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Flag up! – Flagship products as important drivers of perceived brand innovativeness

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ABSTRACT

Perceived brand innovativeness, the consumers' subjective assessment of a brand as innovative, often does not correspond to the level of innovation or the investment in research and development. Therefore, it is important for companies to know how objective product-level innovation and attributes can be transformed into perceived brand innovativeness. One pilot study and three main studies show that the perceived flagship product innovativeness is an important determinant of perceived brand innovativeness and that product-brand typicality moderates the spillover of the perceived flagship product innovativeness to the brand. The reported studies contribute to a better understanding of the role of flagship products for perceived brand innovativeness and indicate that marketing managers can use the presentation of a flagship product as a key element for increasing perceived brand innovativeness.

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1. Introduction

For companies to maintain success in competitive markets, they need to be innovative and develop new products and ideas (Banerjee & Soberman, 2013; Carbonell & Rodriguez, 2006; Eisend, Evanschitzky, & Gilliland, 2015; Pauwels, Silva-Risso, Srinivasan, & Hanssens, 2004; Rubera & Kirca, 2012). Consumers value innovations highly, and innovative products have the potential to prompt purchases (Bartels & Reinders, 2011; Peres, Muller, & Mahajan, 2010; Steenkamp, Hofstede, & Wedel, 1999). As a part of a brand image, innovativeness has a significant impact on consumer decisions and is a key driver of economic success (Kaplan, 2009; Rubera & Kirca, 2012). Hence, it is not surprising that brand innovativeness has become an essential characteristic of brand image for many global companies (Dowling, 1988; Spector, 1961; Rust, Zeithaml, & Lemon, 2004).

A company's investment in research and development forms the basis for perceptions of brand innovativeness (Evanschitzky, Eisend, Calantone, & Jiang, 2012; Rubera & Kirca, 2012). However, perceived brand innovativeness reflects more than investments in research and development and the number of innovative patents (Danneels &

Kleinschmidt, 2001; Kaplan, 2009; Keller, 2013; Kunz, Schmitt, & Meyer, 2011; Schreier, Fuchs, & Dahl, 2012). Perceived brand innovativeness also encompasses consumers' perceptions and subjective assessments of brands as being innovative (Beverland, Napoli, & Farrelly, 2010; Evanschitzky et al., 2012; Kaplan, 2009; Kunz et al., 2011; Ostlund, 1974; Rubera & Kirca, 2012; Schreier et al., 2012; Vandecasteele & Geuens, 2010). Prior research indicates that perceived brand innovativeness positively influences consumers' attitudes toward a brand (Boisvert & Ashill, 2011; Gürhan-Canli & Batra, 2004), customer loyalty (Kunz et al., 2011), brand commitment (Eisingerich & Rubera, 2010), and the stability of a buyer–seller relationship (Falkenreck & Wagner, 2011). If the idea that objective measures of brand innovation are not always congruent with perceived brand innovativeness is taken into account, the question of *how* the company's efforts to create innovative products can be transformed into perceived brand innovativeness then arises.

Considering the importance of perceived brand innovativeness, the fact that only a little is known about the processes that determine the perception of innovativeness is surprising. Therefore, this paper focuses on the brand's flagship product as a key signal for perceived brand innovativeness. In particular, this paper studies a) the spillover of the perceived flagship product innovativeness to perceived brand innovativeness, and b) conditions that facilitate this spillover. Researchers argue that flagship products are of key importance for companies because they often produce sales with relatively smaller marketing investments and provide a platform for the further development of the brand

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(John, Loken, & Joiner, 1998). Research on flagship products often focuses on the effects of extensions from the flagship product on facets of the brand image (Grime, Diamantopoulos, & Smith, 2002; Heath, DelVecchio, & McCarthy, 2011; Völckner & Sattler, 2006; Völckner, Sattler, Hennig-Thurau, & Ringle, 2010), the spillover of advertising effects (Balachander & Ghose, 2003), and how brand extensions affect the image of the flagship product in a positive (Supphelen, Eismann, & Hem, 2004) or negative way (John et al., 1998). However, research has not yet examined the direct effects of flagship products on perceived brand innovativeness. Furthermore, systematic research on how perceived brand innovativeness evolves from product innovation and product perceptions is rare (Kunz et al., 2011) or at least produces ambiguous results (Calantone, Chan, & Cui, 2006; Evanschitzky et al., 2012; McNally, Cavusgil, & Calantone, 2010). The current studies address this research gap and study the effects of the perceived flagship product innovativeness on perceived brand innovativeness across different product categories (e.g., bikes, cars, electronics, pharmaceuticals) and different consumer samples while also studying the typicality of the flagship product for the brand as a possible moderator of these effects.

2. Theoretical background

To understand how consumers form an impression of the perceived brand innovativeness, researchers can apply theories on consumer information processing (Arts, Frambach, & Bijmolt, 2011; Bettman, Luce, & Payne, 1998; Shavitt & Wänke, 2001). Consumer information processing theories propose two models about how consumers integrate new information into a brand schema (Gürhan-Canli & Maheswaran, 1998; Loken & John, 1993). The bookkeeping model (e.g., Loken & John, 1993) suggests that each piece of new information leads to an incremental modification of the brand schema that is stored in memory (Balachander & Ghose, 2003). With regard to perceived brand innovativeness, this model posits that consumers update their assessment of brand innovativeness each time they perceive new information about the brand's innovativeness. The exemplar model (e.g., Ahluwalia & Gürhan-Canli, 2000; Chen & Chaiken, 1999; Hastie & Park, 1986) suggests that consumers retrieve exemplars from memory when they assess brands. With respect to perceived brand innovativeness, this model posits that exemplars of the brand are more important drivers of perceived brand innovativeness than single pieces of information.

Even if it is likely that single pieces of information as well as brand exemplars have some impact on perceived brand innovativeness, it is important to acknowledge that not all information stored in memory is equally accessible and relevant for consumers (Higgins, King, & Mavin, 1982; Thelen & Woodside, 1997). In particular, when consumers think about a brand, they do not have all of the brand's products in mind. Instead, they mostly remember the products that were recently advertised (Wright & Lynch, 1995), the products that they recently used (Hoch & Deighton, 1989), or the pioneering products from a product category (Kardes, Kalyanaram, Chandrashekar, & Dornoff, 1993). Therefore, the present work proposes that a brand's flagship product – the product that consumers associate the most with the brand or company name (John et al., 1998) – is particularly relevant for the modification of perceived brand innovativeness. On the basis of the exemplar model, the authors propose that the perceived flagship product innovativeness has an important impact on perceived brand innovativeness.

However, not only does research on brand perception provide evidence of spillover effects from products to the brand, but research in this area also points out the boundaries of such effects (Gürhan-Canli & Maheswaran, 1998). Indeed, researchers repeatedly argue that the positive influence of exemplars on the perception of categories depends on the typicality of the exemplars and is weakened when typicality is decreased (Bless & Schwarz, 2010; Loken & John, 1993; Milberg, Whan Park, & McCarthy, 1997). Extant research provides support for the moderating role of the typicality on spillover effects (e.g., Aaker & Keller, 1990; Arslan & Altuna, 2010; Bhat & Reddy, 2001; Boush &

Loken, 1991; Gürhan-Canli & Maheswaran, 1998; Keller, 2002; Loken & John, 1993; Mao & Krishnan, 2006; Martinez & Pina, 2003; Milberg et al., 1997; Salinas & Pérez, 2009; Völckner & Sattler, 2006; Wänke, Bless, & Igou, 2001). For example, effects of brand extensions on brand evaluation are often more distinguished for typical brands (Gürhan-Canli & Maheswaran, 1998; Keller & Aaker, 1992), especially if consumer involvement is low (Gürhan-Canli & Maheswaran, 1998). Therefore, the present study proposes that a) companies benefit from presenting an innovative product as a flagship product rather than as a standard product and b) this benefit for perceived brand innovativeness is more pronounced when the flagship product is perceived as a typical product of the brand.

3. Current research and hypotheses

To illustrate and support the relevance of perceived brand innovativeness for consumer behavior, the current research examines in a pilot study whether perceived brand innovativeness is correlated with buying intentions and willingness to pay across different industries (H1a, b).

H1a,b. An increase in the perceived brand innovativeness is positively related to (a) the intention to buy a product of the given brand and (b) the willingness to pay for that product.

The main part of the present paper consists of three studies that systematically test the impact of the perceived flagship product innovativeness on perceived brand innovativeness (Fig. 1). **Study 1** investigates whether the presentation of an innovative product as a flagship product has a causal effect on perceived brand innovativeness (H2a). To pursue this objective, Study 1 varies whether or not an innovative product is presented as a flagship product in a web store and whether the brand represents an established or a start-up company.

H2a. The presentation of an innovative product as a flagship product compared with presentation as a standard product leads to increased perceived brand innovativeness, even if the product portfolio is the same in both conditions.

While Study 1 uses a fictitious brand, **Study 2** examines the relevance of the perceived flagship product innovativeness for real brands. The objective is to validate and extend the findings of Study 1 and to provide a first test of the supposed spillover effect and the moderating role of typicality of the flagship product with real brands (H2b/H3).

H2b. An increase in the perceived flagship product innovativeness is positively related to perceived brand innovativeness.

H3. The positive effect of perceived flagship product innovativeness on perceived brand innovativeness increases with an increase in the flagship product's typicality for the brand.

The strength of Study 2 is the measurement of perceptions of real brands, but Study 2 applies a correlational design. **Study 3** attempts to replicate the causal effect of the perceived flagship product innovativeness on perceived brand innovativeness observed in Study 1 in a different product category (pharmaceuticals) and, in addition, tests the moderating influence of the typicality of the flagship product on perceived brand innovativeness (H3) in an experimental design. All three main studies measure consumer innovativeness and perceived expertise as control variables.

3.1. Pilot study

The pilot study examines the correlation between perceived brand innovativeness and buying intentions (H1a) and willingness to pay for products (H1b) in different industries.

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