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Corporate brand effects in brand alliances☆

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ABSTRACT

Published literature demonstrates that when a single well-known reputable brand is allied with a previously unknown focal brand, perceived quality evaluations of the latter will be more positive. Whether or not the corporate brand improves consumer evaluations of a cobranded product is a topic of interest to marketers. This is true because marketing managers must make decisions regarding investments in building both their corporate and product brands. The authors propose and empirically verify that the corporate brand's role as a parent of its product brands helps determine the extent of the corporate brand's influence on the consumer's evaluation of the focal brand in a brand alliance. Specifically, the corporate brand will be more diagnostic for customer evaluations of a cobranded product when its brand portfolio is more consistent in terms of the customer's attitude toward the brands that comprise the portfolio.

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1. Introduction

During a meeting, a business executive wondered whether adding his corporate brand to a product offering that included one of his product brands and the brand of another firm's product (i.e., a brand alliance) would make a difference to customers. The executive cited a brand alliance between Sara Lee and Pixar's *Toy Story 3*, which included the name of Pixar's corporate parent Disney (PKG Brand Design, 2015). An academic remarked that since Disney is a strong corporate brand, the addition of the brand could only improve customer evaluations of the product offering. Thinking more deeply about the question, the advice offered is incomplete because the corporation is both a brand and the owner of a portfolio of product brands. As a result, the customer's perception of a corporation's *brand portfolio* (Dacin & Smith, 1994; DelVecchio, 2000) can provide information that may be diagnostic in determining whether a corporate brand ally adds value over and above that of the product brand ally in consumers' evaluation of a focal brand.

Investigating whether or not the corporate brand's influence on consumer evaluations of a brand alliance depends on brand portfolio dispersion represents a contribution to the brand alliance literature. Brand portfolio dispersion describes the relative homogeneity or heterogeneity of the brands within the corporation's brand portfolio in terms of attitude toward the brand. Attitude toward the brand is consumers' overall evaluation of a brand (Mitchell & Olson, 1981). Published research demonstrates that attitude toward the brand captures attribute/benefit information as well as a component that might result from heuristics, inferences, or other processes (Keller, 1993; Yoo & MacInnis, 2005). When the brands within a portfolio are relatively homogeneous in terms of attitude toward the brand, brand portfolio dispersion is low. When the brands within the brand portfolio are relatively heterogeneous in terms of attitude toward the brand then brand portfolio dispersion is high. Based in both signaling theory and diagnosticity theory, it is argued herein that when brand portfolio dispersion is low the corporate brand will be more diagnostic in consumer evaluations of offerings containing its product brand and the brand of another firm. This is because when brand portfolio dispersion is low, the customer knows what type of products to expect from the corporation. Note that this effect is irrespective of the level of attitude toward the brand.

Isolating the corporate brand's effect relative to the product brand's effect is not straightforward. This hurdle is overcome through a brand alliance study that simultaneously allows controlling the effect of the product brand ally while imposing boundary conditions on the effect of the corporate brand ally. Within a scenario-based stimuli, study participants evaluate the perceived quality of a previously unknown focal brand—used to prevent confounding the effects of study manipulations with preconceived attitudes participants may have for previously known brands. Following previous research (e.g., Voss & Gammoh, 2004; Voss, Gammoh, & Fang, 2012), the product brand ally and the corporate brand ally are well known and reputable brands since the theory suggests only such brands can signal quality on behalf of the unknown focal brand (Rao & Ruekert, 1994). Data from a multilevel experiment

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demonstrate that the corporate brand ally incrementally improves consumer's perceived quality of the focal brand if (1) the corporation has an above average attitude toward the corporate brand and (2) the corporation's brand portfolio dispersion is low. An important conclusion is that there are two ways to structure brand alliances to achieve increases in consumers' quality perceptions about focal brands.

2. Background

The corporate brand is described as defining “firms that will deliver and stand behind the offering that the customer will buy and use” (Aaker, 2004, p 6). Corporate brands typically are founded on a relatively “small set of fundamental core values” central to the firm's character (Uggla, 2006, p 786). Published literature addresses the importance of the corporate brand in consumer evaluations of product brands. For example, scholars examine the effect of corporate social responsibility efforts on consumer reactions (e.g., Becker-Olsen, Cudmore, & Hill, 2006; Marin, Ruiz, & Rubio, 2009; Sen & Bhattacharya, 2001). Brown and Dacin (1997, p 79) find that “what consumers know about a company can influence their reactions to the company's products.” Berens, van Riel, and van Bruggen (2005) show that the corporate brand has maximum influence on product brand attitude when the corporate brand has a high degree of visibility in product-related communications. Biehal and Sheinin (2007) show that a firm's capability associations affect consumer product attitudes, but this effect was less than the product brand's effect. Similarly, Lafferty and Goldsmith (1999) and Goldsmith, Lafferty, and Newell (2000) show that corporate credibility has an effect on consumer evaluations of the firm's brands. Thus, it seems clear that there is a transfer of associations between the corporate brand and the product brand as well as between the corporate brand and other entities that become connected with it. One way to study such transfers of association is through brand alliances.

One hypothesis advanced in the brand alliance literature is that a high equity brand ally can signal relevant market information more effectively than an unknown focal brand (Rao & Ruekert, 1994). If *a priori* product quality is unobservable, credible signals are effective (Rao, Qu, & Ruekert, 1999). Empirical evidence in support of this hypothesis is robust (e.g., Lafferty, Goldsmith, & Hult, 2004; McCarthy & Norris, 1999; Vaidyanathan & Aggarwal, 2000; Voss & Gammoh, 2004; Washburn, Till, & Priluck, 2004). Researchers also provide evidence that when two high equity brands enter a brand alliance, evaluations of both brands are affected by the alliance—and the subsequent effects are not always positive (Simonin & Ruth, 1998).

According to the signaling theory explanation of brand alliances (Rao & Ruekert, 1994), brands, whether known or not, can profit by participating in brand alliances. The signaling brand must be well known and reputable; that is, the brand must be known by consumers and have a reputation for delivering the promised level of product quality (Jung, 2011; Klein & Leffler, 1981). This status results from clear and consistent brand investments (Erdem & Swait, 1998). Brand equity is therefore built when consumers learn about the brand and attach associations to it (Janiszewski & Van Osselaer, 2000). Consumer learning is achieved through repeated interactions between the customer and the brand across time and contexts (Keller, 1993). Thus, brand alliances can be useful elements in a brand building plan by facilitating additional interactions between the firm's brand and its customers.

Brand alliance researchers also address corporate brands. First, some researchers use “branded house” umbrella brands such as Sony and Northwest Airlines as allies and find significant effects (e.g., Ruth & Simonin, 2003; Voss & Gammoh, 2004). He and Balmer (2006) investigate branded airline alliances finding that alliance brands, such as OneWorld or Star Alliance, may benefit airline brands via positive associations owned by the corporate brand. Second, other researchers investigate corporate brands in alliances with sponsorships or causes and find that there can be a significant benefit to the corporation from such unions (Lafferty, 2009; Lafferty and Goldsmith, 2005; Lafferty et al., 2004). Finally, Uggla (2006) makes the hypothesis that brand associations may transfer to the corporate brand via the alliance mechanism.

Examining the effects of creating a brand alliance with a product brand ally together with its corporate parent's brand is timely. One recently observed brand alliance involves International Delight making an Almond Joy version of its well-known Gourmet Coffee Creamer. The packaging for the creamer incorporates the name of Almond Joy's parent company: Peter Paul. Based on the corporate brand literature summarized above, it can be reasoned that the corporate brand may carry information that is unique relative to its product brands. Bluemelhuber, Carter, and Lambe's (2007) conceptualization of such phenomenon is suggestive of interaction effects between the corporate and product brands. What is not known is whether the brand ally's corporate brand may have no effect, whether the corporate brand has incremental effects over and above the product brand ally, or whether the corporate brand may be a substitute for the product brand ally in influencing customer evaluations of a previously unknown brand.

3. Theory and hypotheses

The conceptual model in Fig. 1 depicts a regression model of individual responses that is nested within brand portfolio dispersion and corporate brand standing. This model is a multilevel model because individual-level effects are expected to vary based on the nesting. To make the model description easy to understand, the elements of the models are referred to as levels. The regression model is called the first level, while the nesting effects are referred to as the second and third levels respectively. The model is rooted in signaling theory and diagnosticity theory (Feldman & Lynch, 1988; Purohit & Srivastava, 2001). In the first level of the model, a signaling based explanation of the effect of the brand ally on consumer evaluations of the focal brand's perceived quality is proposed. At the second level, diagnosticity theory

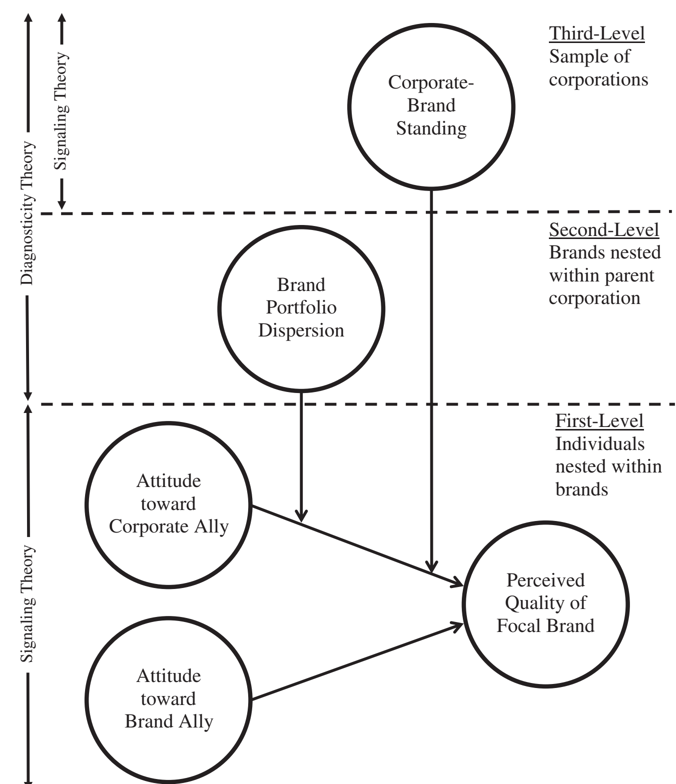

Fig. 1. Conceptual model of brand portfolio dispersion and corporate brand standing on the perceived quality of the focal brand.

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