Journal of Business Research xxx (xxxx) xxx–xxx

Contents lists available at ScienceDirect

Journal of Business Research

journal homepage: www.elsevier.com/locate/jbusres

Do corporate image and reputation drive brand equity in India and China? - Similarities and differences[☆]

Martin Heinberg[a,*], H. Erkan Ozkaya[b], Markus Taube[c,d]

[a] Leeds University Business School, Marketing Division, University of Leeds, Maurice Keyworth Building, Leeds LS2 9JT, United Kingdom
[b] Department of International Business and Marketing, California State Polytechnic University, Pomona, 3801 West Temple Avenue, Building 94-Room 226, Pomona, CA 91768, USA
[c] Mercator School of Management, Institute of East Asian Studies, University of Duisburg-Essen, Forsthausweg 2, Building LE-Room 705, 47057 Duisburg, Germany
[d] Department of Economics, Nankai University, Tianjin, China

ARTICLE INFO

Keywords:
Signalling theory
Corporate image
Corporate reputation
Brand equity
China
India

ABSTRACT

Corporate signals, such as corporate image and corporate reputation, are potentially effective tools to alleviate consumer uncertainty about brands in emerging markets and may therefore enhance product brand equity. However, most studies targeting the effects of corporate signals are set in developed countries and also fail to compare different emerging markets to explore possible moderators to these relationships. We argue that the perceived uncertainty towards brands differs between emerging markets and that this difference is shaped by the institutional background in the country. This, in turn, influences the effectiveness of corporate signals. Using structural equation modelling, the study analyses large consumer samples from China and India. We discover that corporate image is a more effective signal in China than in India. Moreover, we find that corporate reputation mediates the corporate image – product brand equity relationship in emerging markets. Notably, the importance of the mediation depends on the country setting.

1. Introduction

Consumer uncertainty is the foundation of signalling theory (Connelly, Certo, Ireland, & Reutzel, 2011), and it is ubiquitous in emerging markets. Frequent product quality scandals (Anderlini, 2011) and emerging market consumers' increased need for the social signalling function of brands (Eckhardt & Bengtsson, 2010) contribute to an enhanced level of consumer uncertainty towards brands there. One important method to alleviate uncertainty by consumers is the utilization of corporate signals such as corporate image (CI) and corporate reputation (CR) (Ali, Lynch, Melewar, & Jin, 2015; Bartikowski & Walsh, 2011). Despite this, CI and CR related studies building on signalling theory have often been tested in the low-risk/low-uncertainty, developed country environment, where markets are relatively well regulated (e.g., Fombrun & Shanley, 1990; Walsh, Mitchell, Jackson, & Beatty, 2009; notable exceptions include Wang, Kandamully, Lo, & Shi, 2006; Fong, Lee, & Du, 2013). Accordingly, Connelly et al. (2011) question the logic as to why consumers in such a low-risk environment should invest the cognitive effort of searching for and interpreting signals. Thus, we argue that emerging markets provide a better context to study consumer uncertainty and signalling theory.

More importantly, due to the differences in their institutional contexts, comparing major emerging markets (e.g., China, India) is highly important. Marketing literature recognizes China and India as the two major emerging economies (Peng, Wang, & Jiang, 2008) but treats them as one entity, e.g., representing the BRICs, or emerging markets (e.g., Khavul, Peterson, Mullens, & Rasheed, 2010; Sharma, 2011) (with Johnson & Tellis, 2008 as a notable exception). To address this issue, this study examines the how consumers in China and India differ in terms of utilizing corporate signals (e.g., CI, CR) to decrease uncertainty.

Initial evidence indicates that a corporate signal's strength deviates between countries (e.g., Walsh & Bartikowski, 2013). However, the literature is again dominated by developed country studies (e.g., Souiden, Kassim, & Hong, 2006; Walsh & Bartikowski, 2013). Culture is used to explain the cross country differences (e.g., Jin, Yong Park, & Kim, 2008). However, when Bartikowski, Walsh, and Beatty (2011) compare uncertainty avoidance as a cultural moderator to the corporate reputation – brand loyalty relationship, they only observe weak empirical support that indicates an alternative explanation. Therefore, other reasons besides culture may influence the effectiveness of corporate signals. Institutional context differs significantly among emerging

☆ This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.
* Corresponding author.
E-mail addresses: m.heinberg@leeds.ac.uk (M. Heinberg), ozkaya@cpp.edu (H.E. Ozkaya), markus.taube@uni-due.de (M. Taube).

http://dx.doi.org/10.1016/j.jbusres.2017.09.018
Received 21 September 2016; Received in revised form 12 September 2017; Accepted 13 September 2017
0148-2963/ © 2017 Elsevier Inc. All rights reserved.

markets which would contribute to the perceived uncertainty of consumers. However, these differences have not been examined as reasons of cross-country differences in corporate signalling effects. To address this issue, we argue that consumers in China and India differ in terms of utilizing corporate signals (e.g., CR and CI) to decrease uncertainty due to institutional differences.

Corporate image and corporate reputation are highly important corporate signals. However, product brand equity (PBE), which is one of the key measures to determine the strength of a product brand (Aaker, 1991; Keller, 1993), has been overlooked in the literature as a potential consequence of CI and CR signals of companies. Additionally, the literature that tests both effects of CI and CR simultaneously is underdeveloped (de Leaniz & del Bosque Rodríguez, 2016). Employing signalling theory, we argue that CI and CR are central to build PBE in emerging markets like China and India. The key reason is that CI and CR help to alleviate consumer uncertainty about the product brand (Erdem, Swait, & Valenzuela, 2006).

Accordingly, the main research question of this study is as follows: "How and why do consumers in China and India differ in terms of utilizing corporate signals (CI/CR) when they make product related decisions (PBE)?"

2. The corporate image and reputation signalling model

Signalling theory, originating in economics (e.g., Shapiro, 1983), has been used frequently in the business arena (e.g., Bartikowski et al., 2011; Yang & Mai, 2010). The general signalling process is divided into five main sub-parts: sender, signal, receiver, signal interpretation, and feedback (Connelly et al., 2011). The key idea concerning the CI/CR signal from the sender's side is that the sunk costs of image and reputation building are compensated for by improved sales (Shapiro, 1983). From the receivers' side, the reason to engage in the cognitive effort of interpreting signals is pre-purchase uncertainty (Walsh, Mitchell, et al., 2009). In our model (Fig. 1) the sender is the corporation, the signals are CI and CR. Receivers are the consumers and they interpret the corporate signals. If the signal helps them decrease uncertainty, they provide feedback to the corporation; for example, in consumers' preference of one product over the other. This idea is encompassed in the product brand equity construct (PBE).

3. Hypotheses development

Product brand equity is the difference that the consumer perceives between the focal brand and a counterpart of an identical unbranded product (Aaker, 1991). In other words, brand equity is the consumer preference for one brand over a potential alternative (Çifci et al., 2016). As such, brand equity can be viewed as a feedback from consumers to companies and it has been used frequently as a dependent variable in research based on signalling theory (e.g., Yoo & Donthu, 2001; Yoo, Donthu, & Lee, 2000). Naturally, consumers lack information about the quality or social prestige value of a product/brand and are thus uncertain about their product choice. As a result, they look for signals like product price or warranty to alleviate this uncertainty (Erevelles, Roy, & Yip, 2001). Also the creation/maintenance of the image of a corporation is a potential signal for consumers (Fombrun & Shanley, 1990; Walsh, Mitchell, et al., 2009).

A company targets key stakeholders with deliberate image-building efforts (e.g., using advertisements and PR campaigns) to create a favourable corporate image. For product brand equity, the key stakeholders are potential and actual customers (Walker, 2010) and they are thus the target of corporate branding endeavours to raise the corporate image (Abratt & Kleyn, 2012). Naturally, stakeholders act as co-creators, as they may accept or adapt the projected image (Hatch & Schultz, 2010). As such, CI is their perceived impression at a point in time, which is strongly connected to corporate communications efforts (Fombrun, 1996). Taking the image that is projected by the company as a signal, consumers are able to resolve information asymmetries about a company's products (Connelly et al., 2011).

Consumers' uncertainty persists along different stages of the purchase and usage process. First, uncertainty prevails in the pre-purchase process about product quality (Kirmani & Rao, 2000) or related attributes, such as product reliability (Wiener, 1985). Second, uncertainty about credence attributes of products or a product's long-term effects continues to exist after consumption (Erdem & Swait, 1998). For example, the consumer is unable to judge if a company uses all available measures to prevent contamination of a product. Third, uncertainty might also exist about the social prestige value of the brand. Consumers that are inexperienced with the brand might be uncertain how their own image or prestige will be affected by their usage of this brand. Moreover, consumers are unsure if a potential scandal of the brand may decrease the social prestige of the brand and possibly also their own personal prestige. These uncertainties are especially vital in emerging markets, where quality scandals and the importance of social signalling increase these two latter forms of consumer uncertainty (Anderlini, 2011; Eckhardt & Bengtsson, 2010).

Corporate signals, like the corporate image, may help alleviate consumer uncertainty because the investment in building an image creates sunk costs for the company, and these costs would be lost in the case of a brand scandal or an unfulfilled promise. Corporate signals have an asymmetrical character in terms of costs and durability (Hall, 1993). It is relatively time-consuming and expensive to build a corporate image, but it can be lost over night and a loss can even be triggered by minor incidents. This makes breaking the CI promise especially risky and costly for companies. This, in turn, decreases uncertainty for the consumer about product attributes, such as quality or the future social prestige of the brand, and may induce the consumer to choose the product with an established corporate image over others. Thus, we hypothesize:

H1. CI has a positive effect on PBE.

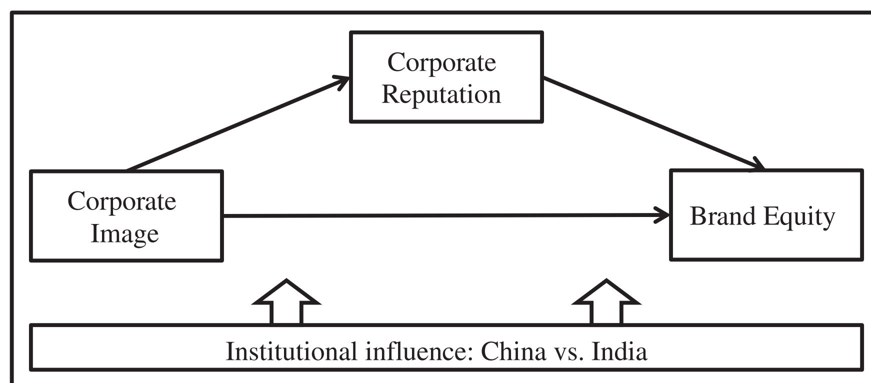

Fig. 1. Conceptual framework.

Download English Version:

https://daneshyari.com/en/article/7425129

Download Persian Version:

https://daneshyari.com/article/7425129

Daneshyari.com