



Strategies for Building Brand Equity for Unfamiliar Companies

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Keywords: Brand equity, globalization, brand cues

Background. Although widely used, existing brand equity models make implicit assumptions about the existence of consumer's prior brand knowledge, lacking in guidance for less established, unfamiliar brands to build brand equity. Thus, a brand equity process model specifically catering to unfamiliar brands is warranted. In building brand equity for unfamiliar brands, consumer's risk perception is a crucial factor to consider. Without any previous encounter, consumers can more easily experience a heightened sense of perceived risk, stemming from uncertainties about the brand. Thus, this study proposes that forming the high impression of brand quality, leading to initial trust can play a critical role in alleviating this risk. With this, the study proposes a conceptual brand equity process model with a specific emphasis on developing methods to build quality perception of the brand, and empirically testing the model. The findings of the study are expected to contribute to the extant brand equity literature and also extend the applicability of the brand equity model for less established and thus unfamiliar companies.

Theory and Hypotheses. Based on an integrated framework of the cue utilization theory (Easterbrook, 1959), impression formation theory (Asch, 1946) and the theory of reasoned action (Ajzen and Fishbein, 1980) with dimensions from Aaker (1991) and Keller (1993)'s brand equity models, this study proposes a brand equity process model to address the needs of unfamiliar brands. Two extrinsic cues (brand origin and store name) from study 1 and an interaction of extrinsic (brand origin) and intrinsic (bottle design) from study 2 are examined to test its effect on quality perception, leading to brand association (trust), and initial brand loyalty (attitude and patronage intentions). Based on literature review, the following hypotheses were developed: (H1) store name will have an impact on quality perception of the unfamiliar brand; (H2) the brand origin will have an impact on quality perception of the unfamiliar brand; (H3) store names and brand origin will have interactive effects on quality perception; (H4) consumer's perceived brand quality will have a positive influence on trust; (H5) consumer's trust (brand association) will have a positive influence on brand attitude; (H6) consumer's perceived brand quality will have a positive influence on brand attitude; (H7) consumer's brand attitude will have a positive influence on brand patronage intentions; (H8) the bottle design will have an impact on quality perception of the unfamiliar brand; (H9) the bottle design and brand origin will have interactive effects on quality perception; (H10) consumer's uniqueness perception of the brand will mediate between the bottle design and quality perception of the unfamiliar brand.

Methods and Results. An actual global Asian cosmetics brand, Herborist was used to test the model for unfamiliar brands, given it represents the growing number of Asian companies' entry into unfamiliar global markets. Study 1 employed a 2 (store name: Nordstrom and Amazon) by 2 (brand origin: Japan and China) between-subjects factorial design, while study 2

employed a 2 (brand origin: Japan vs. China) by 2 (bottle design: Unique: Asian aesthetic influence vs. Generic: non-Asian aesthetic influence) between-subjects factorial design. Both studies conducted a web experiment using mock websites. Pretests were first conducted to determine extrinsic (brand origins and store name) and bottle design (intrinsic) cues to manipulate quality perception of the brand. A convenience sample of 283 college women (Mean age = 24; 73% White) for study 1, and 209 college women (Mean age = 22; 73% White) in study 2 participated in a web experiment. Almost all respondents shopped and purchased cosmetics in physical stores, while about 40% of respondents purchased cosmetics from online stores. Prior to SEM, the reliability, convergent, and discriminant validity of latent constructs were assessed and found to be adequate. SEM results suggested a good fit for both study 1 ($\chi^2(85) = 148.29, p < 0.001, CFI = .99, TLI = .99, RMSEA = .05, SRMR = .04$) and 2 ($\chi^2(60) = 84.34, p < 0.05, CFI = .99, TLI = .99, RMSEA = .04, SRMR = .04$). Results from both studies confirmed a positive relationship between perceived quality on trust, trust and attitude, perceived quality and attitude, and attitude and patronage intentions. Furthermore, store name (extrinsic) and bottle design (intrinsic cue) had a positive influence of store name on perceived quality, but not on brand origin. Specifically in study 1, ANOVA analysis showed that there was no the interaction effect between the store name and brand origin, failing to support H3. Furthermore, in study 2, ANOVA analysis also showed no interaction effect between bottle design and brand origin failing to support H9. In addition, mediation analysis in study 2 using the Sobel Test showed a full mediation of perceived uniqueness between the bottle design and consumer's brand quality perception, supporting H10. This demonstrates that consumers perceive the Asian influenced bottle design as higher quality perception solely due to the uniqueness of the design.

Discussion and Conclusions. The findings provided empirical evidence for the effectiveness of the proposed brand equity process model for unfamiliar companies. In specifics, the results from the study showed that store name and uniqueness of bottle influenced brand quality. Findings further confirmed that trust was a positive indicator of brand attitude, leading into patronage intentions (brand loyalty). Future studies may include testing the effect of other extrinsic cues like price on brand quality, or exploring the moderating effect of durable goods. In addition, further empirical validation of the proposed brand equity process model for unfamiliar companies is recommended.

References

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