibit relatively more favorable responses to new brands). The Dowling and Staelin model is compatible with the conflict theory model of decision making (Janis & Mann, 1977), the information-processing paradigm of consumer choice (Bettman, 1979), and economically based search models (Stigler, 1961).

2.1. Consumer perceived risk and risk reduction strategies

Perceived risk reflects consumers' perceptions of the uncertainty and adverse consequences of transactions (Bauer, 1960). This risk is common to new product purchase and can include financial risk, performance risk, psychological risk, time risk, physical risk, and social risk (Brooker, 1984; Jacoby & Kaplan, 1972). As mentioned, perceived risk comprises both category- and product-specific risk, which is analogous to Bettman's (1979) "inherent risk" and "handled risk." Category-specific risk is the perceived risk in purchasing any product in a given product category. For example, a purchase in the mountain bike category is likely to carry more risk than a purchase in the bottled water category. Product-specific risk is associated with the particular product being considered in the product category. To illustrate, purchasing a mountain bike without a warranty is likely to carry more risk than purchasing a mountain bike with a warranty.

To help cope with perceived risk, consumers engage in risk reduction strategies. Roselius (1971) identifies 11 methods of risk reduction. Namely, consumers try to reduce risk by relying on endorsements, brand loyalty, brand image/familiarity, private testing, store image, free samples, money-back guarantees, government testing, additional shopping, buying the most expensive product, and word of mouth. Roselius finds that a well-known brand is one of the most favored risk reduction strategies consumers employ. A well-known brand provides an implied promise that outcomes resulting from a new product purchase will be consistent with what consumers have historically associated with the brand (Erdem & Swait, 1998; Wernerfelt, 1988). With respect to brand extensions, consumers can draw on their experiences with and knowledge about other products affiliated with the brand to make inferences about what their experiences may be like with the new product.

Even if consumers do not have extensive experience with the brand, an existing brand can still reduce perceived risk. By extending an established name to a new product, the brand acts as "collateral" for the quality of the new product (Wernerfelt, 1988). Given a high-quality brand, consumers may reason that a company will not risk its prior investment by placing the brand name on a product of lower quality (DeVecchio & Smith, 2005; Smith & Park, 1992). Accordingly, a new product with a new brand name will likely carry more uncertainty and risk than a brand extension, assuming a fit between the brand and the new product. The extent to which consumers need to rely on a familiar brand as a risk reduction strategy depends on their innovativeness.

2.2. Level of acceptable risk and consumer innovativeness

Prior research considers consumer innovativeness a generalized individual personality trait (Midgley & Dowling, 1993; Rogers, 2003). However, Hirunyawipada and Paswan (2006) contend that the predictability of a global innovativeness trait is elevated when incorporating domain-specific innovativeness—that is, individuals' predisposition

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