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Cognitive outcomes of brand heritage: A signaling perspective

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ABSTRACT

This paper examines the cognitive outcomes of brand heritage in the theoretical framework of signaling theory. Three quantitative studies show the added value of making brand heritage available to consumers in different situations of familiarity. The results show that brand heritage enhances perceived brand quality and commands a price premium for established companies (Study 1) as well as companies penetrating a new market (Study 2). It also outlines the moderating effect of the familiarity that consumers have with the company, and consumers' past time orientation. Theoretical and managerial implications are also discussed.

1. Introduction

Some brand managers, such as Karl Lagerfeld, follow Goethe's mantra to “Make a better future by developing elements from the past” (Menkes, 2010). Many companies remain suspicious about the value of heritage, however. As a brand guru recently advised in Marketing Week: “Heritage has a bigger role than most marketers imagine in defining how you should position yourself” (Ritson, 2017).

Guidance from academic research on how brand heritage influences consumer attitudes and behaviors is nascent and evolving. Several managerially relevant questions remain unanswered. For instance, does a brand's heritage signal quality? Can heritage be evoked only for older brands, or can even newer brands signal heritage, and thereby quality? Can heritage motivate a price premium?

Previous studies of brand heritage have examined specific brands within the automobile (Simms & Trott, 2006; Urde, Greyser, & Balmer, 2007; Wiedmann, Hennigs, Schmidt, Wuestefeld, 2011), furniture (Urde et al., 2007), banking (Urde et al., 2007), tourism (Hudson, 2011), and food industries (Hakala, Lätti, & Sandberg, 2011). These studies attest to the importance, use, and utility of brand heritage within specific contexts. One study quantitatively related the role of nostalgia and brand heritage in an advertising context, but did not address how brand heritage works in a broader marketing context (Merchant & Rose, 2013). More recently, Rose, Merchant, Orth, Horstmann (2016) examined consumers' perceptions and consequences of brand heritage, and demonstrated the impact of brand heritage on consumers' purchase intentions. However, no research has explored the value of brand heritage.

The current research builds on these assertions and investigates the *cognitive* effects of brand heritage on consumer outcomes (perceived brand quality and willingness to pay a premium) in the broader explicative framework of signaling theory (Erdem & Swait, 1998; Erdem, Swait, & Valenzuela, 2006). We integrate brand heritage to the well-established model of brand equity as a signal with two objectives. The first is to assess the value of brand heritage by showing that brand heritage increases the brand signal for perceived quality and positively enhances the willingness to pay a price premium. The second is to evidence the role of consumers' familiarity with the organization behind the brand in moderating the efficiency of this signal. The rest of the research is structured as follows. First, a review of various streams of literature is presented. The conceptual model is discussed and eight research hypotheses are posited. The three studies are discussed and implications for theory and practice are ultimately presented. The results show that an emphasis on brand heritage enhances the perceptions of quality and price. As such, these results contribute to the uses of signaling theory in marketing, as they suggest that elements of the brand (here: brand heritage) can be an alternative to additional investments. They also extend current research on consumers' perception of corporate heritage by shedding light on one particular process that explains the observed success of corporate heritage brands.

2. Theoretical background: Corporate brands and signaling theory

Several frameworks exist to study the added value of a brand to a product. The one developed within signaling theory (Erdem & Swait, 1998) is particularly relevant to look at brand heritage, as it focuses on

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the asymmetrical informational difference between firms and consumers that is characteristic of brand heritage. The concept of heritage is first imported to marketing from a corporate perspective, as it emerges from multiple case studies, evidencing a common pattern in the management of certain "heritage" organizations (Urde et al., 2007). They suggest the following definition for brand heritage: "a dimension of a brand's identity found in its track record, longevity, core values, use of symbols and particularly in an organisational belief that its history is important" (Urde et al., 2007, p.4). Further research suggests six characteristics of corporate heritage organizations that serve to identify such companies: omni-temporality, institutional trait consistency, tri-generational hereditariness, augmented role identities, ceaseless multigenerational stakeholder utility, and unremitting management tenacity (Balmer, 2011, 2013). These six traits qualify the organization as a corporate heritage institution, and can only be assessed through access to internal data from the company.

Past research indicates that managers implement corporate heritage internally through distinct strategies: narrating, visualizing, performing, and embodying (Burghausen & Balmer, 2014). They also engage in heritage branding externally by articulating the latent corporate heritage at a product brand level (Santos, Burghausen, & Balmer, 2016). However, most consumers do not have direct access to the corporate identity of a company. They only perceive what is communicated externally, and empirical research shows that their viewpoint may differ (Pecot & De Barnier, 2017a; Rindell, Santos, & de Lima, 2015). In sum, brand heritage presents an interesting case of informational asymmetry. Most corporate heritage is unknown to the average consumer, and yet existing research suggests that it adds to the brand equity (Aaker, 1996; Keller & Lehman, 2006).

The informational economic approach builds on this asymmetry and posits that firms and consumers use signals to solve this asymmetrical situation (Kirmani & Rao, 2000). They both make use of many different signals to transmit or gain information about the quality of the product: advertising (Kirmani, 1990), price (Erdem, Keane, & Sun, 2008), warranties (Boulding & Kirmani, 1993), additional investments (Erdem & Swait, 1998; Kirmani & Rao, 2000), or the brand, which is the focus of this paper (Erdem & Swait, 1998, 2004). Erdem and Swait define the brand signal as "a firm's past and present marketing mix strategies and activities associated with that brand. In other words, a brand becomes a signal because it embodies (or symbolizes) a firm's past and present marketing strategies" (Erdem & Swait, 1998, p. 135). They show that the brand operates as a signal that consumers can hold on to in order to evaluate products and compensate for the uncertainty. It has four factors (Erdem & Swait, 1998). First is the content of the signal: the nature of the information associated with the brand under the organization's control. It reflects the strategic decisions of the marketing managers. Marketing activities can lead to consumers associating a brand with hedonic, prestigious, green, innovative traits, regardless of the other factors of the signal. In addition to the content, a signal is made of two processing variables. The clarity of the signal captures the extent to which consumers find the marketing mix activities either easy to understand or rather vague. Clearer signals are more credible (Erdem & Swait, 1998). Together with clarity is the consistency of the signal. This captures the extent to which the different facets of the marketing mix make sense - to one another and over time. Signals that are more consistent are more credible (Erdem & Swait, 1998). Finally, the outcome of this process is the credibility of the signal (Erdem et al., 2006; Erdem & Swait, 2004). This concept is at the core of the signaling theory. It expresses the extent to which consumers perceive a brand's marketing strategies to be truthful and dependable.

Existing marketing research based on signaling theory tends to focus more on the central concept of credibility and its consequences than on the antecedents of a strong signal. The literature establishes that the credibility of a brand increases its equity (Erdem & Swait, 1998). A stronger signal of credibility and perceived brand quality decreases the sensitivity to price (Erdem, Swait, & Louviere, 2002). In a validation of the signaling model across seven different cultural contexts (Brazil, Germany, India, Japan, Spain, Turkey, and the United States), perceived brand quality had the highest influence on product consideration and purchase, regardless of the cultural background and the product category. In a distinct study, Baek, Kim, and Yu (2010) find that perceived brand quality has a stronger influence on buying intention than perceived risk and information costs. As far as the antecedents are concerned, Erdem and Swait (1998) demonstrate that more investments and consistency strengthen the credibility and clarity of the signal. However, to the best of our knowledge, most research overlooks the content itself. Baek et al. (2010) is a notable exception, investigating the interaction effect of the prestige positioning and the credibility of the brand. In a similar vein, an alternative to additional investments could be to emphasize some elements of the content because they could enhance the clarity, consistency and credibility of the brand.

Keeping in mind these discoveries and these limitations, we focus on the effects of brand heritage on the processes of signaling (consistency and clarity) as well as on the consumers' perception of credibility, quality, and ultimately, their willingness to pay a premium (wtpp) for the focal brand. Considering brand heritage as a signal allows the modeling of its effect on quality and price, with a focus on the informational asymmetry between the firm and its consumers. It builds on and contributes to existing research on brand stewardship (Burghausen & Balmer, 2015), heritage branding (Santos et al., 2016) and consumer image heritage (Rindell et al., 2015), by quantifying what value brand heritage adds from a consumer perspective in terms of credibility, quality, and willingness to pay a premium. It provides additional validation from a consumer perspective to engage in stewardship and make use of brand heritage in external communications. The conceptual model is presented in Fig. 1 and is subsequently discussed in greater detail.

3. Hypotheses development

3.1. Brand heritage as a signal

Brand heritage is a dimension of the brand's identity (Urde et al., 2007), an extrinsic brand cue that managers decide to put forward in their marketing strategy (Keller & Lehman, 2006). In line with signaling theory, brand heritage is a piece of information associated with the brand. It exists through the actions of managers (marketing mix), reflecting strategic decisions to implement it (Burghausen & Balmer, 2014). This information can be inferred by an explicit emphasis, but it can also be embedded in the brand as part of its identity (Aaker, 1996; Urde et al., 2007). In the former situation, managers emphasize brand heritage through visible symbols (Hakala et al., 2011) such as a founding date, a character, a mention or reference (e.g., "from generations"), the description of the company's history, a coat of arms… In the latter situation, the mere mention of the brand, understood in the signaling theory as a name or a logo (Erdem et al., 2002), is enough to infer brand heritage.

Existing research suggests that perception of heritage is likely to infer expertise and legitimacy (Hudson & Balmer, 2013), perceived authenticity (Alexander, 2009; Beverland, 2006; Leigh, Peters, & Shelton, 2006; Napoli, Dickinson, Beverland, Farrelly, 2014; Spiggle, Nguyen, & Caravella, 2012), brand trust (Blombäck & Brunninge, 2009; Rose et al., 2016; Urde et al., 2007; Wiedmann et al., 2011), functional and economic perceived value (Wuestefeld, Hennigs, Schmidt, Wiedmann, 2012), and responsibility (Blombäck & Scandelius, 2013). The present research adds to existing efforts by looking at the underlying process supporting these benefits. As stated in the literature on signaling theory, the credibility of the brand is at the heart of the signal's efficiency in an imperfect market characterized by uncertainty (Erdem & Swait, 1998, 2004). For instance, credibility is a cornerstone dimension of the perception of authenticity (Morhart, Malär, Guèvremont, Girardin, Grohmann, 2015; Napoli et al., 2014). The