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Research paper

Perceived globalness and localness in B2B brands: A co-branding perspective

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ABSTRACT

This research explores the topics of perceived brand globalness (PBG) and perceived brand localness (PBL) in the B2B context—specifically in terms of how brand localness and globalness factor into B2B buyers' decision making. It does so by examining co-branding relationships that involve alliances between well-known global and local B2B brands with unknown B2B brands in order to tease out the specific influence of brand globalness and localness on buyers' quality evaluations of the unknown brand. In other words, it considers the potential spillover effects of well-known PBG and PBL ally brands on lesser-known focal brands in brand alliances. Notably, we analyze data collected from a sample of Brazilian and U.S. based purchase decision-makers and uncover a number of robust findings likely to benefit both academics and practitioners.

1. Introduction

Multinational corporations tend to view globalization as a positive phenomenon because of its strategic appeal and its link to operational efficiencies (Steenkamp, Batra, & Alden, 2003). Yet, the political climate in many Western countries has recently been characterized as populist, nativist, or protectionist, as evidenced by the recent Brexit vote and Donald Trump's successful U.S. presidential election campaign. Indeed, some claim that "globalization is out of favor" (O'Sullivan, 2016), and similar sentiments are being expressed in B2B markets worldwide where conglomerates like GE are shifting from a global brand strategy to a local brand strategy (Mann & Spegele, 2017; Murray, 2016). These geopolitical developments are relevant to business-to-business (B2B) marketing academics and practitioners as studies point to the significant value that accompanies a brand's perception as global or local (e.g., Halkias, Davvetas, & Diamantopoulos, 2016; Swoboda & Hirschmann, 2016).

Perceived brand globalness (PBG) is the extent to which individuals "believe that the brand is marketed in multiple countries and is generally recognized as global in these countries" (Steenkamp et al., 2003, p. 54). Perceived brand localness (PBL) captures individuals' perceptions of the extent to which a brand is produced with the use of local resources (Davvetas, Diamantopoulos, & Halkias, 2016). Brands perceived to be global are appealing because they are viewed as having a minimum level of quality and are typically more prestigious (Swoboda, Pennemann, & Taube, 2012). On the other hand, local brands are important in markets where individuals are sensitive to local tastes and demands, and where support for local economies and resistance to globalization tendencies are common (Davvetas et al., 2016).

Today's global marketplaces demand that marketers understand how individuals choose between global and local brands and, importantly, why individuals prefer one or the other (Özsomer, 2012). While PBG and PBL have been studied in the business-to-consumer (B2C) context (e.g., Sichtmann & Diamantopoulos, 2013; Steenkamp et al., 2003; Swoboda & Hirschmann, 2016), they remain underexplored in the B2B setting. This is an important oversight because B2B markets are distinct from B2C markets in numerous, meaningful ways (Kotler & Pfoertsch, 2006; Kuhn, Alpert, & Pope, 2008; Webster & Keller, 2004). Further, while B2B branding research is still considered relatively novel, studies underscore its importance in an industrial marketing context (e.g., Brown, Zablah, Bellenger, & Donthu, 2012; Homburg, Klarmann, & Schmitt, 2010).

This research examines the role of PBG and PBL within a B2B co-branding context. B2B firms increasingly rely on co-branding or co-promotion strategies (e.g., Besharat, 2010; Chiambaretto, Gurău, & Roy, 2016; Helm & Özergin, 2015; Kalafatis, Riley, & Singh, 2014). Brand alliances[1] are considered beneficial because of the potential advantages on offer (Voss & Mohan, 2016a). By engaging in brand alliances, firms aim to communicate or reinforce their distinct value propositions while leveraging aspects of the ally brand's positive equity—often referred to as positive spillover (Simonin & Ruth, 1998). As B2B co-branding strategies become commonplace, research that

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[1] In this study, the authors use the terms co-branding (co-brand) and brand alliance (brand ally) interchangeably.

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addresses the spillover effects between brands with divergent levels of brand equity, such as those related to partnering a focal brand with a global or local brand ally, are unclear. Notably, such an approach is conducive to a robust inquiry into whether global or local perceptions of brands influence B2B buyers' evaluations of industrial offerings.

The purpose of this research is two-fold. First, it addresses whether a focal B2B brand can capitalize on the positive spillover resulting from the PBG or PBL of a brand ally. Stated another way, does a B2B buyer's perception of a focal brand vary based on its brand ally's PBG or PBL? Second, it explores the specific process mechanisms that explain how an ally brand's PBG or PBL impacts a B2B buyer's product quality perceptions of a focal brand. In doing so, this research builds on signaling theory (Spence, 1973, 1974) by examining whether organizational buyers tasked with evaluating B2B co-branded offerings are influenced by a brand alliance signal's ability to (i) reduce the perceived risk associated with the offering, and/or (ii) help infer the quality of the offering based on the co-brand's reputation and brand equity (Montgomery & Wernerfelt, 1992; Rao, Qu, & Ruekert, 1999). In other words, it assesses the effectiveness of two signaling explanations put forth in the branding literature: the risk-reduction hypothesis and the potential loss or "bonding" hypothesis.

This research contributes to B2B branding literature by exploring whether brands perceived to be high in globalness and localness have any bearing on B2B buying—a question deemed worthy of fresh scholarly inquiry (Lilien, 2016). Further, the potential spillover effects from well-known global or local ally brands in a B2B brand alliance are determined, and in doing so, the study compares two theoretical process explanations. Methodologically, this research conducts a multinational field survey of buyers from B2B firms in the U.S. and Brazil to arrive at its conclusions. Practically, this study guides B2B brand managers on decisions related to partner-brand selection. Since many B2B firms operate on a global scale, B2B marketers are likely to benefit from insights concerning brand ally selection in their efforts to position their brands in global and local markets. Finally, it explicates the mechanisms via which B2B buyers attend to brand signals. As a result, normative brand development strategies are derived and discussed.

2. Background and theory

While the distinctions between B2B and B2C markets are inarguable, recent academic literature suggests that the similarities between the two domains have remained inconspicuous (Dant & Brown, 2008; Wilson, 2000). Today, B2B scholars increasingly point to the role of subjective evaluations, heuristics, and emotions in the buying process (Cassidy, Nyadzayo, Mohan, & Brown, 2018; Iyer, Hong Xiao, Sharma, & Nicholson, 2015; Zablah, Brown, & Donthu, 2010). For instance, brands can significantly augment the buying process (Kotler & Pfoertsch, 2006) suggesting that B2B managers who invest in their brands can reap potential performance benefits (Cassidy et al., 2018; Voss & Mohan, 2016b). Still, brand nuances within the buying context remain notable, particularly when considering the PBG and PBL of B2B brands. B2B buyers are motivated to reduce the risks associated with suboptimal purchases and may rely on brands that can signal positive brand reputations, be they global or local, as a key decision-making heuristic. Moreover, even though the buying process is characterized as a group process, individuals, not organizations, make purchase decisions and are therefore subject to the economic, political, legal, and social-cultural forces in their environment (Webster & Keller, 2004).

2.1. PBG and PBL

Due to globalization, PBG has been the focus of scholarly research for the past two decades (e.g., Steenkamp et al., 2003; Steenkamp & De Jong, 2010); often conceptualized from a market-oriented perspective, specifically framing it around how brands are marketed.[2] Prior studies suggest that buyers prefer brands that are available worldwide—as opposed to those that are not—due to global brands being associated with higher quality (e.g., Özsomer, 2012; Steenkamp et al., 2003; Swoboda et al., 2012). Conversely, discussions surrounding PBL are more recent, following the rise of anti-globalization and protectionist sentiments of buyers' who desire to support their local markets (Steenkamp & De Jong, 2010). This discussion challenges the unidimensional view of brand globalness and localness as opposites on the same continuum (e.g., Kinra, 2006; Strizhakova, Coulter, & Price, 2008) and emphasizes that "a local brand is not simply the opposite of a global brand" (Dimofte, Johansson, & Ronkainen, 2008, p. 118). Instead, the "localness" aspect of a brand goes beyond availability and reach, and includes a connection to the local culture as a defining feature (Dimofte et al., 2008; Lim & O'Cass, 2001; Swoboda et al., 2012). Thus, PBG and PBL are not mutually exclusive; instead they are complementary constructs that should be jointly considered to obtain an accurate picture of global and local brand perceptions.

Scholars are finding that PBL can significantly impact buyer behavior (e.g., Halkias et al., 2016; Schuiling & Kapferer, 2004). However, prior literature is scarce concerning its specific conceptualization. Davvetas et al. (2016) suggest that PBL is a multidimensional construct with four dimensions representing a brand's regional availability, local iconness, national origin, and domestic production (wherein domestic production is regarded as a key facet of the construct). Regional availability conceptually captures the opposite of perceived brand globalness and thus is implicitly captured in our conceptualization. Local iconness and national origin relate to identity-construction, anti-globalization tendencies, and domestic country bias; values that closely reflect individuals rather than organizations. To conceptualize PBL from an industrial perspective, we follow Davvetas et al. (2016) in focusing on the domestic production dimension. This resource-based perspective seems appropriate in a B2B context since it directly relates to supply chain aspects. Domestic production revolves around the brand using physical resources (e.g., ingredients, materials), human resources (e.g., employees, workforce), local infrastructure (e.g., ports or other logistical solutions), government subsidies (e.g., tax breaks), and knowledge industry or network resources from the domestic country. Thus, PBL is defined as the extent to which a brand is perceived as being produced with the use of local resources (Davvetas et al., 2016).

2.2. Brand alliance signals

Signaling theory is an appropriate framework when studying marketing contexts where information asymmetry is prevalent (Besharat, 2010; Rehme, Nordigården, Ellström, & Chicksand, 2016; Selviaridis, Spring, & Araujo, 2013). Generally, in B2B markets, information asymmetry results in an adverse selection problem (Erdem & Swait, 1998; Shapiro & Stiglitz, 1984), wherein buyers make an imperfect choice due to a lack of information. To remedy this problem, sellers employ signals to reconcile this information asymmetry (Akerlof, 1970; Spence, 1973). Risk reduction and bonding are two process explanations capable of explaining how marketplace signals alleviate the adverse selection problem (Montgomery & Wernerfelt, 1992; Wernerfelt, 1988). Both are relevant in the co-branding context because well-known ally brands can "serve as quality signals when an individual brand is unable to signal quality by itself" (Rao & Ruekert, 1994, p. 89).

The risk-reduction hypothesis suggests that a brand alliance signal can lower the overall variance in the unobservable quality of a focal brand that is incapable of providing quality information on its own (Montgomery & Wernerfelt, 1992; Voss & Mohan, 2016a). This is key since buyers face challenges in reducing the variance around their subjective quality evaluations of an unknown focal brand as the

[2] We thank an anonymous reviewer for suggesting this point.