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Why the family business brand matters: Brand authenticity and the family firm trust inference

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ABSTRACT

Studying branding strategies of family firms gives rise to a striking observation: an increasing number of family firms nowadays communicate the “family” nature of their organizations. We therefore see a need for controlled empirical tests to determine whether this strategy of using a family business brand does influence consumers brand perceptions. Drawing on inference theory, we test the influence of a family business brand on perceptual and intentional variables in a series of two experimental online studies (N = 382; N = 126) and one field experiment (N = 54). The findings reveal that consumers infer higher brand trust from the communication of the firm's family nature, resulting in stronger purchase intentions. Furthermore, we identify brand authenticity as mediating variable for the family firm trust inference: consumers perceive brands that communicate their family nature as more authentic, leading to higher brand trust, and thus revealing brand authenticity as cognitive process of the family firm trust inference.

1. Introduction

Research on family businesses, which is itself a field that actively integrates different disciplinary perspectives, has so far examined a broad variety of topics ranging from financial performance (e.g., Chrisman, Sharma, & Taggar, 2007; Kim & Gao, 2013), governance (e.g., Brenes, Madrigal, & Requena, 2011; Jaskiewicz & Klein, 2007), conflict (e.g., Kellermanns & Eddleston, 2007), succession (Chen, Liu, Yang, & Chen, 2016), and entrepreneurship and internationalization (e.g., Carr & Sequeira, 2007; Kraus, Mensching, Calabrò, Cheng, & Filser, 2016). Recently, innovation (e.g., Hauck & Prügl, 2015; Kraiczy, Hack, & Kellermanns, 2014) and especially marketing (e.g., Binz, Hair, Pieper, & Baldauf, 2013; Gallucci, Santulli, & Calabrò, 2015; Zellweger, Kellermanns, Eddleston, & Memili, 2012), and combinations of those two “hot topics” in family business research (Covin, Eggers, Kraus, Cheng, & Chang, 2016) seem to have attracted a great deal of attention.

One important reason for the increased interest in marketing in the context of family firms might be the following: Family firms are the dominant form of business organizations all over the world and have a massive impact on the economy as a whole (Astrachan & Shanker, 2003; Poza, 2013; Shanker & Astrachan, 1996; Weidenbaum, 1996), while most of the time consumers are not aware of the “family nature” of those firms. This reveals an untapped potential to leverage that characteristic for differentiation purposes in a “hypercompetitive” world. Accordingly, some family firms have started to invest heavily in promoting their family nature. Take, for example, SC Johnson. As a pioneer of this branding strategy, the company has for years included its tag “SC Johnson: A Family Company” prominently in ads for brands such as Windex, Ziploc, Pledge and others. On the other hand, many other family companies, while similarly dependent on brand trust for their products to be bought, do not market their family nature, thus acting more like a non-family firm (e.g., Mars Inc., which is still privately held by the founding family).

More and more family companies, however, advertise explicitly that they are “family firms”. This can be observed in many categories and different geographical contexts, such as beverages (Glenfiddich, United Kingdom: “Family run since 1887”; Warsteiner, Germany: “Family tradition since 1753”), food (El Monterey, United States: “Family owned since 1964”; Foster Farms, United States: “Family owned since 1939”), and manufacturing (Heinz Glas, Germany, “Family owned since 1622”), to name just a few. This gives rise to the question: Why is that the case? What do consumers actually infer from the informational cue “family firm”? In our attempt to shed light on this question, we define a family business brand as “the formal and informal communication (image) of the family element of firm essence (identity), which includes the family's involvement in a firm, and which lead to associations and expectations in the mind of stakeholders (reputation) that help differentiate these firms from others in the marketplace and other venues”

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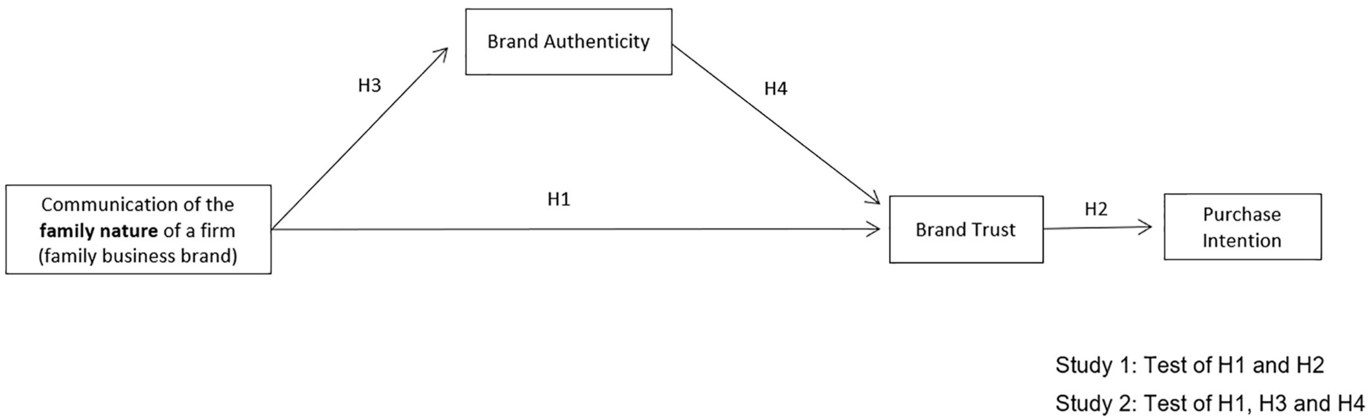

Fig. 1. Conceptual model and overview of studies.

(Binz Astrachan, Botero, Astrachan, & Prügl, 2018, p.3). In this paper we more explicitly focus on the reputational effects of a formal communication (image) of the family business brand on (potential) consumers, i.e. a branding effort in which the family nature of the firm is consciously signaled in the brand's appearance, that is, throughout the entire interaction between a brand and its (potential) consumers.

As we see a need to test for the existence of the effect of a "family business brand" on consumers' brand perceptions in a controlled empirical environment, we aim to assess whether the family nature of a firm has a positive effect on brand trust and purchase intention. We then examine whether brand authenticity mediates the positive effect. We thereby manipulated whether the same product is presented to consumers with (vs. without) signaling the family nature of the firm. Accordingly, the overall objective of this paper is to investigate whether, how and why the perception of the family nature of a brand does influence relevant perceptional and intentional variables (see Fig. 1 for conceptual model). Drawing on inference theory, we add to recent research on signals or cues that affect consumer preferences (e.g., Basuroy, Desai, & Talukdar, 2006).

Our findings, which are based on two experimental online studies and one field experiment, have important implications for theory and practice. From a theoretical perspective, we confirm that the mere presence of a family business brand cue can trigger trust inferences, which subsequently impact consumers' purchase intentions (Study 1). We also demonstrate the mediating role of brand authenticity in trust inferences regarding family business brands (Study 2), showing preliminary evidence for the cognitive process driving the effect of a family business brand. From a managerial perspective, we provide practitioners with empirically based recommendations for incorporating a family business cue in their brand communications. This is important, as many brand owners in various product categories highlight the family nature of the firm in advertising, product packaging, promotional displays, websites and other forms of promotion. In particular, we discuss how to (or *not* to) promote a brand's family nature in marketing communications, and we address the consequences of this branding strategy.

2. Conceptual background

2.1. Previous family firm research

Like any other type of company, the primary objective of a family firm is to successfully sell its products or services on the market and thus strengthen its position in the competitive environment. To reach that goal, marketers make continuous efforts to create strong brands, which in turn help them to achieve higher margins and better customer response to their communications efforts (Gill & Dawra, 2010). In a world of growing competition, accelerated innovation, and increasingly demanding consumers (Knox, 2004), the value brands deliver to consumers is becoming more and more important.

Whereas it has been shown that family firms have advantages and disadvantages regarding internally focused business activities, such as financial issues and performance (e.g., Chrisman et al., 2007; Kim & Gao, 2013), succession and innovation behavior (e.g., Chen et al.,2016; Hauck & Prügl, 2015), only little research has examined whether family firms also acquire advantages or disadvantages over non-family firms in terms of consumer perceptions and consumer behavior. This is surprising given that Tagiuri and Davis (1996) published their work on the bivalent attributes of family firms over two decades ago; even at that time, they mentioned that the family signal also holds meaning for people outside the company. Those authors note that "company outsiders" (i.e., external stakeholders) infer certain characteristics from the family nature of a firm and thus ascribe a certain behavior to that firm (Tagiuri & Davis, 1996). For our purposes, we focus on how one specific and very important stakeholder group processes the informational cue "family firm": the (potential) consumers of the firm's products.

2.2. Informational cue processing and consumer inference theory

When consumers are confronted with a brand, they are exposed to a variety of informational cues on which they form their opinions and brand evaluations. These cues can be differentiated into intrinsic information cues (e.g., look, sound, smell, taste), which directly affect the products' appearance and performance, and extrinsic information cues (e.g., brand, price, country of origin), which do not directly affect the products' appearance and performance (Szybillo & Jacoby, 1974). According to cue utilization theory, when intrinsic cues are inaccessible (e.g., because no prior purchase experience or attribute information is available), consumers are compelled to rely heavily on extrinsic cues for their evaluations and decisions (Bredahl, 2004; Magnusson, Westjohn, & Zdravkovic, 2011). In other words, extrinsic cues "can provide a cognitive shortcut when intrinsic cues are difficult to obtain, the motivation to understand intrinsic cues is lacking, or the consumer seeks to expedite the decision process" (Magnusson & Westjohn, 2011, p. 292).

Our study draws on the well-established consumer inference theory proposed by Kardes (Kardes, 1993; Kardes, Posavac, & Cronley, 2004; Kardes, Posavac, Cronley, & Herr, 2008) to build an understanding of how consumers react to family business branding cues. Kardes' theory highlights that multiple cues are likely to be present in organizational communications and addresses the way in which new consumers are likely to make use of those cues to draw inferences about the nature of the organization. Potential consumers do not have all relevant information at hand to make a decision about, or an evaluation of, a product or service. Instead, they must rely on whatever cues are available. Advertisements typically provide informational cues about certain product attributes and benefits. However, other product