Is familiarity a moderator of brand/country alliances in consumer choice?

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Abstract

Product and brand familiarity have an important role in consumer choice behaviour and they have been equated with knowledge and experience Consumers having high and low familiarity utilized brand information (an extrinsic cue) in their evaluations, whereas moderately familiar consumers used intrinsic cues (product attributes) in evaluating products. The question of whether familiarity moderates the country-of-origin (COO) effect is a valid one. In this present paper, we attempt to provide additional evidence as to how familiarity with products, brands and countries moderates consumer evaluation of brand/country alliances. Specifically, we concentrate on the brand leveraging process identified by Keller (2003) applied to the effect of familiarity on country/brand alliances.

Keywords: familiarity; brand; country of origin; consumer choice.

Introduction

Marketing researchers have long concluded that product and brand familiarity have an important role in consumer choice behaviour (Park & Lessing, 1981; Alba & Hutchinson, 1987; Holden & Lutz, 1992; Kent & Allen, 1994; Chung & Szymanski, 1997; Ballantyne et al., 2006). Product and brand familiarity have been equated with knowledge (Rao & Monroe, 1988, 253; Lee & Lou, 1995/96, 22) and experience (Alba & Hutchinson, 1987; Hoch & Deighton, 1989; Kent & Allen, 1994). Yet, Alba & Hutchinson (1987) have proposed that familiarity & expertise together form consumer knowledge, where familiarity is defined as "the number of product related experiences that have been accumulated by the consumer" and expertise is "the ability to perform product-related tasks successfully". Park & Lessig (1981) found that consumers having high and low familiarity utilized brand information (an extrinsic cue) in

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their evaluations, whereas moderately familiar consumers used intrinsic cues (product attributes) in evaluating products.

In a review paper concerning the relevance of country-of-origin research, Josiassen & Harzing (2008) raised the question of whether familiarity moderates the country-of-origin (COO) effect. They claimed that this issue is an "unsolved challenge" to researchers that deserves further investigation. In this present paper we attempt to provide additional evidence as to how familiarity with products, brands and countries moderates consumer evaluation of brand/country alliances. Specifically, we concentrate on the brand leveraging process identified by Keller (2003) applied to the effect of familiarity on country/brand alliances.

Theoretical framework

Previous research has shown that country of origin is a salient cue in consumers' evaluation of a country's products and services (for reviews, see: Papadopoulos & Heslop, 1993; Verlegh & Steenkamp, 1999; Jaffe & Nebenzahl, 2006; Pharr, J.M., 2005; Ahmed & d'Astous, 2008; Josiassen, et al., 2008; Zeugner-Roth, K.P, 2009; Samiee, S., 2010). However, although it is believed that the salience of the country of origin cue is a function of consumer familiarity or experience with a product or brand, this function has not been satisfactorily defined or investigated (Lee & Ganesh, 1999, 20; Josiassen & Harzing 2008, 268). Different constructs of the relationship between product familiarity or knowledge and the country-of origin (COO) cue have been identified in the literature (Nebenzahl, et al., 1997; Schaefer, 1997; Josiassen, et al, 2008). Some researchers have found that as familiarity and experience with a country's products and/or brands increase, the salience of the COO cue diminishes (Nagashima, 1970; Schooler, 1971; Gaedeke, 1973; Cordell, 1992; Schaefer, 1997). This finding may be explained by the frameworks of accessibility (Fazio, 1990) and information integration (Anderson, 1991). Accessibility refers to the familiarity or ease of retrieving a cue from memory (Park et al., 1994). Highly accessible information is retrieved more quickly and is more likely to be utilized as a judgment than less accessible information (Biehal & Chakravarti, 1983; Herr, Kardes & Kim, 1991; Kahneman & Tversky, 1982).

Information integration suggests that consumers will assign higher weights to attributes (such as brand name and COO) that they consider important. The accessibility and information integration constructs suggest that a strong brand name that is highly familiar should be weighted more than country of origin (Lee & Lee 2007). On the other hand, a lack of familiarity or experience with a product or brand increases the importance of COO in consumer evaluations (Eroglu & Machleit, 1989; Maheswaran, 1994). Such an assumption is predicated on findings that when intrinsic cues such as product quality are unknown, extrinsic cues such as COO and brand name are substituted (Jacoby, Olson & Haddock, 1971; Olson, 1977; Huber & McCann, 1982;

Holden & Lutz, 1992). Consumers who are less familiar with a product category evaluate specific product attributes and integrate their evaluation to reach an overall judgment (Bettman & Park, 1980).

Consumers who have product experience or extensive knowledge about products, may either neglect the country of origin cue when they think it is unimportant to their evaluation or possibly use this knowledge when it is believed important (confidence in the cue). For example, consumers who have little knowledge about cameras but believe that a particular country has a good reputation for camera production may reinforce the impression that a particular camera, say brand X from Germany is of high quality because Germany is known for excellent photographic equipment owing to brands such as Leica, Zeiss and Rollei. On the other hand, consumers who are knowledgeable about a particular brand of cameras, say, Nikon, may disregard the country of manufacture cue when making a purchase.

A number of studies have found a positive correlation between product familiarity and use of the COO cue (Johansson et al., 1985; Johansson & Nebenzahl, 1986; Lee & Ganesh, 1999; Phau & Prendergast, 2000; Ahmad & d'Astous, 2008; Ahmad & d'Astous , 2011; Josiassen & Assaf, 2010). Usunier (2006) claimed that that the influences of the COO evaluation cue was stronger when consumers are unfamiliar with a product category. Han (1989) posited that COO may provide a heuristic (halo) for inferring missing attribute values owing to a lack of experience, but on the other hand, a country of origin label may act as a summary construct (as in the case of Germany explained above). However, others have found that higher product familiarity leads to more use of the COO cue (Johansson, 1989), or that product familiarity had no effect on the use of the COO cue (Laroche et al., 2005). Lee & Ganesh (1999) found that high or low product and brand familiar consumers utilize extrinsic country of origin cues more than moderately familiar consumers.

Others posit that use of COO information is a function of the interaction between familiarity and the predictive value of the COO cue and one's confidence in the use or perception of that cue in product choices (Heimbach, Johansson & MacLachlan, 1989; Eroglu & Machleit, 1989). Conflicting findings about the relationship between familiarity and the COO cue in consumer evaluations shows that the subject is far from being resolved. The following sections provide one more look at this problem via an analysis of country/brand alliances and familiarity with them.

The case of country/brand alliances

The relationship between a brand name and another entity such as people, place (country of origin) or other brands (co-branding) has been termed the "brand-leveraging process" by Keller (2003). In other words, this process is

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the effect on consumers of linking a brand to one or more of these entities such as country-of-origin. This linkage may be necessary to acquire competitive advantage that is not possible with the brand name alone. A weak brand name may be enhanced by linking it with another brand and/or an origin country that have stronger images. An example of linking a weak brand with a strong country image is the production of the Chinese brand Hier refrigerators in the United States instead of exporting them from China. Likewise, the linkage could be in the opposite direction, e.g. the image of a strong brand could be linked to a weak country of origin (see Nebenzahl & Jaffe, 1996). An example of this situation would be a Sony product manufactured in an emerging economy. Attracting a sufficient number of world class manufacturers might improve the country's image as a producer of quality products. Examples of countries whose images have improved due to the attraction of well-known brand manufacturers include Ireland and emerging economies such as Poland and Hungary.

Keller (2003) asks "to what extent can knowledge of an entity actually become linked to a brand or country or affect existing knowledge"? In order to understand the brand leveraging process, the remainder of this paper reports the results of empirical research that investigated the extent to which brands are leveraged by country of origin familiarity. Global co-branding is the focus of this study and will explained further in the following section.

Global co-branding

Global co-branding (each brand from a different country) situations may occur because of acquisitions or joint ventures (e.g., Fuji-Xerox), strategic alliances (e.g., British Air-USAir), the formation of composite products (e.g., the Dutch brand Friesche Flag yogurt with the Israeli Jaffa citrus brand) and joint promotions (e.g., Goodyear & Audi). Consumer attitudes toward a co-brand comprised of brands from two different countries may be formed not unlike that of domestic co-brands. However, in the case of global co-branding, there may be a joint effect (Nebenzahl & Jaffe, 1996; Jo et al., 2003) of brand and country images on consumers' evaluation of the brand alliance. We also expect that subsequent judgments of both individual brands & country images will be influenced by such a brand alliance.

The contribution of each country/brand to an alliance may be modified by relative levels of consumer familiarity. Asymmetry of information means that a brand alliance consists of a product wherein one brand/country pair is more familiar than the other, e.g. a Sony computer made-in Japan (more familiar) containing a Legend microprocessor made-in China (less familiar). We assume that familiarity with a brand will obviate the need to search for information about the country and possibly vice-versa. Thus, relying on a brand that is familiar should outweigh the effect of country on consumers' evaluation of a product. In the Sony/Japan example, the Sony brand should contribute more

to attitude formation of the co-brand coalition. Conversely, if the brand name is unfamiliar, as in the Legend/China example above, country-of-origin effects should be stronger and contribute more to the co-brand coalition (Schaefer, 1997; Ahmad & Goode, 2001). In this case country image serves as a heuristic when brand familiarity is lacking.

Mittal & Tsiros (1995) examined the effect of country of origin of one brand on another brand between contiguously presented brands. They found that the sale of one brand can be increased by using another brand as the cue. This suggests that country of origin in a brand alliance has a significant effect on consumer judgments of the alliance. The strength of such a transfer between brands was tested by Mittal & Tsiros (1995) for familiarity with the product. They found that for subjects more familiar with the product category, the likelihood to buy the target brand increases when it was displayed along with a reference brand with a favourable, rather than an unfavourable, country image. Therefore, the more familiar brand/country partner should have a greater impact on the judgment of a brand/country alliance than the less familiar brand/country partner. Using the Sony/Legend example, assuming Sony/Japan was more familiar than the Legend brand/country; Sony/Japan would contribute more to the alliance.

This discussion leads to the following hypothesis:

H_1: Brands/countries less (more) familiar than their allies will contribute less (more) than their allies to the co-brand coalition.

In Simonin & Ruth (1998), a strong relationship was found between pre- and post-attitudes of highly familiar brands. They ascribe this finding to well established affect and associations in consumers' minds of more familiar objects such as brands. Therefore, in situations of prior, higher brand/country familiarity, there will be a stronger relationship towards post attitudes towards the same brands/countries.

H_2: For lower (higher) levels of brand/country familiarity, the effect of pre attitudes on post attitudes will be smaller (larger).

We also expect spillover effects from brand/country alliances. For a given partner, we assume that the spillover effect of the brand/country alliance on a low-familiar brand/country partnership will be relatively strong. The country/brand alliance should have a stronger impact on subsequent learning and brand/country evaluations because low familiarity lacks an extensive network of prior associations (Sujan, 1985; Brucks, 1986; Hutchinson & Alba, 1991). For example, a Sony-made-in Japan camera/Legend lens-made in Malaysia co-brand should affect consumers' evaluation of each individual brand and country. Attitudes toward the Legend (weaker evaluated) brand/country should become more positive as a consequence of the alliance, while the effect on the Sony/Japan (stronger evaluated) brand/country should be less positive. Thus,

H₃: Brands/countries less (more) familiar than their allies will experience stronger (weaker) spill-over effects than their partners.

Brand and country fit

A number of studies have shown that consumers' evaluation of a brand extension depends on their evaluation of the quality of the original core brand and the similarity, or "fit" between the core brand and the extension (Aaker & Keller, 1990; Park, Milberg & Lawson, 1990; Boush & Loken, 1991). Thus, the extent to which consumers believe that the partner products and brands "fit" together (makes sense, is logical) in a co-brand will influence their evaluation of the package.[1] Aaker & Keller (1990) found that the perceived quality of the core brand influenced brand extension evaluations only when there was some basis of fit between the core brand and proposed extension products. When there was little fit, extension evaluations were low regardless of the perceived quality of the core brand.

Both brand and country image may be subject to learning effects as the consumer acquires more experience or invests cognitive work into understanding the brands, the countries and the alliance. If the brand fit and/or country fit have little or no effect on the evaluation of the alliance, more cognitive work is required to make a particular alliance valuable. Similar effects of low perceptual fluency (Reber et al., 2003) may occur if only one brand or one country image is judged as strong. Van Osselaer & Alba (2000) predicted that brand learning might impede or block learning of product attributes; therefore a strong brand may increase the value of the alliance due to learning. Brands provide consumer heuristics for judging product quality, and when brand associations dominate, product quality may only become redundant information. The assumption is that the stronger the fit between the brands and between the countries, less cognitive work is required to learn the value of the alliance and so the probability is that the strong brand will pull the weak brand up.

Simonin & Ruth (1998) found that consumers having lower familiarity with certain brands should find it more difficult to make a judgment about brand and country fit. This conclusion may be hypothesized in our case to country fit as well. Therefore, when consumers have low familiarity with one of the partners, country and brand fit should have less influence on the brand-country alliance. Bluemelhuber et al. (2007) found that brand fit is stronger than that of country fit under conditions of high brand familiarity. However, Baumgarth (2004) found no significant difference between high & low famili-

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[1] The objects in our study were TV sets & speakers. These are highly complementary (one cannot be used without the other) and so the problem of product fit was not considered as a mediating variable.

arity influence on a co-brand alliance. As a result of the above, we hypothesize that:

H₄: For lower (higher) brand-country familiarity, the effect of brand and country fit on the brand-country alliance will be smaller (higher).

Methodology and design

A national probability panel was randomly sampled from the Danish population comprising 200 respondents.

The survey was conducted by WEBPOL, a research subsidiary of the national Danish newspaper, *Politiken*, via the internet (See Figure 1). Question items were rotated to reduce position bias. The combinations of flat screen TV sets and speaker brands and countries included in the survey are as follows. The four TV brands were Panasonic (made-in Japan), Gateway (made-in Taiwan), Sony (made-in South Korea) and Marantz (made-in Germany). Each TV brand was linked with a partner speaker, a Yamaha (made-in Japan), or a

Figure 1. Example of a survey screen

Panasonic (made-in Thailand), Klipsch (made-in Slovenia) or Grundig (made-in Germany). Panasonic and Sony were rated as strong TV brands, while Gateway and Marantz were significantly weaker. Grundig and Panasonic were the stronger speaker brands, while Yamaha and Klipsch were weaker. Each respondent rated two TV sets and speaker combinations as well as the corresponding countries of manufacture. In the follow-up survey held three days later, the same procedure was repeated.

Attitudes towards countries and their brands as a proxy for country image were measured by using the five item scale suggested by Jaffe and Nebenzahl (2006) and Nebenzahl et al., (1996). The scale items were assessed on Likert-type seven point scales. The scale items are shown in the appendix.

Brand and country familiarity were measured by two seven point Likert type scales assessing the degree to which respondents were familiar/unfamiliar and experienced/not experienced with each brand and country as a producer of TVs and speakers (Kent & Allen, 1994). Brand familiarity was expressed as "Regarding the brand [name of brand], to what extent are you [familiar/unfamiliar]"? and "To what extent have you used or tried the following brand [name of brand]"? Country familiarity was expressed as "How familiar are you with [name of country] as a producer of TVs and speakers"? and "To what extent have you used or tried TVs and speakers made in [name of country]"?

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Convergent and discriminant validity

To test for convergent validity, the results from confirmatory factor analysis and composite reliability tests were made for the model constructs. The reliability estimates (coefficient alphas) range between 0.739 & 0.919, showing acceptable reliabilities. Data were pooled across brands and countries (Anderson & Gerbing, 1988) resulting in construct coefficients in all item equations significant at the 95% level. Discriminant validity exists if constructs are differentiated from each other. Chi-squared difference tests on factor correlations show discriminant validity (Bagozzi, Yi & Phillips, 1991) among all constructs. Regression analysis was used to assess familiarity as a mediator of country-of-origin (Alvin & Houser, 1975; Duncan, 1966).

The structural relationships of our model (Figure 2) were run on AMOS 7 and are demonstrated by the parameter estimates and goodness of fit indicators shown in Figure 3 & Table 1. The closer these indicators are to 1.00 indicates a good fit. The normal fit index, NFI = .990, relative fit index, RFI = .966, and comparative index, CFI = .993 all are all close to 1. Hu & Bentler (1999) suggest a Tucker-Lewis Index (TLI) value above .95 and a Root Mean Square Error of Approximation (RMSEA) value below .06. The TLI .for our model is 993 and RMSEA is .065, also indicating a good model fit.

Figure 2. The model
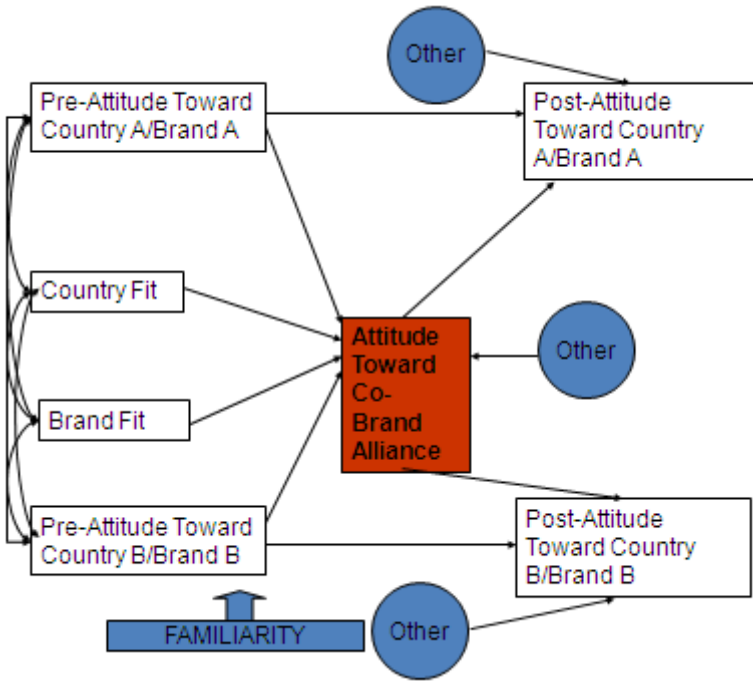
Figure 3. Structural model
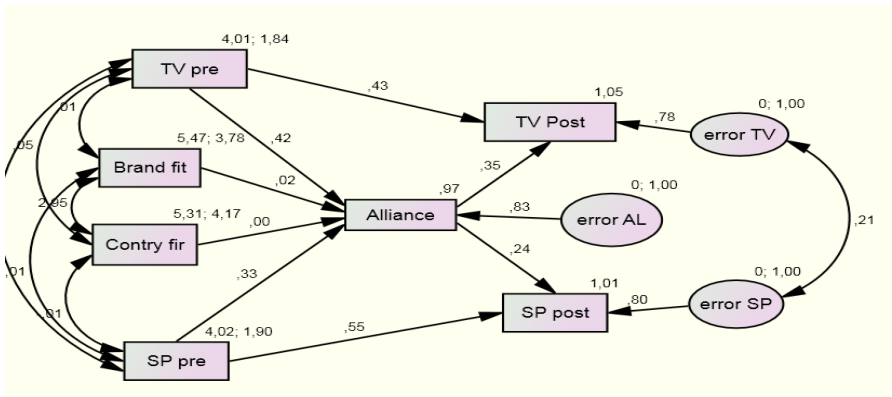
PreTV = Pre-exposure rating of TVs
PreSP = Pre-exposure rating of Speakers
PosTV = Post exposure rating of TVs
PosSP = Post exposure rating of speakers
e = error term

Table 1. Parameter estimates and goodness-of-fit indicators

PATHS	ß ESTIMATE	T-VALUE
Pre-Att$_{tv/country}$ ⟶ AttBCA	.428	17,462, p≤.000
Pre-Att$_{spk/country}$ ⟶ AttBCA	.348	14,284, p≤.000
AttBCA ⟶ Post-Att$_{tv/country}$	.355	11.620, p≤.000
AttBCA ⟶ Post-Attl$_{spk/country}$	.236	7,917, p≤.000
Pre-Att$_{tv/country}$ ⟶ Post-Att$_{tv/country}$	.433	16, 283, p≤.000
Pre-Att$_{spk/country}$ ⟶ Post-Att$_{spk/country}$	.551	21, 340, p≤.000
Fit$_{brand}$ ⟶ AttBCA	.399	9,493, p≤.000
Fit$_{country}$ ⟶ AttBCA	.272	6,761, p ≤.000

RMSEA = .065
NFI = .990
CFI = .993
TLI = .974

Note: BCA = Brand/Country Alliance; Att = Attitude

Results

The Structural Model

The structural equation analysis of our model shows that there is a positive relationship between attitudes toward countries and brands and the brand/country alliance. Looking at the Beta estimates in Table 1 shows that pre-attitudes towards the brands/countries are all related positively and significantly toward the brand/country alliance. Thus, the more favourable (or less) consumers' attitudes are to the partner brands/countries, the more favourable (or less) their attitudes will be toward the alliance. Pre and Post exposure relationships between partner brands/countries and between the brand/country alliance and partner brands/countries are also positive and significant.

Familiarity

To test hypotheses 1-4, we must demonstrate that familiarity has a mediating effect on the relations between the parameters shown in Table 2. We first test for the effect of familiarity as a moderator of the relation between Pre attitudes toward both TVs and speakers and attitudes towards the alliance and then spillover effects.

Table 2. Parameter estimates and goodness-of-fit indicators including familiarity

Hypotheses	Path	Familiarity		T	P
		ß HIGH	ß LOW		
H1	Pre-Att$_{tv/country}$ → AttBCA	.0565	0.0465	5.25	0.045
	Pre-Att$_{spk/country}$ → AttBCA	0.525	0.414	4.46	0.001
H2	Pre-Att$_{tv/country}$ → Post-Att$_{tv/country}$	0.617	0.532	5.35	0.001
	Pre-Att$_{spk/country}$ → Post-Att$_{spk/country}$	0.573	0.652	6.52	0.001
H3	AttBCA → Post-Att$_{tv/country}$	0/116	0.416	3.43	0.001
	AttBCA → Post-Attl$_{spk/country}$	0.301	0.300	1.12	0.132
H4	Fit$_{country}$ → AttBCA	0.085	0.348	4.23	0.001
	Fit$_{brand}$ → AttBCA	0.049	0.524	5.21	0/003

Our first hypothesis states that brands/countries less (more) familiar than their allies will contribute less (more) than their allies to the co-brand coalition. The relevant path for this test is the extent to which pre-attitudes toward partner brands/countries affect attitudes towards the alliance. As expected, more familiar brands/countries contribute more to the brand/country alliance.

Hypothesis 2 states that for lower (higher) levels of brand/country familiarity, the effect of pre attitudes on post attitudes will be smaller (larger). results show that for example, when brand/country familiarity is high, the effect of pre attitudes on post attitudes is larger. This shows that the more familiar people are towards brands/countries, the spillover effect will be stronger. Therefore, hypothesis 2 is accepted.

Hypothesis 3 states that for lower (higher) levels of brand/country familiarity, the effect of the co-brand/country on post-attitudes will be larger (smaller). This hypothesis was only partially accepted (for TV only).

Hypothesis 4 states that for lower (higher) brand-country familiarity, the effect of brand and country fit on the brand-country alliance will be smaller (higher). We found that for high familiarity of both TVs and speakers there is an effect of brand and country fit on the alliance rating.

Discussion and conclusion

According to information integration and accessibility theory, more accessible (familiar) brands and countries stored in memory would have more influence over consumer evaluation than less accessible/familiar brand and countries. In other words, more familiar brand/country combinations are weighted more than less familiar ones. Our results show that for hypotheses 1-4 all Beta estimates are significant and positive (with the exception of speakers in H3) meaning that brand/country product alliances are strongly influenced by attitudes toward each brand and country. These hypotheses were tested by assuming that preAttTV = PreAttSP under conditions of both high and low familiarity conditions. The null hypothesis was rejected showing that there is an asymmetry effect of both brand/country partners on the brand/country alliance. More familiar brands/countries contribute more to attitudes toward co-brand/country alliances than less familiar brands/countries. These findings support previous research both those related specifically to country-of-origin and those dealing with co-brand alliances.

Post evaluations demonstrate that spillover effects on individual brands and countries are significantly influenced by a co-brand/country alliance. Moreover, attitudes toward an alliance are related positively to post exposure attitudes towards partner brands/countries. Unfamiliar brands/countries benefit more than familiar brands/countries from a brand/country alliance as hypothesized. In cases where the TV brand and country were more familiar than the speaker brand and country, there was a greater spillover effect on the unfamiliar brand/country. The managerial implication of this is that selection of a co-brand/country partner is critical to a favourable perception of each individual brand/country. A strong brand/country can improve the image of a weak brand/country alliance, while a weak brand/country may dilute the image of the stronger country/brand. Moreover, a less familiar brand partner can dilute the image of a more familiar and strong brand

As hypothesized, only highly familiar brands and countries had a significant effect on the brand/country alliance. When modified by familiarity, the results were consistent with the findings of Simonin & Ruth (1998) that while both brand and country fits were significantly related to a co-brand alliance, the effect of brand fit was reduced significantly by a less familiar partner.

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Appendix 1

Attitudes Towards Countries & Brands (Jaffe & Nebenzahl, 2006; Nebenzahl et al., 1996)

Expensive products
Cheap products
Products I like
Products I am proud to show my friends
Top quality products
Strongly agree = 1…..Strongly disagree = 7

Familiarity
Brand and country familiarity were measured by two seven point Likert type scales assessing the degree to which respondents were familiar/unfamiliar & experienced/not experienced with each brand and country as a producer of TVs and speakers (Kent & Allen, 1994). Brand familiarity was expressed as "Regarding the brand [name of brand], to what extent are you [familiar/unfamiliar]"? and "To what extent have you used or tried the following brand [name of brand]"? Country familiarity was expressed as "How familiar are you with [name of country] as a producer of TVs and speakers"? and "To what extent have you used or tried TVs and speakers made in [name of country]"?