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The Holistic Vision of Brand Management

Paolo Popoli

Abstract

Over the past several decades, brand management has gone through an evolution from the traditional customer-oriented and firm-focused paradigm toward a wider vision concerning the target and the users of the brand and the process of creation of the brand value. In particular, the brand management literature has endorsed the *stakeholder theory* and *service-dominant logic* principles with reference to the process of determining the brand meanings and the brand value. The aim of this chapter is going over the evolutionary process of the brand management during the latest years in order to get to a holistic vision, considering the brand as a conceptual construction originated by the interaction between the firm and multiple stakeholders and the brand value as the result of a dynamic and social process of co-creation of the brand meanings and functions. Therefore, this chapter is conceptual in nature, and it aims to investigate the state of art of brand management providing conceptual examinations about the way the brand meanings and value originate, with a particular reference to the present economic and competitive contests dominated by the Web-based technologies and by the related interaction processes within a broad stakeholders' ecosystem.

Keywords: brand management, brand value, stakeholder theory, brand value co-creation

1. Introduction

The traditional vision of the brand management had been characterized by two basic elements: the first one is its focusing on consumer, target of the building of the brand, and all its tangible and intangible elements contributing, as a whole, to give a precise identity to products and services that aims to be different from the competitors in consumers' perception; the second element considers the brand value, synthesis of the brand identity, the brand image, the brand positioning, and the brand awareness, as the result of the marketing managers' action.

On the basis of these two elements, the brand has been defined as "a unique set of brand associations that the brand strategist aspires to create and maintain" [1] or "a long lasting and stable reference" [2]; also, the definition given by the American Marketing Association [3] follows the formulation of the brand as customer oriented and manager focused, according to it, the brand is "a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors."

These two pillars of the traditional brand management have been both progressively considered old-fashioned from the theoretical and conceptual point of view so as from the managerial [4–7], letting the brand management evolve toward broader analysis prospects related to the brand target and to the process determining the brand value. In particular, the evolution experimented by the brand management during the last decades points out the way the brand is first of all the result of co-creation processes and not of a unilateral generation made by the firm, and moreover, it is the result of a relationship not only with the consumers but also with all the stakeholders the firm interacts directly and indirectly. It follows a further logic consequence which is very important for the conceptual classification of the brand, that is, it must be considered as the result of dynamic and social processes [6, 8] developing among a plurality of stakeholders and in the co-creation perspective [5, 9, 10].

Moreover, a further novelty element coming from the social and technological macro-environment is the creation of virtual communities among the consumers and among the stakeholders facilitating and amplifying the phenomenon of the co-creation of the brand value and its exit from the logic of generation inside the firm. These virtual communities are the result of the modern information and communication technologies and in particular of the Web-based technologies, connecting all the world real time without space and time boundaries. Therefore, according to the latest literary and managerial settings, the brand management has to face new competitions as regard to the past, which gets real through the birth of a new set of issues and managerial choices that the firms have to make in the new outlined scenario.

This chapter is dedicated to the closer examination of these topics with the specific goal to achieve a holistic vision of the brand, where all the sources of the brand value and the internal and external factors of the firm contribute to the building of the brand meanings. In particular, what is underlined is the brand as a conceptual result originating not only by the managerial choices made by the single firm in the customer marketing perspective but also from the whole framework of the relationships the firm maintains with its stakeholders through social processes of the brand value co-creation.

This chapter is organized as follows: the next two sections are going to describe the fundamental evolutionary guiding principles of the brand management consisting first of all in the consideration of all the stakeholders and not only of the customers as target and users of the brand (Section 2) and secondly in the progressive unfastening of the brand from products and services created by the firm with the consequent birth of an autonomous identity of the brand as a result of processes of co-creation involving firm, customers and stakeholders (Section 3). The fourth section analyses the link between the stakeholder theory and the brand management initially from the conceptual point of view and then from the one of the main managerial

implications. The fifth section discusses about the process of co-creation of the brand value in the online context, and the way the social media and the Web-based technologies create dynamic and social processes among stakeholders, becoming the privileged place for the creation of the brand meanings and so of the brand value.

2. Brand management beyond customers

According to the traditional view, the brand has been considered from the firm-customer dyadic relationship perspective, and the traditional questions marketing managers put were "which features constitute the essence of a brand" and "which cognitive emotional and relational processes consumers use to create their associations with products or services" [11]. Therefore, the focus was on consumer, and the tangible and intangible brand dimensions were about the product or the services offered by the firm. According to this perspective, Keegan et al. [12], among others, stated that "brand image can identify a product, give it personality, and influence consumer perceptions." Moreover, the brand dimensions were considered as the result of the marketing managers' action within the building and constant improvement of the brand value.

Since the publication of first work by Freeman [13] about the role of stakeholders in the strategic management, many of the conceptual paradigms in management matters have been reassessed in the light of a new vision of the firm as plunged in a net of external relationships essential for its survival and success. With regard to the brand management, the application of the stakeholder theory [14–17] has its great impact on showing the need to go beyond the firm-customer dyadic relationship, building the brand value and considering the brand value as created within multiple relationships with all the stakeholders [5].

The movement from the customer-focused-logic to the stakeholder-focused-logic has modified the traditional notions of branding theory [18]. The most significant result of the birth of stakeholder theory is that the brand is not considered as a tool at marketing managers' disposal and under their control anymore, but it is created through the interaction with multiple actors within co-creation processes. As observed by Heding et al. [19], "the brand is subjected to social and cultural changes completely outside the brand manager's control. This means that the marketers are not the only authors behind the brand meanings."

As far as consumers are concerned, it has to be underlined that (1) consumers are not passive recipients of brand meanings, but they are active co-creator subjects, and (2) the brand value creation happens in a more elaborate way than the simple firm-customer relationship, since it is fundamental that the role played by the brand communities creates their identity related to the brand. The same remark has to be made concerning the way stakeholders act during the co-creation of the brand value, since they are not distinct and mutually exclusive, but they interact among them and with the firm in the field of interconnected networks of relationships [20].

It follows that the brand management logic has to be reconsidered considering that the brand is a concept to be seen from the perspective of collaborative processes and co-creation between the firm and its numerous stakeholders and that the brand value is not confined to the one

created for—and perceived by—the consumers, but it stretches to the brand value created for—and perceived by—all the stakeholders. Starting from these assumptions, the brand is a concept that parts from the product or the service [21] and takes the form of a social process resulting from the interaction with stakeholders [6]; the brand goes beyond its association with products or services and survives them through its relational, expressive, and social meanings [22].

3. Brand management beyond product

Recently, one of the most significant conceptual passages in literature and in practice of brand management has been the success of service dominant (S-D) paradigm. Really, it is a paradigm that was born at first in the marketing subject in general, and then, it has been investigated and applied to the specific field of brand management.

The S-D Paradigm has been conceptualized by Vargo and Lusch in the early 2000s [23]; in their work "*Evolving to a new dominant logic for marketing*" in 2004, the authors underline the way the traditional paradigm of good-centered and customer-focused marketing was not suitable in presence of the achievement of services as driver of value creation anymore; in particular, in the era of intangible resources and services economy of the last two decades, the market exchange had become something more complex than a transaction between firm and customers of goods created by the firm. In this obsolete logic that the authors defined "Goods-Dominant" (G-D) [23], firms produced value incorporated in goods. Consumers were exogenous from the process of the value creation, and they were passive subjects, simple target of the value created by the firm. The exchange object between firm and customers were the goods and services created during the productive processes managed by the firm, under the control of the firm and the value of those goods and services materialized in the commercial transaction.

This logic underestimated both the role of integrative services and complementary to the basic good/services in the perception by the consumers of the value received as a whole by the firm and the participation of the customers to the creation itself of that value through the consumer processes (*value in use*). In case of the *business-to-business* sector, this participation was more intense as related not only to the consumer processes but also to the design and realization ones.

In the era of immateriality and services, the market exchange between firm and customer is seen as a mutual exchange of intangible resources, knowledge, and skills, and so it is defined as a "service for service" exchange [24]. Therefore, between the late 1990s and the early 2000s, many marketing concepts and managerial criteria have been affected by new partnership-based and network-based perspectives [25–27], having modified the traditional interpretation of the processes of creation and exchange of value. Therefore, Vargo and Lusch [23] conceptualized the new service-dominant logic (S-D) as a substitute for the G-D logic, which became more and more insufficient for the comprehension of the logics of the value creation and of the factors determining the achievement of competitive advantages.

The service-dominant logic is based on the assumption that at the core of the exchange relationship between firm and markets, there are "services" and not simple outputs of productive processes as "goods or services." Therefore, the market exchange is seen as a collaboration process between firm and customers, where customers take an endogenous position during the process being involved in the creation of value and not just target of it. Using the S-D logic, the vision of the unilateral creation of value by the firm with the consumers as target and users of this value is passed by the adoption of a vision of co-creation of value through collaborative processes and a mutual exchange of services (knowledge and skills) between firm and customer. But there is something more in the S-D logic that the exchange whose protagonist is that the firm does not occur just with its consumers but with all the stakeholders, the firm interacts with more or less directly and more or less intense [28]. Therefore, it can be considered not a *value-in use* referred just to consumers but a *value-in-context* to include multiple stakeholders and multiple markets in the concept of created value.

All these concepts elaborated at first by Vargo and Lusch [23] related to marketing in general have been subsequently investigated and applied also to the specific brand management context, considering the fact the relational dimension of the brand was emphasized so as its "identification" functions both for the producer and the user. From this perspective, the brand gets progressively away from the goods and the services created by the firm, becoming an autonomous exchange entity between the firm and its reference markets. The goods and the services consequently become simple vehicles for service provision within the entire firm relational framework. For these reasons, there is a shift from the logic of the transactional exchange to the relation exchange and to the linked statement of the principle that firms cannot deliver value but only make "value proposition" [25, 29].

3.1. The evolution of brand management logic

Also in the light of this new analysis perspective, Merz, He, and Vargo [6] identified four phases of the evolutionary process of brand logic, whose final result includes all the concepts contained in the S-D logic; in short, the brand is not firm provided and goods centered anymore, but it is conceptualized as a collaborative value co-creation activity of firms and all of their stakeholders.

In particular, the four phases identified by the authors are the following (**Figure 1**):

1. *Individual Goods-Focus Brand Era* (1900s–1939s);

2. *Value-Focus Brand Era* (1939s–1990s);

3. *Relationship-Focus Brand Era* (1990s–2000s);

4. *Stakeholder-Focus Brand Era* (2000 and forward).

In the *Individual Goods-Focused* phase, the brand is considered as "identifier," that is to say what it allows the consumer to identify a particular product and the firm to differentiate it from the competitors' one. The brand value is included into the products, and the consumers are passive subjects, target of the firm offer, and exogenous from the process of value creation.
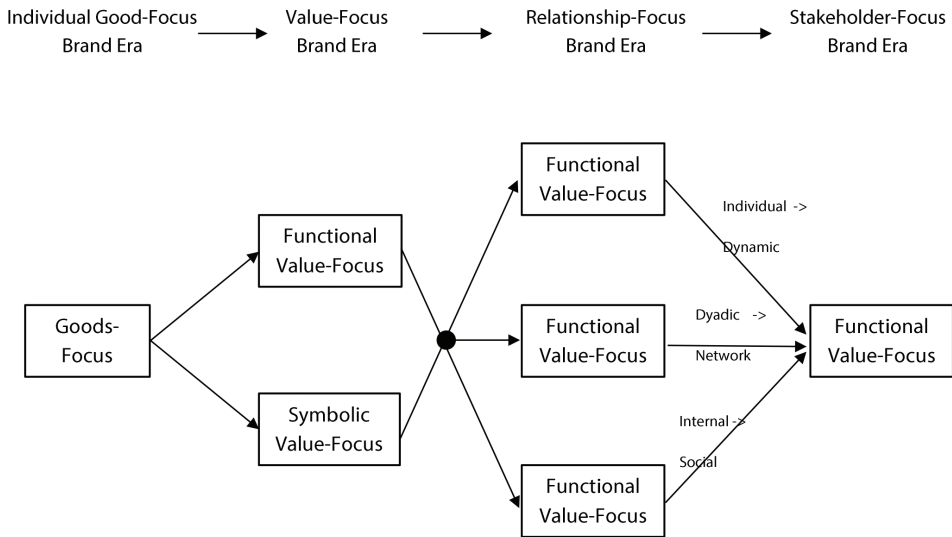
Individual Good-Focus
Brand Era

Value-Focus
Brand Era

Relationship-Focus
Brand Era

Stakeholder-Focus
Brand Era

Functional
Value-Focus

Functional
Value-Focus

Individual ->

Dynamic

Goods-
Focus

Functional
Value-Focus

Dyadic ->

Network

Functional
Value-Focus

Symbolic
Value-Focus

Internal ->

Social

Functional
Value-Focus

Figure 1. The evolutionary phases of brand logic. Source: Merz et al. [6].

Moreover, the brand value is determined during the value-in-exchange, which is realized through a commercial transaction where firm and customers are opposing subjects each one driven by its specific goals.

In the *Value-Focused* phase, the brand is enriched by meaning and functions going beyond the one as simple identifier; the concept of brand image asserts itself [30–32] with a double profile, the *functional image* and the *symbolic image*. The brand image is conceptualized as the set of perceptions associated by the consumer in the process of selection and choice in consideration of the functional and symbolic value given to the single competing goods [33]. Nevertheless, the brand value is still essentially created through a traditional process of trade, and the consumer can be seen as a target of the creation by the firm of the functional and symbolic elements associated to the products. What emerges in this phase is that the brand starts to be perceived as a medium of symbol more than functionalities, so that it starts to distance itself from a specific product and to assume its autonomous and dematerialized value.

In the *Relationship-Focused* phase, the brand is analyzed in the light of the relationships established between firm and customers [1, 34, 35], between customer and brand [36, 37], and between firm and brand [38, 39]. The brand is so considered as the core of multiple relationships, where it comes from including the meanings and the functions made in those relationships. During this phase, the consumer changes significantly his/her relationship with the brand, taking a determining role within the process of value creation. First of all, it is not the passive target of the offer anymore, but it becomes a co-creator of the brand value, since the brand value creation takes place in the mind of customers through the perceptive process every consumer experiences during his/her personal relationship with the brand.

So the brand value is not just the result of the action of the firm marketing managers, but also the result of the interaction between the customer and the brand; this means moving from an output-centered logic to a process-centered one in determining the brand characteristics [37]. It follows that the brand value, synthesizing the brand identity, the brand awareness, and the brand image, is determined in the customers' perceptive processes, through the general set of the associations every single consumer makes in his/her emotional, cognitive, and behavioral relationship with the brand.

With regard to that, Aaker's [36] formulation of the concept of brand personality and its association to the human personality one is very interesting. According to the author, the brand has its own specific personality as every person has his/her one. What is important during the process of brand value creation is the way the personalities of the single consumer and the brand one contact each other and in particular the adequacy the consumer recognizes between these two factors. In other words, the consumer sees the brand as the chance to build/strengthen/consolidate its own specific personality in the vision he/she has got about his/herself.

In detail, Aaker [36] identifies the following five big dimensions of brand personality: sincerity, excitement, competence, sophistication, and ruggedness, and for each of these, he identifies some specific facets. Referring to Aaker's work [36] for more insights on the subject, it is sufficient for the purposes of this study to point out the translation Aaker made of the dimensions of human personality to brand personality, through which it becomes more simple to understand the reason why the consumer forms his/her preferences: in a nutshell, this reason may be summed up in the word "identification." Consequently, the more consistent the consumer's personality is with the brand, the likelier it is for the consumer to develop a preference for that given brand.

In the consumer's perspective, the perception of brand personality is formed directly and indirectly. In direct mode, the consumer picks up the brand personality through physical and visual contact with the product, experiencing the technical, functional, material, and esthetic attributes (product design, logo); indirectly, the consumer perceives brand personality through the associations of symbols and values that are created by the name, content, and forms of advertising, by the other consumers that use the brand, by endorsements, and, in general, by marketing communication.

Moreover, the way consumers perceive brand personality is also conditioned by their social, economic, and cultural characteristics. As discussed earlier, the consumers' preferences for a given brand are formed through a process of identifying their personality with the brand, and all the dimensions of the individual personality thus enter into play. It follows that consumers with social, economic, and cultural characteristics that differ from one another form their opinions on brand differently, because their needs differ, as does, consequently, the way in which they prioritize the brand's meanings and attributes.

Differently from the two previous phases, when the brand value is determined in the exchange processes as *value-in-exchange*, in the relationship-focused brand, the brand value is determined in the relationship between customer and brand as *value-in-use*. So the consumer is not

an exogenous subject concerning the process of the value creation anymore, but it becomes an endogenous element through the described process of co-creation of the brand value.

Another important aspect characterizing the *Relationship-Focused* phase concerns the role of the firm employees within the process of brand value creation. As observed by King [38] and de Chernatony [39], the employees are an important part of the brand value co-creation process, since they play a very important role in the customers' experience. This is very important in the world of services, but also concerning the manufacturing products, the presence and the interaction moment with the customer are frequent. During the interaction with the customer, the front-office staff contributes to the creation of experience of purchasing and/ or of using a specific good or service by the consumers, and so, it is an important element determining the brand value. Berry [40] states strongly that "in labor-intensive service business, human performance, rather than machine performances, plays the most critical role in building the brand." de Chernatony [39] suggests that the brand has to be seen also as the vision and the culture of the specific firm, and in a sense, it represents "a promise" the firm makes to its markets; the internal staff with their behavior, their values, and their goals are part of this promise.

In the fourth and current *Stakeholder-Focused* phase, the brand is observed within social dynamics involving a great number of firm stakeholders. Beyond the consumers and the employees (external and internal customers' brand), many scholars underline how all the firm stakeholders take part in determining the brand meanings [5, 41, 42]. In particular, the brand is seen as a "social process," and its value is going to be determined in the field of a wide group of opinion makers and stakeholders. In this way, a very wide community including not only the customers strictly speaking but also the admirers and the stakeholders spreading ideas and evaluations concerning a specific brand is determined. This exchange and sharing of experiences, evaluations, and ideas concerning the meanings, the functions, and the general characteristics a brand has got is called "brand community," and so the brand value is determined by the set of all the stakeholders' perceptions.

In this perspective, the process of brand value co-creation that in the previous phases concerned just the customers spreads toward the stakeholders. The brand communities concerning just the customers spread also toward the admirers, the no-customers, and all the ones taking part in this process of brand creation and perceptions. It follows that the *dyadic relationships* in this process of brand value creation are substituted by *network relationships* among customers and other stakeholders. As observed by Iansiti and Levien [43], the brand value is created through social relationships and interactions inside the ecosystem of all the stakeholders.

Concerning the way and the moment in which the brand value develops, the *value-in-use* mechanism, seen before with reference to the relationship-focused phase, spreads toward the other stakeholders. So the brand value is determined within a common interest of social sympathy characterized by wider boundaries involving every possible mover who can contribute more or less intensely and more or less directly to the formation of the brand perceived value-in-use.

In conclusion, the evolution of the brand logic in the described four phases allows to define the principal aspects of brand management according to a holistic vision considering all the factors the brand value comes from. The salient points of this approach are:

1. The brand is more than an identifier embedded into goods; it is beyond the products and services arranged by the firm, and it includes meanings and functions taking shake inside a network of relationships among firm, customers, and stakeholders;

2. Consequently, the brand is not under the exclusive control of marketing managers and firm, but it is the result of social and relational processes of co-creation (from "output orientation" to "process orientation");

3. The mechanism of determining the brand value is in the brand perceived value-in-use determined by all stakeholders;

4. The relationships between the brand and the stakeholders cannot be defined as dyadic relationships but as network relationship, since there is a network of common relationships each one influenced by the others.

4. Linking stakeholder theory and brand management

As said before, the brand management unfastened from the consideration of the customers only, evolving including the principles of the stakeholder theory and allowing an important progress of the knowledge about the way the brand value and the brand equity are determined [5].

The stakeholder theory represents a milestone of the studies about the strategic management and the value creation theory, as it rules that the success of the firm depends on the qualities of the relationships established with all its stakeholders. In particular, the stakeholder theory states that the firm has to be able to identify and satisfy the expectations the stakeholders have as regard its activity considered as a whole (products, services, productive methods, and managerial methods), and that the firm has to set this goal as essential condition for its survival and development. It follows that the concept of value created by the firm is referred to the "global value" created for all the stakeholders considering that firm is a unit of the social and the economic system, which interacts with other system to achieve its institutional goals.

In brand value terms, this means that the meanings of the brand have to be coherent not only with the customers' expectations but also with all its stakeholders. As already said before, the creation of the brand meaning is a well-organized process, which materializes through all the stakeholders' contribution through dynamic and social interactions and within co-creation processes (**Figure 2**). In this framework of social relationships, the stakeholders bring a great variety of ideas, opinions, expectations, and evaluation criteria becoming cognitive heritage of all the participants and that form the sources of the brand value; they are not passive subjects target of contents created by the firm but endogenous subjects in the process of brand value creation [44].
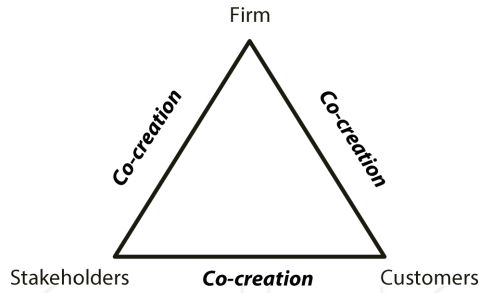
Firm

Co-creation   Co-creation

Stakeholders   *Co-creation*   Customers

Figure 2. The co-creation process through stakeholder-firm-customers relationships.

Moreover, the relationship established between the brand and the stakeholder is bidirectional, since the stakeholders contribute to the formation of the meanings and of the brand value, but vice versa, the brand contributes to the building of the stakeholders' identity. In fact, as observed by Schlenker [45] and Scott and Lane [46], in the different forms of social interaction, the stakeholders are simultaneously engaged in the construction of their individual identity, and the decisions of what and how sharing certain contents with others is functional to the self-definition of their own identity.

According to Jones [5], the consideration of the stakeholders in the brand management field allows to affirm that:

• The created value lies in the interaction between the brand and all the stakeholders;

• The way the value is created consists in the identification and the consequent satisfaction of the stakeholders' expectations which have to be made consistent with the business mode and the firm goals;

• The interaction between brand and stakeholders is bidirectional, and reciprocally influencing in the sense that the managers' action on the brand influences the stakeholders' perceptions about the meanings of the brand, and the stakeholders' action influences the overall perception of the brand.

The entry of the stakeholder theory into the brand management allows to better understand how, in the present economic and competitive systems, the brands take different meanings. In particular, so as the stakeholders' expectations about the brands are wider and more differentiate and involve the economic, social, and environmental profiles; also, the brand meanings have to be seen from the economic, social, and environmental perspective at the same time [47–51].

In conclusion, the brand value is underlined as reflecting the collocation of the firm in the economic and social system, because it measures the degree of acceptance by all the stakeholders (customers, suppliers, employees, public administration, category associations, NGO, trade unions, etc.) not only and not particularly of the firm product proposals but also of the behavior of the firm according to the multidimensional evaluation criteria (economic, social, and environmental ones).

4.1. Some managerial implications

The holistic vision of the brand management originating from the consideration of the stakeholders as co-creators of the brand value has important managerial implications for marketing managers. The first step to do is identifying before everything else the stakeholders of the firm having a link with the brand and who so can be potential participants of the value creation process [52]. In fact, it is clear that the stakeholders are a universe with very varied subjects inside, and so they express needs and interest toward the brand which are very different each other, interacting with the brand more or less directly and with different intensity.

Moreover, some of them have steady relationships with the brand, while other ones have occasional relationships and linked to particular aspects. The most important aspect is identifying the kind of exchange generated between the stakeholder and the brand, and so the potential existing in this exchange in order to create the brand value (**Figure 3**).

After having reconstructed the relationships framework with the stakeholders, the marketing managers have to determine an order of priority of the stakeholders based on their importance in order to improve the brand value. Therefore, the stakeholders who mainly influence the determination of the brand value and with whom there is the chance to establish short and long-term relationships will be considered; according to Doyle [53], the brand value is a concept seen not only as short term but also most of all as long term.
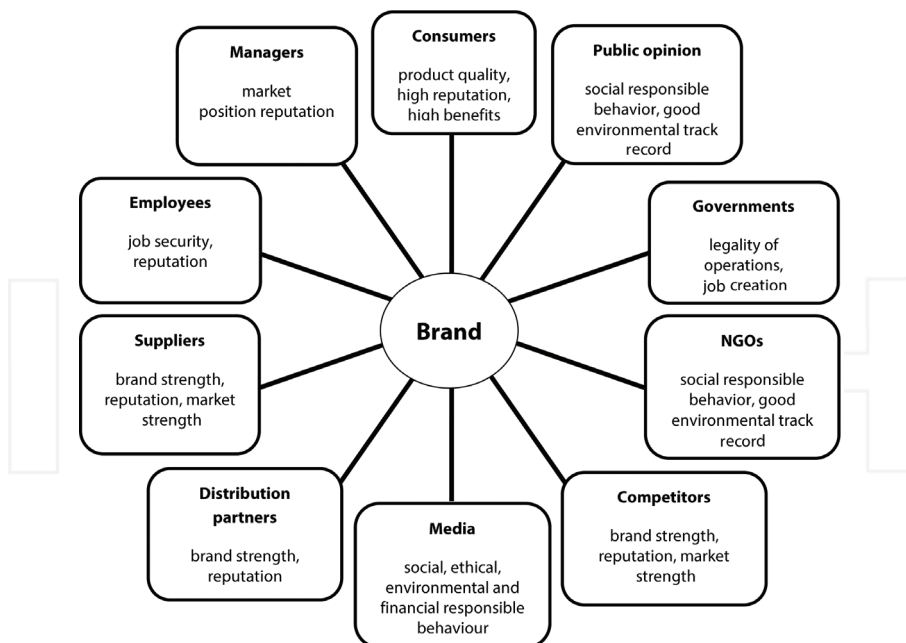

Figure 3. The daisy wheel of brand equities. Source: Jones [5].

5. Brand value creation in the online context

A particularly important aspect of the brand management in the present competitive contexts concerns the mechanism of construction of the brand value in an online context, putting together the offline relational dynamics with the online ones occurring not only among the customers but also among the several stakeholders [54–56]. The spreading of Internet and social media is a phenomenon having a big impact on the brand management and on all the relational and interactive processes between customers and brand, firm and customers, and firm and brand. Social media and Internet amplify the relational processes occurring among a multitude of stakeholders, and so they consolidate significantly what said by now, that is, the meanings of the brand and its value are the result of social relational processes of co-creation. The online platforms (company websites, brand community websites, anti-brand websites, online forums, and weblogs) allow the starting up of the relational dynamics, where the stakeholders can exchange, clearly and accessible by everyone, information, knowledge, experience, and opinions about the products, the services, and the firms; therefore, this social exchange process represents the way the online multistakeholder brand meaning co-creation occurs [8, 57].

The stakeholders in these relational networks introduce new and further elements merging with the brand value because they intervene with their specific culture, their values, and their expectations toward the brand [58], giving all the subjects taking part in the network further elements of reflection, criteria of evaluation, and perspectives of observation. All this increases the sources of brand value. The meanings and the functions of the brand can originate from and increase the number of subjects who have been in the end the co-creators of the brand value.

This exchange of information, evaluations, and experience occurring on the online platforms consolidates more and more the fact that the brand meanings develop, for an important part, out of the control of the marketing managers and the firm. This fortifies the mechanism of co-creation of the brand value as a result of dynamic and social interactions taking place among customers and other stakeholders. From one side, the marketing managers are just one of the subjects taking part in the process of the brand value co-creation, from the other side customers and stakeholders are not the recipients of the meanings and the functions created by the firm, but they become protagonists and endogenous elements in the process of brand value creation, playing the role of co-producers.

The social media and the other Web-based technologies allow the creation of brand communities where this exchange and sharing of contents happen. The brand communities are not physical but virtual masses of consumers and stakeholders, sharing some interest about the brand. Muniz et al. [41] define them "a specialized, nongeographically bound communities based on a structured set of social relationships among admirers of a brand." The brand communities make the interaction easier connecting whoever desires to take part in these social relationships and the exchange. The diffusion and the comparison of information, ideas, and experience become mechanisms of brand meanings co-creation.

As observed by Muniz and O'Guinn [59], through these online platforms, the stakeholders share meanings for brands, co-creating brand value. Moreover, these online social processes produce other important effects in favor of consumers and firms. For the consumers, it is the minimization of the risk of purchase specific goods or services, the reduction of research and comparative evaluation costs, the rise of the degree of trust toward the firm, and its offer [60]. For the firms, the brand communities are a facilitating e-commerce factor and a context where the links between the firm and its markets strengthen. From this point of view, the brand communities can be considered as a tool of communication marketing available for the firms in order to increase trust, reputation, image, and corporate value.

Moreover, the brand communities are also a source of innovation for firms since in the discussions involving several stakeholders' new ideas, new market needs, new functions, and new use of products and services, so as new business opportunities can emerge. So the firms need to activate and take part in these relational processes in order to control the processes of formation of the brand meanings, being aware of representing just an actor among many within the whole process of value co-creation.

A last aspect deserving of being underlined concerns the fact that the discussions occurring online can be activated either by the firm or by a third party (customers or other stakeholders). About this aspect, Christodoulides and de Chernatony [61] observed that online discussion sites are an important online marketing tool and affect significantly on the online brand value. Moreover, an empiric study done by Czerwinski et al. [24] shows that the firm-generated discussion sites are more effective and incident on the construction of the online brand than the discussions made by the third party. So, the firms have to play an active and positive role in the creation and the management of the discussion sites and monitoring attentively what happens in these virtual communities.

6. Conclusion

In this chapter, it has been investigated the evolution of the brand management during the last decades through the analysis of the prevailing branding literature concerning the process of determination of the brand meanings and the brand value. It has been underlined the way the conceptual formulation of the brand management has been influenced by the *stakeholder theory* and by the *service-dominant logic*, getting to outline a holistic vision of the brand management parting significantly from the traditional and more reductive customer-oriented and firm-focused vision. In particular, the new following conceptual foundations, on which the branding theory is founded, emerged:

1. The brand cannot be observed anymore in the light of a firm-customer dyadic relationship, where the firm defined the meanings and the functions of the brand including them in the created goods and services, but it has to be observed in the light of dynamic e-social processes in which multiple stakeholders take part in from a brand meanings and brand value co-creation perspective. Therefore, the brand is not targeted to firm customers only

but to all its stakeholders who have to be considered as subjects with special need and expectations toward the brand functions and meanings that turns to be a passage from a customer-oriented vision to a stakeholder-oriented one with the consequent enlargement of the brand concerning functional, social, and relational dimensions going to impact on the whole stakeholder ecosystem;

2. The brand meanings have been progressively got away from the good or service created by the firm, and consequently, the brand value is not determined within the traditional trade relationship (*value-in-exchange*) but within a social and economic exchange between the firm and multiple stakeholder (*value-in-use*), among these—and not only—the customers. Moreover, neither the consumers nor the stakeholders can be considered as exogenous subjects as regard the brand value creation process, but they are endogenous subjects taking part at the goal of maximizing their interest toward the brand;

3. The brand meanings determined through the interaction between brand and stakeholders gain consequently an autonomous identity getting away from the goods and services and that is determined instead in the social and relational processes (from "output orientation" to "process orientation"); therefore, the brand value is the result of the interaction among multiple stakeholders;

4. The brand value is not under the exclusive control of the marketing managers anymore, but it is the result of a co-creation process all the stakeholders take part in; the brand is so seen as a "social process" involving firm, employees, customers, and stakeholders, in the light of not dyadic but network relationships. Every subject of these has an important role to define the brand meaning and the consequent brand value seen from several perspectives.

Starting from these new conceptual assumptions, in the chapter, it has been explained the existing link between the stakeholder theory and the brand management in the light of the service-dominant logic, allowing to understand the way nowadays the brand assumes economic, social, and environmental meanings broadening enormously the brand management range. From the managerial point of view, this implies the need of the firms to register and satisfy a wide spectrum of needs and expectations coming from all its stakeholders and the need to face a process of brand meanings and brand value creation, which goes out of their complete control. As a consequence, it is necessary for the firms to develop wide relational skills with all their stakeholders, being very careful to the inevitable prioritization of the expectations toward the brand.

Finally, starting from the assumption that the brand meanings and the brand value originate from co-creation processes and not unilateral creation processes, in the chapter, wide room has been dedicated to the analysis of the brand value creation process in the online context. In the online brand communities, stakeholders can participate with variable intensity and differentiated interests. Nowadays, the Web-based technologies allow everyone interested to share ideas, opinions, brand evaluation criteria, and prospects taking part so at the creation of its meanings and functions. It follows that the brand communities have to be considered as a fundamental marketing communication tool in the construction

of the brand value, and thus, the firms have to become an active part in the discussions concerning the brand. Avoiding the online discussion will occur out of their control and participation.

Notice

The chapter was submitted to a double blind peer review and it is in line with COPE Ethical Guidelines.

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Product Placement as an Effective Tool for the Brand Positioning

Hanna Górska-Warsewicz and Olena Kulykovets

Additional information is available at the end of the chapter

Abstract

Brand is currently one of the most important tools in the battle for the consumer. Therefore, positioning of the brand nowadays is a priority element in the marketing strategy of the enterprises. Each of them strives to effectively reach the consumer through various sources of marketing communications. The alternative to traditional advertising in the press or television has become the nontraditional marketing communications such as product placement and branding. This tool is much more effective because of the ability to direct the relevant marketing message to selected audience group at the right time and place. The aim of this chapter is to present selected aspects of product and brand placement as an unconventional tool for brand positioning. The special attention was given to define product and brand placement as well as to present its role in the creation of brand value for customers. This chapter consists of four parts related to (1) "introduction"; (2) "brand positioning and its role in product and brand placement"; (3) "product placement as one of the unconventional promotional tools with special attention given to definition, advantages and disadvantages, effectiveness, as well as some examples related to movies, printed publications, and video games"; and (4) "conclusion."

Keywords: brand, product placement, brand positioning, consumer, marketing communication

1. Introduction

To create strong brand, the proper strategy should be involved, which provides a foundation for development of brand-building programs and typically includes brand objectives, consistent

brand name and identity systems, target audiences, positioning, key communications messages, and prioritization of brand touch points.

The aim of this chapter is to present selected aspects of product and brand placement as an unconventional tool for brand positioning. Unconventional marketing tools should create value for the customers by building strong brands. Brand is defined as a name, term, sign, symbol, or design, which is intended to identify the goods or services one seller or group of sellers do and to differentiate them from those of competitors.[1]

The special attention will be given to define product and brand placement as well as to present its role in creation of brand value for customers. The examples of successful brand positioning using product placement will be presented with selected results from secondary and primary consumer research.

2. Brand positioning and its role in product and brand placement

For the purpose of product placement description, it is important to underline the specific elements of brand definition. The brand is a simple identification idea like name, logo, symbol, or trademark in one hand, and on the other, it is a complex idea that contains many tangible and intangible components. The brand is a hallmark of quality, the promise or assurance for the buyer, the icon, and the image which makes consumers buy products bearing the brand. In such situation, the brand becomes the symbol that connects the company and its products with consumers creating a relationship and represents the personality of the product in a changing market environment [1, 2]. Brand can be also seen as a sum of associations caused by names and symbols or a set of attributes such as personality, values, associations, and quality, affecting the purchasing process of consumers, functioning in the consumer minds, and, although associated with the real world, reflecting the perceptions of consumers [3, 4]. A brand can also be analyzed as a strategic resource of the company, comprehended as an asset, which should be suitably protected. This asset should be analyzed as an intangible and legal, the value of which cannot be exactly determined until it is the subject of purchase transaction [5].

In the literature, the brand is seen as a promise of added value and a unique experience that stakeholders, including consumers, may experience for a long period of time [6, 7]. Furthermore, brands that have been successful are able to quickly establish the relationships (emotional and personal) with the consumer. When it is a long-time relationship, then it will generate a brand loyalty [8].

The brand from the definition is the product that adds the other dimensions that distinguish it in some ways from other products designed to meet the same needs. The brand is the essence above the physical and functional product [9].

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[1]American Marketing Association Dictionary. "Brand and branding" definition [Internet]. Available from https://www.ama.org/resources/pages/dictionary.aspx?dLetter=B [Accessed: 2017-04-12].

In recent years, there has been a shift of perception from the product (product focus) to the brand (brand focus). This approach expresses the brand as an image in consumer minds, a personality, and value [10]. In this aspect, the brand should be seen as a multidimensional design that integrates the physical and intangible attributes of the product and is composed of three elements: the brand image (the way which consumer perceive the brand), brand identity (the way the creator of the brand wants the brand being seen), and the brand positioning (brand positioning in the market) [11].

A comprehensive approach to the brand stems from the fact that consumers perceive products by associating the brand with all the attributes experienced by the purchase and the use of the product. Separating the two attributes (associated with the brand and the product) is difficult due to the occurrence of interaction. Brand as a "multi-faced notion" can be considered in the in the concept of Davidson through the branding iceberg (**Figure 1**). In this view, strong brand is a result of business strategy implemented with success. This concept implies the existence of elements of visible and invisible to the consumer or user, which should be analyzed as a point of view during the construction of a competitive advantage. In this aspect, important elements are visible reflecting undertaken by the company decisions regarding marketing and related investment processes and allocation of funds. The items below so-called water level are related to the competencies, assets, and capabilities of the company focused on a specific brand.

Adopted by Davidson, iceberg branding concept varies depending on the products or services offered. For example, external appearance means packaging for consumer products and the
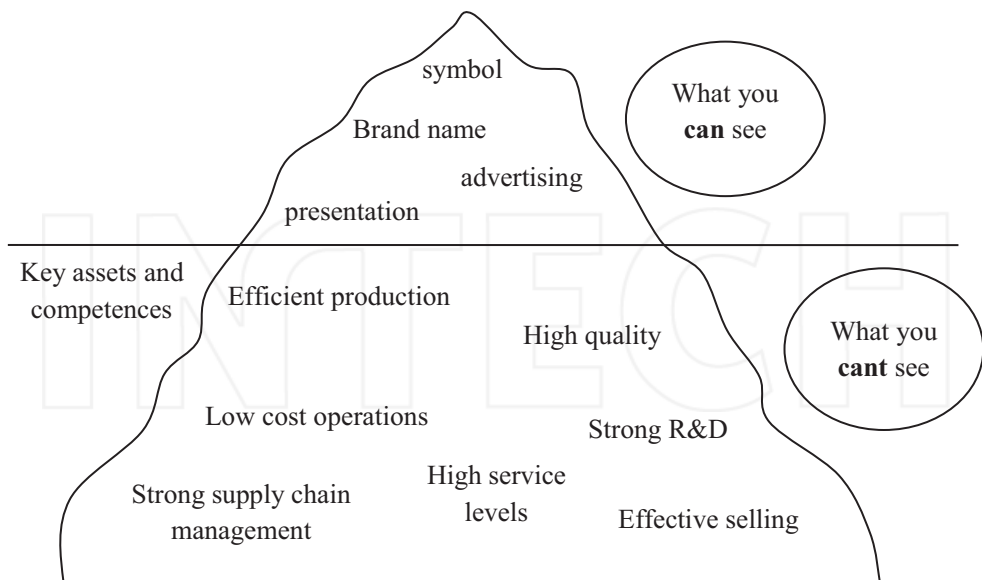

Figure 1. The brand iceberg. *Source*: [12].

appearance of the store and trade stands—in the case of retail outlets. This aspect is important depending on the category of food product because of different perceptions of products and packaging and varying degrees of marking. This follows from the nature of services provided in a particular place (usually being seated, owned by the service provider, or rented by him) and time associated with the inability to storage services.

In product and brand placement idea, the Kapferer theory is adopted to point the relationship between product and brand [13]. The product represents the visible attributes, while the brand reflects the guarantee and provides consumers the benefits of its strength. There are different associations related to the brand such as vision; philosophy; the characteristics of typical buyer, like personality; etc. An important issue is the halo effect, which is the main source of value created by the brand (**Figure 2**). It should be regarded as a synergistic effect resulting from the interaction of the visible and invisible features of the product brand value. In this aspect, well-known brand influences the perception of consumers in terms to product attributes, multiplying the effect of receiving the message.

In product and brand placement, the main function of brand is very important. Brand allows the identification of the product, ensuring the attributes that differentiate the brand from the other brands. Brands make the interpretation and information-organizing processes concerning the product easier [14]. The simplification of the decision-making process by the brand can organize a lot of information about a particular product, which simplifies the daily choices [15]. The informational function of the brand is carried out in a direct way (the information is contained in the name and logo of the brand) or indirectly (information based on associations and suggestions relating to benefits) [16]. The other transformational function occurs when
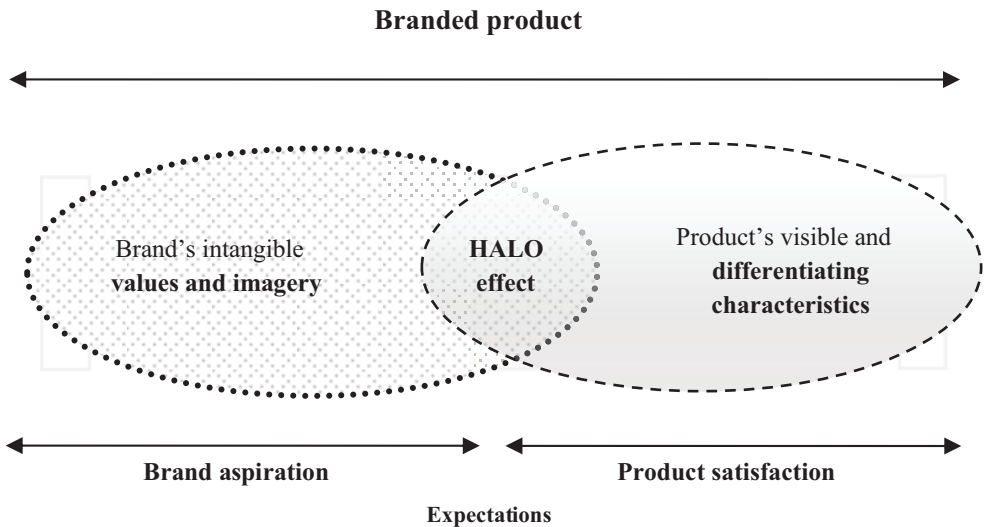

Figure 2. The product and the brand. *Source*: [13].

the brand awareness significantly enriches or even transforms experiences related to the consumption while consumer imagination about the brand can be significantly affect the perception of the physical side of the product perceived by consumers to the brand [17].

In product and brand placement, the purpose of brand positioning is to explain how the brand will create a sustainable competitive advantage in the minds of customers in order to gain loyal customers and to ensure revenue and profits.

Brand positioning attempts to capture a place in the mind of the customer with its identity. It means that marketers try to put brands into the specific group of customers or into their minds in a very sophisticated way, to show them product with its differentiators and values. The result of positioning is called image. This is why the primary focus is placed on perceptions, and not on products. One of the definitions about brand positioning says that "product position refers to a brand's objective (functional) attributes in relation to other brands. It is a characteristic of the physical product and its functional features. The perceived image of the brand belongs not to the product but rather is the property of the consumer's mental perceptions and in some instances could differ widely from a brand's true physical characteristics" [18].

From the consumer perspective, symbolic function resulting from the social nature of brand consumption is very important [19]. It allows certain groups to emphasize their personality and find its place in society; it becomes a tool for self-determination and communicates their identity in the social environment. Brand as consumption symbols shows the ability to fill the symbolic and valuable function for the individuals [20–22]. The perception of a brand as a symbol determines the symbolic importance of it, the ability to reflect the emotional side of the consumer's identification with desired reference groups or social status. Construction conditions of symbolic significance of brands are associated with a group of consumers or users of the products offered under the brand, perception of the buying and consumption process of the brand, and the ability to reflect the average buyer of branded products [23].

Brands create some emotional benefits experienced during buying or using the brand [24]. At the same time, the consumption of certain brands is a mean to transfer some values even in the social sense [15]. For the experience entirety of consumer with the brand, it is desirable for coexistence of rational, physical, and emotional benefits [25].

A brand personality is an important element of strong brand, which means that a set of selected human characteristics should be associated with brand [26, 27]. Brand is an important part of the process of communicating the company with the market. It communicates to consumer, shareholders, communities, and the world the values that present a product or company [28]. The growing importance of the brand steams from growing information and product competition [29]. In this aspect, the brand is encoded in the form of sign communication to recipients of marketing activities of the company. A company is a broadcaster deciding on the assignment of the brand and the recipient—a potential or actual buyer [30]. This process should be considered also as a broader market communication, and the brand plays an important role in this bilateral process [31].

For enterprises, brand name and what the brand represents are the most important assets: the basis for a competitive advantage and the current and future profits [32]. This facilitates access to distribution channels, entering into a new product category and market segmentation [33–37]. This is done also due to a loyal consumers group and legal protection of the unique features of the product [37–40]. At the same time, strong brands contribute to create company's image and facilitate the introduction of a new product [37].

The competitive advantage of companies with high brand equity includes the ability to expand, flexibility in connection with promotional activities of competitors, and the creation of barriers to competitive inputs [41]. Competitiveness in the globalization era should be treated as a categorical imperative in the existence of enterprises [42]. In this aspect, one can speak about the strategies of competition: the cost leader, the diversification of the offer in relation to their competitors, and concentration [43]. Strong brand as a cost leader means reduction of promotion costs, an increase in bargaining power in the distribution channels, and the use of the strategy of strengthening its brand. The purchaser in relation to a strong brand accumulates a considerable amount of information, so that the product stands out and creates a picture of the uniqueness of the brand, which affects consumer confidence, reparability purchases, and building consumer loyalty to the brand. Concentration indicates distinction and better satisfying the needs of target segment [44].

The importance of brand placement must be analyzed due to brand equity. Brand placement is based on perceiving the brand in the context of its equity, backed by appropriate branding strategies.

One of the first definitions of brand equity was proposed by Farquhar, pointing out that brand equity is "an added value that the brand gives the product." This definition was the basis for subsequent inquiries and definitions [45, 46]. Many researchers have made definitions consistent with Farquhar one [47]. For example, it was mentioned that brand equity is an attitude toward a branded product and added value that reflects that attitude [1, 48, 49].

In the course of reflection, two groups of brand equity definitions were clarified: the financial perspective and the emphasis on business value, and the consumer perspective, which defines brand equity as a value for the consumer [50–52].

Aaker who opened an important group of theoretical considerations defines brand equity as "a set of brand assets and obligations, it's name and symbol that adds or subtracts a value from a product or service delivered to a business or consumer", in other words "which determines the value of a product or service marked by brand for the buyer" [53, 54]. The foundation for the definition of Aaker, one of the most famous in the field of marketing, puts Holbrook, pointing out that brand equity is created in the minds of consumer through a diverse set of presumptions and brand views [55].

An important contribution to the development of the brand equity theory was given by Keller that defines brand equity as "branding marketing effects" [9]. The assumptions for this definition concern situation, when certain results were achieved through marketing activities associated with branded product or service and did not occur when the same product or service was not branded. Author also pointed out that brand equity represents a varied effect

of brand awareness on the consumer's response to brand marketing [56]. It reflects the consumer's response to concrete brand marketing efforts compared to the response about marketing of fiction product or unnamed version of product or service. It introduced the notion of consumer brand equity (consumer-based brand equity) to label that occurs when a consumer knows the brand well and has positive, strong, and unique associations with the brand in his mind. These associations are referred to as primary, which contains brand and attitude views reflecting the perceived benefits to the brand.

In this aspect of consumer brand equity, consideration should be given to branding and product placement.

From the company point of view, the importance of the brand should be analyzed also in relation to the creation of competitive advantage. Urbanek proposed three-element model to create a competitive advantage based on brand differentiation, leadership cost, and concentration (**Figure 3**) [57]. The first type relates to the competitive advantage of leadership cost, reflecting lower cost in relation to the primary activities, and supporting the value chains. The search for cost advantages among the primary measures concern of the internal and external
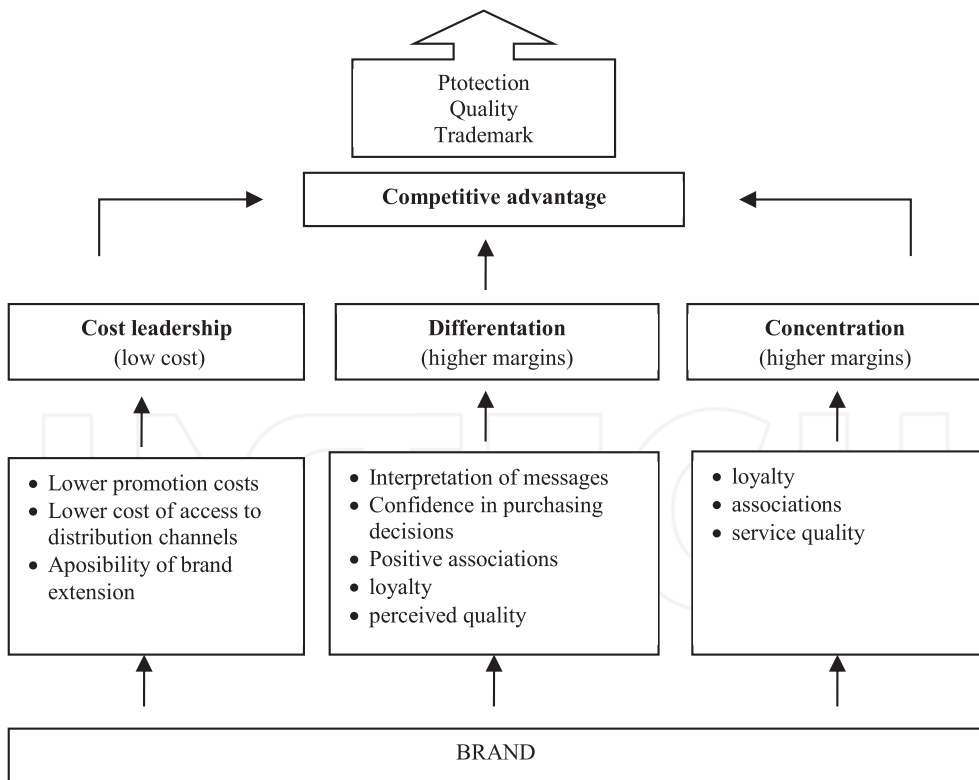

Figure 3. Participation of the brand in the creation of competitive advantage. *Source*: [57].

logistics, individual operations, marketing, sales, and service and within supporting activities: shopping, technology, human resources management, and company infrastructure. The second type of competitive advantage concerns the diversification treated as a way to gain a competitive success in relation to create a product which offers consumer more value. This takes place through innovative processes, ensuring better product characteristics, service, and support to customers and increased frequency of deliveries, or just in time, choosing the right distribution channels and product positioning in the context of brands. The third way of creating a competitive advantage refers to the concentration of activity in a specific market segment. This allows to better service segmentation and adaptation the products to their needs. Also determines consumer's loyalty toward brands.

Brand as a key success factor in the company can be analyzed in terms of revenues, profits, added value, and market shares [58]. A strong brand influences consumer behavior and consumer decision-making process, thus determining the reception of marketing activity [59].

Packaging is a part of the marketing activities in the field of brand building. Placing complete information on the package including logo and the manufacturer name increases the confidence in the producer and may be an important driving factor to make the repurchase. The attractiveness of the packaging also affects the assessment of the perceived quality of the product and brand. Consumers convey the impressions package made to assess the quality of a product [60].

Brand influences companies' decisions regarding prices. This stems from the perception of the price from the consumers' point of view through the prism of a quality and value of a product [61]. Consumers differ in terms of price they want to pay a brand relative to competing brands and the reaction to increase or decrease prices. Empirical research confirms that brand leaders gain higher price differences [62–64].

The main task of brand positioning is to find a key to the customer's mind, which is full of different brand names and slogans, and stay there for a longer period of time. One of the sectors that intensively used positioning is food market. Positioning strategies become more important among all others for manufacturers in the food market. Their goal is the correct positioning of a product designated by the brand in the market space [65]. This applies to determine the reference group, choosing the method of informing consumers about the brand, its strengths, and finally its benefits. There are range of brand positioning strategies in literature which include:

- positioning because of the consumer—directing the brand using selection of the appropriate elements of the product for well-defined target group;

- position because of the brand attributes—is based on a particular attribute emphasizing the brand;

- positioning based on consumer benefits—related to certain benefits which are rational reflection characteristics of the product;

- intangible positioning—associated with the reference to quality, leadership, and healthiness;

- positioning based on the use of the brand—the identification of new brand applications;

- positioning based on the relation price to quality—associated with several price levels;

- positioning because of the relation class to a category of the product;

- positioning in relation to well-known personalities/celebrities;

- positioning because of the country of origin [66].

Frequently used strategies of brand positioning in the food market are positioning because of the consumer, brand attributes, benefits for the consumer, and the price to quality relationship. Positioning that used brand attributes and highlights the benefits for consumers' innovative, functional, and newly introduced products to the market. This also applies to products and brands with long market exposure. Positioning strategy connected with price-quality relates to products of the premium or super-premium category and the economic ones. The use of the relation price to quality in premium category can be found in the coffee category. The factor that increases the efficiency of transmission in the brand positioning using the image of a celebrity is a person. A celebrity is presented with the name but also with a specific identity and way of being. The transmission of advertising is used for transfer of image, which means that certain values of the name are transferred on the product, service, and brand. This strategy was used on the Polish market of food products from the second half of the 1990s.

An interesting strategy of brand positioning in the food market is positioning due to the use of the product in particular in the context of the search for new ways of its use. Often in such cases, the educational and promotional campaigns are conducted.

3. Product placement as one of the unconventional promotional tools

What does traditional brand promotion mean nowadays? Why does an ordinary advertising do not work? Consumer today is more conscious and demanding; that is why conventional way of product brand promotion is not enough. Nowadays, marketers try to reach for unconventional marketing tools. To such kind forms of marketing communication include:

- Ambient media (advertising, marketing)—alternative and innovative solutions in the public space and generate consumer astonishment by engaging them.

- Guerilla marketing—unconventional, most often controversial actions connecting different media based on low cost, prepared specially for a specific client, and are implemented in the short term, often on the edge of the law.

- Word-of-mouth marketing—marketing activities aiming to get messages across the consumers via direct "spontaneous" verbal communication; the phenomenon of rumors is being used in this kind of marketing for spreading the information in the specific target group.

- Buzz marketing—global madness, euphoria, and hysteria, encompassing informal discussion about the particular product, service, and company as well as giving people a reason to talk about the brand, goods and services, and the possibility of the establishment of this conversation.

- Viral marketing—encouraging clients to provide marketing content to others, which causes a geometric increase the number of recipients.

- Tryvertising—incorporation of goods or services in the daily lives of consumers in so natural manner that his subsequent purchasing decisions are based not only on advertising messages but also above all on their own experience.

- Product placement (blended promotion)—placement in films, theater performances, radio and television programs, and other communication media of a brand, product, or situation that presents a certain pattern of behavior, which is promoted by the sponsor.

- Ambush marketing—marketing strategy involving the promotion of private label during major sport events without charging a license fee to the event organizer; for this reason, it is frequently on the edge of the law.

- Unconventional measures at the sales point, which include scent marketing, audio marketing, visual merchandising, and unconventional indoor advertising.

- Unconventional advertising forms on the Internet—screensavers, desktop marketing, and podcasting.

- Mobile marketing—marketing activities conducted with the use of mobile devices that consumers are used to and most often takes the form of mobile message or mms but also a permission communication.

- Advertorial—a form of press advertising such as editorial, like a sponsored or promotional article.

- Infomercials—are the equivalent of sponsored articles on television, like a paid advertisement [67].

Unconventional and new forms of promotion are different from traditional, primarily in an innovative and unusual character, which increases the chances of drawing attention as well as a greater emotional involvement of the viewer. These tools form a new solution to fastly and more effectively to reach the consumer.

3.1. Product and brand placement: definition

One of the customs and rapidly growing forms of promotion is product placement. This is a relatively new form of promotion, especially on the European market. There are lot of definitions of a given phenomenon. Commonly the term "product placement" began to be used in the early 1980s. First, it was used to the practice of placing products in movies and then in the scientific community [68]. **Table 1** shows some of them.

In literature, one can find product placement under other conceptions like brand placement, tie-in placement, or plug-in placement. There are several forms of product placement depending on which emphasis is placed:

- Generic placement attempts to draw attention of the viewer on the product, ignoring informations about brand and manufacturer.

- Utility placement in this case, is the demonstration of the possibility of using the product.

- Brand placement includes the demonstration of the product and information about the brand and producer.

- Corporate placement—the company name (like a neon sign or advertisement on the street) appears during the transmission.

- Organization placement—the promotion object is mentioned by the name of organization or institution [76].

Author (year)	Definition
S.K. Balasubramanian (1994)	Paid information about the brand product in a movie or TV show, the aim of which is the impact on the cinema (television) audience in a planned unobtrusive manner
S.M. Vollmers (1995)	Paid product placement is a planned incorporation of a branded product or service (brand, logo, packaging, mark, or brand advertising) in entertainment mass communication in exchange for money or bilateral promotional exposure. Unpaid product placement is a planned incorporation of a branded product or service in the entertainment mass communication in order to add realism or to provide the information about the character or situation
J.A. Karrh (1997)	The inclusion on the principles of payment branded products or brand identifiers, by means of audio and visual programs of the mass media
A. d'Astous, N. Seguin (1999)	The incorporation of the brand or company in to the movie or TV show for promotional purposes and by different means
E. Nowińska (2001)	Conscious placement in certain transfers for a fee strictly selected props to induce advertising effect
A. Czarnecki (2003)	The method of promotion by placing on the commercial basis in the movie, play, or television or any other audiovisual or printed mass media a product or situation that presents a certain pattern of behavior
Directive of European Parliament and Council 2010/13/EU of 10 March 2010	Any form of audiovisual commercial communication consisting of the inclusion of or reference to a product, a service, or the trademark thereof so that it is featured within a program, *in return for payment* or for similar consideration

Source: own study based on a literature query [69–75].

Table 1. Selected list of definitions of product placement.
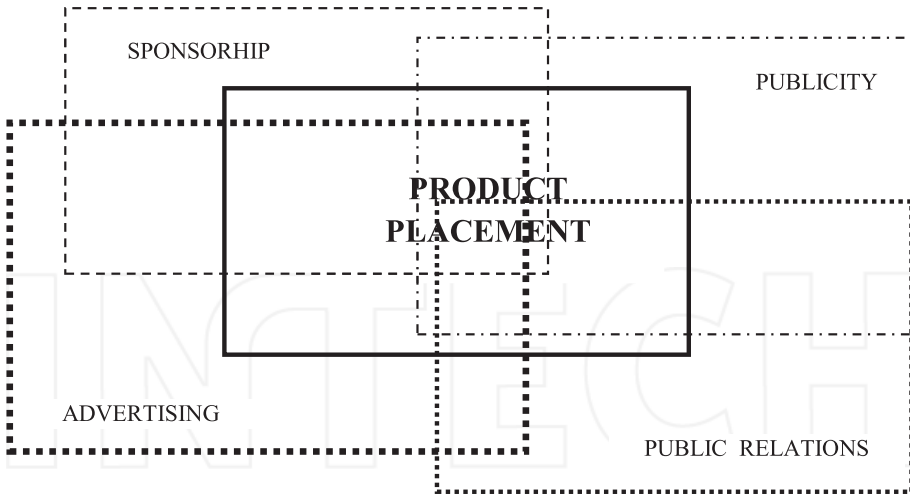
Figure 4. Product placement as a mixed form of promotion. *Source*: [78].

Selected types of these forms have different impacts on the effectiveness of the recipient. The product, which is directly exposed, observes approx. 30% viewers; if the product is used by the actor, observation increases to more than 50%, and if the main character is using the prod-uct, visibility increases to 80%. If there is a verbal mention of the product, approx. 60% of recipients will notice it [77].

Product placement as a process combines several elements of promotion like sponsorship, advertising, public relations, and publicity (**Figure 4**). Frequently, it is difficult to set clear boundaries between the product placement and publicity or sponsorship. According to Choliński, a product placement should be considered as brand or product appeared in the pro-grams according to the predetermined script (such as movies, TV serials, video games, plays, paintings, sculptures, etc.). Live stream advertising is just a sponsorship, and brands appearing in live programs should be treated like publicity but not a product placement [79].

3.2. Advantages and disadvantages of product placement

Although, the product placement is an effective tool of marketing communication, it is not without drawbacks. However, numerous advantages which affect the effectiveness of prod-uct placement cause that these negative elements become less visible. Summary of positive and negative aspects of product placement presented below.

The most important advantages are:

• An alternative to the traditional forms of advertising—product placement in contrast to television communication does not affect the interruption of the broadcast. The advertising blocks cause viewers annoyance.

- Credibility of the message—brands presented in film or TV series introduce an atmosphere of authenticity. The recipient, seeing on the screen the products that they know from the real world, is gaining confidence in the presented content.

- Ennoblement of the product—brand in the audiovisual transmission occurs in the company of celebrities who are using them. According to the viewer, they are attractive, so they become an object of desire.

- Low cost and high efficiency—the cost of placing the product is much lower than the one the advertiser incurs in the case of television advertising. Often companies have the possibility of placing the brand in exchange for providing props for the film, which is a minimal cost to them.

- Unlimited range—product placement in film provides a viability of reaching out to a wider audience, because the film can be seen in any place of the world. It is an attractive offer for companies operating globally, because they have a chance to get to an international customer base.

- The ability to promote products prohibited in classic advertising—product placement creates a space where producers can present their goods prohibited by law in the advertising. These include such product as an alcohol and tobacco products. Movies are extremely attractive for manufacturers of such kind of products, because in the classic promotion way, they have fewer opportunities than, for example, food.

- Unlimited access—each audiovisual work appears in several mass media; in the case of films, the first is movie theater, then the Internet, DVD, and television. The viewer therefore has unlimited access to the image, and thus located product can be seen many times.

Among the drawbacks of this promotion tool may be mentioned:

- Unpredictable number of customers—it is difficult for manufacturers to predict whether the film or any other works will succeed or not. Careful selection of the cast and a good idea for a film script do not guarantee a success. It may happen that using of brand placement will incur costs, but the investment will not return.

- Bad placement—the receipt of product placement depends on the scriptwriters who bring a brand to the film. If done ineptly, the manufacturers and sponsors of the video project may expose the negative reviews from the audience. In the era of the Internet, bad opinion spreads very quickly. For example, let us take a car as a product for placement. Let us put the car into scenes where in the first one after a large crash, the car will still look like after small collision in the consumer's mind; this car brand will look like a product of a high quality. Let us take another scene with the same car crashing but where the car after all will look like a pile of metal; the car brand can be received having low quality and not worth of trust.

- Keep ahead of the time—the introduction of product placement takes place on the stage of the scenario in the case of feature films which may even be a few years before filming. At this time, product can change the visual identification and some external characteristics (logo, package, etc.) so the image of this product will be out of date.

- Limited opportunity for differentiation of communication—the situation applies to brands operating globally. Sometimes a product comes in different countries under a different name or not present at all, which is some kind of limitation that does not allow to fully exploit the potential of this kind of promotion tool. Ignorance of the placement brand leads to uselessness of product placement as a tool for marketing communication.

- Low sales effect—product placement carries out the functions of branding. Therefore, this tool requires a support of other forms of promotion that will make the consumer decide to purchase.

- Lack of control over the life of product in the film—once located the product is located in the film forever. It may happen that the product will be withdrawn or start to be positioned in a different way, thus making its presence in the film out of date.

3.3. The effectiveness of product placement

One of the main issues concerning product placement is to investigate its effectiveness. Russell and Belch created a model for assessing the impact of product placement (**Figure 5**). According to this model, assessing the value of product placement should take into account three variables: characteristics of the placement, characteristics of the context, and characteristics of the recipient. In addition, there are two types of placement: single placement and integrated placement. Types of placement can also be mixed with each other [80].

The research carried out so far regarding the product and brand placement showed a positive relationship between placement exposing and memory variables such as reminder and recognition. Significant differences between explicit and concealed placement are also found [81]. In concealed placement, only attributes such as appearance of the product without enhanced integration and convergence of high plot or content are used [82].

3.4. Product and brand placement: movie

The main carriers for product placement are mass media and entertainment such as movies, serials, TV shows, video games, books, or theater [83]. The modern consumer of the entertainment mass media in everyday life rarely focuses all its attention on the content transmitted in the mass media [84]. Some studies suggest that more than 50% of consumers while watching TV also perform other tasks [85]. The source of destruction can be cooking, babysitting, phone call, and multitasking with other mass media such as an electronic book or some smart devices [86].

This powerful marketing tool takes beginnings of filmmaking in the 1890s. The forerunners of product placement were such manufacturers as Admiral Cigarettes, Pabst's Milwaukee Beer, and Nestle in the early 1900s. Of course, product placement in those days differs the current one but still represents the first steps in the mass film production [87]. A good example of brand placement was a movie "She wanted a Ford" created in 1916. A brand placement is not just a commercial of a product. It is a subtle way to integrate brand with the plot. While movies and TV shows are at the forefront of using placement techniques, the practice gains its popularity in the other media such as radio, music, books, or video games. There can be a lot of factors that stimulate the growth of popularity of brand placement—Internet growth, appearance of new

Variables for Placement Value Assessment	Role in Marketing/ Communications Mix	Measures of Effectiveness

Placement Characteristics:
• Amount of time on screen
• Size and visibility (foreground or background)
• Modality of presentation (visual versus audio)
• Level of plot connection:
  – Interaction between product and actors
  – Product usage by character/star
  – Implied or direct endorsement
• Creative quality
	Stand Alone Placement:
	
	• Brand exposure
	
	• Source association
	
	• Branding/brand image
	
	• Stimulating interest
	
	• Bypassing regulations
		Stand Alone Placement:
		• Memory (explicit or implicit)
		• Perception of fit
		• Attitude toward brand

Context Characteristics: • Competitive images on screen • Distraction/lack of distraction factors • Match with entertainment image **Audience Characteristics:** • Demographic profile of the viewing audience • Audience size (potential exposures) • Rating for exact minute of placement occurrence • Audience size based on syndication and reruns • Media equivalencies • CPM • Sponsorship equivalencies	**Integrated Placement:** • Publicity • Public Relations • (Internal or External) • Cross-Promotions • Sales Promotions • Interactive Television • New-Product Launch	**Integrated Placement:** • Publicity generated • Standard PR measures (internal and external) • Positioning studies • Sales • Promotion redemption • Trial measures • Number of consumers who purchased or showed interest (on internet or at point of purchase) • Tracking studies (internal and external)

Figure 5. Model assessing the impact of product placement. *Source*: [80].

media like video games, or demission of traditional media like newspapers [88]. The process of product and brand placement was participated basically by three groups of interest: client, studios, and agencies [80].

Brand placement is gaining its popularity. On one hand, this tool is less expensive than a 30-s TV spot, and sometimes even more effective and on the other hand provides an access to the wide audience [89]. Nielsen Media Research published a study showing that 58% of viewers recognized a brand when viewing a product placement in combination with commercial, while

47% of viewers recognized a brand exposed only to commercial. Of course, this study does not show an overall view of the impact of brand placement that brand awareness increases with product placement [90]. But the fact that a brand appears every 3 min in primetime television shows and media forecasting data suggests a yearly increase above 10% of the 8 US$ billion spent in global scale on movie and television product brand placement (for 2012–2016) [83, 91]. Research showed that brand placement can be a good alternative to a traditional advertising especially when consumers nowadays try to avoid commercials. But the program image played an important role in the changes in brand image [92]. However, there are some objections to the brand placement because not every brand is suited for placement in all contexts. If the brand does not fit to the story or plot, the placement can actually be detrimental.

3.5. Product and brand placement: printed publications

Research conducted in 2015 shows that consumer preferences can be created partly under the influence of brand placement in the text. Brands, located in fictional stories, were assessed in summary as more reliable, and the consumer was willing to buy them rather than the brand, which was not listed in the text. Moreover, the test results show not only the fact that the brand located in text is seen as more desirable, but also after a certain time (1 week), the effect of brand placement was still noticeable in consumer behavior, which means that consumers still have in mind placement products [93].

Bookstore shelves are filling up with different novels. They encourage customers not only with colorful and fancy cover but also interesting storyline. Each of the stories has its own main plot, but one common element increasingly appears—product placement. **Table 2** shows selected examples of product and brand placement in the text.

Product placement nowadays includes not only as fiction for children and adults but also as school textbooks. In France, children can learn the techniques of brushing teeth with the images of the Colgate materials. The school materials sponsored by Revlon can teach children about "good and bad hair days." Nike sponsored school kits, which show that the shoes of that company are manufactured responsibly in accordance to environmental protection. On the other hand, KFC co-branded with Hasbro produced educational materials about "how the body works." The aim of this campaign was to promote KFC's November new, improved meals to take away, as well as increasing brand awareness with the game "Operations" sponsored by Hasbro [94].

At present, consumer seeing shoes, cars, cell phones, and other products of specific brands in TV shows or serials is not surprised and even is convinced that such kind of advertising has been paid by the corporation that wants to promote its own brand. But product placement in the printed press, especially in books, is relatively new and rare way of promotion. Multiple positioning of the brand in the text can be an effective marketing technique that allows consumers to familiar with the brand placed in text and then become a brand preferred by consumers from other brands' selected product category. Changing preferences may be aware of the phenomenon carried out by the consumer or the consumer may be unaware that his preferences have been changed and subconsciously can choose brand pieced in text [93].

Title	Author (year)	Quote contain product/brand placement
"99 francs"	Frederic Beigbeder (2000)	"…My name is Octave and I'm dressed from top of my head to foot in Tom Ford. I'm an advertising executive…"
"American psycho"	Bret Easton Ellis (1991)	"…his Versace tie ready to face whoever. Courtney opens the door and she's wearing a Krizia cream silk blouse, a Krizia rust tweed skirt and silk-satin d'Orsay pumps from Manolo Blahnik. I shiver and hand her my black wool Giorgio Armani overcoat…"
"50 Shades of Grey"	E.L. James (2011)	"Fortunately Kate's lent me her sporty Mercedes CLK. I'm not sure Wanda, my old VW Beetle, would make the journey in time. Oh, the Merc is fun drive, and the miles slip away as I floor the pedal to the metal…"
"The Oreo Cookie Counting Book"	Catherine Lukas (2000)	"Children will love to count down as ten little OREOs are dunked, nibbled, and stacked one by one…until there are none!."
"The Nanny Diaries"	Emma McLaughlin (2003)	"Max pulls an Estee Lauder Brazen Berry lip gloss from her bag and tosses it to Bridget. The gold cap says glamor and sophistication."

Source: own study based on literature query.

Table 2. Selected examples of product and brand placement in text.

Comics are one of the best kinds of printed media for product placement. There is a possibility of visual characterization of the brand here. This kind of promotion is characterized by the originality and ability to refer to a particular segment of customers.

3.6. Product and brand placement: video games

Progressiveness of mass media expands its scope for marketing activities not only for television or books but also video games. For example, Americans spend more time playing video games than watching television [95]. This trend is especially noticeable among children, which means that 88% American's children from 8 to 18 years play video games 13.2 h/week, and spent 10.5 h/week on watching television. This fact became a new challenge for companies in the conduct of marketing campaigns [96]. This kind of placement is relatively new; that is why in literature review, one can find just a few academic researches. Nevertheless, it is an area that researchers are interested in, which may indicate that product placement in video games can be an effective marketing tool for corporations, bringing the expected results especially

among the youngest. Video games attract marketers its possibility of product or brand place-ment in animated interactive imagery in the imaginary scenery. Research conducted in 2010 shows that interactive brand placement has a positive effect on mind awareness, brand image, and behavioral intention, which means that brand placement in virtual game can influence the process of information assimilation. That is why interactive brand placement influences espe-cially children and hence improves sales [97]. **Figure 6** shows the main factors encouraging the placement of brands in digital games.
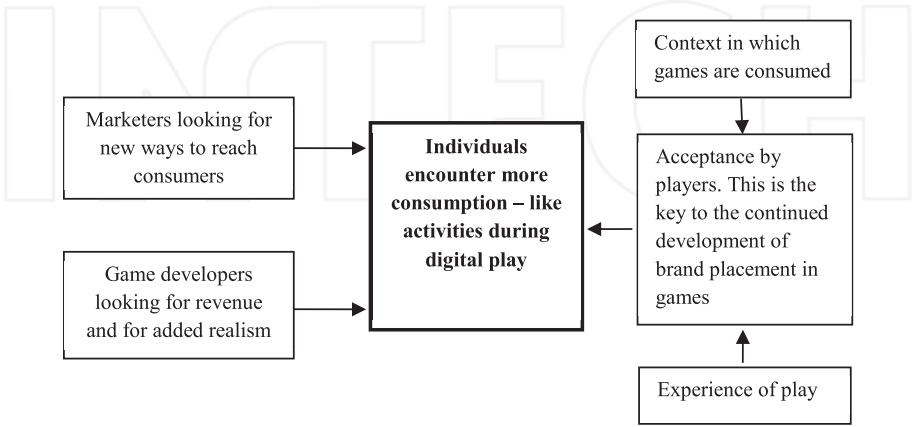
Figure 6. Factors encouraging the placement of brands in digital games. *Source*: [98].

4. Conclusion

The increased competition about quality and price forces the company to take planned actions, ensuring their distinction and originality of the offering services. A tool for achieving a competitive advantage is the brand, reflecting on one hand the essence of the business and focusing on associations around the name and logo and on the other hand representing the axis of activities within marketing communications.

Functioning of the business is associated with making appropriate strategic decisions in terms of brand positioning associated with custom tools, such as product and brand placement. This is a consequence of the differentiation of the product offer as a result of the needs of consum-ers in terms of quantity, requirements, and preferences of consumers.

Product and brand placement refers to both the visible and invisible parts of the brand, refer-ring to the social nature of the consumption of products with a well-known brand. Brand positioning uses the product and brand placement in movies, entertainment programs, and books and other printed materials and video games. The growing popularity of this tool is the result of its efficiency on the one hand and on the other a consequence of the intensification competitive activities and the desire to ensure the proper brand's market position.

In summary, the product and brand placement will thrive in the described media while introducing new media guarantee reaching to wider group of consumers. That is why, it is so important to understand how the system of product placement works. In the near future, some research actions will be taken which will help to understand the mechanism of brand placement and how it works from the inside. Knowledge is very important not only for researchers but also for marketers and consumers, because on the one hand marketers can use it for successful selling process, and on the other hand, it will be possible for consumers to control the amount and frequency of advertisements.

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Service Branding: Suggesting and Discussing Four Perspectives Influencing a Value-Creating Service Brand at the Company Level

Hugo Skaalsvik

Abstract

The chapter suggests and discusses four interrelated perspectives, which, we argue, influence a value-creating service brand at the company level. One research question is posed: which perspectives are useful and applicable in the development of a value-creating service brand at the company level? Four interrelated perspectives are outlined and discussed: a customer perspective, a management perspective, a service employee perspective, and a knowledge perspective. The discussion section of the chapter includes an interactive, circular model, which shows how the four perspectives directly and indirectly impact on the creation of a value-creating service brand. In the chapter, a set of theoretical and practical implications is drawn. Illustratively, on the theoretical side, one implication is that a high degree of service orientation together with change-oriented, value-driven management orientation is required in order to foster, develop, and sustain a value-creating service brand at the company level. On the practical side, one advice is to upgrade the role of knowledge of an important intangible resource by working in accordance with the principles of a dynamic knowledge system.

Keywords: service brands, service brand development, systemic thinking, perspectives, an interactive model, value creation

1. Introduction

In a world of services [1, 2], enterprises are facing a new competitive landscape world-wide. This landscape is characterized by increased turbulence, complexity, and ambiguity [3] in which the old recipes for business success in the industrialized world no longer provide a sufficient ground for value creation and competitive advantage in service enterprises [3]. In this

new competitive environment, we argue that service brands play an important role in their contribution to value creation and economic growth at the company level.

The background for the focus on service brands today is the fact that Western industrialized economies, in particular, have moved into societies dominated by services [4]. Grönroos [5, p. 11] perceives the rapid growth of services as the "new economy." The new economy which emerged in the early 1990s is part of the knowledge economy [6, 7], and the main features of the knowledge economy include globalization, systemic changes, temporary rather than continuous competitive advantage, short life-cycles of products and services and new forms of competition [3, 8]. In the knowledge economy, knowledge has become a key organizational and strategic resource for businesses [6, 9, 10].

Today, the service sector constitutes a major part of the total economic activity, employment, and growth of industrialized economies [11]. The OECD, as an example, estimates that approximately two-thirds of GDP in high-income countries generate from services. The high growth rate of services implies that the service sector, service industries and service firms are arenas with a huge potential for employment, economic growth, and value creation [11–13]. However, according to branding research, many companies fail in their attempts to develop strong and competitive service brands, which may impact negatively on their value-creating potential and ultimately their bottom line. The Finnish IT company Nokia is a good example of a firm which has experienced a spiral of economic downturn in the course of a few years.

Hence, in "societies of services" [1], one observes a constant need for renewal, changes, and innovation at the corporate level [14–16]. In relation with this, the role of service brands may play an important role in enterprises' competitive efforts and value-creation processes [17] because, as claimed by Urde [18, p. 18], "the future of many companies lies in the brands." This view is supported by Ref. [2] who observes that a strong brand is a guarantee of superior service delivery and quality. This is important in attracting and retaining customers [19] and, as observed by Ref. [20], strong brands enable customers' better to understand the intangible side of services.

Over time, a host of research has been carried out on fast-moving consumer goods (FMCG) in manufacturing organizations. Nevertheless there is a shortage of research on service branding at all levels in the brand hierarchy [21, 22], despite the fact that branding is assumed to be "even more important for services than for goods" [23, p. 333]. Thus, in this chapter, we seek to contribute to the extant knowledge of service branding at the company level by examining four interrelated perspectives which, we argue, may enhance the value-creation potential of a corporate service brand. Thus, the focus is on the highest level in the brand hierarchy. Furthermore, an interactive model is offered grounded on a systemic thinking that depicts the linkages between the model's components, and shows how the perspectives interact and how they may contribute to a value-creating service brand at the company level. Thus, the format of this chapter is conceptual.

This chapter addresses one research question:

> Which perspectives are useful and applicable in the development of a value-creating service brand at the company level?

To answer the question, the chapter is organized in sections. After this introduction, the second section constitutes the literature part. The third section provides an account of four perspectives that, we argue, may contribute to a value-creating service brand at the company level. In relation with this, in the fourth section, a conceptual model is suggested and discussed. The fifth section entails a model and discussion, while the six section sets out the implications and contribution of the research. A conclusion section terminates the chapter.

2. Literature

2.1. Concepts

2.1.1. Value creation

Value creation is a term used in the academic management literature and in the business press. However, as argued by Ref. [24], much of the management literature uses the term value creation incorrectly when the intended meaning is value capture. Hence, according to this view, value capture is defined as: "the appropriation and retention by the firm of payment made by customers in expectation of future value from consumption" [24, p. 220]. Value capture has predominately been viewed from the perspective of the firm and not from the demand side, the consumer perspective [25]. Value creation, in contrast, involves an enterprise's activities that establish or increase customers' valuation of the benefit of consumption [3]. In the context of service branding at the company level, this implies a more active participation and involvement from the customers in services branding research and development. Thus, as with customer-driven innovation [26, 27], to enhance value creation at the corporate level, service brands are important intangible assets which need to be developed by means of extensive customer information gathering, contact, and involvement [28]. The essence is that the brand values, which a service firm wants to deploy in its brands, are in accord with the customers' expectations of the brand values.

2.1.2. Service brand

In the branding literature, there are different conceptual views on how to perceive a brand as a construct. The American Marketing Association (AMA) offers a well-known and classic definition of a brand: "A brand is a name, term, sign, symbol or any other feature that identifies a seller's product or service as distinct from those of other sellers." The core of this definition is that a brand consists of a set of perceptions that serves a differential purpose [29, 30]. However, [2] argues that the AMA's definition is relevant for physical products, but not for service products for two prime reasons. First, the definition excludes the process view of services [31–34] and second, it excludes the key role of customers in branding processes and development. According to services knowledge and theory [35], the unique characteristics of services; intangibility, simultaneous production and consumption (inseparability), the heterogeneity of quality and perishability [33, 36] affect the branding of services. To illustrate, in relation to customers' assessment of quality, production and consumption usually take place

at the same time in services, making it problematic for customers to assess the quality of a service in advance of service delivery. As a response, Ref. [2] has offered a definition, which he perceives encompasses both physical and service products. He says that "a brand is created in continuously developing brand relationships, where the customer forms a differentiating image of a physical product, a service or a solution including goods, services, information, and other elements based on all kinds of brand contacts that the customer is exposed to" Ref. [2, p. 330]. This definition addresses, in particular, the key role of customers in branding services by focusing on all brand contacts to which customers are exposed to. This conceptual view is supported by Ref. [37], who argues that the development of a strong brand must be carried out by means of a customer co-creation process. The ultimate goal of the co-creation process is to connect and tie the customers emotionally to the brand, and thereby obtain their commitment and constant loyalty.

2.2. An actors approach to service branding

Ref. [38] argue that a brand represents a holistic, comprehensive experience that is based on excellent and personalized customer service, challenges an organization's values and norms, and is responsive to change. According to Schlager et al. (2011), a brand is created in the triangle between the company, the customers and the employees. By building on Ref. [39], **Figure 1** emerges.

Figure 1 shows a relational system in which the *customers* are important in the creation and development of a value-creating service brand as they are co-creators of the service brand [35]. Similarly, *management*'s activities in developing a strong, value-creating service brand are important because management possesses the authority and power needed to plan for, develop and implement changes in businesses operations, including decisions on service brand strategies, values, and actions [40–42]. Similarly, the *service employees* [43, 44, 65] are important sources of brand equity due to their ability to engage in service brand processes and development and to fulfill brand promises. Hence, this chapter finds that the actors in the brand triangle [39] have an impact on the development and maintenance of a value-creating
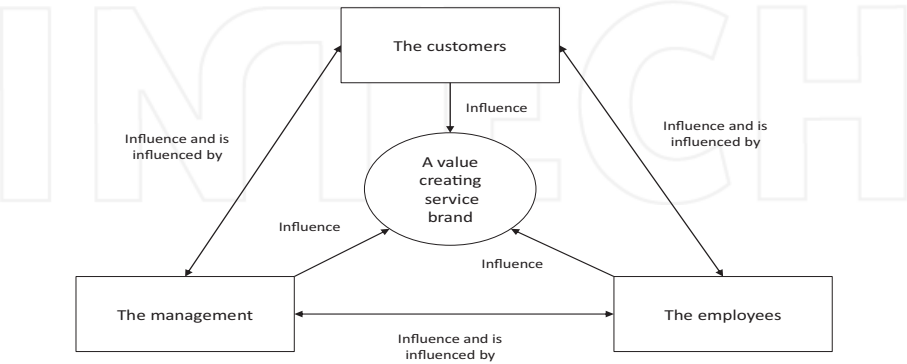

Figure 1. The key actors promoting a value-creating service brand (adapted from Schlager et al. [39]).

service brand at the corporate level. The triangle in the **Figure 1** then serves as a framework for suggesting perspectives of a value-creating service brand at the company level.

2.3. A research perspective

A research perspective is by Ref. [45] perceived a point of view or scientific position taken to guide the research in question.

The choice of a research perspective is linked to the research topic and research question(s) under scrutiny [46], as an example, has discussed a set of theoretical perspectives useful for services brand research, for example an economic perspective, a psychological perspective, and broader relational perspective. Illustratively, the economic perspective sees the brand as a financial resource, which serves profit-generating purposes, whereas in a relational perspective, brands are given a wider interpretation than that of a traditional marketing perspective. The essence is that branding at the company level is perceived as a holistic, change-oriented management process that encompasses all organizational layers, and serves internal as well as external purposes [36, 43, 44, 47]. This view is in contrast to the classic understanding of a brand as an entity, which essentially is perceived to be the responsibility of the marketing department and its personnel. Hence, according to this view, services branding essentially serves external purposes.

This chapter suggests four interrelated perspectives grounded on systemic thinking in order to understand service branding as a tool for value creation at the corporate level. Systemic thinking in this context concerns a system of relationships between perspectives that influences value creation at the corporate level. As evidenced in research on service branding, several factors may affect successful service brand development [35, 36, 48, 49]. By building on and finding support in service branding knowledge and theory, this chapter suggests and discusses four interrelated perspectives which may affect a value-creating service brand at the corporate level.

3. Findings

Suggesting four perspectives of a value-creating service brand at the company level.

A classic view of a product brand is that a brand consists of a set of perceptions that aims to differentiate a producer's products from those of competitors [23, 29, 30]. In contrast, a service brand consists of a cluster of functional and emotional values [36] which need to be managed by change-oriented and innovative service brand leadership [23, 38, 50, 51]. Nevertheless, the rationale for branding physical goods and services is the same, the aim being to build and leverage the brand equity to develop a strong relationship between the brand owner and the stakeholders, particularly the customers [35]. Ref. [52, p. 535] claim that brand equity concerns "the added value with which a brand endows a product and to the addition of the brand's attributes including reputation, symbols, associations, and name." On the other hand, Ref. [53, p. 539] perceives that corporate brand equity is "the differential response by consumers,

customers, employees, other firms, or any relevant constituency to the words, actions, communications, products or services provided by an identified corporate brand equity." Thus, corporate brand equity concerns the differential effect of brand knowledge on different stakeholders' responses to a corporate brand.

We have argued that a value-creating corporate service brand is beneficial in order to stay competitive and contributes to economic success at the corporate level. By finding support in service branding knowledge and theory, we suggest four perspectives, which may have a positive impact on the development of a value-creating service brand at the company level. These perspectives are conceptualized as follows:

- "**A customer perspective**": customer orientation in service brand development;

- "**A management perspective**": change-oriented, value-driven leadership/management;

- "**A service employee perspective**": service employees' motivation and commitment.

These three perspectives are grounded on the framework developed by Ref. [39]. Nevertheless, as will be outlined and discussed, we introduce and discuss a fourth perspective which we term:

- "**A knowledge perspective**": knowledge orientation in business conduct.

3.1. A customer perspective

In a product-dominant economy, a goods-centric view of brand development has predominated, but in the "new" economy—an economy of services [2]— a customer-centric perspective of brand development will the chosen one. In such an economic atmosphere, the customers become co-creators in service brand development and processes [37]. The main reason is that brands are not static; instead they are subject to changes due to shifting competitive environments, individualism, as well as shifting customer preferences and demands for tailor-made services [3, 49, 54]. As a consequence, management's efforts to develop a strong service brand will take place through a customer co-creation process. Ref. [37] categorizes the co-creation process in five stages:

1. The development of a new product with unique perceived product attributes.

2. The creation of brand awareness through marketing and other communications.

3. Consumer interpretation of marketing and other communications to form pre-consumption brand associations.

4. Consumption of the product and the formation of post-consumption associations.

5. Repurchase based on the intensifying perception of unique benefits leading to brand loyalty.

The ultimate goal of the customer co-creation process is to attain customers' commitment, trust, and brand loyalty. However, many companies do not succeed in their branding attempts [55],

and practice shows that the customers often "vote with their feet" by finding other suppliers who better can meet their needs, wants, and preferences. Thus, to be attractive and stay competitive, a service provider must stay in close contact with its customers [56, 57] seeking to deliver unique benefits and superior value as perceived by them. Nevertheless, the involvement of the customer is a necessary but not sufficient condition for the creation of a value-creating service brand as managers and service employees also need to be integrated in service branding processes and development as they are perceived to be the real "ambassadors" of a brand [58]. In fact, management has the force to influence on and change a firm's web of strategies, including the brand strategy.

3.2. A management perspective

According to brand knowledge [18], a brand is a strategic and operational resource which implies that leaders and managers play decisive roles in brand development [42]. Nevertheless, the roles of leaders and managers differ by the magnitude of organizational changes [59]. Organizational changes may be categorized as radical or incremental (op. cit). Obviously, a change in a business corporate strategy belongs to the first category and is the responsibility of top leadership. In contrast, a change in a business brand strategy becomes the responsibility of brand management. Hence, a new brand strategy as a response to enhanced competition needs to be in accord with the overall business strategy. Illustratively, when new entrants enter a firm's market, it may be beneficial for the firm to change its brand communication mix accordingly to keep the market position [2, 34].

From the discussion follows that a service brand is sustained to changes in order to keep a firm competitive. But in change processes, the role of leaders and managers are different. The leaders are change masters [60], they decide and take responsibility for the strategic orientation of a company and secure that the web of strategies are in accord with the overall business strategy. In contrast, brand managers have operational duties; i.e., they carry out the operational tasks such as communicating brand promises and messages. The leadership/management perspective in relation with a value-creating service brand concerns the different role taking behavior by leaders and managers in brand processes and development. Nevertheless, both leaders and managers must act change-oriented and value-driven in performing their work roles.

3.3. A service employee perspective

In the service brand literature, the important role of service employees is evidenced [47, 61–65]. Thus, the service employees are viewed as an important source of brand equity [43, 44] by their work role performances [34]. As observed by Ref. [65, p. 274], "the service employees are carriers of a brand's promises."

The importance of the service employees in service branding lies in a social, relationship approach to the process [46]. The focus on service employees is built upon the assumption that their knowledge, attitudes, and service actions will influence their service attitude and behavior [62, 66]. In order to utilize the brand knowledge and competencies of service personnel, service brand leadership must engage in efforts to tie the employees to a brand by means of

social, psychological, and emotional elements [42, 43, 44]. Nevertheless, this chapter takes the view that it is not a sufficient condition simply to upgrade the role of service employees in branding processes and development; but their actions and performance must be supported and backed up with knowledge as a prime organizational resource.

3.4. A knowledge perspective

Supported by knowledge theory [9, 10, 67], we will argue that a knowledge perspective is required to develop a value-creating service brand at the company level. The core reason is that knowledge is perceived to be a key organizational and strategic resource, a resource which needs to be developed and utilized in organizations in order to obtain a competitive edge and stay competitive [68]. Thus, we opine that knowledge contributes to value creation at the company level [68].

Knowledge is conceptualized "as systematizing and structuring information for a specific purpose" [67, p. 560]. Hence, a presupposition for creating and developing knowledge is information, i.e., information becomes the building block of knowledge. Information can be acquired from both external and internal sources [21]. In relation with external sources [69], for example, point out that external information scanning to acquire and use information about events and trends in the external business environment may have a positive impact on business performance. In relation to service brands, this concerns, in particular, a firm's brand strategies, brand choices, and brand actions [19]. Information may also be generated from the firm itself, in particular from the knowledge reservoir of service employees. Thus, effective service branding implies a combination of internal and external information sources, which together forms a knowledge system and has an impact on a value-creating service brand.

Knowledge is often divided into two main categories: explicit and tacit [9]. Whereas explicit knowledge can be communicated and transferred to others relatively easily, tacit knowledge is rooted in practice and is connected to specific contexts [70, 71]. Tacit knowledge constitutes "an important strategic capability of organizations" [72, p. 211] and is an important strategic resource because it is difficult for others to acquire and utilize it, in part because it is deeply rooted in an organization's culture. Thus, explicit and tacit knowledge may affect an organization's capability to develop a value-creating service brand.

4. Model and discussion

4.1. An interactive model of a value-creating service brand

Although the actors in **Figure 1** play an important role in the creation and development of a value-creating service brand, as a model we consider it is too simplistic and limited in terms of elaborating the core perspectives contributing to a value-creating service brand. We believe that the prime weakness in the model is that it does not include a knowledge perspective because a firm's knowledge reservoir lays the foundation for the firm's operative strength in business conduct. Consequently, in **Figure 2**, we suggest an interactive model of
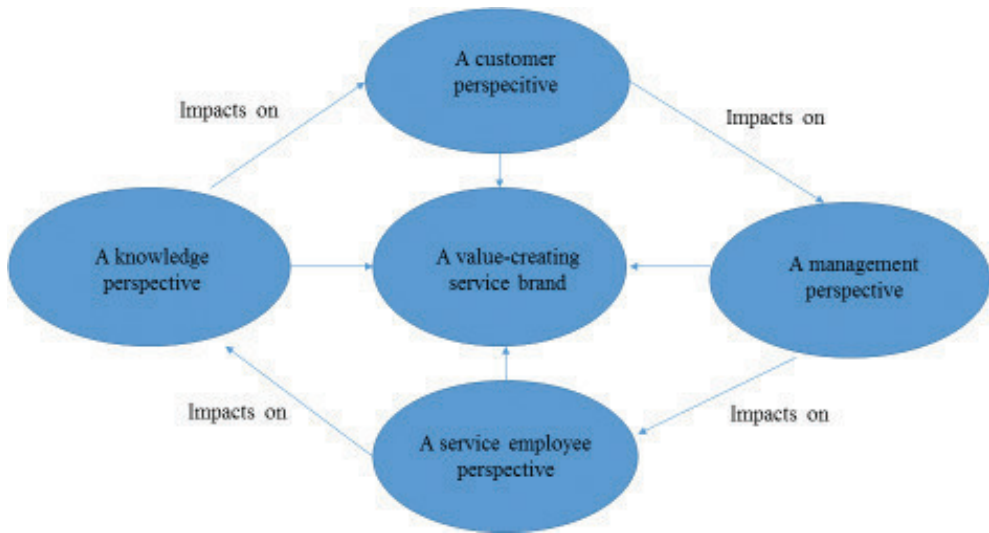
Figure 2. Four perspectives affecting a value-creating service brand at the company level.

a value-creating company service brand comprising four interrelated perspectives discussed above which, we argue, will influence the development of a value-creating service brand at the company level, and hence lay the foundation for value creation and sustainable growth at the level of the individual service enterprise.

The interactive model shown in **Figure 2** is grounded on systemic thinking that forms a relational or interactive system. As argued, the model 2 depicts four perspectives for the development of a value-creating service brand at the corporate level.

The logic underpinning the interactive model in **Figure 2** is twofold. First, by building on service and service brand knowledge and theory, four distinct perspectives directly affect the creation of a value-creating service brand at the company level. Second, the four perspectives are linked together in a circular and systemic manner. Ideally, a circular model does not have a clear start or end point [72]. Nevertheless, not least for pedagogic reasons, this chapter suggests that the model's starting point is the *customer perspective* as this is a core business philosophy [2, 73]. A service enterprise which operates according to this philosophy is customer-focused and oriented, a view that is closely linked to a market orientation [13, 74]. According to service theory [2, 32–34], a customer perspective must be supported by change-oriented and value-driven management perspective. Furthermore, a change-oriented, value-driven management perspective acknowledges a knowledgeable, skilled, committed, and empowered service employees, conceptualized in the model as a "service employee perspective." In order to work, the service employee perspective needs to be backed up by a knowledge perspective, which essentially deals with how sets of information sources are utilized in knowledge-creating processes in an individual organization [3]. The knowledge perspective thus constitutes the fourth component of **Figure 2**. The circular pattern of the model implies that the knowledge system component will strengthen the customer perspective of a service organization.

5. Implications

Ref. [2] observes that a firm that defines and positions itself as a service business needs to employ a service philosophy. Essentially, a service philosophy implies that the customers are put at the forefront of a service firm's operations by being offered attractive service packages, which include core products and supplementary services [32–34].

The service philosophy is strategic in the sense that the firm chooses to position itself as a service business built upon a service's logic of "service excellence" [2, 74]. Management plays a crucial role in the choice of a service philosophy by focusing on customers' value-generating processes, which implies that leadership is rooted in a philosophy of service excellence in contrast to the old philosophy of scientific management, which is essentially a command-and-control system of business conduct [41, 75]. Thus, supported by service theory and knowledge, we take the stand that a service orientation of service excellence is a prerequisite and basic foundation for any service enterprise, which aims to stay competitive by means of a value-creating service brand.

5.1. Theoretical implications

In this part, we theorize how a value-creating service brand may be attained at the company level by a valuation of the four interrelated perspectives outlined and discussed in this chapter. The theoretical points are supported by illustrative figures, which show, in particular, that a prerequisite is that the *service orientation* of a service enterprise is high which is consistent with a service philosophy of service "excellence" [2, 74].

Theoretically, **Figure 3** shows the link between *service* and *management/leadership orientation* in the creation and development of a value-creating service brand. Our position is that a value-creating service brand can be attained by a firm giving priority to a high degree of service orientation together with a change-oriented, value-driven management/leadership practice.

Theoretically, **Figure 4** shows the link between *service* and *customer orientation* in the creation and development of a value-creating service brand. Our position is that a value-creating service brand can be attained by a firm giving priority to a high degree of service orientation together with a focus on a high degree of customer orientation in branding processes and development.

Similarly, according to service brand knowledge and theory, the service employees are important sources of brand equity through their motivation and commitment to the firm. Thus, a high degree of *employee commitment* to their service roles is required together with a high degree of *service orientation* to create and develop a long-lasting value-creating service brand as shown in **Figure 5**.

Finally, on the theoretical side, this chapter argues that a value-creating service brand may be attained by the combination of a high degree of *service orientation* and a *dynamic knowledge system* as shown in **Figure 6**. A dynamic knowledge system features traits of innovative power; i.e., traits of dynamics and change.

A value creating

corporate service brand

Change oriented/value
driven
Management
orientation

Control

Low   High

Service orientation
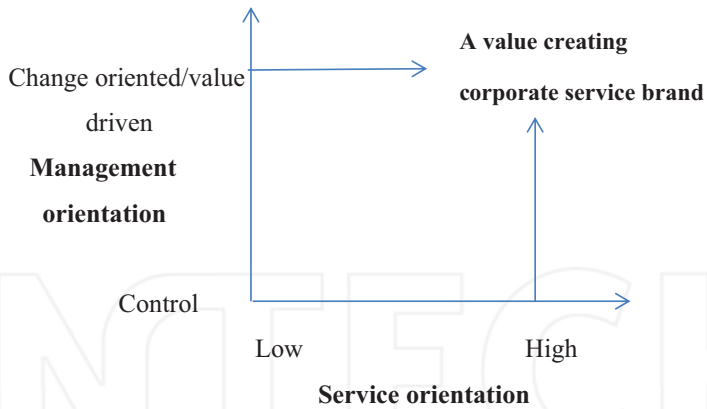
Figure 3. The degree of service and leadership/management orientation.

A value creating

corporate service brand

High

Customer orientation

Low

Low   High

Service orientation
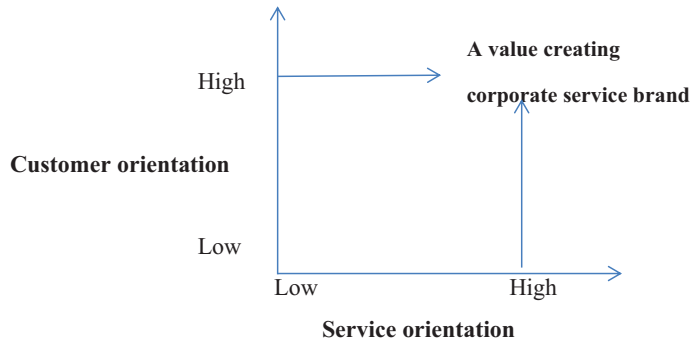
Figure 4. The degree of service and customer orientation.

A value creating

corporate service brand

High

Employee commitment

Low

Low   High

Service orientation
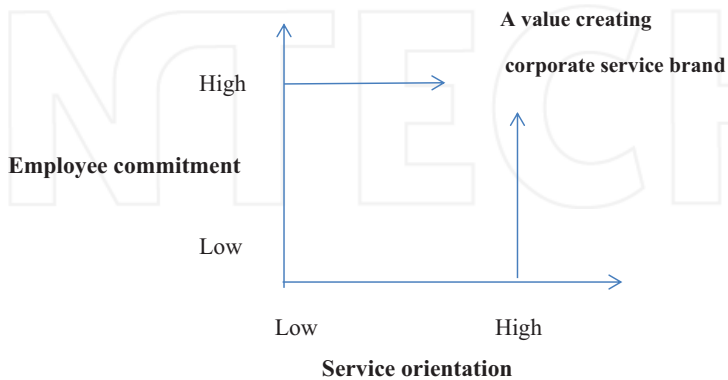
Figure 5. The degree of service orientation and employee commitment.
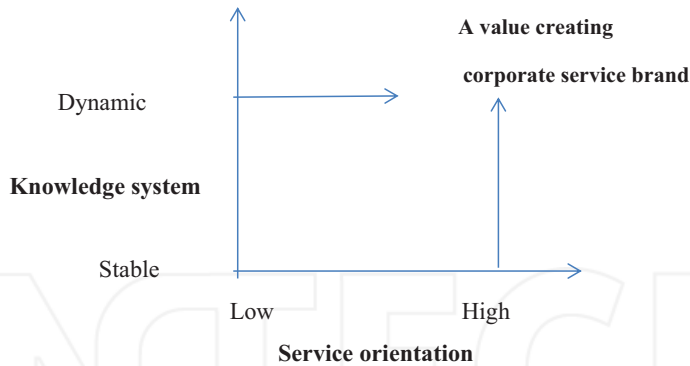
Figure 6. The degree of service orientation and knowledge system.

5.2. Practical implications

There are several practical implications that follow from the research reported in this chapter. First, a service enterprise must operate according to the principles of a service model grounded in a service philosophy of "service excellence", which implies a high degree of service orientation. Second, as a consequence of a well-designed service model, an enhanced focus on the customers' needs, wants, and preferences is required by means of a thorough examination of their preferred brand values. Clearly, there should be a correspondence between the values and promises that management wants to incorporate in a service brand and the brand values desired and valued by the customers. Third, a service enterprise must pay attention to the role and behavior of service employees, particularly those working at the front end of the organization. To do so, management should offer training programmes, promotion possibilities, and enhanced decision-making power, thus empowering the service employees. Fourth, management should carefully consider the organizing principles and structures in the firm, reorganizing hierarchical structures, procedures, and regulations to create a front-line organizing system based on principles consistent with the "inverted pyramid," which implies a bottom-up approach to service brand planning and development. Fifth, to enhance the value of possessing a strong company brand, service firms must upgrade their knowledge as an important intangible asset by working in accordance with the principles of a dynamic knowledge system.

6. Conclusions

The background for the study has been the need for more research on service branding at the corporate level. In order to contribute to the extant knowledge base, we have examined four perspectives of a value-creating service brand at the level of the individual service company. The perspectives are termed "a customer perspective," "a management perspective," "a service employee perspective," and "a knowledge perspective." Descriptions are provided as to the content of the suggested perspectives. The first three perspectives are linked to the prime

actors in services brand processes and development. The fourth perspective concerns the role a service brand possesses as an intangible asset and as a knowledge tool. The core argument is that unless the individual service enterprise possesses a strong knowledge reservoir, it does not have the capabilities needed to develop and sustain a strong service brand.

The perspectives, we argued, may contribute to the development of a value-creating service brand, and in this way provide contemporary competitive advantage at the corporate level and exert a positive impact on a service firm's business performance. The research carried out has shown how the four perspectives interact and how they may contribute to the extant knowledge on service branding by focusing on value creation at the level of the individual service enterprise.

Furthermore, a systemic approach has been employed to develop and discuss an interactive service brand model which features the traits of a circular model that can be applied at the corporate level. Both theoretical and practical implications follow from the research. In particular, on the theoretical side, it is apparent that a high degree of service orientation needs to be coupled with a high degree of customer orientation, and a high degree of a service employee involvement. From a practical perspective, one particularly salient implication is that firms need to plan for and design service systems to exploit the employees' skills, knowledge, and competence, in particular those of the people working at the front end of the company, i.e., the high-contact service employees.

The research carried out is conceptual, desk research which raises research possibilities, in terms of both qualitative and quantitative research. One option is to carry out a case study aiming to examine the robustness of the suggested model. Following this approach, another option is to carry out a quantitative study aiming to assess the value of the model in broader contexts, i.e., in a selection of tourism enterprises.

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Critical Success Factors in Strategic Brand Management in Luxury Fashion Markets: The Case of Isaia

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Additional information is available at the end of the chapter

Abstract

This chapter examines the critical role of branding in sustaining the competitive advantage of firms in the luxury fashion markets. This can include brand communication, the flagship store, channel relationships, the customization and the event marketing. The chapter sets out an analytical framework that can be used to identify the main critical success factors in the fashion luxury market. Adopting the case study method, we validate this framework by studying a pilot firm, Isaia, which is a traditional Italian firm operating in the fashion luxury industry (clothing for men). Isaia is an interesting case study of the branding strategies of a niche fashion firm in the face of global competition. Through the original framework, we have identified the company's main critical success factors that—in the exploratory stage of our research—support the work purposes. In particular, the main findings from the case study demonstrate that Isaia's competitive advantage is found on customized products (luxury traditions), events (dinner parties, in-store entertainment, etc.) and retail strategy (flagship showrooms in Milan and Moscow).

Keywords: brand management, critical success factors, luxury brand, luxury fashion brand, case study

1. Introduction

A brand is an entity which is a set of functional and experiential features with a promise of a value reward relevant to customers, and an economic return to its producer through the brand equity [1–3]. It is one of the most important intangible marketing resources. Branding is employed as a growth strategy by firms and is used to create a unique selling proposition,

based on point of parity and point of difference [4]. In the fashion industry, a brand will attempt to satisfy the fashion needs of target customers [5, 6].

This chapter considers the multifaceted relationship between a fashion brand and customers. The research model is based on the notion that fashion brand success requires the synchronizing of the brand equity approach with some critical success factors (i.e., customization, event marketing and flagship store). The chapter examines the role of branding in sustaining the competitive advantage of firms in the niche fashion market [7, 8]. This approach permits us to specify the precise role of branding in creating and maintaining good consumer relationships in the specific context of the fashion industry.

Gao et al. [9] define luxury fashion goods as apparel, accessories, handbags, shoes, watches, jewelry and perfume for which mere use or display of particular branded products brings prestige to their owners, apart from any functional utility.

According to the paradigm of the experience economy, postmodern consumers are interested in receiving symbolic value from the consumption of goods. In this context, luxury goods are an expression of one's own status [10–13] and brands are used to construct one's identity [14, 15]. In line with these assumptions, the aim of this chapter is twofold: to identify the main critical success factors underpinning competitive advantage in the luxury fashion markets, and then to analyze these factors in a case study.

2. Theoretical background

In order to analyze the role of the brand in the luxury fashion context, it is necessary to review: brand management and the role of consumer-brand relationships, the luxury fashion brand, the role of customization, event marketing and the flagship store. "Customization" refers to the exclusivity and the high quality of the craftsmanship of luxury goods; event marketing and the flagship store refer to the aspects of the brand communication environment and the methods used to attract, engage and keep customers. Finally, a new framework of the critical success factors for luxury fashion goods is proposed.

2.1. Brand management and consumer-brand relationships

In the consumer marketing literature, brands can be critical to the success of companies because they provide a point of differentiation between competitive offerings and bring important intangible value to the consumer market. So, it is important that the management of brands is approached strategically [16]. Knowledge of the intangible relationships between brand and consumers is required for an understanding of consumer needs and to manage customer-based brand equity [17, 18]. In the marketing literature, studies on brand equity have interested academics for more than two decades [17, 19] because they analyze the added value of competitive signals provided by the firms to their customers and/or the trade. Keller [18] defined customer-based brand equity (CBBE) as "the differential effect of brand knowledge on customer response to the marketing of the brand." The same author [4] delineated the CBBE pyramid to manage the consumer-brand relationship [20, 21].

In the last two decades, marketing researchers have asserted the importance of consumer-brand relationships to a successful business [20]. To the best of our knowledge, there is still an unclear definition of what consumer-brand relationships are [21, 13]. Fournier proposed that continuous interactions between individuals comprise a relationship, which develops over time due to variations in surroundings and in people's behavior [20]. Fournier also pointed out that relationships are personal and provide different meanings. Hanslin and Rindell [13] proposed that a consumer-brand relationship can be seen as a cognitive relationship the consumer has with certain brands over time. The cognitive dimension in a brand relationship is especially relevant in a luxury brand context because consumers might have admired certain luxury brands for an extended period, even at times when those brands were too expensive for a purchase to be considered. Therefore, a brand relationship is defined in this chapter from a supply-side perspective as the ability to engage customers in an experiential way through some critical success factors.

2.2. Luxury fashion brands

The concept of luxury has been widely discussed and conceptualized [22–25]. According to Vigneron and Johnson [22], "luxury" refers to something that provides more than functional/utilitarian benefits because of the signal value inherent in a luxury brand [9]. Similarly, Fionda and Moore [24] explained luxury brands in terms of: psychological value; status symbol; high quality; exclusivity; craftsmanship and consumer consumption experience. After a literature review of the history of the concept of the luxury brand, Arrigo [23] defined luxury brands as "images in the minds of consumers that comprise associations about a high level of price, quality, aesthetics, rarity and specialty." Arrigo [23] pointed out some attributes that define the critical success factors for luxury: premium quality; craftsmanship; emotional marketing; global reputation; style and design; country of origin; uniqueness and the creation of a lifestyle. Tynan et al. [26] considered luxury goods to be symbols of personal and social identity. They proposed a differentiation between luxury and non-luxury goods on three dimensions: functionalism, experientialism and symbolic interactionism. In their study, the key factors used to identify luxury brands are: high quality, expense and nonessential products and services that offer an exclusive experience with a symbolic value, i.e., customization. According to [26], even though luxury brand management depends on various attributes, operational marketing (i.e., communication, point of sale, events) is judged by many academics as decisive for a luxury brand's success [27–30]. According to literature, we have identified some critical success factors: customization (to provide an exclusive experience), events (to create brand engagement) and the point of sale (in particular the flagship store). In next subsections, we provide a short literature review of the three critical success factors by which branding in the luxury fashion industry should be monitored if a firm is to improve its brand relationships with consumers.

2.2.1. The importance of customization

There is a growing body of literature in marketing investigating how customization can influence consumer behavior and firms' returns on such investment. Belk [31] argued that people buy products to build and express their identity. Oliviero and Russo [32] argued that

goods may be considered a self-extension because goods enter into a relationship with consumers and thereby assume meanings beyond those asserted by the branding alone. At an early stage, brand communication may influence consumers in their purchase process; then people personalize and give symbolic meanings to the relationship and the interaction with the brand [31–33]. Similarly, we argue that customization and tailor-made goods are part of a process by which consumers adopt a brand to extend their personal identity [25].

Customization can be interpreted in different ways [34, 35]. Pine [34] defined mass customization as an extreme approach to differentiation that became possible with the introduction of the flexible manufacturing system [36]. Pine [34] pointed out that mass customization allows firms to provide customers with products tailored to their own needs on a large scale while still attaining substantial scale economies. On the other hand, Peppers et al. [35] examined the one-to-one marketing personalization that is used to enhance the interaction between consumers and the brand. Wind and Rangaswamy [37] considered one-to-one personalization as mainly being focused on interactional flexibility and close communication in the customer-brand relationship.

During the customization process, the consumer is part of the product design process and this kind of experience increases the hedonic value of the brand [38, 39]. According to the key literature, consumers perceive four benefits from mass customization [39–41]: functional benefit, uniqueness, the process benefit of self-design and pride of authorship. Merle et al. [38] proposed the Consumer-Perceived Value Tool (CPVT), which divides mass customization into two categories: mass-customized product value and co-design process value. Mass-customized product value includes utility, uniqueness and self-expressiveness, while co-design process value includes hedonic value and creative achievement [39]. Mass-customized product value focuses on a consumer's perceived benefits from engagement in the customization process. Utilitarian value refers to whether a mass-customized product fits a consumer's aesthetic and functional preferences [40]. Consumers can perceive uniqueness in a mass-customized product, and the uniqueness value of mass customization is widely recognized. Self-expressiveness pertains to self-congruity theory [42], where consumers create a product similar to their self-image in a mass customization program. Regarding the co-design process value, hedonic value refers to consumers' enjoyment experienced during the customization process, and creative achievement is associated with their feeling of pride in creating and personalizing their own product [38]. Luxury products provide additional benefits to consumers compared with non-luxury products [22], even in terms of customization, because often they are made by hand [43–45]. Customization increases consumers' desire to express their social image as their extended-self [22, 25].

2.2.2. Event marketing

Events should not be considered in isolation but as part of an integrated marketing communication strategy. Firms are increasingly switching a large proportion of their marketing budget from advertising and other traditional methods to experiential events, and event marketing is one of the fastest growing forms of marketing communication. According to Getz [46], events may be defined as "planned and temporary occurrences with a predetermined beginning and

end. Every such event is unique, stemming from the blend of management, program, setting and people." The author identified eight categories of planned events (cultural celebrations, political and state, arts and entertainment, business and trade, educational and scientific, sport competition, recreational, and private events). The event-related communication represents a critical marketing tool able to help a firm to build and reinforce the relationship between brand and customers. In fact, events offer opportunities for personal interaction with products and people and so become an experiential communication platform. Wood [47] argued that marketing events are strategic tools to create experience and engagement and to improve consumer-brand relationships. They support the brand image through association with the qualities of the event. From the firm's perspective, events support corporate objectives, including sales, brand awareness and image enhancement. For small- and medium-sized firms, event marketing may be seen as a unique opportunity to integrate the firm's other marketing communication activities (such as advertising, public relations and direct marketing) with an active experience provided by an event. Recently, some important global luxury fashion firms (Dolce and Gabbana, Fendi, Dior) have increasingly invested in large destination events, where the presentation of a new collection has become an opportunity to present the brand to a wider target market, to attract a wider media audience and also to create a unique and memorable experience for the participants.

2.2.3. The flagship store

Store management is becoming an increasingly important issue in retail marketing because it affects the customer brand experience [48]. The pioneer of the "servicescape" [49] proposed that the physical retail environment affects customer behavior and purchase intention. That environment should be able to offer a description of the whole offering of the firm, and customers should be able to look around freely, in pleasant surroundings. The creation of the best store environment is therefore a crucial element of the luxury marketing strategy since it contributes to the development of a sense of prestige.

In the service literature, more recent works have focused on the importance of the environmental aspects of the store as key drivers influencing the overall customer experience. Pine and Gilmore [50] said that the in-store experience is the sum of the interactions with the environment and responses to various stimuli, such as physical things (ambience, facilities), processes (services) and people (crew). Mossberg [51] confirmed this framework and argued that customers are engaged in a context-defined "experiencescape," where interactions with physical and social elements create the experience and affect the customer's emotions, feelings and behavior. Russell and Mehrabian [52] proposed a stimulus-organism-response (S-O-R) model to explain how environmental stimuli influence an individual's emotional state and re-patronage intentions (avoidance vs approach response). In their model, the stimuli are considered to be external elements—physical atmosphere—while the organism is the subjective internal processes that react to the stimuli. Thus, the effect of the physical atmosphere on consumer behavior is mediated by the consumer's emotional state. In the service and retail literature, various studies have shown that perceived quality of the physical environment influences consumer behavior, above all in determining the shopper's desire to stay longer in a shopping area. In the luxury fashion industry, the store is considered one of the key elements necessary

to create and maintain a successful brand, as it is the meeting point between the customers and the firm. Consumers go to do shopping not only to purchase something, but also to experience the brand. So, the store's physical environment is considered the most important vehicle of brand communication because it affects the use of other marketing tools, such as advertising, promotions and cause-related marketing activities.

3. Conceptual framework

In line with the theoretical assumptions outlined in the previous section, this study uses an original conceptual framework (see **Figure 1**) to analyze a firm's critical successful factors. In order to build strong consumer-brand relationships, we have identified three critical success factors for a luxury brand: customization, event marketing and the flagship store. This approach considers consumers as rational and emotional individuals who are affected cognitively and emotionally by their consumption experience.

Figure 1. The conceptual framework. Source: our elaboration.

4. Case study: Isaia

4.1. Company profile

This case study has been selected to be representative of the framework proposed. Isaia is an Italian firm operating in the luxury fashion industry. Its clothes for men are said to be a reinterpretation of the heritage and excellence of the Neapolitan sartorial tradition, made relevant to the "new gentleman."

Although it was established only some 20 years ago as a local (Neapolitan) family brand, it is now a global brand. The firm still bases its production in Naples, partly to keep the "country of origin" effect and partly so that it can readily monitor the quality of the raw materials and the production process. Its philosophy is based on values such as creativity, tradition, innovation and work passion. The firm's value proposition is based on the contemporary. The Isaia business brand model is based on three assets: collection design, distribution and tailored-made clothes. It offers high level of customization to a specific target market. The Isaia portfolio consists of four categories of product:

1. *Tailored clothing* (suits, jackets, overcoats, gilets and trousers);

2. *Sportswear* (knitwear, shirts and trousers);

3. *Furnishings* (ties, scarves, cufflinks);

4. *Accessories* (footwear, belts, sun glasses, bracelets).

To sum up, the brand Isaia is based on the concepts of luxury, handmade products, innovation, tradition, details and high quality (**Figure 2**).

The Isaia brand identity comes from a combination of Neapolitan sartorial tradition and contemporary market needs. Isaia seeks to offer its customers a tailored products defining and selecting of the cloth, by realizing a unique and personal experience for each customer that it defines as "luxurious with meaning."

4.2. Managing the critical successful factors: customization, event marketing and the flagship stores

The Isaia brand strategy is based on some critical success factors as we have conceptualized in our original conceptual framework: customization, event marketing and the role of its flagship stores.
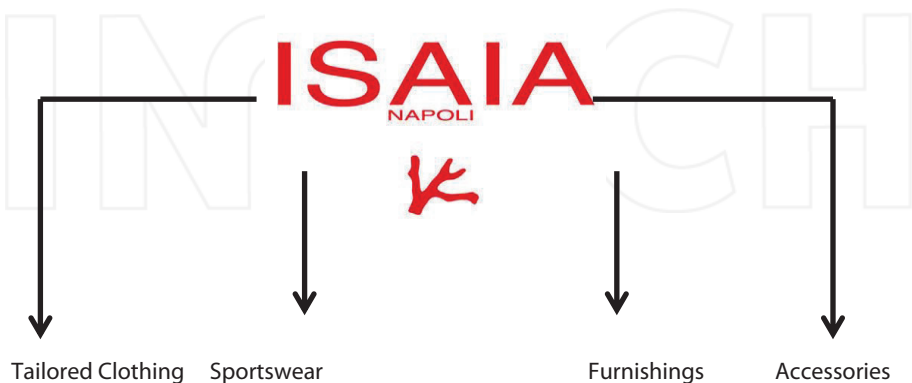

Figure 2. The Isaia portfolio. Source: our elaboration.

4.2.1. The customization process

The first strength of Isaia is the tailored production. As we have seen in the theoretical background above, consumers are becoming increasingly demanding in their experience of consumption. They want to receive more than simple utilitarian value: they want to perceive feelings and learning [53, 54] and to have positive memories of their experience to share with friends and relatives. It seems reasonable to expect that a clothing brand can and should move beyond the provision of the functions of wearing clothes, by engaging people in a personal experience. A simple clothes purchase can be changed into a service interactive experience for consumers. The customization of the clothing allows the consumer to be involved in the design process by choosing the texture, the color, the size and the details that make the item tailored. Isaia has based its customization program on hand-crafted production, where any detail is tailored to be perceived as symbolic value added by the customer. By way of example, some of the customization elements on an Isaia jacket are summarized below:

1. The breast pocket on all Isaia jackets is slightly slanted, evocative of a typical Neapolitan fishing boat (in fact the pocket is called a *taschino a barchetta*—a boat-shaped breast pocket). This kind of pocket takes longer to sew, and the finishing details require great care.

2. A little extra fabric is hand-sewn on the front under-collar of every Isaia jacket. In the past, a tailor needed this extra fabric in order to be able to reverse the jacket for his less well-to-do customers, to get a few more years of wear out of the garment. Today, it is a mark of class and a symbol of traditional Neapolitan tailoring.

3. The most important attribute is the fabric. A gleaming silk is used, and a classic 45-degree cut is used to ensure that it lies perfectly flat and never twists on its weave.

4. The Neapolitan-style armhole is small and set very high. As the diameter of the armhole is smaller than the diameter of the sleeve-head, the tailor has to hand set the sleeve-head's extra fabric into the armhole, through the use of a "grinze" in the shoulder.

5. Each piece of cloth is ironed on the top and bottom sides using manual, contoured presses that ensure style and a good fit. The finished jacket is then ironed again by hand for an hour and a half to refresh the cloth and redefine details.

6. The boutonniere loop embroidered with coral-red thread on the back of the lapel is an essential of any Isaia jacket.

7. The buttonholes on any Isaia garment are long-lasting and sturdy. Awl-cutting, stitching using fine cotton and buttonhole-stitch edging in glossy silk thread are all done by hand.

8. With a patterned fabric, cutting the cloth by hand is absolutely essential to ensure that checks, stripes and other designs line up perfectly to create a smooth and continuous pattern.

4.2.2. Event marketing

According to the corporate philosophy, another critical success factor for Isaia is the unconventional communication based on stakeholder engagement. Business-to-customer communication is designed to attract the interest of a particular type of man, one whose lifestyle is based on the concept of "contemporary tradition." This is principally in the form of strong, direct advertising campaigns that appeal to customer loyalty. For the business-to-business communication, instead Isaia uses informal and customized channels, not exclusively to inform intermediate customers about the clothing details, but also to engage final customers in a memorable shopping experience.

The customized orientation of Isaia also informs its communication and relationship with the media. For instance, the company cooperates with important American press players (i.e., GQ, Forbes, Esquire, Luxos, Hello, Gainer, Leon, Quote, and WWD). In fact, Isaia manages these stakeholders (through so-called press walks) in an unusual way. They are often invited to in-store events to discuss the latest company news, because in this manner they can experience Isaia's world. There is a special relationship between Isaia and the media; they have contact and constant dialogue about a wide variety of topics, from the choice of the outfits to the choice of exclusive event locations.

It is possible to note the strategic role played by the store, as event space, to support communication between Isaia and its stakeholders. A successful example was the "*Sciuscià* event," in 2010, when a professional shoeshiner offered a unique and memorable experience to Isaia customers, in enacting a historical Neapolitan tradition (**Figure 3**).

Figure 3. The shoeshine chair during the *Sciuscià* event. Source: Isaia website.

Moreover, there many frequent events (including social dinners, parties, and special events reserved for premium clients). Examples of experiential events in store for premium clients are: wine tasting organized with the best wine tester in the world, Luca Gardini, and personal styling days, when a professional style designer offers customized recommendations to each customer.

In addition to the events in store, Isaia also uses other unconventional forms of communication. For example, at a dinner party during the Milan Fashion Week 2016, the firm presented a short movie, *Tailor-Made-Crime*. The movie was a transmedia storytelling tool by which the firm told the story of its production in Naples. The main actor was an active chief of police interested to know the reasons for the success of Isaia's owner and CEO, Gianluca. Through the story of the firm, the movie also presented an image of the city rather different from the common perception, based on the success of important handicraft firms.

4.2.3. The flagship stores

The Isaia brand operates in Italy, New York and Tokyo through a distribution network of 230 stores (both multi-brand and mono-brand stores). The mono-brand stores are in Milan (Italy), Capri (Italy), Baku (Azerbaijan), Moscow (Russia), Saint Petersburg (Russia), Yekaterinburg (Russia), Kiev (Ukraine), New York (USA) and Beverly Hills (USA). The firm itself actually owns only five of them. The retail strategy draws on the strategic relevance of the country, the location, the market cultural background and in particular the need to be present in particular strategic luxury fashion districts.

For the same reasons, Isaia opened a flagship store in Milan, in the so-called *quadrilatero della moda*, the world-famous fashion district. The store has 400 m^2 of floor space on two floors: the first floor is dedicated to display and the second floor has ten windows directly overlooking the main street. A match between a contemporary lifestyle and local Neapolitan tradition is achieved in the internal environment, designed by the internationally renowned architect James Irvine.

The first floor is dedicated to the following product lines: Ready to Wear, Made to Measure, Bespoke, Accessorize and Events. The main relevant element of this store is the experiential room, the so-called Vesuvio room, which is reserved for premium clients. Vesuvio derives from the chandelier (**Figure 3**), which is reminiscent of Mount Vesuvius.

The same shopping experience is designed in the flagship store in Moscow, in the Petrovsky Passage in the city's shopping center.

The Isaia experience in the flagship stores is in line with key elements of the corporate philosophy: details, innovation, tradition and differentiation. The success of this retail experience is mainly based on the location, the visual environmental design and atmosphere, the internal layout, and the customized relationship with the customer.

Both tangible (i.e., furnishings, physical materials and the layout) and intangible factors (the atmosphere and the "servicescape," i.e., colors, lights, and sounds) affect the consumer's cognitive, affective and behavioral response [49, 55]. In the service and retail literature, various studies have shown that perceived quality of the physical environment influences consumer behavior [56].

In the flagship stores, the displays of the clothing are well separated from each other and the lighting is natural because the handcrafted items need wide spaces and natural lights in order for customers to observe the details accurately. Finally, an important role is played by the windows, which are designed both to have a communication function and to be a link between the indoor and the outdoor (**Figure 4**).

Figure 4. The Vesuvio room, reserved for premium clients. Source: Isaia website.

5. Discussion

The basic premise of this chapter is that consumer-brand relationships play a role in the consumption experience in the luxury fashion markets. The case study shows some critical factors that have determined the success of an Italian fashion brand. The empirical and academic evidence shows a radical market environmental change, where consumers are more and more interested in receiving a self-expressiveness value from their purchases [39]. They want to be part of the consumption process and to experience unique and customized purchases. According to Kotler and Keller [57], the supply-side perspective is also changing, resulting in new challenges to marketers to build and manage their brands. The customer-based brand equity model helps marketers to interpret the branding effects of marketing communications in this complex new marketing world. In this sense, the case study of Isaia provides evidence that integrating marketing communications between events and media relationships and the store experience together with the customization of the clothing achieves the desired experience and image in the minds of consumers.

In the particular context of the luxury fashion industry, the theoretical background and the empirical evidence show the need to work on consumer-brand relationships in order to improve the shopping experience, and the need for the co-creation of value between the brand and consumers. The key literature on the service and retail industry shows that environmental design and atmosphere ("servicescape") and social interactions can have a positive or negative effect on consumers' cognitive, affective and behavioral responses [49, 55]. In line with our theoretical assumptions, we have validated the conceptual framework by verifying that the critical success factors of Isaia are: a. the customization of its handcrafted clothing,

b. unconventional but integrated communications based on the strategic role of events and c. the flagship store as a place in which to experience the brand. This case study provides empirical evidence that enriches the existing literature on luxury fashion marketing and branding by suggesting an original framework. Moreover, in a managerial perspective, the research findings emphasizes the role of customization, event marketing and store environment as strategic factors to improve the brand experience in luxury fashion industry [25, 58].

6. Conclusion

The present work explores the role of brand management in creating strong consumer-brand relationships in the context of the luxury fashion industry by proposing some marketing tools as critical success factors. The Isaia brand demonstrates that customization, event marketing and the flagship store are the critical success factors to achieve competitive advantage and the co-creation of consumer luxury brand experience. In fact, the firm's consumer-brand relationships are based on frequent dialogue between the firm and stakeholders (customers, the media, employees, retailers) and unconventional forms of communication which give a high level of engagement because the primary aim is to create no separation between production and consumption [58], which traditionally serves to divide the parties.

Although the findings of the current study have shed light on some important issues, some limitations need to be considered in future research. First, a single case study was used, so the results cannot be generalized. Second, the critical success factors identified could be a minor part of a wider experience strategy. Third, the case study concerns a fashion company but the luxury market segment involves other interesting industries. Based on these limitations, it would be interesting to undertake another case study in the luxury fashion industry in order to make comparisons possible. Moreover, future studies should collect data on a sample of Isaia customers to monitor the brand experience, brand attachment and brand loyalty. Moreover, there is an opportunity to extend the study to investigate and introduce other success elements (e.g., the "country of origin" effect, the role of employees). Finally, the research could be improved by examining a larger number of companies, which would help to identify the extent to which these findings have a wider application, perhaps even providing cross-cultural insights into the marketing of luxury goods.

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Retail Brand Extension: From Theory to Practice. A Multi-Country Study of European Grocery Retailers

Elisa Martinelli and Francesca De Canio

Additional information is available at the end of the chapter

Abstract

This chapter reviews the literature on brand extension, with particular reference to retail brand extension strategies performed by grocery retailers. Aims, advantages and disadvantages, as well as types of this strategy are described. Then, the results of a survey aimed at comparing the customers' perceptions and buying behaviour when retailers extend their brands, in particular when this strategy is pursued in non-traditional businesses, are presented. The survey consisted in administering a structured questionnaire aimed at investigating the main antecedents of brand extension success to samples of retail customers interviewed in two different retail national contexts, namely, Italy and France. The extension product investigated is car fuel offered through a fuel station branded with the retailer's brand name. Applying Structural Equation Modelling (SEM), the mediating role of attitude towards the extension (ATEX) in generating brand extension success (INTEX) and the key role of fit and of the perceived capability of the retailer to offer the extension product (R&C) as antecedents were verified in both national contexts. On the contrary, the impact of customers' preference towards national brands (NBP) reported mixed results.

Keywords: brand extension, grocery retailing, private labels (PLs), multi-country analysis, SEM

1. Introduction

Brand extension is one of the most important and often used branding strategies.

It is commonly employed by companies to bond new product categories that are going to launch in the market with an existing and established brand name.

Despite the relevance of the topic, most previous research into brand extension has mainly focused on manufacturer brands, paving the way to a rich empirical research, predominantly

experimental, conducted in order to understand the factors affecting a brand extension success (e.g. in [1–3]). On the contrary, retail brand extension has been rarely studied by the literature [4, 5]. In fact, "research into brand extensions in a retail context has focused on manufacturers' brand extensions sold within a retailer's store, rather than analysis of a retailer's own brand extensions" ([6], p. 395). Moreover, very little is known about customer perceptions and buying behaviour when retailers extend their brands, in particular when this strategy is pursued in non-traditional businesses. In this context, the chapter would contribute to filling in this literature gap reviewing the literature on retail brand extension strategies, with particular reference to grocery retailers, and presenting and discussing the results emerged from a survey intended at measuring customers' perceptions of retailers' brand extension strategy in non-traditional businesses.

The increasing competition and emerging saturation in the grocery sector have strengthened grocery retailers in extending their assortments through their private labels (PLs) [7, 8]. As a result, the PLs offer covers now not only the traditional fast moving consumer goods (FMCG) categories but also non-food categories (e.g. clothes, over-the-counter products, etc.) and services (travel booking, financial services, phone services, etc.). Consequently, a retailing context is a useful framework to study brand extension, given this recent and unusual brand extension strategy [4] and the limited theoretical and empirical literature on the topic. Apart from [6, 9, 10], all focused to investigate the grocery retail brand extension to financial services, no other specific research, to our knowledge, has addressed this issue. Last but not the least, extant literature on retail brand extension is mainly based on hypothetical brand extensions rather than actual implemented brand extensions [11]. This is why we offer a study aimed at capturing customers' perceptions related to a real retail brand extension case and in doing so, we believe to contribute also to the empirical evidence on this study field.

The survey consisted in administering a structured questionnaire aimed at investigating the main antecedents of brand extension success to samples of retail customers interviewed in two different retail national contexts, namely, Italy and France. Even if these countries are geographically and culturally closed, the level of evolution of the grocery retail structure differs as it developed more recently in Italy compared to France. As a consequence, the brand extension strategies operated by French retailers have a long tradition compared to a similar, but more recent trend, that is now developing in the Italian grocery retailing system.

Accordingly, the chapter would also stimulate a managerial interest. In fact, retail managers and business practitioners require to determine which brand extensions are consistent with their brand and could be rightly perceived by the clientele in order to be potentially successful.

After having discussed retail brand extension purposes, advantages and disadvantages, and types of extensions, the chapter would describe the state of the art of the studies on retail brand extension. Then, the empirical study performed is depicted, highlighting the research hypotheses and the survey accomplished to test them. Methodology issues, samples features and the main results emerged from the survey are then illustrated and discussed. The chapter ends with a conclusion paragraph aimed at depicting limits and further research avenues of the study performed.

2. Brand extension: Aims, advantages and disadvantages and types

Brand extension consists of the use of a renowned brand name when launching new products [12], and it is a strategy usually adopted in order to reach a number of purposes. In particular, the extant literature on brand extension identified the following possible aims, resulting in several advantages:

- reducing the risk of product failure;

- leveraging the company's brand image;

- strengthening customer loyalty;

- diminishing marketing costs;

- boost profitability;

- differentiate the core offer from that proposed by competitors.

Brand extension has been extensively used as a strategy to reduce the risk of product failure [11, 13]. Actually, employing an established brand familiar to consumers may lead them to accept more favourably a new product and to be more prone and willing to buy it, decreasing the possibility of an unsuccessful launch [14].

Brand extension could also be used to reinforce the relationship with customers [15]. In fact, 'the probability of a customer's staying within a corporate brand family (or, equivalently, a brand system or a brand portfolio) will be proportionally greater than the number of brands offered by that corporation, all other factors being equal' [16, p. 7]. Leveraging of brand equity [17, 18] and enhancement of the core brand [19] have also been identified as important purposes pursued by companies in choosing to extend their brands. Moreover, this strategy could also be beneficial from the marketing point of view, not only increasing the targeting ability of the company responding to distinguishable groups of consumers with diverse needs, but also by facilitating distribution and by lowering needed promotion costs [20] and advertising costs [1, 21]. Sinapuelas et al. [22] found that innovative line extensions tend to have a higher level of average trial probability rather than non-innovative line extensions that, instead, can gain higher trial from greater distribution. From the advertising point of view, an elaborate publicity strategy was found to mitigate the negative effects of lower fit on extension evaluations [23]. Moreover, a positive comparison-framed ad message stimulates more favourable extension assessments and higher purchase intentions than a negative comparison-framed ad message in case of related brand extension; on the opposite, both positive and negative comparison-framed ad messages contribute equally to brand extension evaluations and purchase intentions under dissimilar extension conditions [24].

Many businesses try to leverage their brands to maximize their returns [25] and extending a core brand to a new product is a commonly used strategy to reach this goal [26].

Conversely, researchers have noted that the development of a distinct yet related extension carries with it considerable marketing risks and possible disadvantages. Managing many

brands can complicate and create dangers and problems for the core corporate structure. Then, having the same name on a large number of products can also deteriorate the parent brand's equity. The literature stated (e.g. in [1, 27]) that a poorly implemented brand extension strategy may affect the reputation and subsequent performance of the parent brand. A number of studies highlighted that unsuccessful extensions could jeopardize brand equity, or the future value of the brand as the basis on which to introduce extensions, by hurting and weakening the positive associations with the original brand [28–30]. Sometimes, a reverse-effect could arise from the extension product, affecting the core offer [1, 31]. In fact, for a brand extension to be successful, there usually must be some logical association between the original product/brand, so-called parent brand, and the new one. Consumers perceive the launch of a brand extension as a type of behaviour on part of a parent brand [32]. Consequently, the main risk associated with the practice of this growth strategy is the possibility that the extended category product cannot be recognized by the consumer as consistent with the parent brand.

Brand extension success depends on the product category and types. For instance, Albrecht et al. [33] found that the functional value of the parent brand is more important for non-luxury brands, while luxury brands rely more on the hedonic value of the parent brand.

Two main types of brand extension strategies are recognized in the literature: line extension and brand extension. Line extension occurs when a new product is introduced in the same product category as the core brand. This is the most common way of extending a core brand [34]. The other type is a brand extension, occurring when a new product is introduced in a product category different from the product category of the core brand [35]. Some studies compared line and brand extension strategies: for instance, in Ref. [36], parent brand attitude resulted as highly associated with line-extension attitude rather than with brand-extension attitude; moreover, line extension leads to lower perceived functional risk and higher storing predisposition than brand extension.

Focusing on brand extension, it might be acknowledged that the extended category can then be related, that is, 'similar' [37] or unrelated with the existing product categories. More distant and unrelated is the extended category, higher the risk of dilution for the parent brand. Indeed, weak or non-existent association can result in brand dilution or negative reciprocity effects leading to harm the parent brand [17, 38–40]. Brand extension in unrelated markets may lead to the loss of reliability if a brand name is extended too far, damaging the image of the core/original brand. In some cases, the extension product may not generate new revenues but eat into the parent brand's market share itself.

2.1. Retail brand extension

The literature on brand extension in retailing contexts appears scarce.

Only a few papers are specifically focusing on the topic [4–6, 9, 10], starting to look at the phenomenon quite recently, as all these papers dated back to the new millennium. And, even if the issue to what extent can retailers extend into new unrelated product categories under their store brand has been raised in the literature [7], research on this peculiar topic dramatically lacks.

This could be explained by a number of reasons. First of all, the scholars' attention was traditionally attracted by the store, with a large number of studies on store image, while the retail brand image started to be considered only recently. Burt and Sparks [41] reviewing the literature on the 'retailer as a brand' concluded that although many retailers have become very sophisticated in managing their brands, extant literature has not analyzed the use of their brands consistently. These authors argue that it is 'erroneous to continue to refer to retailers 'own labels' or 'private brands', when for a number of leading retailers, the retailer has become the brand' [41, p. 199]. Actually, a retailer can be considered as a brand [42], and the PL is actually a brand extension of a retailer as the parent brand. But, this view has been looser in the retailing literature so far. In fact, the literature on PLs is quite rich and flourishing, but it is not theoretically rooted in the brand extension perspective.

Apart from these acknowledgements, the restricted number of papers facing the challenge to study retail brand extension ended in using very different approaches and methodologies, reporting contradictory results.

In Ref. [43], the phenomenon has been studied in a promotional perspective evidencing that in aisle-promotion materials which add additional cues for consumers to evaluate new brand extensions may have an effect on consumers' attitudes and their purchase intentions.

The literature evidenced that high parent quality negatively affects an extension's sales when functional fit is high [44], that is, low parent quality can increase an extension's sales when specific circumstances happen.

Other authors [6] aimed at understanding the impact of a brand extension on the core retail brand, trying to prove if a successful implementation of financial services brand extension impacts positively/negatively on the core retail brand. They performed it by measuring satisfaction with the extended offer and proving that the company receives benefits with respect to its core brand when it offers satisfying financial services to its customers. Oppositely, its core brand suffers when these financial services are poorly perceived. However, Alexander and Colgate [6] did not test a simultaneous model taking into consideration the traditional antecedents used by the literature on brand extension.

Consumers' perceptions in retail brand extension (applied to financial services, again) was the interest of Laforet [9, 10], using a discriminant analysis and considering the role of three antecedents, namely, fit, risk and trust. She concluded that when consumers knew the store or were store loyal, they tended to trust the store brand extension, while when consumers did not have previous knowledge or were new to the store, fit and risks were impacting on the store brand extension.

In Ref. [4], retail brand extension has been proved to influence consumers' relationship evaluations with a parent brand prior to a subsequent impact on parent brand equity. That is, brand extension feedback phenomenon entails an underlying process of conversion of brand extension attitudes to bring change in brand equity.

Eight dimensions relevant to retail brand extensions were postulated by Mitchell and Chaudhury [5] for a non-tangible offering, such as a service or retailer, highlighting that it is

the image that will drive attribute clusters to form categories. These authors concluded that retail brand extension success is based on perceptual extension-fit judgments of relevance, concept fit, typicality and understanding, with the role of transfer (in the model proposed in this chapter: R&C) playing a more crucial role in service sectors—and specifically in retailing—than in manufacturing.

Investigating the relationship between customer loyalty to the retail brand and the purchase of non-traditional products and services offered by grocery retailers with their private labels, Ref. [45] showed that attitudinal loyalty plays a significant role as buying predictor, but this depends on the non-traditional product/service category offered.

In order to contribute in filling in the gap on the retail brand extension literature, the following study was performed, leading to some interesting results.

3. Consumers' perceptions of retail brand extension: A comparison between Italy and France

3.1. The research hypotheses

The model proposed is aimed at verifying the effect of attitude towards the extension (ATEX) as a mediator of a number of antecedents—conceptual fit (FIT), National Brand Preference (NBP) and Resources and Competences (R&C)—on retail brand extension success. The proxy used to evaluate retail brand extension success is the intention to buy the extended product (INTB).

The extant literature on brand extension traditionally suggests that the transfer of brand associations from the parent brand to the extension product depends on the extent to which consumers perceive a logical and coherent association, called fit, between the brand and the extension product [38, 46]. In this perspective, brand extension fit is defined as 'the perceived similarity (e.g. product category, usage situation) and relevance of parent brand associations (i.e. attributes or benefits) for the extension category' [26, p. 967]. Prior product brand extension research findings suggest that a higher level of fit results in a better evaluation of any type of extension [28, 47, 48], directly influencing consumers' attitude towards brand extension. Moreover, the literature agrees in recognizing a major role played by the FIT construct on ATEX compared to other antecedents [3, 32, 38, 49, 50]. The primary role played by FIT has been verified in a retailing context too [5].

Hp1: Fit has a significant positive impact on brand extension attitude.

PLs literature found that consumers perceive national brands (NBs) as superior to store brands. This is due to their perceived higher quality [51], and to a broader knowledge of national brands compared to private labels [7]. In fact, traditionally, PLs have been positioned as low price/good value for money offerings [52] and were perceived as more risky than NBs [53, 54]. Accordingly, preferences for NBs can result in a negative ATEX.

Hp2: Preference for national brands has a significant negative impact on brand extension attitude.

Consumer perceptions of the expertise of a company can be a key determinant in shaping brand extension evaluations [1]. This antecedent was termed as "Transfer" by [5] p. 97, defining it as "the extent to which the skills, facilities and people used in developing and making the original product may be useful in making the extension product", that is: the more experienced, skilful and capable is the brand company who makes the extension, the better the attitude toward the extension. To clarify the direction of this link and accordingly to [5], but using a more intuitively label (resources and capabilities), we hypothesize as follows:

Hp3: Resources and capabilities have a significant and positive impact on brand extension attitude.

In line with the Theory of Planned Behaviour (TPB) [55, 56], attitudes have been shown to strongly influence purchasing behaviour and intentions in various contexts (e.g. [57]). This has also been found true when ATEX is considered [2].

Hp4: Consumers' attitude towards the brand extension positively affects intention to buy the extension product.

3.2. Empirical analysis across countries

To empirically investigate similarities and differences between Italy and France in consumers' perceptions of retail brand extension in non-traditional business, an in-store survey was conducted administering a structured questionnaire to two convenience samples of retail customers. The questionnaire was pre-tested and then administered to comparable samples of respondents, both in Italy and in France, during their grocery shopping in hypermarkets offering a fuel station service labelled with the retailer's brand. In this way, we have drawn a representative sample of retailer's shoppers in both countries [58]. Moreover, both samples are loyal customers of retailers as in Italy, 88.8% of respondents own the fidelity card of the retailer, and in France, the owners of the retailer's fidelity card are 56.1% of the French sample.

3.2.1. The sample

Our sample consisted of 320 Italian respondents and 240 French respondents; however, due to some uncompleted questionnaire, the final sample used in this analysis consisted of 123 French responses.

As resulting from the socio-demographic analysis of the two samples, we can consider the two shoppers' groups as sufficiently representative of the Italian and French grocery shoppers, although young adults are prevalent in the French sample (**Table 1**).

In terms of employment, because of the young age of the sample, 55.4% of French respondents are students and 9.9% are unemployed. About 31.4% of the sample is employees, while 0.8% is retired and 2.5% is housewives. Conversely, in Italy, 71.9% is employees,

	Italy		France	
	Men (%)	Women (%)	Men (%)	Women (%)
>25 years	3.1	5.0	13.0	52.8
25–35	6.9	11.3	12.2	17.1
36–50	7.8	34.1	0.8	2.4
51–65	5.9	23.8	0.0	0.8
<65 years	0.3	1.9	0.0	0.8

Table 1. Demographic characteristics.

2.8% is unemployed, 11.3% is retired, 3.1% housewives and just a 10.9% of respondents are students.

3.2.2. The measurements employed

To assess differences in consumers' intention to buy fuel from the retailer, we performed a structural equation model for both countries. In fact, as emerges from the literature, Structural Equation Models (SEM) are the main methodology to compare differences across groups [59]. The structured questionnaire is based on constructs derived from the main brand extension literature. Items and original constructs are presented in **Table 2**. Using the software Lisrel 8.80, we first compute a confirmatory factor analysis (CFA) to test the convergent and discriminant validity of constructs. All items are significant and loaded onto the expected latent construct [60]. As reported in **Table 3**, values for the average variance extracted (AVE) and for constructs' composite reliability (CR) support the convergent validity of the investigated constructs for both groups [61].

Using the Fornell and Larcker criterion [61], the discriminant validity of the surveyed constructs in both Italy and France was confirmed. In fact, the square root of AVE by the underlying construct is larger than the correlation of this construct and the other constructs (**Table 3**).

3.2.3. The structural model

Once identified the validity of constructs underling our analysis, we performed a SEM for each group to verify differences and similarities in consumers' intention to buy the extension product. The structural model in both countries evidenced a good model fit. Although significant Satorra and Bentler chi-squares were found both in Italy $\chi^2_{(SB)(180)}$ = 190.960, $p < 0.00$ and in France $\chi^2_{(SB)(180)}$ = 121.700, $p < 0.00$ due to the violation of the assumption of multivariate normality, the normed chi-square indicated a good model fit in both countries: $\chi^2/df_{(IT)}$ = 1.968; $\chi^2/df_{(FR)}$ = 1.337. Accordingly, the Root of Mean Squared Error of Approximation (RMSEA$_{(IT)}$ = 0.0551; RMSEA$_{(FR)}$ = 0.0457) and close-fit RMSEA$_{(IT)} < 0.05$ = 0.224 and close-fit RMSEA$_{(FR)} < 0.05$ = 0.593 are not significant in both cases. The models have no substantial problem with the residuals (SRMR$_{(IT)}$ = 0.0514; SRMR$_{(FR)}$ = 0.0672). The incremental fit measurements resulted greater than 0.95 both in Italy (NNFI = 0.992; CFI = 0.993) and in France (NNFI = 0.992; CFI = 0.993). The structural models showed a good predictive ability for both INTB ($R^2_{(IT)}$ = 0.658; $R^2_{(FR)}$ = 0.546) and ATEX ($R^2_{(IT)}$ = 0.642; $R^2_{(FR)}$ = 0.614).

Original scale	Scales	Measurements		Italian factor loadings	French factor loadings
Adapted by [62]	Intention to buy extension	INTB1	I am willing to fill in my car with the car fuel offered in the retailer X's petrol station in the future	0.956	0.897
		INTB2	If I were going to fill in the car with car fuel again, I would consider to go to the retailer X's petrol station	0.850	0.867
		INTB3	The likelihood of filling in the car with car fuel of the retailer X's petrol station is very high	0.943	0.877
[1, 63]	Attitude towards extension	ATEX1	My attitude towards the retailer X's extension to petrol stations is very positive	0.951	0.789
		ATEX2	Overall, I am very positive towards the retailer X's extension to petrol stations	0.974	0.956
		ATEX3	My opinion about the retailer X's extension to petrol stations is positive	0.964	0.900
[2, 64]	Conceptual fit		The extension of the PL X to offer car fuel is:		
		FIT1	Not logical-logical	0.889	0.882
		FIT2	Not similar-similar	0.946	0.953
		FIT3	Not appropriate-appropriate	0.951	0.903
		FIT4	Incoherent-coherent	0.984	0.931
[53]	National brand preference	NBP1	I prefer to buy car fuel from traditional suppliers	0.816	0.708
		NBP2	I consider branded car fuel better than that of the retailer X	0.916	0.906
		NBP3	There is a significant quality difference between branded and PL car fuel	0.903	0.865
[1]	Resource and capabilities	R&C1	The retailer X's resources have been useful to enable the retailer to offer car fuel	0.838	0.787
		R&C2	The retailer X's skills and experience in offering PLs are similar to those needed to offer car fuel	0.913	0.871
		R&C3	The retailer X's personnel, infrastructure and capabilities were useful in developing and launching petrol stations branded with the retail brand	0.940	0.856

Table 2. Constructs and factor loadings.

Constructs		Italy							France						
		AVE	CR	Correlation matrix					AVE	CR	Correlation matrix				
Intention to buy extension	INTB	0.842	0.941	**0.917**					0.775	0.912	**0.880**				
Attitude towards extension	ATEX	0.928	0.975	0.811	**0.963**				0.782	0.915	0.739	**0.884**			
Conceptual fit	FIT	0.890	0.970	0.569	0.702	**0.943**			0.842	0.955	0.514	0.696	**0.918**		
National brand preference	NBP	0.773	0.911	−0.510	−0.629	−0.479	**0.879**		0.690	0.869	0.268	0.362	0.341	**0.831**	
Resource and capabilities	R&C	0.806	0.926	0.529	0.652	0.614	−0.490	**0.898**	0.704	0.877	0.533	0.722	0.641	0.540	**0.839**

Note: Diagonal elements in bold are the square root of average variance extracted (AVE).

Table 3. Reliability, convergent and discriminant validity coefficients.

4. Results

Analysing the results for Italian shoppers, we found a few differences compared to the results emerged in the French sample. In fact, in the case of Italy (**Figure 1**), the main antecedent of the attitude towards the extension product is FIT (FIT → 0.394* → ATEX) confirming H1. The NBP plays a negative role in determining ATEX (NBP → −0.315* → ATEX) supporting H2. In agreement with H3, R&C has a positive and significant effect on ATEX (R&C → 0.257* → ATEX). Finally, in line with the literature, ATEX has a strong effect on INTB confirming H4 (ATEX → 0.811* → INTB).

Also in France (**Figure 2**), ATEX has a positive effect on INTB (ATEX → 0.739* → INTB). Nevertheless, the main antecedent of attitude towards an extended product in France is R&C (R&C → 0.488* → ATEX), while FIT represents the second element that influences ATEX (FIT → 0.396* → ATEX). What emerges from French results is that NBP has no significant effect on the attitude towards a retailer's fuel offer; consequently, H2 was not verified (NBP → −0.036 (n.s.) → ATEX).

Finally, ATEX resulted as a mediator of the effects of FIT and R&C on INTB in both national contexts. In fact, as proved by the Sobel test (**Table 4**), all the indirect effects are significant apart from the indirect effect of NBP in France, where the effect of NBP on ATEX is not significant and consequently its indirect effect too.
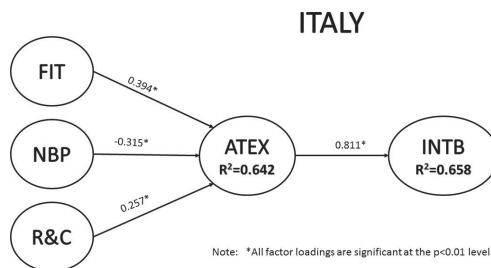

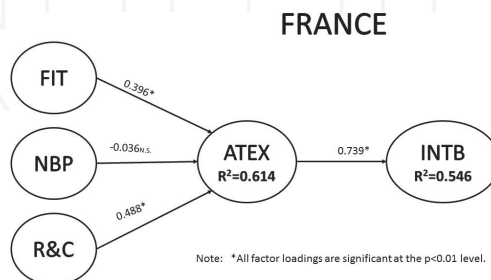**Figure 1.** Structural model: Italian results.

Figure 2. Structural model: French results.

	Italy	France
FIT → ATEX → INTB	$c' = 0.393$; p-value = 0.000	$c' = 0.278$; p-value = 0.001
NBP → ATEX → INTB	$c' = 0.300$; p-value = 0.000	$c' = 0.031$; p-value = 0.722
R&C → ATEX → INTB	$c' = 0.268$; p-value = 0.000	$c' = 0.456$; p-value = 0.001

Table 4. Indirect effects and Sobel test.

5. Discussion

Our findings are generally confirming the significance and expected direction of the major relationships verified by scholars in the brand extension study field, contributing to the current literature by testing them in an under investigated context such as grocery retailing. Specifically, our study confirms that INTB is strongly influenced by ATEX. Our results also evidenced that grocery retailers are recognized as having the right equipment, people and capabilities to extend their brand even in non-traditional businesses, and that this effect occurs independently from the level of evolution (long tradition/recent offer) of the non-traditional offer in the retailing systems observed. From this point of view, the grocery retailers' brand looks as more elastic than other brands when grocers decide to launch extension into distant product categories [37]. In this way, our findings also support [65] statement that broad brands tend to have more associated benefits than narrow brands and can therefore be potentially used more successfully when companies decide to implement brand extensions in distant businesses. Store brands were predicted to succeed in categories that were not complex, for which there is relatively little variance in the (functional) quality across the competing brands [66]. From this point of view, grocery retailers seem to perfectly fit this requirement, they are well positioned on service convenience provision, a key aspect in the buying decision process of car fuel consumers, the extended category used in this study. But, this can be true for many other unusual categories in which grocery retailers are now operating, such as mobile phone services, utilities, travel booking, etc. This is why there might be a scope for extending the brand to new categories, even if distant.

However, if we look in detail at our findings comparing the different national contexts investigated, some interesting differences from the empirical analysis emerge. A different tradition in the relationship between retailers and consumers seems to lead to a different response by the latter respect on some specific antecedents of brand extension success in France differently from Italy. Focusing on the Italian context, where retailers have begun to extend their core business only a few years ago, we found that retailers suffer the comparison with national brands, and this result is expected and in line with the extant literature on brand extension, the NBP construct is significantly and negatively affecting ATEX. On the contrary, the NBP construct did not report any significance in the model regarding the French context. This could be related to the fact that familiarity with the PL is still low in Italy (around 18% of market share [67]) and therefore buying an extension product offered with the retailer's brand could be perceived as more risky than buying it from a well-known NBs supplier [53, 54]. This is reinforced by a cultural issue concerned with the Italian people's proneness to be more sensitive to well-known brands than other foreign population. Differently, French people are

used to a highly evolved retailing system, very well known and famous retail brands and are quite accustomed to the brand extension strategies made since long by them.

Furthermore, Italians consumers pay greater attention on the logical similarity between the extended category product and the core offer as FIT resulted as the major ATEX antecedent, confirming literature's findings [5, 38, 49].

However, when the retailer acquires a strong role in the market and the relationship between the retailer and the consumer is consolidated, the situation radically changes. In fact, as in the case of France, although the retailer must prove its own resources and expertise to offer an extended product and the FIT should be coherent with the core business, the comparison with national brands do not penalize the retailer. As a consequence, on one hand, the role of the retailer is dramatically reshaped: the retailer can propose an offer in alternative product categories and competitive strategies among retailers affect not only the core business but also an extended offer less comparable by consumers. On the other hand, considering the advanced maturity stage reached by the grocery retailing system in France and the greater use of assortment extension performed by the local retailers, the future scholars need to rethink antecedents involved in brand extension in retailing contexts.

If retailers want to be successful in extending their brands in distant product categories, they should strengthen the positive attitude created around their product extension mainly leveraging FIT perceptions and investing in better communicating how skilful, experienced and well-equipped they are in distributing products and serving customers, no matter which kind of product category/service they are offering on the market through their brand.

6. Conclusions

This chapter contributes to the current literature on brand extension focusing on a poorly investigated area such as retail brand extension.

Specifically, an empirical research was performed to test a model in two different national contexts, Italy and France. Findings support the belief that grocery retailers are well positioned to take advantage from a wide brand extension strategy. Our findings aim to assist them in their brand extension decision-making and implementation, particularly when it comes to enter unusual and distant businesses, where performing a brand extension strategy can be very risky. But, our research evidenced that in grocery retailing, brand extension in dissimilar businesses can result in a positive attitude towards the retailer and, consequently, into purchase intentions. In order to convert this potential heritage in a successful strategy, grocery retailers should be able to leverage the similarity that their customers perceive in the extended offer. This should be fulfilled giving particular emphasis on their capabilities in managing store infrastructures and creating value through their service offer. Stimulating trials and using communication tools retailers could better acknowledge customers on their extended offer and in particular on their capabilities to extend their core competences to offer a good extension product even in very distant products and services categories such as car fuel apparently is. From this point of view, we suggest retailers to give particular attention to

the way in which they design and manage the car fuel branded with the retailer's brand name: logos, colors, the level of service offered, etc. should be immediately let customers reconnect this offer to the retail chain.

Another key point emerging from our results could be quite useful: retail brand extension could be differently perceived by retail customers of different national contexts. Even if this is beyond the scope of our research, our findings seem to acknowledge that the higher the level of evolution of a retailing system when it comes to brand extension issues, the higher the likelihood to report different results in testing traditional models of customers' perceptions of brand extension success strategies. Accordingly, scholars studying retail branding should be acknowledged that a rethinking of the antecedents involved in brand extension could be appropriate.

In sum, as customer loyalty has been found to act as a buying purchase predictor [45], our results evidenced a potential great success for this kind of offer. Relevant factors for a successful brand extension strategy in retail should be FIT and R&C. Consequently, retailers should enhance the perceived similarity with the parent brand in order to have favourable extension evaluations. But, this depends on the level of retail evolution of the national context in which the retailer operates: in Italy it is important to reduce the perceived gap within NBs and PLs, as this antecedent influence PL proneness, while in a highly evolved retailing context such as France, this is uninteresting, while R&C is key to succeed and even more powerful than FIT.

Despite the contributions made by this chapter, we are aware of the limitations affecting our study. First, the model is applied to only one product category, highly specific, namely car fuel branded with the retailer's brand name, while it would be interesting to test it also in other non-traditional business contexts. In particular, it could be thought provoking to test the model in product categories that entails a high level of involvement and trust in the supplier such as pharmaceutical products and/or financial services. Moreover, familiarity with the retailer's PLs could be included in future analyses in order to check for a possible moderating role on the relationship between NPB and ATEX.

Last but not the least, it would be beneficial for the possible contribution to the brand extension literature to survey constructs able to measure the feedback effects of the retail brand extension in non-traditional businesses. In particular, retailer brand equity could be introduced in the model as dependent variable. The understanding of the possible implications for the core offer and the retailer image are crucial points when diversification strategies are to be evaluated.

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Competition between Private Labels and National Brands in a Multichannel Retailer

Marta Arce-Urriza and Javier Cebollada

Additional information is available at the end of the chapter

Abstract

This chapter analyzes private label and national brand competition across online and offline channels. We analyze competition using three measures: market share, a loyalty index, and what is called in the literature conquesting power (a measure of the ability of a brand to capture nonloyal consumers). We first provide a brief theoretical introduction and literature research about the topic. We also do an empirical analysis using data of a multichannel grocery retailer that sells both its own private label and national brands, through physical stores and an online store. The data include the purchases made by a sample of multichannel consumers. We find that the private label increases, in general, its competitive position in the online channel, compared to the offline channel. However, this result does not hold for all the product categories. We discuss some drivers of this general improvement, as well as potential causes for the differences between categories. We conclude with some recommendations for multichannel retailers and manufacturers.

Keywords: private label, national brand, multichannel retailing

1. Introduction

Private labels (also called store brands, as opposed to national brands, manufacturer brands or name brands) are becoming a dominant feature in the world markets. A private label is a "brand owned not by a manufacturer or producer but by a retailer or supplier who gets its goods made by a contract manufacturer under its own label" [1]. Since their origins in the 1960s and 1970s, private labels have evolved from offering cheaper, generic products, to become almost equivalent in quality and closer on pricing to national brands in the mind of consumers. In 2013, and according to Nielsen [2], private labels' world average value share was 16.5%. This share is in general higher in developed countries (Europe, North America, and the Pacific), and lower in developing countries (Latin America, Asia, and Africa/Middle East).

Europe is the region where private labels have the higher penetration, reaching shares above 40% in the United Kingdom, Spain, and Switzerland, and being in general higher than 20% for most European countries. On the contrary, in big markets like China, India, and Brazil, private labels' value share is 5% or less (see **Figure 1** for more details). Steenkamp and Geyskens [3] analyze the factors that explain the differences in private label share across countries are mainly market (for example, national brands and retailers concentration) and institutional factors (like culture or market size).

The reason for the success of private labels is that their advantages exceed their disadvantages for the three main agents involved: retailer, manufacturer, and consumer. For the retailer, all are advantages: increasing bargaining power over manufacturers, control of all marketing of the brand, more store loyalty (private labels are only sold at one retailer), and higher contribution margin, compared to national brands. For the manufacturer of a private label, the main advantage is that it sells a high volume of goods without the need of investing in marketing activities. There are disadvantages, though: high risk (since sales are concentrated on one or few clients—the retailer), lower bargaining power, lower contribution margin, and they may not invest on developing their own brand. For the consumer, all seem to be also advantages: she can get a good with the same quality than a national brand at a lower price, and she benefits, in general, from competition between national brands and private labels. Sethuraman and Gielens [4] explore several drivers of private label's share.

Competition between private labels and national brands on current markets is very high. An indicator of the strength of this competition is whether promoted national brands and private labels attract the same consumers. Ailawadi et al. [5] find two different market segments for private labels and promoted national brands, but they also find a significant (and increasing) share of consumers belonging to a third segment that purchase both private labels and promoted national brands, which indicates strong competition. On the other hand, private labels and national brands strategies are, up to some point, different. Private labels know that maintaining a price differential with national brands is very important, but also recognize that being perceived close to them in quality is essential for their success. National brands are responding to this strategy increasing innovativeness and creating a strong brand image.

There are several interrelated factors boosting private label growth in the last years. One is the increasing concentration in retailing, which enables retailer chains to manage with their own brands. A second factor has been the economic crisis. A report [6] shows that more than 50% of consumers from 55 countries revealed that they were switching from national brands to private labels because of the economic downturn. However, it seems that when economy recovers, and once consumers have learnt to consume private labels, they do not stop buying them. This is shown in a study that compares the evolution of the market share of private labels and national brands in the USA for 21 years [7]. A third factor is a more positive attitude of consumers toward private labels. Although price is still the main primary driver for consumers to buy private labels, quality, and value are also considered important reasons. For example, a recent survey [2] shows that more than 60% of consumers think that private labels are a good value for money, and the same percentage agrees that buying private labels makes them feel smarter (see **Figure 2**).

Private Label Value Share by Country (top 25). Source: Nielsen (2014)

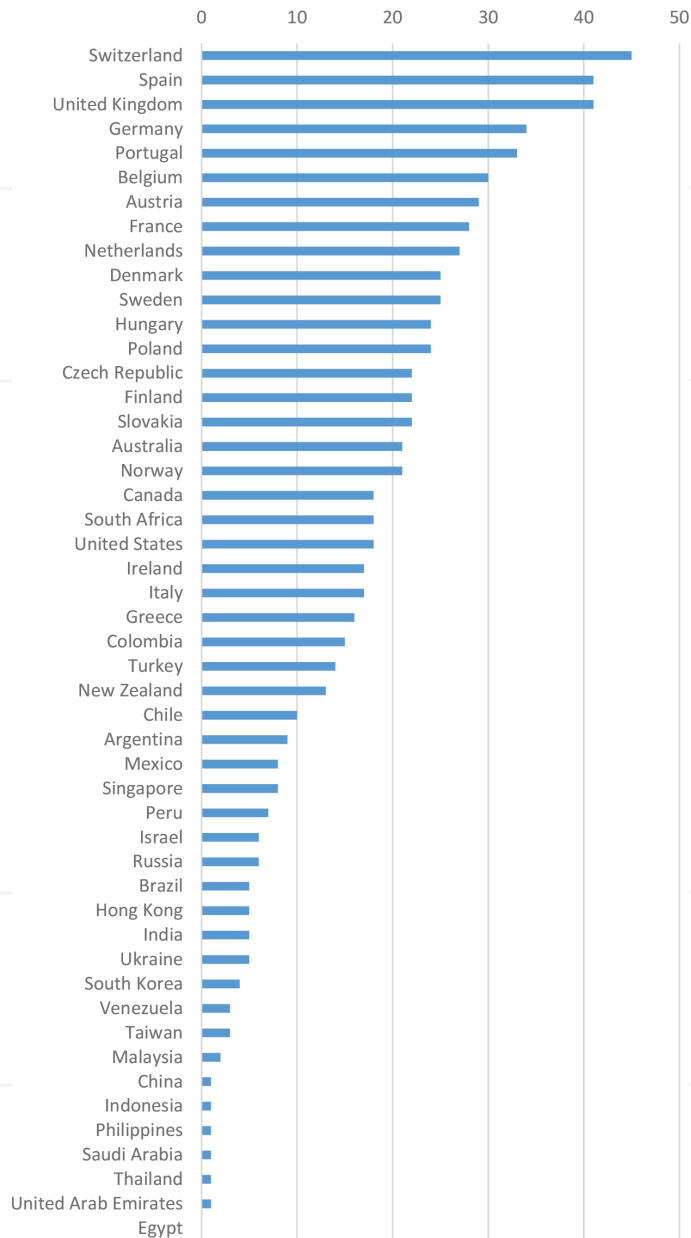| Country	Value
Switzerland	45
Spain	41
United Kingdom	41
Germany	34
Portugal	33
Belgium	30
Austria	29
France	28
Netherlands	27
Denmark	25
Sweden	25
Hungary	24
Poland	24
Czech Republic	22
Finland	22
Slovakia	22
Australia	21
Norway	21
Canada	18
South Africa	18
United States	18
Ireland	17
Italy	17
Greece	16
Colombia	15
Turkey	14
New Zealand	13
Chile	10
Argentina	9
Mexico	8
Singapore	8
Peru	7
Israel	6
Russia	6
Brazil	5
Hong Kong	5
India	5
Ukraine	5
South Korea	4
Venezuela	3
Taiwan	3
Malaysia	2
China	1
Indonesia	1
Philippines	1
Saudi Arabia	1
Thailand	1
United Arab Emirates	1
Egypt	0

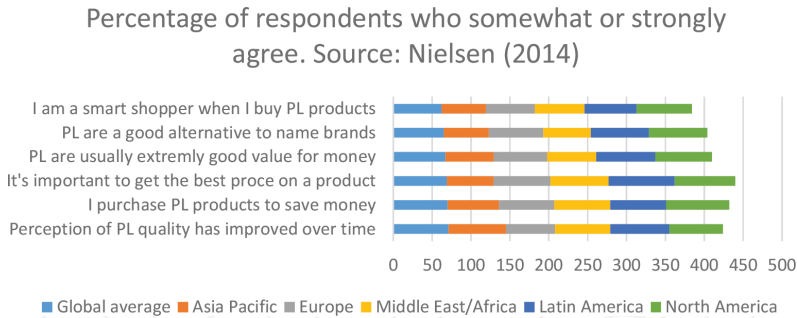**Figure 1.** Private label penetration by country.

Figure 2. Perceptions about private label across world regions.

Another important factor that has not been enough investigated, and may affect the success of private labels, is the growth of electronic commerce. Although electronic commerce still represents a small fraction of traditional commerce in many product categories, all analysts believe it will grow in the future. A recent report [8] shows that 54% of consumers surveyed in 25 countries buy products online whether weekly or monthly. There are several academic articles showing that brands become more important in online than in offline channels. The reason seems to be that brands may help consumers to overcome the need for touch during the purchase process at online stores, serving as information providers and reducing the associated risk [9, 10].

In spite of the growing research both on private labels and on electronic commerce, the performance of private labels in online stores has been hardly studied. For example, Kopalle et al. [11] mention that the Internet is an interesting field for the battle of private labels and national brands, but do not go deeper. Amrouche and Yan [12] develop a game theory model to describe the decision of a retailer to introduce a private label at both channels, online and offline. Arce-Urriza and Cebollada [13] study competition between private labels and national brands across both the online and the offline channels of a grocery retailer. They find that both private labels and national brands have some gains at the online channel (for example, higher degree of loyalty), but that the private label improves more than the national brand.

This is the topic of our work. If private labels are increasing their presence in markets, and consumers are buying more online, will the private label maintain its success at the online channel? How private labels perform in online stores, compared to offline stores?

To asses these questions, we empirically analyze the performance of private labels and national brands in a multichannel grocery retailer in Spain. This retailer has its own private label in most of the categories, as well as one or more national brands. The retailer operates hundreds of offline stores and one online store. Since there can be more than one national brand in each category, we will compare the private label against, first, the national brand leader and, second, against a compound of all the national brands in the category, what we call the reference brand.

To evaluate the strength of private label, we examine three measure of competition at the brand level: market share, loyalty, and conquesting power. We compute these three measures

for the brands in different categories, and for purchases made at each of the two channels, online and offline, and compare the results.

2. Empirical application

2.1. Data

We use data from a grocery retailer with more 600 offline stores and 1 online store in Spain. The online store centralizes all the online orders, independently of the location of the consumer. The order is later processed at one designated offline store close to the residence of the consumer, and home delivered. We analyze the purchases of a sample of more than 2500 consumers during 12 months in 2013 at both channels, online and offline. The retailer offers a wide variety of products, ranging from food to house care and personal care products, and, in general, everything that can be purchased in a typical supermarket. For most of the categories, the retailer offers its own private label, one or several national brands, and one or several second brands. Although only around 6% of the items sold are private label, its volume share is around 30%. We examine 30 categories (see **Table 2** for the list of the categories). These categories are the biggest in volume share among the categories meeting the following criteria: private label has a significant volume share, and the category has a significant sales volume at both channels. Among the different national brands in a category, we selecte all brands meeting the following criteria: have at least 100 purchases and have at least a 1% of market share at each channel. On average, a category has one private label and three or four national brands.

2.2. Private label, national brand leader, and reference brand: measures for competition analysis

We compare the private label against the national brand leader and the reference brand. The national brand leader is the national brand in the category with the highest volume share. The reference brand aggregates all the national brands in the category into a single brand. Therefore, at each category, and for the purpose of our analysis, there is one private label, one national brand leader, and one reference brand.

We use three variables to measure the competitive position of each of the brands in the study: market share, loyalty, and conquesting power (see [14], and Appendix for more details). These variables definition is shown in **Table 1**.

	Market share	Intrinsic loyalty	Conquesting power
Private label	# units of private label sold in the category/# total units sold in the category	Percentage of intrinsically loyal consumers (α_i) to the private label in the category	Percentage of non-loyal consumers in the market (π_i) who purchase the private label
National brand leader	Id., national brand leader	Id., national brand leader	Id., national brand leader
Reference brand	Id., reference brand	Id., reference brand	Id., reference brand

Table 1. Measures for private label and national brand competition.

Note that market share can be explained in terms of brand intrinsic loyalty and conquesting power (see Eqs. (4)–(6) in Appendix for more details).

At each product category, the reference brand market share, intrinsic loyalty, and conquesting power are calculated as follows:

$$Market\ Share = \sum_{i}^{I} \frac{Market\ Share\ (percent)_i \cdot Market\ Share_i}{\sum_{i}^{I} Market\ Share_i} \tag{1}$$

$$Intrinsic\ Loyalty = \sum_{i}^{I} \frac{Intrinsic\ Loyalty_i \cdot Market\ Share_i}{\sum_{i}^{I} Market\ Share_i} \tag{2}$$

$$Conquesting\ Power = \sum_{i}^{I} \frac{Conquesting\ Power_i \cdot Market\ Share_i}{\sum_{i}^{I} Market\ Share_i} \tag{3}$$

where i represents each of the national brands in the category, and I is the total number of national brands in the category.

To assess the difference in performance of the private label and the national brand across online and offline channels, we, first, compute the measures of **Table 1** for each of the categories of study. Then, we compute ratios of the form

Online Private Label market share's growth = Online Private Label market share/Offline Private Label market share

Online Private Label conq. power's growth = Online Private Label conq. power estimate/Offline Private Label conq. power estimate

Online Private Label int. loyalty's growth = Online Private Label int. loyalty estimate/Offline Private Label Int. loyalty estimate

for the private label, the national brand leader and reference brand, at each of the categories. In **Table 2**, we can see the results of these computations.

In **Table 2**, we can see the ratios online/offline for the three measures of interest (market share, conquesting power, and intrinsic loyalty), for the private label, national brand leader, and reference brand, and for each of the categories. Information in the table indicates there are differences across product categories in the growth (or decrease) of brand competition between online and offline channels for all measures under study. For instance, while market share for the brioche category online is 1.59 times its value offline, market share for the noncarbonated mineral water category online is 0.48 times its value offline.

The last line of the table shows the mean values of the ratios across all the product categories. Looking at the market share, results show that both the private label and the national brand (leader and reference) increase their market share, but more the first (1.09 vs. 1.01 and 1.01).

Product category	Market share			Conquesting power			Intrinsic loyalty		
	Private label ratio (on/off)	Reference brand ratio (on/off)	National brand leader ratio (on/off)	Private label ratio (on/off)	Reference brand ratio (on/off)	National brand leader ratio (on/off)	Private label ratio (on/off)	Reference brand ratio (on/off)	National brand leader ratio (on/off)
Aluminum foil	0.98	1.07	1.07	090	1.12	1.12	1.11	2.10	2.10
Biscuits	1.00	0.88	0.84	0.87	0.91	0.75	1.16	1.00	1.05
Bleach	1.03	0.95	0.95	1.04	0.96	0.96	1.15	1.30	1.30
Brioche	1.59	0.95	0.63	1.38	0.96	0.66	1.36	1.08	0.96
Canned chickpeas	0.97	1.16	1.10	0.96	1.22	1.19	1.26	1.34	1.29
Canned tuna	1.16	0.97	1.14	1.22	0.93	0.97	1.12	1.06	1.08
Chocolate	0.55	1.44	1.46	0.82	1.32	1.41	0.80	1.13	1.19
Dish-washer	0.97	1.01	1.01	0.93	1.05	1.12	1.22	1.19	1.21
Floor cleaner	1.11	0.95	0.99	1.11	0.91	0.93	1.33	1.14	1.16
Flour	1.23	0.82	0.81	1.39	0.84	0.84	1.15	1.04	1.03
Frozen pizza	1.02	0.88	0.88	1.40	0.89	0.87	1.20	1.49	1.39
Hair conditioner	1.37	0.99	1.06	1.29	0.85	0.82	1.65	1.29	1.23
Kitchen paper	1.13	0.91	0.90	1.07	0.98	0.98	1.37	1.51	1.50
Muffins	0.94	1.39	1.28	0.95	1.23	1.15	1.11	1.07	1.13
Nonfat milk	0.92	1.16	1.17	0.87	1.13	1.08	1.01	1.08	107
Olive oil	1.03	0.86	0.89	1.05	0.84	0.85	1.12	1.10	1.08
Olives	1.08	1.05	1.08	1.11	0.97	1.09	1.30	1.36	1.17
Orange juice	1.41	1.01	1.01	1.24	1.24	1.21	1.19	1.14	1.42
Paper napkins	1.06	1.01	0.94	1.22	1.05	0.98	1.17	3.11	6.36
Plain yogurt	1.16	0.93	0.94	1.27	0.74	0.74	1.17	1.01	1.01
Plastic bags	1.08	0.93	0.95	1.74	0.85	0.85	1.12	2.92	4.46
Powder detergent	1.18	0.89	0.93	1.58	0.87	0.94	1.05	1.12	1.04
Rice	1.19	1.21	1.11	1.28	1.03	0.97	1.62	1.19	1.14
Sandwich bread	115	0.95	0.95	1.34	0.72	0.72	1.10	1.02	1.02
Shower gel	1.57	1.18	1.13	1.64	1.07	1.01	1.36	1.29	1.26
Spaghetti	1.37	0.90	1.21	1.51	0.78	1.78	1.29	1.13	1.02
Toilet paper	1.00	1.01	1.02	0.90	1.05	1.06	1.16	1.52	1.32
Transparent foil	1.03	0.96	0.96	1.13	0.89	0.89	1.14	1.23	1.23
Uncarb. mineral water	0.48	1.00	1.01	0.58	1.01	0.97	0.59	0.92	0.94
WC cleaner	1.04	1.02	1.00	1.01	0.95	0.91	1.14	1.27	1.35
Mean	1.09	1.01	1.01	1.16	0.98	0.99	1.18	1.34	1.48

Table 2. Online/offline ratios by product category.

Note that the market share is the compound of the intrinsic loyalty and the conquesting power. Therefore, it is interesting to see what happens with these two measures. Mean values show that whereas the intrinsic loyalty is 1.18 times greater online than offline for the private label, it is 1.34 times greater for the reference brand and 1.48 times greater for the national brand leader. These figures suggest that all the brands increase their intrinsic loyalty online, but the improvement is stronger for the national brand (both the leader and the reference) than for the private label. On the contrary, the average ratios online/offline for conquesting power show that only the private label increases its conquesting power online, whereas the national brand leader and the reference brand decrease it, although slightly (1.16 vs. 0.98 and 0.99). These results show that the higher increase in market share in the online channel of the private label, compared to the national brand, is a result of both an increase in intrinsic loyalty and in conquesting power. And that the increase in market share on the online channel of the national brand is a result of an increase in intrinsic loyalty, but not in conquesting power. We can see these results graphically in **Figure 3**.

2.3. Online/offline ratios by product categories

The online/offline channel effects that have been reported heretofore on average can be visually represented for categories by means of a map, which considers the three competition measures we analyze. This map uses data from **Table 2** as input and represents the effects of online channel shift on intrinsic loyalty, conquesting power and market share across product categories. In concrete, the *X*-axis reflects the effect of online channel shift on a brand's conquesting power, the *Y*-axis reflects the effect on its intrinsic loyalty, and the color and shape
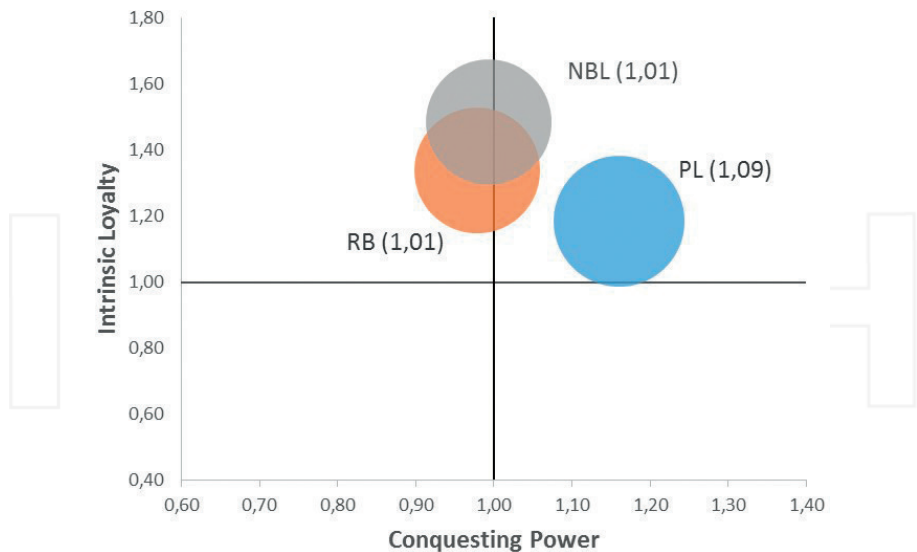

Figure 3. Private label, national brand leader, and reference brand's intrinsic loyalty and conquesting power online/offline ratios. Between parentheses market share online/offline ratios.

of the bean representing the brand reflect the effect on its market share (note that, at this map, the position of each category is represented by a bean). For the intrinsic loyalty and conquesting power dimensions, the frontier between a gain and a loss (due to the online channel shift) is delimited by a line, whereas the market share change is marked with beans with of different shape.

Figures 4–6 show this map for the private label, the reference brand, and the national brand leader, for all the analyzed product categories. These maps provide two insights. First, within each map, we can observe that the effect of the online channel shift is not homogeneous across product categories. For instance, when going online (see **Figure 4**), the private label gets worse in terms of intrinsic loyalty, conquesting power, and market share for the chocolate category, whereas better for the shower gel category. For the canned chickpeas category, however, the private label improves its position in terms of intrinsic loyalty but gets worse in terms of conquesting power and market share. Second, across the three maps (private label, reference brand, and national brand leader maps), we can compare the position of each category for the private label and national brands. In this comparison, the reader must take into consideration that the market shares and conquesting powers for all brands in a category add to 100, respectively.[1] Therefore, it is not striking that while the private label gets worse online for the

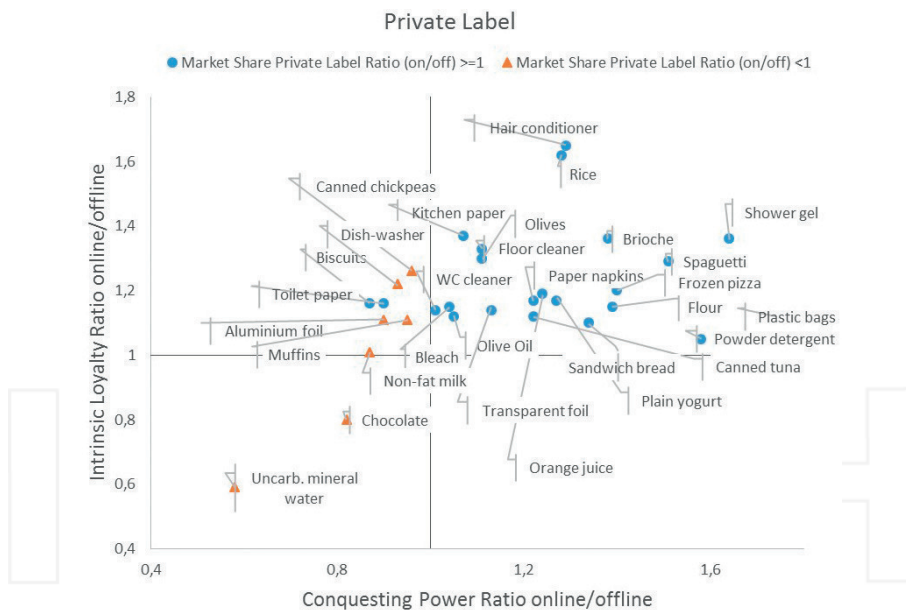**Figure 4.** Private label channel shifts across product categories.

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[1]In our analysis, market shares for some categories do not add 100 because not all the brands in the category have been included in the analysis, as explained before.
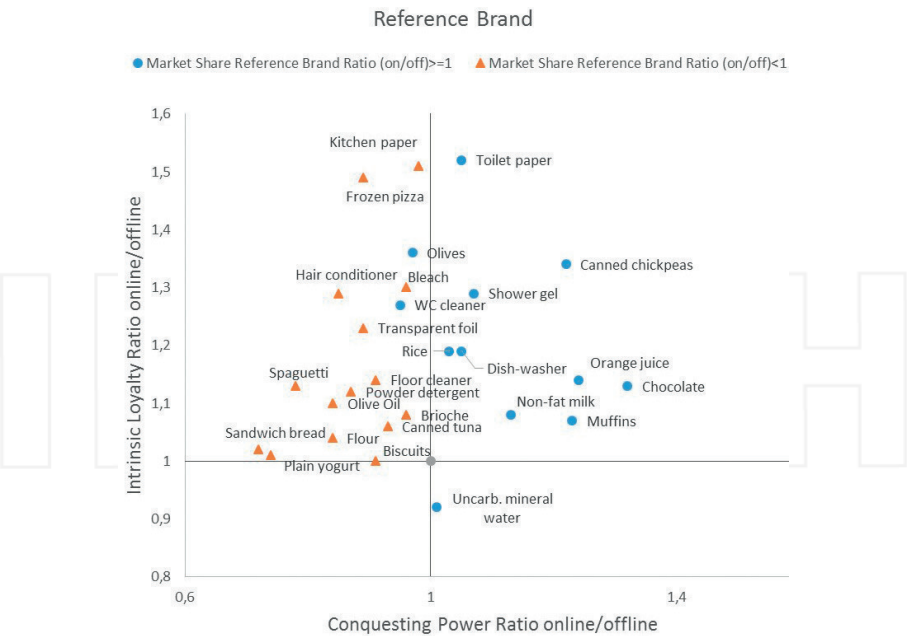
Figure 5. Reference brand channel shifts across product categories.

Figure 6. National brand leader channel shifts across product categories.

chocolate category, the reference brand, in particular the national brand leader improve their position online. However, for the intrinsic loyalty dimension, we can see categories for which the online channel shift affects all brand measures in the same direction. For instance, for the kitchen paper category, the private label, the reference brand, and the national brand leader have their intrinsic loyalty increased online. In general, private label's loyalty decreases at the online channel for foods and beverages, and increases for sensory products (products consumers evaluate with their senses, such as smell or touch). We can also see that private label's loyalty grows less in categories where the price difference between the private label and the national brand is higher. This finding favors the idea that an excessive price differential with national brands may hamper the success of the private label in the category. More results about the differences across categories are found in [13].

Global results indicate that whereas both the private label and the national brand increase their intrinsic loyalty online, it is the private label the brand which increases its conquesting power online. In addition, it is the brand which increases more its market share online. These findings suggest that the private label is benefiting from its "empowered" conquesting power online to gain market share at this channel. However, category-level results show that the online channel does not affect competition among private label and national brands homogeneously across categories. This finding reveals that management shall suit its online global marketing strategies to category-specific characteristics.

3. Conclusions and management implications

We provide here some conclusions and implications for manufacturers and retailers in the management of their national brands and private labels. We focus on the online channel, and add some recommendations to the existing literature (see, for example, [15]). We have found that all the brands increase their loyalty online and more the national brands. This means that consumers tend to purchase the same brand more in the online channel than in the offline channel. One reason can be that consumers might be using shopping lists from previous purchase occasions when buying online. Another reason can be that consumers buy online for convenience, and this makes them to do less search and to be more inertial in their behavior. Higher loyalty reduces competition. If brands want to break this loyalty, they should make more and deeper price discounts than in the offline channel. Otherwise, consumers will keep buying the same brand. Launching a new product will also be more difficult in the online channel, since it will not be included in the shopping lists.

Only the private label increases its conquesting power at the online channel. One reason can be that the retailer offers a tool to substitute all the brands in the cart by the private label, and there can be consumers using it. This shows that the retailer has a higher control on the shopping environment online, and that this control may be used in its favor. Another reason can be that, since consumers use the online channel for convenience, purchasing the private label simplifies the purchase, and therefore some consumers may behave in this way. The private label increases its market share online, and this is driven by its higher conquesting power.

We have also seen that these general results vary across categories. Although we have not investigated here the reasons why this might be, it seems clear that the previous general results will be even deeper in some categories. For example, the market share of the private label is 157 and 137% higher online than offline for the shower gel and the spaghetti categories.

In general, we can conclude that the private label improves its competitive position at the online channel more than the national brand. This is bad news for manufacturers, and good news for retailers.

Acknowledgements

Appendix

The Colombo and Morrison Model

We use the model by Colombo and Morrison [14] to build the measures of intrinsic loyalty and conquesting power.

The Colombo and Morrison [14] model is well established in the marketing literature (e.g., [16]). Its parameter estimates have clear managerial interpretations, it is robust, and the data requirements are few. The input to the model is a brand switching matrix whose elements (i, j) represent the proportion of consumers who purchased brand i on one purchase occasion and switched to brand j on the next occasion (see an illustration below). The elements (i, j) therefore give the conditional probability that brand j is purchased, given that i was bought the previous time. A simple brand-loyalty measure would look at the diagonal elements of the matrix, which give the repeat-purchase probabilities. However, this measure, as already noted, does not distinguish between (1) consumers who repurchase the brand because they are intrinsically loyal to the brand and (2) consumers who just pick any brand and happen to select the same one on two consecutive occasions.

The key underlying assumption of the Colombo and Morrison model is, therefore, that there are two kinds of consumers: consumers who are intrinsically loyal and stay with the same brand, and potential switchers who on every purchase occasion choose between all brands in the market.

All potential switchers are assumed to have the same probability to buy a specific brand, but this probability may differ across brands. The proportion of loyal consumers and the potential switchers' choice probabilities are linked to the elements of the observed brand switching matrix through:

$$p_{ii} = \alpha_i + (1 - \alpha_i)\pi_i, \quad i = 1, 2, ..., I \tag{4}$$

$$p_{ij} = (1 - \alpha_i)\pi_j, \quad i \neq j, \ i, j = 1, 2, ..., I \tag{5}$$

where p_{ij} is an element of the switching matrix, π_i the proportion of potential switchers buying brand i, and α_i the proportion of the current buyers of brand i who is intrinsically loyal. The first equation states that the (conditional) probability to repurchase brand i (p_{ii}) depends on (1) the proportion of loyals (α_i) and (2) the proportion (π_i) of the potential switchers ($1 - \alpha_i$) who decided to repurchase brand i after all. The second equation shows how the conditional probability p_{ij} equals the proportion (π_j) of the potential switchers ($1 - \alpha_i$) who choose brand j. Clearly, every actual switcher is a potential switcher, but not every repeat purchase comes from a loyal consumer.

Parameters α_i and π_i must be estimated for each brand included in the brand switching matrix. Note that although α_i and π_i can both vary between 0 and 1, there is no simple relation between the two because they refer to a different base. The former refers to the proportion of the current buyers of a brand that is intrinsically loyal, while the latter refers to the proportion of the total number of switchers in the market that will buy that brand. In general, α_i will be larger than π_i, but this has no intrinsic meaning as, already explained, they refer to different bases. Note also that $\sum_{i=1}^{I} \pi_i = 1$; i.e., the sum of the proportion of potential switchers who decided to repurchase each brand in the market equals 1.

The market share of a brand can then be explained in terms of its intrinsic loyalty and its conquesting power. At a purchase occasion t, the market share of brand i is the sum of its probability of being repurchased by consumers who previously purchased it, plus the probability of being purchased by consumers who previously purchased other brands in the market.

$$Market\,Share_i = P_{ii} + \sum_{j \neq i}^{J} P_{ji} = \alpha_i + (1 - \alpha_i)\pi_i + \sum_{j \neq i}^{J} (1 - \alpha_j)\pi_i = \alpha_i + \sum_{j}^{J} (1 - \alpha_j)\pi_i \tag{6}$$

In terms of our two dimensions of brand i's power, it is clear that α_i measures its intrinsic loyalty, while π_i is a measure of the brand's conquesting power.

Specification of our model

The Colombo and Morrison model is based on the construction of a brand switching matrix, which requires a minimum of two observations per consumer. Given that we observe the purchase behavior of our consumers during a whole year, we applicate Colombo and Morrison model to successive switching matrices, which results in the evaluation of α_i and π_i at the purchase occasion level, instead of at the consumer level. This means that for every consumer in our database, we examine its repetitive or switching behavior across brands from one purchase occasion to the next.

Imagine there are three brands in the market, brand A, brand B, and brand C. Consider that consumer h purchases brand A at its first purchase occasion, brand A at its second purchase

occasion, and brand C at the third one. Consider that consumer k purchases brand B at its first purchase occasion, brand A at its second purchase occasion, brand C at its third purchase occasion, and brand C at its fourth one. From our approach, we do not limit our attention to two consecutive purchases of each consumer (let us say the first two purchase occasions), but to all purchase occasions of each consumer.

For consumer h, we consider the following switching matrices:

Purchase occasion 1	Purchase occasion 2			Purchase occasion 2	Purchase occasion 3		
	Brand A	Brand B	Brand C		Brand A	Brand B	Brand C
Brand A	1	0	0	Brand A	0	0	1
Brand B	0	0	0	Brand B	0	0	0
Brand C	0	0	0	Brand C	0	0	0

For consumer k, we consider the following switching matrices:

Purchase occasion 1	Purchase occasion 2			Purchase occasion 2	Purchase occasion 3			Purchase occasion 3	Purchase occasion 4		
	Brand A	Brand B	Brand C		Brand A	Brand B	Brand C		Brand A	Brand B	Brand C
Brand A	0	0	0	Brand A	0	0	1	Brand A	0	0	0
Brand B	1	0	0	Brand B	0	0	0	Brand B	0	0	0
Brand C	0	0	0	Brand C	0	0	0	Brand C	0	0	1

Hence, we apply Colombo and Morrison model to the following switching matrix:

Purchase occasion $t-1$	Purchase occasion t		
	Brand A	Brand B	Brand C
Brand A	1	0	2
Brand B	1	0	0
Brand C	0	0	1

With our approach, we (1) take into consideration all purchases of every consumer in a product category, and therefore introduce the weight of each consumer's purchases on the total category purchases, i.e., we provide more weight to heavy than light buyers in the category. Consequently, we (2) can consider a larger number of observations at each category, which allow us to evaluate a wide range of categories in our investigation. Otherwise, the switching matrices for some categories would have presented too many zeros to enable the estimation of the parameters.

Besides, in this investigation, we intend to draw differences in brand power across online and offline channels. Given that the building of a switching matrix needs evaluating pairs of two consecutive purchases, we should determine how we define an "offline observation" and an "online observation."

In our database, we can find four different combinations for a pair of purchases: (1) both purchases are done offline, (2) both purchases are done online, (3) the first purchase is done offline but the second is done online, and (4) the reverse, the first purchase is done online but the second is done offline. Limiting our attention to the first two cases, for which the differentiation between an offline observation and an online observation is clear, would have meant to discard many of the purchase registers of our database, since many consumers switch between channels from one occasion to the next. Hence, we establish the following criteria to distinguish between offline and online observations: A pair of two consecutive purchases is considered as an offline observation when the second purchase is done offline, whereas it is considered as an online observation when the second purchase is done online. This means it is the channel where the second purchase is done, the one which determines whether an observation is referred to as offline or online. In this way, we attach more importance to the channel where the consumer is currently purchasing than the channel where it previously purchased as a determinant of its current shopping behavior.

We build a switching matrix per category and channel, which means that for the estimation of intrinsic loyalty and conquesting power parameters, we use 60 switching matrices (30 product categories × 2 channels).

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Analysis of Antecedents that Contribute to Try New Products in Retail Commerce

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Abstract

Offering innovative goods and/or brands to attract and retain customers is one of the challenges in the retail sector, which is characterized by high competitiveness and economic recession. This chapter analyzes the different variables that contribute to increasing customers' willingness to try retailers' innovations relative to the products and/or brands they offer. Specifically, we discuss the role that consumer satisfaction with price level, perceived quality of the assortment, and trust in the retailer plays in the dependent variable. The model is tested empirically on a sample of 498 individuals responsible for purchasing consumer products; causality is contrasted using a structural equation model (SEM). The results show that customers' trust in the retailer is the most important factor in explaining the decision to try new products and brands, followed by perceived quality of the assortment and satisfaction with price level. Furthermore, our finding that trust in the retailer is the most influential antecedent of customer willingness to try the retailer's innovations shows the importance of relationship marketing in the proposed model. Since this influence is significantly higher in the group of regular customers of the commercial chain, regular customers represent a sensitive segment for retailers in terms of product acceptance and testing.

Keywords: innovative products and brands, retailing, trust, regular and nonregular customers, assortment, price

1. Introduction

There is a widely held view that retailing is somehow less innovative than other service sectors [1]. The importance of innovation in entrepreneurial strategy is generally clear due to the high investment innovation requirements. According to Reinartz et al. [2], innovations in

retailing have several dimensions, such as retail formats, branding, assortment, process innovations, customer experience, information technology, new media, handling of payment and order fulfillment. Reinartz et al. [2] explain that (1) in the case of retail formats, supermarkets were considered as innovations when they were first introduced in markets that are currently viewed as mature retail markets. Thus, the development of new retail formats represents a promising source of retailing innovations; (2) in the case of branding, retailers' strategic decisions, such as single versus multiple private label brand names, or their positioning represent another dimension of innovations in retailing; (3) also, the assortments such as variety, stock ownership and speed of replenishment have also been identified as potential ways for a retailer to innovate and differentiate itself from competitors; (4) process innovations such as market research and supply chain management also constitute potential avenues for retailers to achieve a competitive advantage. For example, new forms of collaboration between manufacturers and retailers in supply chain management such as efficient consumer response (ECR) and category management represent major innovations in retailing pioneered by companies such as Walmart in the United States and Metro in Europe; (5) new forms of market research and marketing intelligence generation such as scanner data-based, customer loyalty program-based and customer experience management-based activities represent innovations in retailing; (6) other important dimensions of retailing innovation include the customer experience, such as innovations based on store atmosphere, expertise, and knowledge of front-end staff; and (7) information technology and new media-enabled retailing innovations. In this last case, according to Sorescu et al. [3], the wave of innovative technologies is spreading fast, by making available many interactive systems that able to support both consumers while shopping and retailers for achieving fast and update information on market trends and selling process. For instance, in recent years, groceries have introduced: (1) self-service technologies equipped with radio frequency identification (RFID) systems, such as the self-cash desks, (2) informative touch points; (3) interactive displays equipped with touch screens; and (4) digital signage and applications for mobile phones.

Another line of research about innovations in retailing considers new product development [4]. This study follows this line of research due to the high number of failures among new products launched on the market. According to Ref. [5], the possibility of success of a new consumer good in 2015 reached 29% compared to 45% in 2014. It is important to understand which factors influence consumers' process of trying and adopting new products [6, 7]. For example, perceived benefits and low level of perceived risks are important predictors for new products acceptance, which is today facilitated by the customers' greater ability to acquire and process the information needed to manage the risk associated to new products. This chapter focuses on the study of new product and brand trial, since it is the most used metric to measure the success of business innovation. It should be noted here that there are two types of innovations: incremental or sustained innovation and radical or disruptive innovation. Incremental innovation often exploits existing benefits or technologies. Also, it usually improves an existing product or adapts it for a new use. On the contrary, a radical innovation is one that produces a substantial improvement in the satisfaction of consumer needs [8].

The process of adoption of new products is especially important in the retail context, which is characterized by stagnant consumption and strong competition in the distribution channel,

and where relationships between manufacturers and distributors and between distributors and consumers are undergoing a process of change.

Specifically, this chapter analyzes the Spanish sector of consumer goods' distribution, where innovations are of considerable importance because of their added value. Given that Spain is behind most European countries in terms of innovations [5], it becomes very relevant to deepen on the aspects that can motivate to improve this situation. In the context of Spanish consumption, 73.1% of the new products launched in 2015 belonged to the food category. Beverages and cosmetics followed in the ranking of most innovative product categories, with a share of innovative products of 15.2 and 11.7%, respectively [5].

Considering aggregate data, the number of innovative products has grown in Spain in the last period analyzed (2014–2015). In 2015, 118 new products that did not exist before were launched, 9% more than in 2014. However, the number of innovations in 2015 is lower than in 2010, when 156 innovations were marketed [5].

In this situation, companies recognize the importance of understanding consumers' needs in depth and of identifying the issues consumers consider most relevant when shopping for mass consumption products. Based on this knowledge, the various commercial chains can differentiate themselves from the competition, achieve greater brand value through acceptance of the products they commercialize on the market, and increase the profitability they gain from their customers.

With regard to brand innovation, the conflict between manufacturer brands and store brands becomes very relevant. According to Ref. [5], manufacturer brands in Spain are the engine of product innovation. In 2015, 9 of 10 innovations were developed by manufacturer brands [5]. In 2012, 82.1% of all product innovations carried a national brand. That percentage grew to 89.5% in 2015, when just 10.5% of the innovative products were private-label goods.

With respect to the innovations of the manufacturer brands, Danone was the most successful manufacturer brand, thanks to the launch of Font Vella mineral water designed for children. Other brands such as Yatekomo (Gallina Blanca's instant noodles), the probiotic dairy product Actimel pro-Vital, Thomas Bagels, and Activia Fruit Fusion yogurts, also achieved remarkable success (see **Table 1**).

In the case of private labels, those belonging to Mercadona and Lidl are the most successful in terms of innovation [5]. The success of their store brand innovations coexists with the fact that Mercadona marketed just 10% of all manufacturer brand innovations while Lidl only introduced 2% of them, representing the two chains with fewer national brand innovative products in their shelves. An evidence to the fact that Mercadona opts to privilege the innovations of its own brands is the launch of a new line of vegan products and fitness products with at least 15 new references with its own brand such as "lentil and begur salad," "kale," "veggie mortadella," "Edamame green soybeans," "Agave syrup," "Maple gingerbread syrup," "cous cous," etc. On the opposite side, the chains that sold more manufacturers' innovations were Carrefour, Alcampo, and Eroski, who introduced 70, 40, and 43% of all manufacturers' innovations, respectively [5].

In this context, our study proposes two goals: (1) to develop a model to explain the customer's propensity to try retailers' innovations of the products and/or brands provided, using three

Innovative products	
Font Vella kids	Suchard oreo
Yatekomo Yakisoba chicken	San Miguel Melocotuva+ Naramango+Piñacuya
Actimel pro-vital	Frigo magnum mini-pink
Bagels	Shandy zero
Activia fruit fusion	Flora gold

Source: Kantar Worldpanel, 2015.

Table 1. Top innovations in the Spanish market.

key variables of the retailers' strategy: assortment and price of the products offered and consumers' trust in the retailer and (2) to compare the influence of trust on the dependent variable for regular and nonregular customers of the retail chain, given the growing importance of this variable for relationship marketing. These goals advance research on new product acceptance in the retail area and contribute practical implications aimed at improving retail management.

This study is structured as follows. The second section presents a literature review, followed by a methodological section. We then explain the main results obtained from the analysis. The study concludes with the discussion of these results and the main limitations and future lines of research.

2. Literature review

2.1. Model of innovative product acceptance in the retail area

The literature defines innovation differently, depending on the field. According to Lusch and Nambisan [9], in the context of Service Dominant Logic, innovation can be considered the rebundling of diverse resources that create novel resources that are beneficial (i.e., value experiencing) to some actors in a given context; this almost always involves a network of actors, including the beneficiary (e.g., the customer). From the perspective of marketing, innovation can be defined as the process of launching new products or services on the market that satisfy the consumer's needs [10] leading to the consumer's acceptance of the new products or the generation, acceptance, and implementation of new ideas, processes, products, or services [11, 12].

Huang and Huddleston [13] insist on two innovation-related concepts: (1) innovativeness and (2) the capacity to innovate. They contend that firm innovativeness is the notion of openness to new ideas as an aspect of a retailer's culture, whereas the capacity to innovate is the ability of the retailer to adopt or implement new ideas.

Among the factors that influence the process of trying and accepting new products, we can classify a series of variables into variables related to the market, such as concentration of brands and firms [14]; variables related to the firm itself, such as its reputation and market power [7];

variables related to the individual, such as his/her willingness to adopt innovations [15]; and variables related to the product and/or brand, such as its degree of innovation [16].

Trying to integrate some of the previous factors, Bass [17, 18] proposes a model that explains the acceptance of innovations. This model expresses the adoption of innovation as a dependent variable of (1) the individual's innovativeness, (2) the effectiveness of external influence on consumers, and (3) the accumulated product adoption (due to the effect of word-of-mouth). To do this, Bass [17, 18] uses three measures: the innovation ratio (or external innovation), the imitation ratio (or internal influence), and the market potential.

Based on factors related to the firm and the brand, this chapter focuses on characteristic aspects of retail strategy that contribute to the trying and acceptance of new products in this sector, such as the retailer's ability to develop an assortment of new products or brands with higher quality or unique features. A retailer, who focuses on building, developing, and nurturing its assortment's brands, benefits from using branding as a means of identification, differentiation, and guarantee of consistency for consumers. As a result, retailer assortment resulting from the retailer's brand orientation may provide consumers with added value as well as emotional attachments [19]. The literature has contrasted that a brand's reputation encourages acceptance and trying of new products [7]. A brand enjoys a good reputation when consumers perceive it as having consistent product quality over time. When characteristics of a new brand or product cannot be observed before they are consumed, as is the case with mass consumption products, the parent brand's reputation extends to the new products commercialized under this brand name [20]. Our study starts from this principle and proposes that the quality consumers attribute to the products and brands a retail chain commercializes—whether the retail brands or manufacturer brands—encourages acceptance of new products that the retailer begins to commercialize, since retailers will not take the risk of launching low-quality products that can jeopardize their current and future sales. Furthermore, the more the retailer allocates economic and shelf space to communicate the quality of its assortment, the more it will encourage customers' support for its new products [7]. Based on the foregoing, we propose:

H_1: The quality of the retailer's assortment has a positive and significant effect on the consumer's acceptance of new products and brands.

There is considerable evidence showing that perceived costs and perceived benefits are the major determinants of consumers' acceptance of new consumer products [21]. For example, price level established by the retailer, the second antecedent considered in the research, could be associated to perceived costs.

The effect of the price level established by the retailer on acceptance of new products is not clear. The consumers most inclined to buy innovative products are less sensitive to price level and would be willing to assume a higher price level to obtain the differentiation that innovation targets [22]. There would thus be no negative effect on the relationship between price level and acceptance of new products. Not all consumers are willing to assume the price premium involved in entry of new products on the market [23]; however, in this case, consumers' price sensitivity could be a barrier to acceptance of innovations [24]. Since this study focuses on mass consumption products, a significant percentage of household expenses, in context of economic

recession in which consumers are rational in their shopping, we tend toward the second stream of research and propose that establishing a satisfactory price level encourages acceptance and trying of new products. That is

H_2: Satisfaction with the retailer's price level has a positive and significant effect on the consumer's acceptance of new products and brands.

Finally, consumers have very limited knowledge of innovations. As a result, most consumers are unable to decide whether new products are associated with possible risks. One way people cope with a lack of knowledge is to rely on trust to reduce the complexity of decisions. Past research suggests that trust had an impact on perceived risk as well as on perceived benefit. Trust had an impact on the acceptance of, or willingness to buy, consumer goods products [21].

The trust that consumers place in the retailer is closely tied to the firm's reputation and market power and encourages acceptance of the new products the retailer commercializes [25]. It is expected that new products launched by a reputable retailer tend to have a greater acceptance than others launched by less reputable retailers. The reason being that firms with high reputation would have little interest in "cheating" their customers by launching a product of low-added value that could harm their business strategy, as this could affect their present and future sales. New products commercialized by a retailer which enjoys its consumers' trust are thus usually expected to have greater acceptance than those sold by retailers with worse positioning, since customers perceive lower risk in the acquisition and trying of products sold by retail chains with reputation in which they trust [26]. Based on the foregoing, we propose:

H_3: Trust in the retailer has a positive and significant effect on the consumer's acceptance of new products and brands.

2.2. Differences between regular and nonregular customers of the retail chain

Given the growing importance of relationship marketing, a proliferation of studies has advanced knowledge by incorporating moderating variables related to the characteristics of the relationship between companies and their customers [27]. These variables include, for example, length of the relationship [28, 29], frequency of contacts between company and customer [30], and consumer's involvement with the product, service, or firm itself [31]. Another important aspect that determines the success of an innovation is the influence of the number of people using the new product (direct effect) or its relation to the use of other products (indirect effect) [32]. These variables moderate the main effects of a series of antecedent variables on relational result variables like customer satisfaction and loyalty [33].

The literature review performed indicates, however, that it is necessary to incorporate new moderating variables whose effects have not been considered. To date, no studies have been found that develop models of innovative product acceptance that include as moderating variable a characteristic of the consumer's relationship with the retailer that is very important in studies of shopping habits in stores that sell mass consumption products: the regularity of that relationship.

Based on prior studies and on the importance of relational variables, this study proposes that the influence of trust in the retailer on consumers' acceptance of new products is more effective

in the group of regular customers. A regular customer has built an established relationship with the retailer, resulting in a stronger emotional link than that of the nonregular customer. This established relationship grants greater weight to relational issues (such as trust, commitment, satisfaction, etc.) in new shopping decisions [34, 35]. If we compare two customers with the intention to buy a new product/brand from a specific retailer—one customer regular and the other sporadic—the regular customer is more likely to make the decision to try, due to prior interactions with this retailer [36]. The sporadic customer, in contrast, is more familiar with the offering of competitor retailers and thus more rational when adopting the decision to try new products and brands, basing his/her decision more on functional criteria of the retailer's supply (such as perceived quality and price of assortment) than on emotional criteria [37]. We thus propose that the effect of trust in the retailer on trying new products is stronger among regular than among sporadic customers. The hypothesis is stated as follows:

H_4: The regular character of the customer has a positive moderating effect on the relationship between trust in the retailer and acceptance of new products.

Figure 1 presents the theoretical research model.

Figure 1. Theoretical model of adoption of innovative products in the retail area.

3. Methodology

To contrast the model for new product acceptance, we perform an empirical study using a phone survey addressed to people responsible for buying the mass consumption products for their household. First, we asked the respondents to indicate at which of the following retail chains they shopped: (1) Carrefour, (2) Alcampo, (3) Eroski, (4) El Corte Inglés, and (5) Mercadona. These chains are chosen because, according to the economic information contained in Ref. [34], in

2015 they held the highest market shares in value terms in the analyzed product categories (Mercadona: 22.7%, Carrefour: 8.5%, Alcampo: 3.8%, Eroski: 6.2%, and El Corte Inglés: 1.8%).

The interviewer then told the respondent to which retail chain his/her answers should refer in the questionnaire. This enabled us to control responses to obtain a uniform percentage of surveys for each retail chain analyzed. That is, we applied random stratified sampling with simple allocation, such that the initial sample of shoppers was composed of similar subsamples related to each of the retail chains analyzed. We obtained 498 valid questionnaires.

Regarding the sociodemographic profile of the sample, it is observed that the respondents are mainly women, aged between 21 and 40 years old, who work outside the home and who have, at least, secondary studies. Regarding the family situation, the households of two to four members predominate, with a maximum of two children and a family income between 1000 euros and 2000 euros.

Perceived quality of assortment was measured through three items from the studies by Seiders et al. [27] and Vázquez et al. [38], and satisfaction with price level by three items adapted from the scales by Sirdeshmukh and Singh [39] and Anselmsson and Johansson [40]. For trust in the retailer, we adapted three items from the study by Crosby et al. [41] and Wong and Sohal [42]. Finally, the measurement most used to measure the success of product innovation in the consumer was the trying of new products [43]. All variables were measured on an 11-point Likert scale, from 0 (disagree completely) to 10 (agree completely). **Table 2** provides descriptions of the variables with their corresponding items.

The habit of shopping at the retail chain can affect the influence of the antecedents analyzed on acceptance of new products. This study thus classifies consumers into two segments, according to whether they indicate that they shop in the retail chain regularly or only sporadically. To measure regularity of shopping at the retail chain, we asked the following question: "Is this your regular shopping chain?" The consumers who answered yes (324) were considered regular customers; the others (174) were considered nonregular customers.

Perceived quality of assortment	CS1: The retailer provides very high-quality fresh products
	CS2: The retailer provides very high-quality packaged goods
	CS3: The retailer provides the products and brands that I need
Satisfaction with price level	SP1: The retailer generally provides a satisfactory price level
	SP2: The general price level does not undergo abusive increases over time
	SP3: At this retailer, I fill my shopping cart for a reasonable price
Trust in retailer	CF1: The retailer does not cheat me
	CF2: The retailer is honest
	CF3: I trust the retailer
Trying innovative products	PR1: When the retailer incorporates new products, I like to try them
	PR2: When the retailer incorporates new brands, I like to try them

Table 2. Study variables.

The empirical model was estimated using covariance structure modeling with the statistical package AMOS 19.

4. Results

4.1. Descriptive results

The results shown in **Table 3** offer high mean values of the three antecedents proposed (the perceived quality of the assortment, the price level, and trust in the retailer). All are above 7.

Customers show an intermediate level relative to the acceptance of new products and brands, with mean values around 6.20 for the acceptance of new products and mean values around 6.29 for the acceptance of new brands. In particular, Alcampo, Eroski, and Mercadona are the most successful chains in terms of new products' acceptance, although it should be noted that Alcampo and Eroski follow antagonistic strategies regarding the introduction of innovations compared to Mercadona. While Alcampo and Eroski support the innovations of manufacturers, Mercadona opts to privilege the innovations of its own brands.

The analysis by chains of the mean levels of the antecedents indicates that Carrefour's customers perceive the quality of the assortment and the price level of this retailer to be below the average value of the sample. Trust in the retailer does not exceed the average level either. Thus, despite the fact that Carrefour favors the introduction of brands' innovations, their customers seem not to be appreciating this strategy.

In the case of Alcampo and Eroski, their customers show adequate satisfaction levels in terms of assortment quality. Their customers are particularly pleased with the price level of these chains. Trust of their customers is an aspect that both retailers must improve. In both cases, it can be inferred that the high levels of innovation's acceptance are due, on the one hand, to the fact that these chains support the introduction of manufacturer brands' innovations, and on the other hand, to the brand equity of these brands that facilitates the introduction of innovations in the market.

The customers of El Corte Inglés appreciate the quality of its assortment but consider that the price level is high. Trust in this chain must also be improved, which explains why its customers are less inclined to test the innovations of products and brands that this retailer sells.

Finally, Mercadona enjoys high levels of perceived quality of assortment and high levels of customers' satisfaction with the store's price level. Also, Mercadona generates high levels of trust in its commercial policy. These three factors favor the trial of Mercadona's innovations (see **Table 3**).

4.2. Measurement model

For each subsample, we confirm the quality of the measurement scales, following the recommendation by Byrne [44]. We perform a confirmatory factor analysis, whose results show highly satisfactory fits of the proposed model in both samples. As may be seen in **Table 4**, the

Variables in the model	Retailers	Mean	Standard deviation
CS1: The retailer provides very high-quality fresh products	Carrefour	7.08	1.56
	Alcampo	7.00	1.58
	Eroski	7.15	1.49
	El Corte Inglés	7.29	1.55
	Mercadona	7.17	1.64
	Total	7.15	1.58
CS2: The retailer provides very high-quality packaged goods	Carrefour	7.45	1.25
	Alcampo	7.42	1.20
	Eroski	7.51	1.19
	El Corte Inglés	7.59	1.28
	Mercadona	7.50	1.34
	Total	7.53	1.24
CS3: The retailer provides the products and brands that I need	Carrefour	7.66	1.27
	Alcampo	7.61	1.24
	Eroski	7.54	1.33
	El Corte Inglés	7.71	1.35
	Mercadona	7.62	1.43
	Total	7.60	1.33
SP1: The retailer generally provides a satisfactory price level	Carrefour	7.08	1.36
	Alcampo	7.38	1.24
	Eroski	7.19	1.26
	El Corte Inglés	6.99	1.44
	Mercadona	7.21	1.47
	Total	7.15	1.33
SP2: The general price level does not undergo abusive increases over time	Carrefour	6.88	1.34
	Alcampo	6.99	1.30
	Eroski	6.88	1.31
	El Corte Inglés	6.87	1.34
	Mercadona	6.90	1.46
	Total	6.87	1.34
SP3: At this retailer, I fill my shopping cart for a reasonable price	Carrefour	6.87	1.39
	Alcampo	6.95	1.41
	Eroski	6.88	1.31
	El Corte Inglés	6.73	1.49
	Mercadona	6.93	1.52
	Total	6.92	1.37

Variables in the model	Retailers	Mean	Standard deviation
CF1: The retailer does not cheat me	Carrefour	7.03	1.34
	Alcampo	6.98	1.41
	Eroski	6.99	1.47
	El Corte Inglés	7.11	1.33
	Mercadona	7.17	1.42
	Total	7.13	1.35
CF2: The retailer is honest	Carrefour	7.13	1.39
	Alcampo	7.11	1.42
	Eroski	7.12	1.40
	El Corte Inglés	7.16	1.35
	Mercadona	7.26	1.40
	Total	7.21	1.33
CF3: I trust the retailer	Carrefour	7.26	1.46
	Alcampo	7.22	1.45
	Eroski	7.30	1.50
	El Corte Inglés	7.37	1.38
	Mercadona	7.44	1.39
	Total	7.39	1.36
PR1: When the retailer incorporate new products, I like to try them	Carrefour	6.08	1.99
	Alcampo	6.32	1.95
	Eroski	6.22	2.02
	El Corte Inglés	6.09	1.98
	Mercadona	6.28	2.00
	Total	6.20	2.00
PR2: When the retailer incorporate new brands, I like to try them	Carrefour	6.23	1.99
	Alcampo	6.38	1.91
	Eroski	6.30	2.04
	El Corte Inglés	6.16	1.96
	Mercadona	6.33	2.02
	Total	6.29	1.99

Table 3. Analysis of the variables of the model by retailer.

results respect the limits proposed in the scholarly literature for goodness of overall fit of the measurement model.

The results for reliability and validity of both subsamples are presented in **Tables 5** and **6**, respectively. In all cases, the statistics used for reliability—the Alpha Cronbach and composite

Regular retail chain customers ($n = 324$)	Nonregular retail chain customers ($n = 174$)
$\chi^2/df = 1.14$; CFI $= 0.997$; AGFI $= 0.957$; RMSEA $= 0.02$	$\chi^2/df = 2.08$; CFI $= 0.963$; AGFI $= 0.868$; RMSEA $= 0.06$

Table 4. Indicators of goodness of fit of the measurement model for both groups.

Variables	L_i	E_i	Reliability		Validity	
			Alpha Cronbach	Composite reliability (CR)	Average variance extracted (AVE)	Convergent validity
Perceived quality of assortment						
CS1	0.60	0.66	0.75	0.74	0.50	$t =...$
CS2	0.76	0.42				$t = 6.14$***
CS3	0.74	0.46				$t = 5.83$***
Satisfaction with price levels						
SP1	0.82	0.33	0.81	0.83	0.62	$t =....$
SP2	0.71	0.50				$t = 7.49$***
SP3	0.82	0.32				$t = 10.39$***
Trust in the retailer						
CF1	0.82	0.33	0.88	0.86	0.67	$t = ...$
CF2	0.78	0.39				$t = 12.40$***
CF3	0.86	0.26				$t = 17.98$***
Trying innovative products						
PR1	0.92	0.15	$r = 0.84$***	0.92	0.85	$t = ---$
PR2	0.92	0.16				$t = 14.43$***

Significance: *** $p < 0.001$.
L_i: Standardized loading; $E_i = (1-R^2)$: error variance.

Table 5. Analysis of reliability and validity of the measurement scales in the sample of regular customers.

reliability—exceed the minimum value of 0.70 recommended by Ref. [45]. In all cases, the average variance extracted is greater than or equal to 0.5, and all items have good convergent validity, since the results show that all parameters are statistically significant.

We also confirm discriminant validity in both subsamples. **Table 7** shows that the square root of the average variance extracted from each construct in all cases is higher than the correlation between each pair of concepts.

4.3. Causal relationship model

First, the model in **Figure 1** was estimated using structural equations, without including moderating effects. The fit obtained is satisfactory ($\chi^2 = 57.71$; df $= 31$; $\chi^2/df = 1.86$;

Variables	L_i	E_i	Reliability		Validity	
			Alpha Cronbach	Composite reliability (CR)	Average variance extracted (AVE)	Convergent validity
Perceived quality of assortment						
CS1	0.82	0.33	0.77	0.79	0.56	$t = \ldots$
CS2	0.82	0.33				$t = 6.42^{***}$
CS3	0.60	0.67				$t = 4.39^{***}$
Satisfaction with price levels						
SP1	0.94	0.12	0.86	0.85	0.66	$t = \ldots$
SP2	0.72	0.48				$t = 8.29^{***}$
SP3	0.76	0.42				$t = 9.08^{***}$
Trust in the retailer						
CF1	0.84	0.30	0.88	0.88	0.72	$t = \ldots$
CF2	0.94	0.11				$t = 13.59^{***}$
CF3	0.75	0.44				$t = 5.79^{***}$
Trying innovative products						
PR1	0.60	0.69	$r = 0.83^{***}$	0.70	0.54	$t = \text{---}$
PR2	0.88	0.23				$t = 5.71^{***}$

Significance: *** $p < 0.001$.
L_i: standardized weighting; $E_i = (1-R^2)$: error variance.

Table 6. Analysis of reliability and validity of the measurement scales in the sample of nonregular customers.

		Perceived quality of assortment	Satisfaction with price levels	Trust in the retailer	Trying innovative products
Perceived quality of assortment	Regular	0.70	0.45	0.44	0.39
	Nonregular	0.75	0.36	0.45	0.45
Satisfaction with price level	Regular		0.79	0.53	0.32
	Nonregular		0.81	0.20	0.68
Trust in the retailer	Regular			0.82	0.48
	Nonregular			0.85	0.26
Trying innovative products	Regular				0.92
	Nonregular				0.73

Diagonal: square root of the variance.

Table 7. Analysis of discriminant validity for both subsamples, using the average variance extracted method.

CFI = 0.990; NFI = 0.980; IFI = 0.990; GFI = 0.979; AGFI = 0.956; RMSEA = 0.042), confirming that trust in the retailer, perceived quality of assortment and satisfaction with price level have a significant influence on consumers' acceptance of new products and brands. **Table 8** presents the parameters obtained.

Once we confirm the measurement invariance required to compare the groups of customers, we observe that two of the three antecedents analyzed—satisfaction with retailer's price level and trust in the retailer—affect the two samples with different intensity relative to the consumer's intention to try innovative products (see **Table 9**).

Specifically, for both regular and nonregular customers, perceived quality of the retail assortment has a positive and significant influence on acceptance of new products and brands. We see, however, that the effect of trust in the retailer is significantly higher in the case of regular customers, as was proposed in Hypothesis 4, but is not significant in nonregular customers. This difference indicates that, insofar as regular customers trust their shopping chain, they perceive less risk in the new products their retail chain commercializes and feel more inclined to try the products than do nonregular customers. In addition, although we did not propose it initially, we see that satisfaction with the retail chain's price level is an incentive for nonregular customers to try new products, whereas the effect of this antecedent is not significant for regular customers. One of the main variables influencing new product acceptance is consumers' price sensitivity [24]. The strong statistical correlation between regular shopping behavior and loyal shopping is widely recognized in the scholarly literature. Furthermore, loyal customers are less sensitive to high prices and to price increases. These phenomena, confirmed in the prior literature, would explain at least partially why regular customers' intentions to try new products do not increase significantly with increased satisfaction with the retailer's affordable prices [46], whereas sporadic customers are more price-sensitive [47],

Model relationships	Standardized coefficient	t-value
Perceived quality of assortment ➔ Trying innovative products	0.23	3.42***
Satisfaction with price level ➔ Trying innovative products	0.17	2.69***
Trust in the retailer ➔ Trying innovative products	0.25	4.40***

$***p < 0.001$

Table 8. Modeling results for antecedents of trying innovative products.

Antecedents	Regular customers	Nonregular customers	Critical ratios of differences between parameters
Perceived quality of assortment	0.22***	0.28**	0.34 (n.s.)
Satisfaction with sprice level	0.04 (n.s.)	0.20**	1.65*
Trust in the retailer	0.35***	0.11 (n.s.)	2.72***

$t = 1.65$ for $p < 0.1$, $t = 1.96$ for $p < 0.05$, and $t = 2.58$ for $p < 0.01$, $***p < 0.001$, $**p < 0.05$, $*p < 0.01$.

Table 9. Modeling results for antecedents of trying innovative products in regular and nonregular customers of the retailer.

compare the supply at multiple retailers, and use satisfaction with a specific retailer's price levels as a factor determining their intention to try that retailer's new products.

5. Conclusions, limitations, and future lines of research

While some authors have investigated consumer resistance to innovation (e.g., see Ref. [48]), explained through (1) rejection, (2) postponement, and (3) opposition, depending on the degree of change required and conflicts with the consumer's prior belief structure, this chapter focuses instead on positive adoption decisions.

The results obtained in this research enable us to confirm that the model proposed functions well to explain the consumer's intention to try innovative products in the retail context. First, trust in the retailer, perceived quality of assortment, and satisfaction with price level contribute to increasing the consumer's intention to try novel products and brands.

According to the descriptive results obtained, it can be indicated that the quality of the assortment and the satisfaction with the price level of the chains are two fundamental variables that the retailers must jointly manage to encourage the testing of new brands. In this study, Mercadona, Alcampo, and Eroski, which enjoy the most satisfactory levels in terms of the quality of their assortments and in terms of their price level, are those that have a greater success in relation to their new brands. El Corte Ingles is appreciated by the quality of its assortment but it is a chain with a high level of prices, which reduces the possibility of testing its brands' innovations. In the case of Carrefour, this chain should improve the positioning of its assortment in terms of quality and in terms of price levels to promote the trial of products' innovations.

It may be assumed that customers have some previous experience or knowledge about the parent brand that incorporates the innovation when he/she is going to try an innovation. This implies that a brand extension strategy is favored by the brand equity of the parent brand (e.g., consistency in quality level, brand image, brand reputation or loyalty). Also, customer trust in the parent brand favors the adoption of new products (e.g., new sizes or types of packaging, new flavors, etc.).

Customer trust in the retailer is particularly relevant. Generally, the trial of new products implies increased perceived risk due to the lack of knowledge customers have about the new product (e.g., the use of a new technology, new ingredients, etc.). So, in addition to the guarantee provided by the quality of the assortment and the incentive that supposes an adequate price level, customer's trust in the retailer will play a key role in diminishing the resistance toward product innovations. This suggests that retailers should make sure the necessary information about the new products is available to the consumer at the moment it is requested or needed. For example, attractively presenting the new products in the store, but outside store, social media or new technologies can be particularly helpful in illustrating how new products can be incorporated in daily habits or situations. Also, the collaboration of manufacturers and retailers in terms of communication campaigns to inform about the features of new products (e.g., ingredients, etc.) to reduce the perceived risk can be very useful.

Secondly, retailers must make significant investments in research, development, and innovation related to their assortments. The design and development processes in terms of new products play a critical role. To address the concern of building customer acceptance of innovations, retailers need to focus on the strategic role of the image and the awareness of the products and brands they market.

Also, retailers must practice a customer-oriented policy, encouraging customers' participation in terms of ideas and suggestions to develop goods and services that better meet their needs (value cocreation). For example, Mercadona, who enjoys high average levels of acceptance of its new products, has developed a system of coinnovation with 9000 customers, thanks to which it launches 400 references per year. In Mercadona's coinnovation centers, there are 180 monitors to interact with customers, as well as workers who receive consumer suggestions. These coinnovation centers identify the selection of products that are going to be developed according to users' needs. Thanks to this system, Mercadona has achieved a great success in terms of innovation. For example, it has recently launched a new line of vegan and fitness products such as tabule with fresh vegetables, lentil, salad, etc. [49].

Thirdly, retailers must design attractive price promotions to favor the testing of new products or brands because lower prices encourage customers to buy them—66.2% of Spanish consumers like to try new products, however 48.8% of them indicate that price is a determining factor in the choice of this new product [50].

Although the retailer's quality of assortment is an antecedent of intention to try the retail chain's innovative products regardless of the group of consumers analyzed, the effect of trust in the retailer and satisfaction with price level on new product acceptance varies according to the group of customers analyzed.

We can derive important strategic implications for retailers from the results obtained for the proposed modeling. First, we recommend that commercial chains not betray their regular customers' trust, because these customers' trust in the honesty, benevolence, and good deeds of the retailer will make them more inclined than nonregular customers to try the new products and brands the retailer commercializes. Regular customers that trust the retail chain give the chain greater profitability than do nonregular customers, since the former add innovative products to their shopping carts more easily, basing their decisions less on economic criteria and more on the trust they place in the retailer than do nonregular customers.

In contrast, to get nonregular customers to try the new products and brands commercialized by retailers, retailers should communicate positioning based on quality of assortment and consistent price level over time. This recommendation stems from the fact that nonregular customers, who are in an early phase of their relationship with the retailer, base their intentions to try new products more on the functional aspects of retail strategy than on emotional aspects. Nonregular customers' trust will be constructed over time as the fruit of repeated interactions with the commercial chain, becoming a future decisive factor in their intention to try new products. At this initial stage, however, assortment quality and price are the retailer characteristics that make noncustomers more inclined to try new products.

Given the different behavior of both segments (regular and nonregular customers), we can recommend retailers' different commercial strategies according to each group. For attracting

nonregular customers with their innovations, retailers could invest on advertising that communicates price promotions in order to increase the differentiation of their assortment in terms of price. Regular customers, who frequently visit stores and trust the retailer, will be more sensitive to merchandising actions that take place in the point-of-sale. Therefore, it is recommended that retailers generate many contact points in the store between the new product and/or new brand and the regular customer (e.g., attractive signage, placement of innovations in strategic and visible places of the stores).

This study is not exempt from limitations, which could be taken into account in future studies. The data were obtained for the Spanish mass consumption market. It is advisable for future studies to include other countries, product categories, and customers' buying habits. The percentage of customers that are prone to innovations varies according to the country analyzed: it is estimated that in the United Kingdom this percentage is 24% compared to 14% in France and 9% in Spain. These differences could be important in deciding a global innovation campaign, since customers would be more likely to try the new products in countries with a higher percentage of innovative shoppers. In terms of new product categories, future studies could focus on durable goods that require greater information search and purchase planning and thus exhibit lower innovation-acceptance ratios than consumer goods [8]. Also, customers susceptible of storing products in the home would have less opportunity to interact in the store, thus reducing their probability of innovations' trial [8]. The tendency to store products of a certain category could be considered as a negative factor in the acceptance of innovation. Finally, buying behaviors that include situations of greater risk or purchase complexity would also be more susceptible to failure or to delay the acceptance of new products over time [8].

Also, it is advisable for future studies to differentiate among other groups of customers than those analyzed. For example, it could be incorporated psychological traits of individuals, such as their innovation proneness.

Also, it would be interesting to incorporate the moderating effect of the retail strategy in relation to the importance given to the private labels and manufacturer brands in its assortment. Since consumers can only accept the innovations that retailers incorporate in their shelves, the trial of new products and brands will be conditioned by their incorporation in the retailers' assortments. For example, as we mentioned in the introduction, there are retailers that support the introduction of manufacturer brands' innovations, such as Alcampo, Eroski, and Carrefour, whereas other retailers, such as Mercadona, back the introduction of their own brands' innovations.

Finally, it would be interesting for future research to incorporate new antecedents into the model to improve the explanatory power of the dependent variable (consumer's acceptance of new products), as well as to incorporate new dimensions of this construct, beyond the consumer's intention to try, in order to enrich the research variable conceptually.

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Modeling a City's Branding Tools: The Case of Istanbul

Senay Oğuztimur

Additional information is available at the end of the chapter

Abstract

Recently, studies on city branding extend across academicians and practitioners, and there is a considerable growing body of research and practice related to city branding. Probably, the most prevailing reason is that cities all over the world engage in marketing and branding efforts in order to stay competitive and relevant on the global market. Cities have to compete with others in all areas they can: city's tourism capacity, competitive advantage, quality of the place, history, lifestyle, and so on. The main purpose of this study is to present the conceptual and empirical framework of İstanbul's branding issue in terms of a tourism plan. Therefore, this study attempts to contribute researchers and project implementers by detailing branding tools of İstanbul. In order to determine branding tools, two groups of information were obtained: one is the data received through the meetings done with professionals, and the other is the data received through tourists and citizens. With this information, tourism-oriented branding tools for İstanbul are developed. The following are the basic branding strategies accepted for İstanbul: (1) tourism variability and geographic wideness, (2) originality and character, (3) interaction and communication, (4) global effect, (5) strong infrastructure and high quality of life, (6) the spirit of the city, and (7) the symbol attributed to the city.

Keywords: city branding, city marketing, branding tools, brand strategy, İstanbul

1. Introduction

Marketing of urban places has been practiced since the nineteenth century [1]; however, studies on destination image as a concept of branding theory began in the early Hunt's (1975) influential work on the relationship between image and tourism development. The theoretical emergence of place marketing was accelerated by three developments in the marketing discipline: marketing in non-profit organizations, social marketing, and image marketing [2]. As a subpart of the place branding, studies on city branding extend across academicians and

practitioners in the last three decades [2], since cities all over the world engage in marketing and branding efforts in order to stay competitive and relevant on the global market [3]. Such cities—also countries and regions—are no longer viewed just as touristic destinations. With the globalization and free and easy movement of capital, goods, and people, cities compete with each other to attract workforce, residents, and investors as well as tourists [4].

City branding has been defined as the "*purposeful symbolic embodiment of all information connected to a city in order to create associations around it*" [5]. It can be used as a strategic tool to provide cities with a source of economic, political, and cultural value [1, 6]. It can also be seen as an instrument to communicate the city's competitive advantage, the quality of the place, its history, lifestyle, and culture [7]. There is a growing body of research and practice related to city branding [8].

In order to succeed in the globalized world without losing identity, many cities have finally acknowledged the need to brand themselves, putting those "without a brand under pressure to develop one" [9]. Nevertheless, cities are "highly complex brands" [10], serving varied goals and simultaneously targeting different groups and individuals, which make them "more difficult to control than conventional product brands" [11]. Besides, it is observed that most of the academic publications focus on what branding is not, rather than guiding to plan a city's real needs as empirical studies [12].

In this context, many cities in the world are in various phases of branding process. İstanbul is one of those which are a little bit late to brand itself in the global market. This study is about providing a conceptual framework for the development of İstanbul's city branding criteria and strategies. This chapter aims to set the readers' sights on an in-depth view of branding strategies by means of city brands and to investigate the consistent branding actions for a specific city. Therefore, this study attempts to contribute researchers and project implementers by mentioning branding tools for İstanbul. Branding strategies development for İstanbul are realized as a part of the İstanbul Tourism Master Plan, prepared by an academic group[1] for the İstanbul Metropolitan Municipality. İstanbul's governors discovered the value of branding that is why branding the İstanbul issue became a part of the İstanbul Tourism Master Plan.

2. City branding arguments

While the marketing of urban places has been practiced, at least, since the nineteenth century [13], cities increasingly tended to rely on marketing methods in the last three decades, when "competition for inward investment, tourism revenues and residents at various spatial scales intensified" [14].

Kavaratzis [1] mentions that early examples in the literature are only promotional activities undertaken by cities or regions in various places and times. According to Ashworth and Voogd [2], "there is nothing new about places being promoted by those likely to profit from their development. What is new is the conscious application of marketing approaches as a

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[1]Besides some more, the author was responsible for "branding and marketing of İstanbul" issue in "Istanbul Tourism Master Plan" project.

philosophy of place management." Kavaratzis [15] considered city branding as "a new application of city marketing" because he identified a change of focus from the rational character of marketing interventions to creating emotional, mental, and psychological associations with a city. Nonetheless, the main argument for marketing/branding cities is the same: the competition among cities for tourists, businesses, residents, and other target groups [4, 16].

Braun [17] mentions that it is important to note that city branding is part of the wider "place branding family." Braun [17] underlines that place branding is the family tree, with family members such as city branding, destination branding, nation branding, and location branding acting as the branches. Besides, many observers have pointed out that place marketing and place branding could involve different types of places and different spatial scales [2, 14–16, 18]. In practice, place branding could be applied to neighborhoods, districts, tourist destinations, cities, rural areas, regions, states, and countries. Pike [19] concluded that academia has produced a paucity of research into destination branding; a few years later, Balakrishnan [20] reached a similar conclusion.

In recent years, the most promising theoretical developments for city branding have been based on corporate branding theory. Hankinson's (2007) model of places as relational brand networks moves away from product branding and develops a holistic view on place brands. It is known that, many critical issues for city branding still need to be addressed, such as the implementation of city branding. Hankinson [21] is one of the first authors to address the implementation of place branding empirically. This study not only indicated that branding was not always applied effectively but also identified four factors that were particularly important for the development of location brands: organizational complexity and control, the management of partnerships, product complexity, and the measurement of success. It is immediately clear that most of these factors are concerned much more with the context of the branding process than the substance of branding itself. The characteristics are not connected to the specifics of using branding, but to the context in which destination branding is applied—such as the strong dependency on macroenvironmental factors (terrorism, currency fluctuations, and politics), geographical constraints (accessibility and location), past history (inherited names, heritage, culture, and perceptions), diverse and influential stakeholders (including governments), along with feedback and control issues (no top-down decision-making structures) [20].

Despite these evaluations, there is limited clarity and agreement about terminology and definitions. City branding is conceptualized from different angles, and there are, evidently, different starting points and approaches in the literature. It is formed in place marketing literature, and there is not a uniform body of writing. This is mainly because of its interdisciplinary character, partly due to its derivation from marketing theories. In this field, most scholars are human geographers and city planners, and they do not pay much attention to the marketing side of the concept [12].

City branding is associated "primarily with economically inspired desire to position cities more positively" [22] and focused on "deliberately creating," developing and demonstrating the value of city through appropriate "on brand" actions, consisting of investments, physical/economic plans, attraction programs, events, communications and the like [23]. Consequently, when competing with others, decisions regarding further development of city and its brand

must be realistic and carefully planned in accordance with numerous factors, including the city's politics, heritage, financial resources, geographic location, cultural and social ties, and so on [24].

Besides all the given literature information, social media and global communication effect also have to be taken into account. Contemporary communication technologies have introduced new means for attributing meanings to places. Specifically, social media have become important platforms through which place brands can be communicated, negotiated, projected, and assessed with few spatial or temporal constraints.

In order to accomplish the objective, the spirit of media has to be fully evaluated in strategic positioning for cities' brands and the influence of media planning on the city's branding strategy, the extent of the appearance of media and how the cities are to react to the information provided by the media.

City marketing as the umbrella concept of city branding

City marketing contains activities aiming at the promotion of a particular place. Early researches demonstrated that creating positive images for cities is a significant step to attract tourists [2]. In the 1990s, city marketing became a common urban policy tool for the promotion of tourism. Adopting "entrepreneurial city" strategies has provided new tools of management and marketing for city officials to market their cities. For example, declining industrial cities (Liverpool, Manchester, Barcelona, Berlin, Bilbao, Turin, etc.) have marketed themselves using the "positive" images of vibrant urban life, culture, and creativity to replace "negative" associations connected to industrial cities [25]. Because "the application of place marketing is largely dependent on the construction, communication and management of the city's image" [26], cities either exploit their distinctive features or they invest in art, culture, and sports. Some cities invest in city marketing to overcome other type of negative images stemming from, for example, civil wars, ongoing conflicts and tensions or natural disasters [25].

According to Kavaratzis [1], although city marketing policies deal with the city's image, they fail to define what is the "city product," to affect the city's market and understand the preferences of consumers. Caldwell and Freire [27] suggest that the aims of city marketing are to identify the cultural meanings and images, whereas "branding endows a product with a specific and more distinctive identity." On the other hand, city branding provides "a base for identifying and uniting a wide range of images intended for the city and meanings attributed to the city in one marketing message, the city's brand" [1]. Branding provides not only a starting point for city marketing but also a framework and a practical approach to manage the city's image [28].

3. Designing process of city branding strategies

In order to ensure a branding success, right strategies need to be followed. Kotler et al. [28] suggest applying strategic market planning approach that involves five basic steps:

- *Place-audit (SWOT)*: To estimate what the community is like and why.

- *Vision and goals*: To determine the goals and vision of the place.

- *Strategy formation*: To identify strategies to accomplish the goals.

- *Action plan*: To list each action that will help to implement the strategy.

- *Implementation and control*: To monitor and evaluate the implementation process.

Drawing upon [14, 28], Rainisto [29] takes the argument a step further and develops a theoretical framework for the success factors in place marketing where place marketing is analyzed from the perspective of the place marketing practices and success factors that explain success or failure of place marketing. Five elements in the inner part, or so-called self-action factors—including (a) planning group, (b) vision and strategic analysis, (c) place identity and place image, (d) public-private partnerships, and (e) leadership—represent the core building stones in place marketing practices and the organizing capacity of the place [24].

Rainisto [29] developed clearer operational plan to build a branding model for places. Again, five steps are observed in this study too. (a) Start-up and organization; (b) research stage; (c) forming brand identity; (d) making, executing and enforcing the plan; and (e) implementation and follow-up. The authors state that either of these plans "may be utilized in the context of cities, depending on their size and type" [30].

Planning models of place brands explained in the literature seem to have similar attributes and indicate an extremely important role played by the controlling (planning) unit and research team, which define development of vision and goals and lead toward successful formation, implementation, and evaluation of branding strategy [24]. Strategic planning process in place marketing [14], theoretical framework for the success factors in place marketing [29], and operational plans for country and tourism destination branding [30] are the most comprehensive studies accomplished to date, which are directly related to the problem of the research. Following are the stages:

Stage 1. Design of planning group: The planning group has to organize, coordinate, and manage branding process of the city. Group's responsibilities include defining and diagnosing the place's condition, developing a vision for a place and developing a long-term action plan for investment and transformation [14].

Stage 2. Research step: The aim of the research stage is "to collect extensive basic information for decision-making" [30]. This stage embodies what Kotler et al. [28] call place-audit, helping the planning group to understand what target audience is like and why.

Stage 3. Identification of vision and goals: Vision and goals are based on the conclusions made after the research. This is a critical stage in the city brand development process because "without a coherent vision, it is difficult to prioritize various projects" [28].

Stage 4. Comprehensive branding strategy formation: The purpose of this stage is to formulate a comprehensive strategic plan for the brand.

Stage 5. Development of action plan: A lack of detailed action planning poses a serious threat to successful development of a city's brand strategies; thus, every strategy must be elaborated

into the action plan. According to Ref. [28], action plan should list each action, plus four additional components for each action: the responsible authority, implementation strategy, cost, and completion date.

Stage 6. Implementation, control, and evaluation: Kotler et al. [28] observe that "visions, strategies and plans are useless until they are implemented effectively." Therefore, this stage is a final step toward the development of city as a brand. It uncovers all strategic flaws and, at the same time, highlights the strengths.

4. Developing city branding strategies for İstanbul

In this chapter, the approach and practiced branding tools to address the city branding subject—which has been explained in terms of theoretical framework and its planning processes in the earlier chapters—in regard to Istanbul will be discussed.

The long-term urban vision of Istanbul has now evolved from industrial production to service sector and especially to tourism. It means that branding strategies for Istanbul which are planned to develop as a tourism city should also be clarified within the tourism framework. This is why Istanbul Metropolitan Municipality has made the Tourism Master Plan prepared in order to manage the city's tourism sector, envision its future, and develop the necessary strategies. The tourism sector has been thoroughly analyzed and the methods aiming "how to sell Istanbul to tourists" have also been discussed parallel with the other topics in the master plan. As known, it is not easy to develop tourism strategies for a great metropolitan like Istanbul which is quite diversified. Therefore, the branding and marketing strategies designed for this city must be based on certain assumptions and tools.

The methods for developing branding strategies recommended by many experts, including Kotler and Rainisto, have been almost completely implemented in the case of Istanbul; initially, the groups with the potential of leading and directing the city's branding strategies have been identified. These groups were brought together in the meetings involving the public institutions, private sector, and NGOs. Additionally, people and institutions that live in this city as tourists, residents, commercial units, and are a part of the city's economy have also been surveyed. All these researches stemming from the primary source have been quite useful in determining the strategies for Istanbul.

The second phase of the study proceeded with the evaluation and comparison with cities which successfully manage branding process in the world. After the secondary sources review, the local dynamics participating in the process—survey with local and foreign tourists, the interviews with local authorities, focus group meeting results with sector representatives—have been taken into consideration. In addition to all, the obligatory plans of Istanbul and the supporting legal procedures have been directed to the process. Thus, the necessary steps for Istanbul have been clarified and put forward.

The vision and goals are identified in the third phase. The vision designed for Istanbul is of high importance in terms of the practicality and feasibility of branding strategies. Branding

strategies have been developed in regard to Istanbul's identity and its prospective place in the market.

The fourth phase is the phase where all the specifics of this work are being addressed. To identify city branding strategies, one of the most important strategies is brand positioning. Brand positioning describes how a brand is different from its competitors and where, or how, it sits in a particular market. So, from this point of view, it is aimed to create a common message to differentiate Istanbul from other cities for target groups. The steps followed to identify Istanbul's branding strategies are as follows: (1) tourism variability and geographic wideness, (2) originality and character, (3) interaction and communication, (4) global effect, (5) strong infrastructure and high quality of life, (6) the spirit of the city, and (7) the symbol attributed to the city.

It should be emphasized once again that Istanbul's branding strategy focuses on tourism-based branding. The reason is that Istanbul is not being envisioned as an industrial city in its development plans, but as a city with service sector accumulation shaped by cultural tourism. Therefore, branding strategies for Istanbul have been developed in a way that they shed light on city's touristic identity in regard to its vision.

The criteria mentioned above are quite exclusive to İstanbul itself. These criteria can represent different concepts for various cities of the world. Namely, a city does not have to meet all the abovementioned criteria in order to become a worldwide known brand. The tools taken into consideration in Istanbul's branding process are asserted below:

1. Tourism variability and geographic wideness

Istanbul is a substantial city, offering tourists many alternative tours and experiences. To realize İstanbul in a better market position, increasing number of thematic tours and expressing the city's tourism with its own unique stories are some of the ways. The local governments provide the tourists' infrastructure, assets which are right and proper for this much huge city. It is important that the taken measures are corresponding to city's physical, social, and economic carrying capacity. Another important step to make sure that foreign tourists completely perceive the city's greatness should be strengthening the transport system. Favoring public transportation in İstanbul will increase the satisfaction of tourists and also locals' quality of life.

The city is rapidly sprawling and its population is getting over 14 million. However, the visitors generally spend time in a limited touristic core site and leave after short overnight stay. Istanbul is undoubtedly more than a few mosques and squares. But, unfortunately, visitors leave the city with little to no awareness of its valuable assets.

2. Originality and character

Istanbul with its history of thousand years, cultural background, natural beauty, tolerance coming from its location on the crossing of roads and continents is probably the most unique and original city of the world, which has been the capital of three different civilizations.

This character is the reason for the increasing number of tourists and Istanbul's annually ascending share in the tourism market.

Originality and character are the most important strategic factors of marketing and branding activities. Istanbul's originality and the way it differs from other cities are the main qualification of the branding strategies. The originality of a city can be basically defined as the one determining the city's character, its identity and its place in history. However, the strategy is also supposed to draw attention to the risks in this scope. A city can only be considered unique and characteristic when it offers a special image to its visitors and residents, whereas Istanbul is left behind in this regard because of its undesirably rapid transformation process. Even the locals of the city cannot live up to this rapid transformation, while at the same time causing the city to possibly lose its special image. The constant modifications made in the city squares, public areas, buildings' functionality, and the unsustainable transport connections seem to be the contributing causes aimed to make the city lose its history and image.

To sum it all up, it is necessary to develop a branding strategy that will protect the city's originality and character, which are the base of its marketing and promotional strategies, pay regard to the city's historical/cultural heritage, and focus on tourism as much as the city's carrying capacity allows.

3. Interaction and communication

The necessary communication criteria assess the ability whether the city properly communicates with its tourists, locals, and investors. The criteria are

- Continuity

- Consistency with the country's image

- Memorability

- Differentiation

- Persuasiveness

- Corresponding to the target group

- Effective motto

The communicational instruments assessed with the abovementioned criteria have to be used in every aspect of communication in the city. Another point is that these criteria provide us with the necessary tips to determine the elements of proper communication. In addition, creating the motto and defining its communicational method as well as its usage frequency, its share in the marketing and promotional budget are the important steps to take. The leading tips for Istanbul's branding strategies within the scope of abovementioned criteria are presented below:

a. Continuity

The strategy developed for Istanbul's city branding is supposed to be continuous with respect to how it is featured and presented in the digital platform but also to the promotional elements

including the colors, motto, and the image. This strategy should be inclusive of all preferences, on the contrary of focusing on certain political views. Branding elements should be determined in accordance with a wide spectrum of inclusiveness.

b. Consistency with the country's image

According to the statistics, one can see that the second most visited destination after Antalya is Istanbul. So it would not be wrong to use the expression "Istanbul is Turkey." Turkey's position in the global market directly affects Istanbul and the other touristic cities. For this reason, nationwide strategies and plans remain important. Some of those nationwide strategical documents are The 10th Turkey Development Plan (2014–2018 term), Medium Term Program (2012–2014), Tourism Strategy of Turkey 2023, Tourism Vision of Turkey, Istanbul Environmental Plan, and Regional Plan of Istanbul for 2010–2013 prepared by various public institutions.

c. Memorability

A branding strategy can be considered successful when it is remembered by its target group. The fact that the city has a catchy image in the minds of local and tourists indicates that the communication methods and image elements have been effectively selected. A tourist who leaves the city with positive impressions remembers the city positively and conveys his/her thoughts to people. On the other hand, the fact that a city is remembered in a negative way, it reflects more negatively and it affects more people. During the master plan process, tourist surveys were conducted. Surveys proved that the first three things that spring to tourists mind are the "monuments and historical sites," "multicultural and cosmopolitan city," and "Bosphorus."[2] That is why it would be rational to build Istanbul's branding strategies on these bases.

d. Differentiation

Istanbul should focus on differences and characteristics in its communication strategies. Istanbul's unique values and its urban identity make it different from other cities. Urban identity is consisted of the city's history, social pattern of the residents, economical elements, and natural beauty as a whole, and Istanbul must defend, protect, and provide its uniqueness for its residents and itself first.

e. Persuasiveness

A branding strategy should possess the most persuasive methods and factors. Very few cities in the world manage to offer different kinds of products and services. So Istanbul should also set goals matching its soul and act on these goals in the most stubborn way. The strategy should comprise positive messages and create positive connections with the human soul because otherwise it cannot be considered catchy and persuasive.

f. Corresponding to the target group

The target groups for Turkey's tourism sector have been defined as "*the people who have middle and upper level of education and income, favoring price and quality, young/middle aged and aged 65+ with*

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[2]*A total of 7200 local and foreign tourist have been surveyed during the preparation of the Tourism Master Plan.*

substantial travel experience who want to have a unique travel experienc" in the upper scale strategy reports. As it is seen, the target group for Turkey has been defined and therefore branding strategy should be referring to this group.

g. Effective motto

An effective motto is a powerful factor adding to all the other communication elements assessed above. It integrates all of these factors as a whole. So Istanbul can utilize an inclusive and effective motto for its diversifying promotional strategies in various markets. This means that this motto would help the city reach its target groups, be persuasive and focus on its original, memorable and continuous image. The motto must be a result of long contemplations but has to be easily comprehensible at the same time. It should express itself in short, clear, and original way. This motto should not only take place in TV ads, billboards, or exhibitions but also in the minds of the locals and daily life of the city. Due to this, the motto must be acceptable to everyone and must definitely benefit from technology. The motto should be together with its supportive products in the market.

4. Global effect

The brand positioning of cities in the branding process is relative to their global influence. Global influence of cities is based on the social and economic value that the city produces and also product and services it offers to the world. The social and economic value of a city is related with the brand of the city itself. And this social and economic value can be represented by various things in the city including its football club, its famous nightlife, its food, music, musicians, shopping centers, festivals, etc.

5. Strong infrastructure and high quality of life

Cities cannot position themselves in the branding process unless they have strong urban and tourism infrastructure. The fact that a city has physical, spatial, and intellectual infrastructure as part of its branding value strengthens the quality and recognizability of its branding value. A city must meet all the infrastructure requirements necessary for its potential branding value.

6. The spirit of city

The marketing paradigm of our age accepts systems with integrated marketing strategy and with proper communication channels instead of propaganda. The age of unidirectional communication is over. The advertising campaigns of past run by one company are now replaced by systems that are downloadable to smartphones and tablets, possible to transfer to digital platforms, easily comprehensible and integrated. The spirit of Istanbul should be productized into a computer game, a souvenir, a story, a color, or a smell.

7. The symbol attributed to the city

Istanbul is a multicultural city offering various kinds of experiences. Its history of 10,000 years, having been the capital of three civilizations, being the hot spot of tolerance are the

reasons that it has thousands of cultural inventory, civil architecture sites, and monuments. That is why it is impossible to only focus on one feature of a city with so many assets. As a matter of fact, Istanbul offers many alternatives in the tourism sector—ranging from health tourism to congress tourism. It is also the actual capital of the country if not official. So creating a single symbol for Istanbul can be not so practical for such a city. In spite of all of these, a short, clear motto created after long contemplations and supported by industrial products of the city and art activities, including movies and music, will help originate a word that firstly comes to mind about Istanbul.

5. Conclusion

Cities of the world started to get attracted to the world of marketing and branding, especially after the nineteenth century. The theoretical framework of place marketing occurred by three developments in the marketing discipline: marketing in non-profit organizations, social marketing, and image marketing. This introduction is one of the results of global meaning differentiation of cities. More than half of the world population now lives in cities, and an important part of gross world product is gained from the cities. Travel and transportation of people, products, and services have become easier as well thanks to the developed transport and communication systems. These all contribute to the connection between cities while creating a competitive environment at the same time. So in this scope, it is mentioned that the brand representing Istanbul must reflect its diverse composition, its tourism form, which offers a wide spectrum of alternatives and its promising future in terms of economic and social aspects. Istanbul offers diversity with its big population, rich history, and growing economy, rather than offering a future only on a certain sector. However, this diversity can bring the risk of uncertainty and chaos if the governors of the city do not manage to steer the branding process.

Due to the success of city branding activities, there are some certain steps to be followed. These widely accepted steps are: (1) designing planning group, (2) searching the issue, (3) identification of vision and goals, (4) comprehensive branding strategy formation, and (5) development of an action plan. These leading steps can be expressed differently.

This chapter discusses the assessment of branding issue that has been addressed in scope of theoretical framework and planning processes and the results of this assessment for Istanbul in light of the conceptual approaches. The process that has been taken in developing Istanbul's branding strategies suits the steps presented above. Istanbul's branding development process—the work groups, research steps, the vision and goals—has been summarized in the chapter. The means and methods used to plan Istanbul's branding strategies are thoroughly explained. Seven efficient criteria have been evaluated in order to assess the brand positioning process: These are (1) tourism variability and geographic wideness, (2) originality and character, (3) interaction and communication, (4) global influence, (5) strong infrastructure and high quality of life, (6) the spirit of the city, and (7) the symbol attributed to the city of Istanbul.

The criterion of "interaction and communication" is the one which was explained thoroughly. Subtitles have been developed in order to explain the establishment of proper interaction and communication. The subtitles show us the importance of communicational continuity, its consistency with the country's image, its memorability and persuasiveness, its coherence with the target group and the necessity of being supported by an effective motto. Additionally, the current situation of Istanbul has been assessed based on each of these criteria. The assessment of criteria was introduced to the Metropolitan Municipality as a report resulting in even more clarification of the brand positioning strategies to be designed for the city. The approach that will be determined for Istanbul's branding has been provided with a detailed description at the end of the branding assessments.

This study has several limitations. The main limitation is that it explored literature (published in scholarly references) and case studies in English. Analyzing studies in native languages may deepen national perspectives. This is a viewpoint for both limitation and future studies for the natives for any other languages. As a further research, including the references and case studies on other geographical entities can contribute to literature by drawing a more detailed map, and by doing so, the future directions of researches may be set.

The city branding literature is still open for development by urban planners' perspective. Because there are gaps in the literature in terms of theories and approaches, there is a need to find common ground of planning-oriented approaches. Another point for future studies is that the knowledge should be deepened regarding branding tools based on the internet and digital platforms.

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Management of a City Brand: An Examination on Three Stakeholders' Attitudes

Funda Bayrakdaroğlu

Additional information is available at the end of the chapter

Abstract

Nowadays, cities mean more than just being a geographical border. Many researchers and practitioners evaluate cities under "brand" category; therefore, they adapt all kinds of branding techniques developed for products to cities. Thus, city branding has become a commonly studied topic in the literature within theoretical and practical contexts. The understanding of stakeholders' needs lie behind the success of city branding. The three basic functions of cities, i.e. "to live, to do business, and to visit," point to the fact that the stakeholders in city branding are composed of residents, entrepreneurs, and visitors. However, it is observed in the city branding literature that limited stakeholder groups are in focus. According to the limitedness in the literature, the purpose of this study is to analyze the attitudes and behaviors of stakeholder groups composed of residents, entrepreneurs, and visitors toward a city brand. Data of the study were acquired via face-to-face questionnaires with 1145 respondents of which 481 were residents, 342 were entrepreneurs, and 322 were visitors. Structural equation modeling (SEM) was employed as a research method. The findings of SEM show that the city brand elements that affect the attitudes of residents, entrepreneurs, and visitors toward the city brand are different.

Keywords: city marketing, city branding, stakeholders, residents, visitors, entrepreneurs

1. Introduction

Branding methods, which have conventionally been applied in order to differentiate the goods and services from the rivals' offerings, are employed in many fields at the present time. Many of the most known cities and countries in the world have realized the need for branding and struggle to increase their preferability in global competition. Therefore, cities

are not only geographical borders that combine people to continue their lives, but also a city may refer to a "branded product," which affects many stakeholders and is affected by them at the same time.

In consideration of the elementary idea of marketing as to meet the needs and wants of consumers, every city should develop a stakeholder management system that enables to consider the needs of city's own consumers. However, the answer to whom or which organizations constitute the stakeholders is diversified. The reason is that a city may be a destination to be seen, a place to live, or an area to set up and run a business. So, multilateral structure of stakeholders in city branding is very understandable. The multilateral structure of cities implies that the expectations from the city and the attitudes toward that city may vary. From this point of view, it can be stated that three main stakeholder groups are composed of residents, visitors, and entrepreneurs depending on three certain functions of a city as "to live, to visit, and to do business."

Consumers develop attitudes toward a city brand—likewise a product, a person, or an object—according to the stakeholder group which they belong to. The examination of stakeholders' attitudes toward the city brand makes a sophisticated stakeholder management, which underlies the success in city branding, possible. Therefore, the present study focuses on attitudinal differences among three basic stakeholder groups (residents, visitors, and entrepreneurs) toward Muğla city brand in consideration of various city brand elements. Hereunder, the first section devotes attention to the literature review of city branding and its connection with three stakeholder groups. The next section expands on data collection and findings regarding residents, visitors, and entrepreneurs' attitudes.

2. City branding

With the global integration that is defined as globalization, territorial limits disappeared, economic, political, and social relations have accelerated and capital circulation moved beyond national borders. Beyond doubt, cities were affected mostly from the quick spread of globalization [1]. In other words, in the context of global intercity competition, cities' major goal is to increase their competitiveness, in which the positioning and attractiveness of a city have a critical function [65]. As a result of these, many of the most known cities in the world struggle to be a center of attraction and try to develop successful strategies in order to be the best managed and liveable city and to be capable of competing with others.

When the competitive pressure both in local and foreign markets is taken into account, the growing importance of adaptation of branding techniques to cities in theoretical and practice dimensions can be understood better [2]. Moreover, even if there are some unique features of city branding which differ from product branding, strategies devoted to product branding can be applied to cities to a great extent and those concepts of branding form a basis for branding of cities [3]. Accordingly, nowadays marketing and brand management are not only proper for products and services, but also they are handled for city marketing and city branding [4].

City branding is generally associated with city marketing. In spite of close relationship between these two concepts, some differences draw attention. The application of city marketing, which is defined as *"the coordinated use of marketing tools supported by a shared customer-oriented philosophy, for creating, communicating, delivering, and exchanging urban offerings that have value for the city's customers and the city's community at large"* (p. 43) [5], can be possible through city branding. Hereunder, the applicability of marketing to cities must be considered with city branding [6]. In plain language, *"city branding is merely the application of product branding to cities"* (p. 508) [7]. O'Leary and Iredal who made a mention of the concept first refer it to *"a set of activities which are designed to create positive attitudes and behavior towards geographic places"* (p. 156) [8]. According to another definition, city branding is *"indicator of activities put forth by the cities which pretend to be a center of attraction for existing and potential customers and aim at creating a positive perception in the minds of people by adding value to every kind of output concerning the city and city-dweller with the application of product and service branding strategies to cities"* (p. 97) [9]. Various researchers have contributed to the explanation of city branding concept with their definitions which are presented in **Table 1** [10].

One of the most comprehensive definitions was suggested by Zenker and Braun as *"all associations which are visually, verbally and behaviorally formed in the minds of consumers and shaped by general design of the city through the aims, communications, values and culture of its stakeholders"* (p. 5) [11]. As seen in the definitions, it is quite clear and common that city branding is generated in the minds of people [12].

Once a city has created its own brand, it can achieve various advantages like serving as an attractive place for visitors, a peaceful urban life for residents, and an accelerating industrial and trading area for investors and entrepreneurs [13]. For this reason, the importance and meaning of creating a city brand must be addressed through the stakeholders in a city.

Researcher	City branding definition
Nickerson and Moisey (1999)	City branding is building up a relation between people and the image of their city.
Hall (1999)	The essential goal of city branding is to "provide a consistent and focused communication strategy."
Cai (2002)	City branding means to choose a consistent brand factor combination by establishing a positive image in order to gain a recognition and differentiation with the city as the destination. The brand factors include names, terms, signs, logos, design, symbol, slogan, packing or the combination of the above; among them, name is the priority.
Rainisto (2003)	City branding is a method to increase the attraction of the city; the essential point is to establish city recognition.
Julier (2005)	City branding is considered an effort to create and enrich the city's qualities.

Table 1. Different definitions in the literature regarding city branding.

2.1. Stakeholders in city branding

Core of the marketing underlies understanding of needs and wants of (potential) consumers. Aaker [14] states that the most important obstacle is to define the consumers with the products and services of the organization instead of consumers' needs and wants. Levitt [15] describes this with the concept of "marketing myopia." The philosophy of city branding also corresponds with "customer-orientation" [13]. Besides, according to Kavaratzis and Hatch [12], the most essential part of city branding is the stakeholders of city. Satisfying the varying needs of stakeholders in an optimum way—the primary objective of city branding—accords with this as well [16]. Moreover, every city embodies different "capitals," which give strategic strength to the city and carry it a step further. These are intellectual and social, environmental, technical, financial, culture and leisure, and democratic capitals [17]. Integration of these capitals in the city has transformed city branding to very interactive field for stakeholders rather than handling the city solely to create an attractive place for visitors [18].

Defining the stakeholders in city branding as *"all the people and organizations that are important for the functioning of the city"* (p. 49) is the easiest answer but not the most satisfying one [5]. Depending on "Stakeholder Theory" of Freeman [19], stakeholders can be described as parties who affect the city brand and also affected by it. Even if stakeholders are labeled as "city's customers" [5], "city's owners," "city's users," and "city's managers" [20], what's certain that the complexity and the quantity of city branding stakeholder groups are more multifaceted in comparison to product branding. What is meant by the quantity and the complexity challenge of city branding is the large number of stakeholders and the limited understanding of branding among key stakeholders [64]. Accordingly, the stakeholders grouped with various labels and different categories are shown in **Table 2** [5].

Categories	I	II	III	IV
City's users (Van den Berg et al., 1990; Ashworth and Voogd, 1990)	Residents	Companies	Visitors	
Target markets of city marketers (Kotler et al.,1993; 1999)	Residents and employees	Business and industry	Visitors	Export markets
City customers (Rainisto, 2003; Kotler et al., 2002)	New residents	Producers of goods and services, corporate headquarters and regional offices	Tourism and hospitality	Outside investment and export markets
General customer groups (Braun et al., 2003)	(Potential) residents	(Potential) companies	(Potential) visitors	(Potential) investors

Table 2. Stakeholder groups in city branding.

As shown in **Table 2**, it is possible in city branding to refer to several meanings and different levels of involvement for stakeholders. According to Işık and Erdem [59], the success of city branding is associated particularly with the efforts of local administration (municipalities), nongovernmental organizations, and volunteers. In addition, Oğuztimur and Akturan [60] state that cities compete with one another to meet the needs of their target groups like citizens, investors, and tourists and try to achieve a sustainable competitive advantage. Moreover, Hultman et al. [62] suggest examining brand administrators' attitudes because it constitutes an important first step in defining the extent of advocacy that should accompany city branding. Hence, research on city branding should focus on various stakeholder groups as possible in order to develop strategies for cities how to build an advantageous brand [21]. At that rate, the more diverse research group related to stakeholders in city branding, the more successful city brand positioning. When the basic functions of a city as "to live, to do business, and to visit" is taken into account, three significant stakeholder groups become prominent: residents, entrepreneurs, and visitors [22]. In other words, cities struggle for attracting residents, visitors, and businesses more than ever [23]. Moreover, within consumer-based approach, it is worth to examine the relations and interactions that sometimes create synergy and sometimes conflict among these three stakeholder groups [5].

2.1.1. Residents

Residents, one the stakeholder group, are often pointed out as an important target market in city branding [22–26]. If consumer-orientation is regarded as the core philosophy in marketing science, resident-oriented city brand should pay attention to the way residents create an image of the city, how they perceive and assign a meaning to it, and what kind of physical, symbolic and other elements they attach to it when they are evaluating the city [7]. According to Braun et al. [22], resident in a city have four different roles while they are interacting with others:

- The first and most absolute role of residents as "consumers" is being an important target market. It is important to note that both potential and existing residents should be assumed as consumers and branding strategies of the city should be developed in order to influence their decision-making processes.

- Residents are the integrated part of a city brand. This is the result of a deliberate marketing strategy but it is also a natural process as residents are the "bread and butter of cities." Moreover, residents contribute to every phase of developing a city brand. Therefore, Freire [4] states that residents should be evaluated as a "manageable" asset.

- Another role of residents arises with "brand ambassador" mission. This is because residents interact with visitors directly or indirectly and constitute a link for the evaluation of consistency between expectations and reality. Moreover, if the residents understand and adopt the promise of city brand, targeted behavior will occur toward that city [23].

- The most ignored role of residents is their being "a citizen" at the same time. Residents play a key role as citizens who involve in political legitimization of the city with their votes [27]. It is necessary to pay attention to this role due to citizens' influential political power [23].

Besides economic contributions to "residential consumers," cities offer many social and emotional benefits like information sharing, social bonding with others, and involvement in activities [28]. One of the basic branding dimensions for cities is to pride of residents upon the city, which is convenient for living and available for opportunities [18]. Accordingly, a general answer for the question "What kind of expectations the residents have concerning the city?" is "a suitable place to live in." A city is a place in which residents have their home, continue their jobs, raise their kids, and share their social life with their friends. Moreover, most of the residents embrace the city as a "belonging matter." Thereby, residents expect to live in "an attractive living environment" that meets their needs and wants [22]. The attributes that make the city attractive for residents to live in or meet residents' needs and wants can vary. According to a global research, liveability of a city depends on "cultural movements, standard of living, convenience of traffic flow, and the working age population" [29].

Kemp et al. [25] state that one of the most necessary points in building successful city branding strategy is analysis of residents' needs. Moreover, when residents show loyalty to city brand, they establish a bond between themselves and city branding efforts, yet more they attach city brand with their self-identity, ultimately, they promote the city through word-of-mouth by serving as an "ambassador." So, residents who have positive attitude toward city convey the uniqueness of city brand to other stakeholders [30]. Freire [4] contributes that city people is the most important component of city branding, and visitors are affected by resident stakeholders while they are deciding on destination to visit.

2.1.2. Visitors

The power of cities in attracting visitors is one of the significant economic, social, and cultural health indicators of the region [29]. This brings the visitors, who visit the city with any reason, into prominence as a stakeholder group in city branding [5, 31, 32]. Tourism researches that regard city branding as "an effort to increase the number of visits to the city" focus on visitors [33–39, 61, 63].

According to tourism literature, the place visited is named as "destination," and destinations are visited by two types of visitors: business tourists and leisure tourists [32]. With a more general classification, Kotler et al. categorize the visitors as business visitors and nonbusiness visitors. Business visitors are people who participate in business meetings, look through the lands and properties, buy or sell the products, whereas nonbusiness visitors are called "tourist" and they constitute the group who wants to see the city's landmarks and center of attractions, historic buildings, or to visit their families and friends [31]. As it is found, this stakeholder group is not composed of tourists; hence, the groups should be titled as "visitors."

A more detailed classification of visitors can be listed as follows [40]:

- Conference and fair participants

- Short-term visitors

- Daily travelers

- Stopovers in the city by visitors during a long trip

- Stopovers for shopping while having a touristic trip

- Long-term visitors who want to visit the place around the city

The attributes that visitors look for in a city vary depending on the reason of their visits. In other words, the motivation for destination choice is affected by expected benefits from the city and passes through five phases as illustrated in **Figure 1** [41]:

Irrespective of the visitors' reason for being in the city, their spending on diverse products and services contribute to the city directly or indirectly. Therefore, to enhance these, spending must be targeted by increasing the number of visits and extending the period of stay because every marginal visit lowers the unit cost [40].

Moreover, even if visitors are expected to stay temporarily and not to reside in the city, Braun [5] points out that visitors may turn into a resident if they are satisfied from the visit. Depending on the visitor's potential for being a resident, it is necessary and important to understand the expectations of visitors from a city. Tourism managers and marketers frequently face the question "What are the factors affective on city choice to visit?" For this reason, it is essential
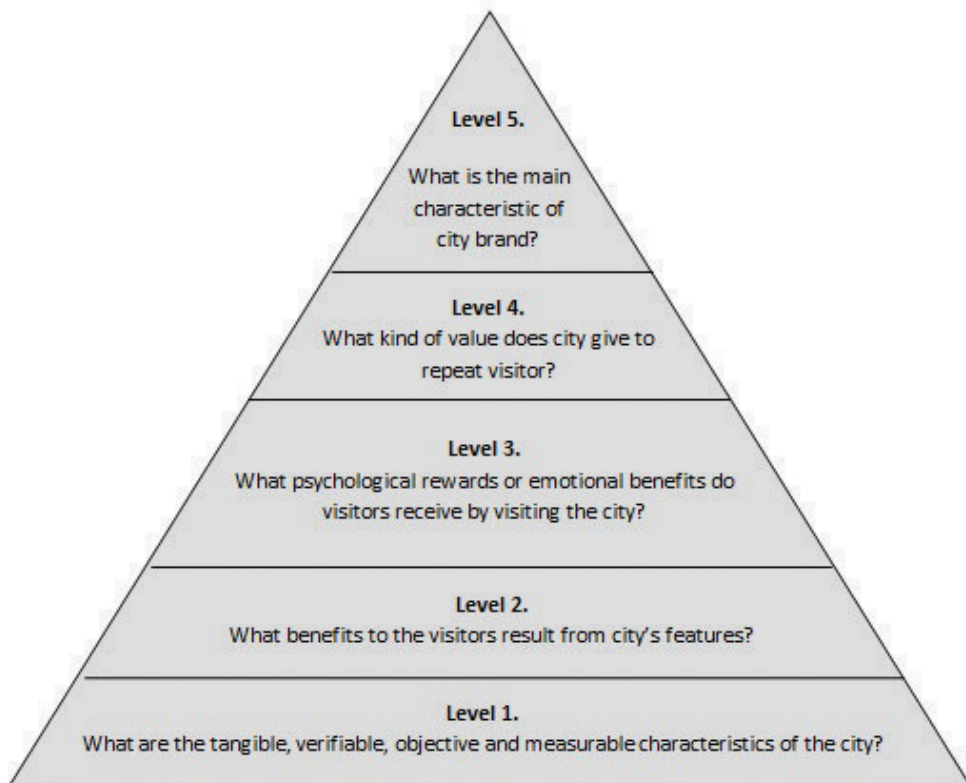

Level 5.
What is the main
characteristic of
city brand?

Level 4.
What kind of value does city give to
repeat visitor?

Level 3.
What psychological rewards or emotional benefits do
visitors receive by visiting the city?

Level 2.
What benefits to the visitors result from city's features?

Level 1.
What are the tangible, verifiable, objective and measurable characteristics of the city?

Figure 1. City brand benefit pyramid.

to know how visitors decide a city to visit among the other alternatives. City marketers must order the factors and benefits, which the targeted visitors look for while they are making their minds concerning city choice [42]. Besides, the factors affecting that decision vary according to the purpose of visit [5]. The reason is that there may be many brand attributes presented by the city to visitors who expect diverse benefits and value from their visits. For example, elder visitors may give importance to safety of the city, whereas young visitors may want to enjoy a vibrant nightlife [42]. And business visitors may look for potential of conference hotels and nonbusiness visitors decide by a variety of leisure time activities in the city. The cities that have high attractiveness in terms of touristic visits are examined, it is seen that some of them are preferred by its historical sites, some are visited due to its natural beauties, and some are chosen by the artifacts in the city [38].

2.1.3. Entrepreneurs

The cities that recognize with each other as a rival and adopt a competition based on a knowledge-based economy want to attract capable and qualified workforce, new investments, and lucrative businesses to the city as well as visitors and residents [43]. In this sense, within city branding, entrepreneurs and business owners constitute another stakeholder group that must be analyzed in terms of their needs and wants [3, 5, 31, 44].

Cities develop some strategies in order to preserve their economic structures concerning the business people and entrepreneurs in the city. The purposes in developing these strategies are to keep existing businesses in the city, to produce plans and services for the contribution to the expansion of businesses, to encourage entrepreneurs in the city for creating new businesses and to attract new entrepreneurs to the city [16]. In this way, cities may achieve "entrepreneurial look." Thus, they gain entrepreneurship culture that gives them a sustainable competitive advantage over other cities [43]. If a city has an entrepreneurial culture, it can offer a lucrative business environment for both national and international businesses [16]. Indeed, these kinds of cities are remembered by successful enterprises within its scope: Munich is remembered with BMW and Atlanta is called with Coca Cola. Such kinds of successful entrepreneurships serve for attracting foreign investors and visitors, and generating income to the city, taking pride in city, and developing local businesses. This situation paves the way for new enterprises and attracts the itinerant work power from national and international markets [45].

The businesses and enterprises in the city assist cities to gain and sustain competitive advantage [43]. Therefore, one of the branding strategies concerning places is to build a city brand as "a place to do business" [46]. In that case, as residents put city's attributes ahead in terms "living," so entrepreneurs evaluate the city from the view of "running business." In other words, entrepreneurs expect to find a business environment that gives the chance of success from the city they do business. The attractiveness of a city in terms of businesses depends on its being "entrepreneur friendly." Such environment includes tax incentives, qualified labor force, economic development, succeeding enterprises, availability of procurements, easy access to markets, and high living standards [47].

Garcia et al. [3] state that entrepreneur stakeholders are ignored in the city branding literature in comparison to the others, especially when compared to visitors. Furthermore, within the city branding context, the studies that focus on entrepreneur stakeholders only handle the entrepreneurs in the tourism industry [44]. However, the competition among cities of today requires not only to limit entrepreneurs in the tourism industry but also to enhance the scope of stakeholders and to include entrepreneurs from other industries. Ritchie and Crouch [48] indicate that entrepreneurship in modern cities contribute to the development and competitiveness of places by strengthening competition, specialization, innovation, investments, growth, willingness to take risk, and production in the city.

Cities, which promise economic development for individuals and institutions, are at the forefront with their cheap land opportunities, easy accessibility, qualified work force, stable, and secure environment. Silicon Valley, Detroit, or cities in which techno parks are found call for entrepreneurs from all around the world. In Turkey, Bursa, and İzmit in the automobile industry, Denizli and Adana in textile and chemical industries, Eskişehir, Konya, Gaziantep in the food industry, İzmir-Aliağa and İzmit in the petroleum chemicals industry, and Manisa in electronic and white appliance industries have power to attract entrepreneurs [49].

3. Methodology

Even if the competition among cities dates back to old times, adaptation of planned and scientific branding strategies has been developing for most cities in the world. Within city branding, seen as an effort to increase visits at first, a comprehensive examination regarding various stakeholders who interact with the city is demanded over time. Besides, because of the three basic functions of a city as "to live, to visit and to do business," the main stakeholder groups are found as residents, visitors, and entrepreneurs within city branding. In this context, the present study aims at examining the attitudes of resident, visitor, and entrepreneur groups toward Muğla city, which is located in southwest of Turkey and known by its touristic destinations like Bodrum, Marmaris Fethiye and so on.

According to the aim of the study, universe is composed of residents (866,665), entrepreneurs (14,025), and visitors (3,222,315) in Muğla. When considering the universe, with 95% confidence interval, the statistically targeted sample size is 384. For three stakeholder groups, totally 481 residents, 342 entrepreneurs, and 322 visitors responded to the face-to-face questionnaire. Questionnaire used for data collection is composed of two parts: demographics concerning related stakeholder group in the first and second, attitudinal items toward city brand elements take part. The items concerning city brand elements are identical in survey forms for all types of stakeholder groups and taken from the related literature [4, 32, 36, 50–52].

A research model of the study designed for each stakeholder group separately is illustrated in **Figure 2**. City brand elements constitute independent variables, whereas stakeholders' attitudes stand for dependent variable of research model.

Hypothesis of the study is presented below:

H₁: The attitudes of stakeholder groups to city brand elements vary.

For data analysis, structural equation modeling (SEM) was employed. The reason of choosing SEM, in comparison to common statistical methods like variance analysis, MANOVA, factor analysis, regression analysis, etc., lies behind its strength of modeling the relation among multivariables [53]. Moreover, SEM can be analyzed through various softwares such as AMOS, EQS, LISREL, and Mplus [54]. Nevertheless, AMOS differs from other software with its user-friendly structure and powerful solution offers [55]. Therefore, AMOS 20.0 was employed for structural equation analysis in the research.

To test the validity of city brand element scale and stakeholders' attitude scale, confirmatory factor analysis (CFA) was conducted. The results of CFA for both scales fit with commonly used fit indices in SEM research. Fit indices for city brand elements scale are χ^2/df = 3.241(acceptable fit), RMSEA = 0.044 (good fit), SRMR = 0.051 (acceptable fit), GFI = 0.904 (good fit), and AGFI = 0.887 (acceptable fit). Indices for stakeholders' attitude scale show all good fit as χ^2/df = 2.857, RMSEA = 0.040, SRMR = 0.009, GFI = 0.997, and AGFI = 0.985 see Ref. [55].
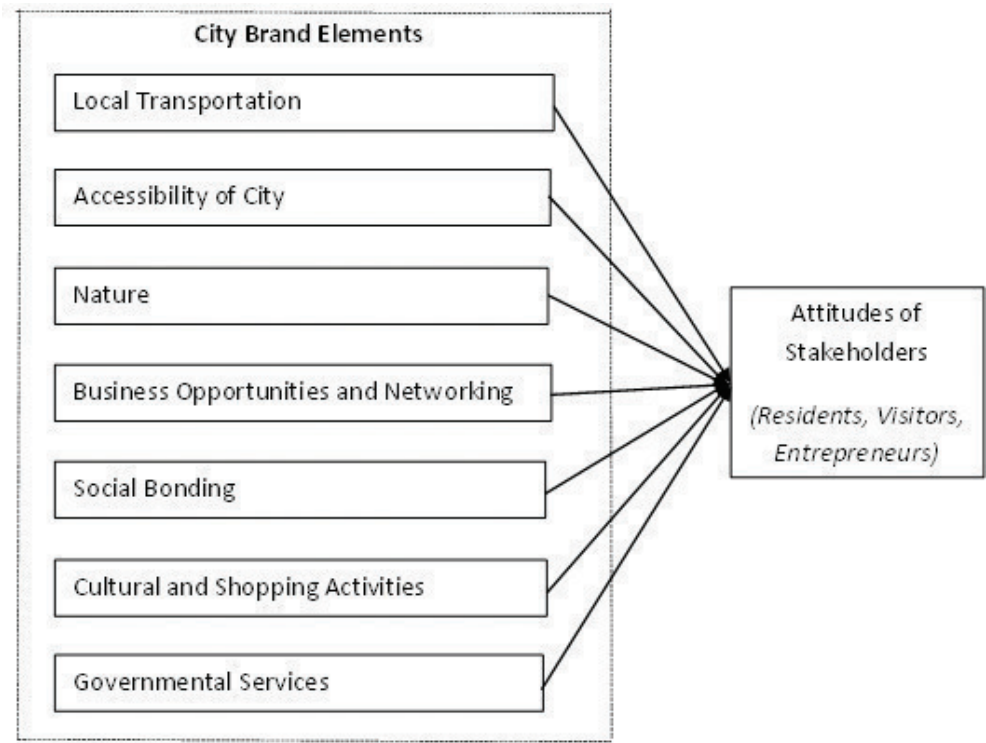

Figure 2. Research model.

4. Findings

According to the findings of study and **Figure 3**, nature, social bonding, cultural, and shopping activities are the elements that affect positively residents' attitudes toward Muğla city ($p < 0.01^1$ and $p < 0.05^2$).

General environmental cleaning, parks, and outdoor recreational areas of city affect the attitudes of residents toward city as well as livableness of it. The positive effect of social bonding on residents' attitudes can be commented with social relation between residents—even with other stakeholders see Refs. [4, 22, 56]—in the city from where people utilize more than just living. This is because cities satisfy socialization need of people. The positive effect of cultural and shopping activities on attitudes of residents can be explained by the orientation of people to leisure activities. According to Braun [5], the existence and accessibility of spare time activities have influence on liveability of a city. In this meaning, if city has shopping alternatives, various cultural activities and festivals, or ambulatories, residents are tend to have positive attitudes toward a city brand.

As shown in **Figure 4**, concerning the findings about entrepreneurs, nature, business opportunities, and networking, governmental services influence the attitudes of these stakeholders positively ($p < 0.01^1$ and $p < 0.05^2$).

The positive effect of business opportunities and networking on attitudes is an expected result. In this direction, business opportunities like easy access to resources while doing business, sufficient commercial support, and services concerning business and networking possibilities that make cooperation easier between entrepreneurs have an impact on the attitudes within business opportunities and networking. Another effective city brand element on the attitudes of entrepreneurs is nature. It may be difficult to reasonably correlate between this element and attitudes at first, but natural wonders in the city, many touristic districts such as Fethiye, Bodrum, Marmaris, and Datça, known by their nature and majority of tourism sector in the sample, clarify the relation. Moreover, the city has huge marble reserve capacity

Structural Path (Hypothesis)			Beta	t	p value
Local Transportation	=>	Attitude	0,024	0,431	0,666
Accessibility of City	=>	Attitude	0,070	1,327	0,185
Nature	=>	**Attitude**	0,293	2,882	0,004[1]
Business Opportunities and Networking	=>	Attitude	-0,012	-0,164	0,870
Social Bonding	=>	**Attitude**	0,302	4,651	0,000[1]
Cultural and Shopping Activities	=>	**Attitude**	0,217	4,473	0,000[1]
Governmental Services	=>	Attitude	0,132	1,518	0,129

Figure 3. Findings of SEM concerning resident stakeholders.

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[1]Statistically significant at p-value of 0.01.
[2]Statistically significant at p-value of 0.05.

Structural Path (Hypothesis)			Beta	t	p value
Local Transportation	=>	Attitude	-0,096	0,072	0,184
Accessibility of City	=>	Attitude	0,062	0,075	0,409
Nature	=>	**Attitude**	**0,382**	**2,492**	**0,013[2]**
Business Opportunities and Networking	=>	**Attitude**	**0,454**	**5,139**	**0,000[1]**
Social Bonding	=>	Attitude	-0,032	-0,383	0,702
Cultural and Shopping Activities	=>	Attitude	0,075	1,310	0,190
Governmental Services	=>	**Attitude**	**0,227**	**2,147**	**0,032[2]**

Figure 4. Findings of SEM concerning entrepreneur stakeholders.

that is nature-related source for entrepreneurs. It is assumed that nature's being effective city brand element is just because of the reason above. The last effective element on the attitudes of entrepreneurs is governmental services. According to İlgüner and Asplund [57], services provided by the government interest residents more than other stakeholders. Furthermore, entrepreneurs in the city are residents at the same time, so governmental services' effect on the attitudes of these stakeholders is very reasonable. In addition, governmental services include items as energy supply and security of the city that may be assumed necessary elements while doing business.

The attitudes of visitors, last stakeholder group, are affected by accessibility of city, nature, business opportunities, and networking, social bonding, cultural and shopping activities, governmental services significantly ($p < 0.01$[1] and $p < 0.05$[2]).

As shown in **Figure 5**, only local transportation does not have any significant effect on visitors' attitudes. Nature has the major effect on these stakeholders. It is so reasonable because Muğla, especially destinations such as Fethiye, Marmaris, Bodrum, and Datça, is an attraction center for visitors condensed on sea-sun-sand besides natural beauties that enable nature tourism and alternative tourism opportunities as agro-tourism. Accessibility of city, meaning how visitors reach the city and how easy it is to come, has positive effect on the attitudes. This is because the city has two national and international airports, nine harbors, and advanced highways. Although business opportunities and networking affect the attitudes of visitors significantly, this effect is negative. This negative effect highlights the need for improvement

Structural Path (Hypothesis)			Beta	t	p value
Local Transportation	=>	Attitude	-0,051	-0,932	0,351
Accessibility of City	=>	**Attitude**	**0,131**	**2,813**	**0,005[1]**
Nature	=>	**Attitude**	**0,521**	**5,829**	**0,000[1]**
Business Opportunities and Networking	=>	**Attitude**	**-0,268**	**-3,929**	**0,000[1]**
Social Bonding	=>	**Attitude**	**0,154**	**2,249**	**0,025[2]**
Cultural and Shopping Activities	=>	**Attitude**	**0,213**	**5,102**	**0,000[1]**
Governmental Services	=>	**Attitude**	**0,370**	**4,289**	**0,000[1]**

Figure 5. Findings of SEM concerning visitor stakeholders.

works in the city in terms of business opportunities and networking. In order to convert these negative attitudes to positive, convention centers and business centers may be built and some promotional efforts in national and international scales must be done to announce them. Social bonding has a positive effect on visitors' attitudes as so residents. Social bonding's effect on both visitors and residents clears the relation between these two stakeholder groups. Many studies justify that residents play a key role on visitors' satisfaction [4, 5, 26, 56]. Therefore, social conditions like helpful and friendly people in the city, relations with others, tolerance to different cultures, and ways of living affect positively the attitudes of visitors toward Muğla city brand. Another city brand element effective on visitors' attitudes is cultural and shopping activities. National and international organizations as cultural events, fairs, and festivals lead positive attitudes of visitors. International Gümüşlük Classical Music Festival, Yörük Culture and Art Festival, Traditional Bull Fighting and Camel Wrestling, Film and Culture Festival are just some of those. Moreover, when the findings of "Cluster Analysis in Tourism Industry in Muğla and Macro Level Strategic Planning" are considered, strong position in demand concerning shopping tourism in the city draws the attention [58]. The final element effective on visitors' attitudes is governmental services. Especially, issues as accessibility of those services and general safety of city affect opinions of visitors toward governmental services. So, it is possible to conclude that Muğla city brand meets the visitors' expectations from governmental services.

5. Conclusion and implications

Competitiveness does not pertain to just products and services; it has also become efficient in city scale. Competition between places makes the application of brand management to cities possible. Furthermore, nowadays, brand equity of cities can be calculated. Accordingly, city branding has become one of the popular fields of present time.

When departed from three functions of a city like empowering the position of city as a destination, offering a place to set up a business and to continue one's life, it is easily seen that three main stakeholder groups consist of residents, visitors, and entrepreneurs. In addition, these groups "consume" the same city attributes with different expectations and aims. The reason is that every stakeholder group uses its own lens and develops an attitude toward city brand.

Findings of the present study clarify that different city brand elements are effective on the attitudes of various stakeholders examined in study. Hereunder, every stakeholder group interprets the city brand in terms of own purpose of existence in the city and develops an attitude accordingly. The most salient point of the study is nature's being the only effective city brand element on all stakeholder groups. On this basis, recommended city brand element is nature in order to attract all stakeholder groups within city brand management of Muğla. While designing slogan and logo that play significant role on city management and on brand awareness of city, natural wonders of Muğla must be highlighted. Moreover, when the contribution of products special to city is considered, it is suggested that products like honeydew honey and marble, due to city's nature, must be promoted with videos and so on. Besides, in

order to attract new residents or to increase existing residents' quality of life, social bonding, and cultural and shopping activities must be enhanced. If the target is new entrepreneurs, city brand elements like nature, business opportunities, and networking, governmental services need to be improved. New visitors—as a stakeholder group—is in focus, city managers can make arrangements about accessibility of city, business opportunities and networking, social bonding, cultural and shopping activities.

This study has some limitations that provide opportunities for future research. The prominent limitation of the study is exclusion of some significant target groups in a city. Forthcoming research can include groups as students, nongovernmental organizations, and local administrations and confirm the findings with more empirical studies in different cities which have unique structure with the dominance of different stakeholders.

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Celebrity Endorsement: Developing A Brand Image in Housing Ads

Füsun Çizmeci Yöreş

Additional information is available at the end of the chapter

Abstract

This article aims to analyze the celebrity endorsement strategy used to communicate brand image messages in housing advertisements. Even though there is a lot of literature about celebrity endorsement, no research has been made up to now about how this method is used in the housing market. Within the scope of the study, first housing advertisements published from 2001 to 2016 have been scanned. Hurriyet newspaper was selected as the source as it is the newspaper with the highest circulation. After all the advertisements published on Hurriyet newspaper have been scanned, advertisement where a celebrity was the spokesperson was determined. This research, which tries to explain celebrity endorsement widely used for marketing of housings with the "meaning transfer model" of McCracken, showed that in transferring cultural meaning of the celebrity to the product or housing, traits of attractiveness or credibility is exploited in general. However, it was seen that other meanings of the celebrity—modern, traditional, etc.—along with his/her credibility and attractiveness are effective in determining the image of the housing project marketed.

Keywords: housing adds, brand image, celebrity endorsement, meaning transfer model

1. Introduction

Many products or services launched for sale in today's market conditions are similar to one another in terms of their functional properties and thus it becomes harder to determine the properties that set a brand apart from the others. Under these circumstances, it is possible to say that when consumers are purchasing a product, they are charmed up by the image of the brand rather than its functional benefits.

The brand image plays a crucial role in creating a brand in terms of the privileged position of the brand in the minds of consumers, the ability to easily distinguish it from the other brands in the market and eventually in terms of influencing the purchasing decision of consumers. In this sense, the process of building a brand image is considered as one of the basic steps of the marketing communication.

In our day, from sponsorships to social responsibility projects various methods are used to deliver the messages that build the brand image in the minds of consumers. However, one of the most common and oldest methods is to deliver the messages building the brand image through advertisements.

Advertisements use striking mottos to communicate messages regarding the image of the brand, intriguing visuals, interesting scenarios or scripts, and they play an active role in making the publicized brand stand out among its peers in the market and turn it into a brand that is on demand. Apart from these, communicating messages regarding the brand image via advertising spokesperson is a very common method. Advertising spokesperson can either be anonymous people or celebrities that consumers can identify themselves with much easily. In literature, communicating advertising messages through celebrities is referred to as celebrity endorsement. Researches made show that a celebrity endorser is more effective in convincing consumers and communicating the symbolic meanings associated with a brand to the target audience [1].

During the recent years, there is a common practice of using this concept in advertisements of housing projects in Istanbul. Celebrity endorsement strategy is being applied in housing project advertisings to build a brand image and attract attention of potential consumer groups. Whether being constructed in or around the city, all these projects are "gated communities" and are being marketed with the "promise of a privileged accommodation." This "privilege" promised is being described over the lives of celebrities, which seems attractive and unreachable by most people [2].

This exclusive accommodation opportunity is defined in many different ways: a privileged station, prestigious social identity, the chance to live together with elites, etc. Living in gated communities means having a privileged lifestyle rather than just owning a new house.

The gated community concept marketed with the promise of a privileged lifestyle is based on spatial boundaries that separate the inhabitants from the rest of the city. A border is drawn around the housings with walls, gates, doors and similar structures and social reinforcement areas like sport centers, shopping areas, entertainment, and similar services and facilities are constructed within these borders that only the residents can benefit from. This setup gives the residents opportunity to meet most of their daily needs without even getting outside these borders, but at the same time this causes them to shut themselves off from the rest of the society [3]. This shows that gated community concept builds a limited world both in spatial and social terms and creates a "privileged living environment" for a specific segment of society [2].

Privileges offered to specific segments of society by gated communities are highly criticized on the ground that they cause spatial and social segregation within the urban texture [4, 5]. Whereas the producers of gated communities develop their marketing strategies based precisely on these critics and they market these communities with the promise of a "privileged

life." Such that, in the advertisements of these communities, instead of referring to the qualities of these housings, striking slogans are used like "people who have a different perspective," "people who want to make a difference," "life choice of elites," "opportunity to be neighbors of the elite," and "reserve your spot at first class."

It is possible to give more examples to the way these privileges promised by gated communities are defined during the marketing process. However, for the purpose of this study, it would be better to rather emphasize two matters. First, it is observed that these housings, which in fact are not very different from one another in terms of the accommodation opportunities they offer, are assigned different symbolic meanings during the marketing process, which would set them apart from others. In other words, we can say that the purpose is to create brand images that consumers can distinguish. Another important point is that almost one-third of these housing projects deliver their brand image message to potential consumer through celebrities.

Even though there is a lot of literature about celebrity endorsement, no research has been made up to now about how this method is used in the housing market. In this regard, the objective of this article is to examine the celebrity endorsement strategy used to communicate brand image messages in housing advertisements.

McCracken's meaning transfer model is used as the research method as it is one of the most explanatory models regarding "celebrity endorsement." In the meaning transfer model, celebrity endorsement is defined as the process where cultural meanings that a celebrity represents are transferred to first the product/brand and from the product/brand to the consumer. So it is possible to say that this research tries to answer the following questions: First question for which an answer is sought was what properties caused the celebrity to be selected for endorsement. In other words, to begin with, the cultural meanings that celebrity possesses are examined. In the second stage, we tried to examine the meaning transferred from celebrity to the product and the type of connection established between the housing projects and the celebrity. In the third and last stage what was promised to the consumer with the meaning transferred from celebrity to the product and the brand image that will be created in the minds of consumers was questioned.

Section 1 of the article is the introduction section. In Section 2, brand image and the role of advertisement in communicating brand image messages are discussed. In Section 3, celebrity endorsement strategy that is widely used in communicating brand image message and different product endorsement models are examined. In Section 4, information is given about research model and sampling. Sections 5–7 discuss the findings, discuss their evaluation, and conclude the paper, respectively.

2. Developing brand images in ads

Emotions and ideas evoked about the brand in the minds of consumers as the result of marketing communication activities is defined as the brand image. In this respect, even though brand image is designed by producers and marketing teams, it is still a subjective phenomenon shaped in the mind of the consumer.

Subjectivity of brand image is also highlighted in definitions provided in literatures. Dobni and Zinkhan [6] define brand image as impressions of a brand in consumer's mind whereas Pickton and Broderick [7] define it as the brand perception created in the minds of the consumer as the result of marketing activities. Similarly, Kavas [8] defined the brand image as the emotion and ideas of a consumer about a brand and the meaning that the consumer recalls when he thinks of that brand.

In this respect, it is possible to say that subjective conditions play an important role in development of the brand image and that brand image may vary from one individual to another. Marketing activities are the efforts made to create a positive brand image in the mind of the consumer. However, this is not easy to accomplish and it requires effectively identifying the target audience and analyzing the expectations of this audience.

Because a brand is not just a name or logo it is in fact the promise, the commitment made. This promise may make sense to the consumer thanks to a well-designed and effective brand image.

Kotler [9] stated that an efficient brand image has three basic functions:

• The brand should have a single message that well defines the promise and properties of the brand in the minds of consumers.

• This message should not be confused with messages of competitors in the market.

• At the same time, this message should evoke emotions of consumers as well as their minds.

It takes time and intense effort to create these messages regarding the brand image. Having a strong brand image brings many advantages with it in the long term. First and foremost, it facilitates communication with consumers and helps the brand become the choice of preference of the consumer. Accordingly, the brand becomes popular in the market and gains competitive advantage. On the other side, a positive brand image gives advantages in terms of satisfaction of the consumer and brand loyalty.

In our day, from sponsorships to social responsibility projects various methods are used to deliver the messages that build the brand image in the minds of consumers. However, one of the most common and oldest methods is to deliver the messages building the brand image through advertisements. Oglivy, one of the most experienced experts in the advertising sector, expressed that the primary objective of advertisements is to develop the image of the brand [10].

In conclusion, the primary objective of advertising is to create a brand image in the minds of consumers that will motivate them in purchasing the product. According to Williamson [11], in order for advertising to achieve its purpose depends on their capacity to make and communicate a meaning. So the role of advertisements in delivering the messages that constitute the brand image is not just about promoting the inherent qualities of the brand they market. Advertisements feature the symbolic values attributed to the brand in order to create a positive brand image and aim to make sure that the brand means something for the potential consumers.

Ascribing symbolic values to the brand, in other words providing that a brand means something for the consumer is achieved through highlighting the identity and status that consumer will gain by preferring this brand. Because in today's world, individuals or social stratums differentiate based on what and how individuals consume. The brands they use turn into indicators that determine their position in social hierarchy. This is one of the most important things described by the brand image in our day.

In this context, it is possible to say that advertisements do not highlight just the need for a specific consumer good; they also highlight the symbolic meaning of that consumer good. And all needs that this symbolic meaning indicates makes a reference to a wide range of desires and values and enables this meaning to be understood not only by its target audience but also by all segments of society. In that case, advertisements are not just about impressive visuals or words; they are also important marketing communication tools where the meaning attributed to the brand is embedded in a cultural coding system with a scenario that the society understands [12].

Based on their skills of creating a meaning, advertisers try to create an image for the brands they market and try to make sure that the brand is distinguished from other brands in the market that caters for similar requirements. In other words, the purpose is to convince the consumer by creating a consistent brand image.

Williamson [11] explains that when communicating the meaning, the product or brand is associated with an object, person or an image that does not potentially exist. One of the most effective methods applied in the process of creating a meaning and communicating this meaning to the society, that is to say the process of building a brand image, is to associate the brand with a "celebrity," in other words to market the brand using the image of the celebrity [13]. In this respect, in order to communicate the advertising messages, advertisements take advantage of the popular culture and characters that are part of this popular culture. Especially in our day when it gets harder to distinguish products and services in terms of the qualities they possess, "*celebrities play an increasingly important role in advertising as a tool for creating and enhancing brand image…*" [14, p. 639]. Celebrities used in advertisements are usually widely known and respected celebrities in cinema, music, sports and business world, and similar fields.

3. Celebrity endorsement

Celebrity endorsement is a very old marketing communication strategy whereby popular culture and celebrities that are part of this popular culture are used to create a brand image and to deliver the messages regarding the brand image. Roy [15] explains that this is a centuries old marketing method, which is being widely used today. Such that celebrity endorsement is used to deliver advertisement messages in 30% of the advertisements published in Western countries [16], 60% of the advertisements published in Asian countries [17], and around 25% of the adds published on TVs in the United States [18].

Schlecht [19] mentioned that one of the most common methods used to deliver the advertising messages and to convince the consumers to buy their brands is taking advantage of a spokesperson. Spokesperson can be anonymous; however, the most common method is to use celebrities as spokesperson of brands, and in literature this is referred to as "*celebrity endorsement.*"

Zamudio [20] defines celebrity endorsement as brand alliance between a corporate brand and a human brand, which is the celebrity and expressed that celebrity endorsement is important to enhance value of the corporate brand or its products and turn it into a brand that is preferred by consumers.

The main motivation behind turning to celebrities in advertisements is to transfer public's perceived positive meaning of a celebrity to the product. This way, an advertisement to attain its goal, in other words ensuring that a product has a meaning for the potential consumers, becomes much easier.

Generally, celebrities are recognized as "role models" by a major part of the society and they turn into objects of desire that many people take as an example in regards to their eating and drinking habits and the way they dress. It is becoming more and more important to look and live like celebrities and have the things they have. For this reason, identifying a product with a celebrity to make a product more popular helps the product to become popular in a very short time and turns the celebrity into an essential marketing communication tool.

According to Choi and Rifon [14], consumers prefer specific products and brands in order to shape themselves and their world. Products used in advertisements turn into inspiring figures that may be a role model for the consumer in the process of shaping and building themselves and their world. The reason for this is that celebrities possess different cultural meanings that may contribute to the self-realization process of the consumer. Consumers that buy a product, which has been endorsed by a celebrity, try to take credit for the meaning that such celebrity possesses. To put it differently it can be said that consumers try to create their personal images being inspired by the image of the celebrity in the light of information they obtain through advertisements or other communication tools of the popular culture and they use these products to reflect their new images.

McCracken ([1], p. 310) defined celebrity endorser as "*any individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in an advertisement,*" because when celebrities are used as spokesperson of a brand they convey to the marketing communication process both their roles in the advertisement and the cultural meanings they possess [21]. In this respect, it is possible to say that celebrity endorsement is in fact a meaning transfer process.

According to Ohanian [22], theoretical researches and practice demonstrated that using celebrities in advertisements manages to attract attention and interest of the society. The impact of the person endorsing the brand depends on the meaning such person conveys to the process of endorsement. Celebrities are associated with various and diversified meanings. As McCracken [1] said "*even the celebrity that is stereotyped for his specific quality represents not just a single meaning but instead a series of interdependent meanings... and this makes them a very valuable communication tool.*"

Status, class, gender and age differences, personality, and lifestyle types that celebrities in the current celebrity pool represent offers an extensive range in terms of variety during the phase where marketing communication is established.

Different models have been developed to analyze how the meaning that a celebrity possess is transferred to the product and consumer, in other words to explain in detail the celebrity endorsement which is a very complex process. The following section explains these models that are referred to in literatures.

4. Models on celebrity endorsement

Even though people who make researches about celebrity endorsement criticize this by stating the inadequacies of the studies in this respect, celebrity endorsement is explained very extensively in literatures. Especially the definition of celebrity endorsement features four models that have guided the subsequent works—the source credibility model, the source attractiveness model, the product match-up hypothesis and the meaning transfer model [15].

The source credibility model and the source attractiveness model are categorized under the title source models. McCracken [1] explained that these two source models are designed for communication works but later adapted to the endorsement process. Both source models claim that specific qualities of spokesperson as a communication source may positively affect the potential consumers and convince them to buy the product in advertisements.

4.1. The source credibility model

This model claims that messages from a credible source are more successful in convincing the target audience. In other words according to this model, advertising messages communicated by an endorser who is highly credible makes a positive impact on purchasing behavior.

Many studies that have been carried out using the source credibility model reveals that celebrity endorsers have more influence on the purchasing behavior of the consumer than the spokespersons that are not celebrities [21, 22]. According to Choi and Rifon [14], popularity of celebrities and recognition of celebrities by consumers are the reasons why celebrity endorsers are perceived as a credible source.

When defining the source credibility model, Erdogan [21] points out two basic features that a credible source should have: The source credibility model argues, "that the effectiveness of a message depends on perceived level of *expertise* and *trustworthiness* in an endorser."

Trustworthiness signifies the qualities of the endorser like honesty and integrity [21]. At this point, the identity of the endorser, the person who delivers the advertising message and how his identity is perceived by the society plays a role. According to Smith [23], consumers respect endorsers who they consider as honest and credible and ignore the endorsers that they see as unreliable.

Expertise represents the knowledge, experience, or skills of the endorsers. Knowledge here does not mean the knowledge about the product or brand that the person endorses; it is the perception of expertise that is created in the minds of the target group. Even though the endorser may have nothing to do with the product he is endorsing, his accomplishments in his career, and the quality of communication he builds during the marketing phase may cause the endorser to be perceived as an expert [24].

4.2. The source attractiveness model

This model claims that messages communicated by an attractive source positively guide the consumer behavior [25]. According to this model, the attractiveness of the endorser plays a crucial role on the effectiveness of the message he delivers. However, attractiveness should not be interpreted only as physical qualities, it also arises from the significant meanings that the consumer finds attractive and useful [1, 21].

Qualities like "familiarity," "likability," and/or "similarity" are the features that describe the attractiveness of the product used during the endorsement process. "Familiarity is defined as knowledge of the source through exposure, likability as affection for the source as a result of the source's physical appearance and behavior, and similarity as a supposed resemblance between the source and the receiver of the message" [1].

4.3. The celebrity-brand congruence model

In literatures, the congruence model or the model called match-up hypothesis claims that the success of a spokesperson does not come only from that person's physical qualities or fame [26] and that there must be congruence between the endorsed brand and the endorser in order to execute a successful endorsement phase [27]. In other words, it is claimed that if there is a congruency between the image of the celebrity used in the endorsement process and the image of the brand being marketed, this positively affects the consumers [28].

Also Choi and Rifon [14] claim that studies regarding congruence neglect a very important matter while focusing on product/celebrity congruence and one has to pay attention to the congruence of celebrity endorser and consumer in order to carry out a successful endorsement process. In other words, writers explain that if the "right" celebrity endorser is selected, the image of the endorser will play an inspiring role in building the identity of consumers and this will positively influence the purchasing behavior of the consumers.

Source models, congruence or match-up models are being criticized, as they are unable to or inadequate in explaining some matters about the celebrity endorsement. One of the most important criticisms made about source models is that such models perceive celebrities only as a group made of attractive and credible individuals and cannot fully define the world of celebrities that involves complex and various meanings. From this point of view, source models fall short of discovering the meanings that celebrity represents and how these meanings serve to the purpose of endorsement process [1].

Another critique is the ambiguity of the factors that constitute credibility of the source and which factors are more important than the others [21]. Finally, source models cannot explain

why some celebrities are convincing for some brands whereas not for others, and they remain incapable of defining the congruence or incongruence of the celebrity and the brand [15]. One of the main reasons for this is that source models focus only one some qualities of the celebrity and disregard the product/brand [1].

McCracken in article "*Who is the celebrity endorser? Cultural foundations of the Endorsement Process*" explains in detail the inadequacy of source and congruence models and holds forth the new celebrity endorsement model called "the meaning transfer model" [1].

4.4. The meaning transfer model

McCracken [1] stated that cultural meanings that a celebrity possesses are what make celebrities useful in the endorsement process widely used in marketing communication. According to him, the success of the endorsement process depends on establishing a connection between the cultural meanings that a celebrity possesses and the product endorsed. In this respect, he defined celebrity endorsement as the process where cultural meanings of a celebrity is first transferred to the product and then from the product to the consumer and this definition describes intellectual infrastructure of "the meaning transfer model" he developed to explain his version of celebrity endorsement.

In the celebrity endorsement model of McCracken, meaning transfer is realized at three stages:

First stage is the phase where cultural meanings associated with the celebrities are created in the minds of the society. A celebrity's stage performance, acting in movies, accomplishments in sports, and other personality traits he/she unfolds before public determine the cultural meaning of the celebrity. Meanings that a celebrity has do not depend on the persons' personality traits; they are symbolic meanings that arise from their accomplishments in their career.

In this sense, in the endorsement process, the way celebrities are perceived is quite different from the way anonymous people are perceived. As celebrities are well known by the society, the meanings they have are displayed in a very clear and precise way and this enables easier communication with the consumers.

In the *second stage* symbolic meaning of the celebrity is transferred to the products. At this point, it is necessary to be wary about congruence of product and celebrity. Advertising agencies first determine the symbolic properties of the product and then choose the celebrity that best suits to that symbolic value. In other words, advertising is designed to imply the main similarity between the celebrity and the product. Developing the advertisement in a way that will serve best to the congruency of the product and celebrity, and to create a content that supports this idea facilitates transferring to the product the symbolic meaning of the celebrity in the minds of consumers.

Third stage is the time when meanings of the celebrity created in time as the result of all performances of the celebrity before public meets with the consumer via the product. The better the images of celebrities on screen are built, the stronger symbolic meanings these images involve and the better the product-celebrity match-up is, the easier it will be for the consumer to embrace the product.

These meanings transferred from the celebrity to the product and from product to the consumer are used by consumers in building their own images. In other words through products they purchase, consumers try to identify themselves with the celebrity endorsement of that product. As a result the celebrity endorser is the representative of the new identity that the consumer can use. In this regard consumer goods are not objects that meet the needs of consumers and serve to specific functions, they are tools used to form the social identities of consumers.

5. Methodology

This article aims to analyze the celebrity endorsement strategy used to communicate brand image messages in housing advertisements. Housing advertisements that are used as the research sample are prepared for marketing large-scale housing projects constructed in Istanbul as of 2000. Brand image is very important in marketing of these projects because almost all the projects are launched for sale based on small models and project visuals even before construction works have been started.

Within the scope of the study, first housing advertisements published from 2001 to 2016 have been scanned. Hurriyet newspaper was selected as the source, as it is the newspaper with highest circulation. After all advertisements published on Hurriyet newspaper have been scanned, advertisement where a celebrity was the spokesperson was determined. It was determined that in almost 30% of housing advertisements, messages were communicated through celebrities.

It was determined that 40% of 85 advertisements selected were commercial films and these have been accessed from web pages of the companies that produce houses marketed in these commercial films or from web sites where news on property are published.

McCracken's meaning transfer model is used as the research method as it is one of the most explanatory models regarding "celebrity endorsement" [1]. Meaning transfer model was explained in detail in the previous section; however, it is necessary to add a few comments in this section as well about the way these are used in the analysis process.

According to the meaning transfer model, celebrity endorsement is defined as a three stage process where cultural meanings that a celebrity represents are transferred to first the product/brand and from the product/brand to the consumer. Accordingly analysis is configured as a three-stage process. First question for which an answer is sought was what properties caused the celebrity to be selected for endorsement. In other words, to begin with, the cultural meanings that celebrity possesses are examined. In the second stage, we tried to examine the meaning transferred from celebrity to the product and the type of connection established between the housing projects and the celebrity. In the third and last stage what was promised to the consumer with the meaning transferred from celebrity to the product and the brand image that will be created in the minds of consumers was questioned.

6. Results

Celebrity endorsement strategy has been widely used in housing advertisements. In 30% of the advertisements examined within the scope of the research, celebrity endorsement was used and in recent years, a serious increase is observed in the number of advertisements where celebrity endorsement is used.

We can say that in general advertisements that use celebrity endorsement exploit *attractiveness* of the celebrities and their *credibility* based on their trait of trustworthiness and expertise.

Most of the celebrities used in housing advertisements due to their quality of attractiveness are mostly actors-actresses, models, or vocal artists. Some of them are celebrities that are locally recognized and some are worldwide famous. Also celebrities used in advertisements due to their attractiveness are 80% women.

Generally celebrities used in housing advertisements based on their credibility trait like trustworthiness and expertise have very different professions but remarkably, most are known by their careers in football. Probably it is believed that in marketing communications, celebrities of the football arena are more effective and credible compared to other celebrities. This is not very surprising considering the fact that football has an important place in cultural structure of the society and that these people appear somehow on mass media or printed media almost every day. Also it is seen that only a small part of the celebrities used in housing advertisements due to their credibility are experts in the fields that are partly or directly related with the construction sector—like architects, engineers, finance experts, etc.

6.1. Attractiveness of celebrity endorsers in housing ads

Spokesperson for the housing project "Metropol-İstanbul" was the worldwide known singer Jennifer Lopez. She has a distinctive image in the minds of consumers by her concerts, videos she shoots or magazine programs that she attended. One of the most important elements of this image is related with, without any doubt, the attractiveness of the singer. Also, it is not that easy to reach that level of attractiveness because not only women but also men aspire the beauty, youth, and dynamism of this worldwide star, Jennifer Lopez.

Jennifer Lopez has personally attended the launching event of "Metropol-İstanbul" housing project and she posed with a key in her hand and announced that she bought a house at this residence (**Figures 1** and **2**). Also in the commercial film, she explains the reasons for her choice as follows: "…*When it comes to investment, I just try to be smart about it. I try to pick places, first of all that I love. That I want to come back to.*" Without a doubt the fact that Jennifer Lopez bought a house in this residence, makes the potential consumer dream about being her neighbor and this privilege increases the attractiveness of the residence. As Williamson says advertisements associate unreachable things with reachable ones and make consumers believe that they can reach the unreachable [11].

In housing advertisements where attractiveness trait of celebrity endorsement is exploited, not only worldwide popular people are preferred. For example in the project "İstanbul Sarayları"

Figure 1. The image of a gated community in İstanbul named Metropol-İstanbul. Source: Varyap Construction Company, Developer of Metropol-İstanbul Project.

(*Palaces of Istanbul*) instead of a worldwide star like Jeniffer Lopez, one of the unforgettable actress of Turkish cinema, Nebahat Çehre appeared. Even though Nebahat Çehre appeared in national movies and series that highlight our traditional values, she has the image of a modern woman in the eye of the public. She became famous after the beauty pageant she entered and then she continued her career as an actress. Even though she is in her seventies, she is still a popular figure on screens with her beauty and attractiveness.

Figure 2. Launching event of the Metropol-İstanbul Project where the spokesperson was Jennifer Lopez. Source: http://www.varyap.com/bizden-haberler/bizden-size/detay/j-lo-metropol-istanbulda-15.

At the time of the advertisement for the housing project "*İstanbul Sarayları*" (*Palaces of Istanbul*), Nebahat Çehre was appearing in the series named "*Muhteşem Yüzyıl*" (*Magnificient Century*) broadcasted on a national TV channel and had a quiet high rating. The topic of the series was about the life and success of "Suleyman the Magnificient" that ruled during Rise of the Ottoman Empire. In this series, Nebahat Çehre played the role of the mother of the sultan who was highly influential in the management of the palace and country.

Advertisers promoted housing project called "İstanbul Sarayları" (*Palaces of Istanbul*) using the popularity of the series and introduced the project with "magnificent project" slogan and used the following text in the advertisement: "*if you want to live like sultans we invite you to the modern palaces of Istanbul.*" Also advertisers wanted to emphasize both the beauty and attractiveness of Nebahat Çehre and the gorgeousness of the project with the "magnificent" word used in the slogan (**Figures 3** and **4**).

6.2. Credibility of celebrity endorsers in housing ads

In housing advertisement where the credibility trait of the celebrity endorser is emphasized, it is possible to run across examples where celebrities have expertise in fields that are directly or indirectly related with construction sector like engineers, architects, and investment specialists.

Figure 3. The image of a gated community in İstanbul named "İstanbul Sarayları" (palaces of Istanbul). Source: www. sinpasgyo.com.tr.

For example during one of the greatest earthquakes in our country, 1999 Marmara Earthquake, geophysics engineer Professor Ahmet Mete Işıkara was the manager of Kandilli Observatory, the National Earthquake Observation Center. Işıkara appeared on TV frequently following Marmara earthquake and tried to raise awareness of the public. He persistently explained the severity of earthquakes and measures that should be taken, and the way he spoke and his efforts to calm down the society caused him to quickly become a figure that the public likes very much and takes seriously and respects his knowledge and experience. This love and respect lead everyone to call him "grandpa earthquake."

Figure 4. Advertisement visual of "İstanbul Sarayları" (palaces of Istanbul). Source: From April 10, 2011 dated supplement of newspaper "Hürriyet," pp. 24–25.

To sum up, we can say that Ahmet Mete Işıkara is a celebrity that has credibility, expertise, and the public trusts. In this respect, it was not surprising that he was chosen to appear in the advertisements for the housing project "*Isthanbul Evleri*" (*Houses of Isthanbul*). In advertising visuals the fact that the project was executed by consulting to Ahmet Mete Işıkara was highlighted. We can say that the earthquake, which was on the top of the agenda during those days when the project was being promoted, was the determinant in selection of celebrity endorser. Advertisers thought that a housing project led under consultancy of Ahmet Mete Işıkara will cause the consumers to consider this as a durable, earthquake-resistant, and reliable project and that this perception will have positive effect on their purchasing behavior. The phrase "leaving behind permanent works instead of creating temporary solutions" used in the advertising text explains this well.

In housing advertisements where the credibility trait of the source is emphasized, it is possible to run across examples where celebrities are used who, profession-wise, do not have any connection with this sector. Even though celebrities used in advertisements do not have any expertise about the product they endorse, their accomplishments in their professional career causes the society to trust them and supports their credibility. As mentioned above, it is possible to say that most of the celebrities under this category are people famous on account of their accomplishments in football.

Turkey's one of the most famous football player Rıdvan Dilmen appears on TV as sports commentator for many years and is considered to be very successful in this profession as he was when he was a football player. In this respect Dilmen has gained public's trust both as a football player and sports commentator and he is highly credible. From this viewpoint, advertisers chose Rıdvan Dilmen to be the spokesperson of the advertisement for "*Solarkent Evleri*" (*Solarkent Residence*). The slogan was "*I will sign my name under this project*" and a photo of Rıdvan Dilmen signing the papers was used in the visuals (**Figures 5** and **6**). Two points mattered when selecting the slogan. The first was the fact that who the players make an agreement with, which team

they sign a contract with is on the top of agenda in our country most of the time. So it was not a coincidence here that the word "sign" was used. On the other hand, it was thought that it would be easier for an endorser who had been successful in the team he signed contract with or in another business he has done to persuade consumers and that consumer groups would take Rıdvan Dilmen's word and would be interested in a housing project that he prefers.

Another example to that is "*Avrupa Bahçekent*" housing project where the spokesperson was Mustafa Denizli, popular, respected and experienced football coach of one of the biggest team of the country. The football coach appears on the advertisement while scouting a boy playing football on field and he says that "*Stars are not that far, they are right before us waiting to be discovered. And this is what I do. To discover them and envision their future.*" In the later part of the advertisement, the narrator says that "*Avrupark Bahçekent*" residence is a place like this with its infrastructure, social facilities, and location and will be the star of Istanbul in a very near future. So here, advertisers aimed to exploit credibility of a football coach who is very successful in his profession and who built a reputation of discovering talents in a different area of expertise. Advertisers showed that Mustafa Denizli, who discovers young and successful talents, endorses this residence and aimed to positively affect the consumers.

Worldwide known soccer coach José Mourinho also appeared on housing project advertisements. Even though he did not coach a team in Turkey before, a real estate company worked with José Mourinho in its advertisements, as he was a very popular figure in the country. The advertisement slogan was "*First rule of success is to be happy at home*" and we hear Mourinho's words: "*… If I coach a Turkish team one day, I know where my house will be: Sinpaş GYO.*"

Even though attractiveness and credibility of the celebrity is exploited in housing advertisements, we see that other meanings that the celebrity possesses are important in terms of

Figure 5. The image of a gated community in İstanbul named "Solarkent Evleri"—Solarkent Residence. Source: Aydinli Construction Company, Developer of Solarkent Project.

Figure 6. Launching event of the Solarkent Project where the spokesperson was Rıdvan Dilmen Source: From January 31, 2010 dated supplement of newspaper "Hürriyet," p. 18.

product-celebrity congruence and effective in creating the brand image. This matches with the theory of McCracken [1] that source models are useful but inadequate in defining the complex world of celebrities that involve various meanings as it sees the celebrities as a group of attractive and credible people. This point will be discussed further in the next section.

7. Discussion

This research that tries to explain celebrity endorsement widely used for marketing of housings with the "meaning transfer model" of McCracken showed that in transferring cultural meaning of the celebrity to the product or housing, traits of attractiveness or credibility is

exploited in general. However it was seen that other meanings of the celebrity along with his/her credibility and attractiveness are effective in determining the image of the housing project marketed.

This resembles to other examples from different sectors and does not describe a structure that is exclusive to the housing sector. However based on the results of the research it can be said that specific for the housing sector, there are few different points in transfer of cultural meaning of the celebrity to the product. First, the conclusion that attractiveness trait of celebrities cannot be handled under a single category and that attractiveness trait of each celebrity has different perspectives and this difference is the determinant in emphasizing the modern or conventional features of the housing project. Attractiveness trait of celebrities who appear in advertisements of housing projects developed with a modern design language and/or designed for a modern target audience is much different than the attractiveness of the celebrities that appear on housing projects designed with a conventional design language and/or for a target audience who has a conventional lifestyle.

In the advertisement of the housing project called Metropol-İstanbul, where the emphasis is made on the word modern as can be understood from its title, attractiveness trait of the worldwide famous singer Jenifer Lopez was exploited. Jennifer Lopez gives the impression of both an attractive and modern women in this advertisement.

However in another advertisement that exploited the same trait of attractiveness in transferring meaning from celebrity to product, Nebahat Çehre, one of the unforgettable actresses of Turkish Cinema, is chosen instead of a worldwide singer like Jennifer Lopez. Even though Nebahat Çehre appeared in national movies that highlights our traditional values, she has the image of a modern woman in the eye of the public. In this sense, it is not surprising that she was chosen as the face of the project called "İstanbul Sarayları" (Palaces of Istanbul), which claims to rebuild the conventional texture of Istanbul with a modern concept.

Housing residence called "İstanbul Sarayları" is one of the most interesting examples of regenerating traditional values. The word "palace" used in the name of the residence makes a reference to almost the unreachable, glorious, and deluxe lifestyle that past rulers enjoyed and it implies that this lifestyle is regenerated and modernized. However, the word "palace" used in İstanbul Sarayları project does not appear just as a marketing image. In İstanbul Sarayları residence project, Bosporus with its historical palaces, waterside mansions, summerhouses, and avenues is reconstructed at the outskirts of the city. In this project, we see that not only some type of structures but also traditional avenues of the city and ports are regenerated with indoor and outdoor facilities [29].

In both advertisements, the transfer of meaning is built on the theme attractiveness; however, there are different categories of attractiveness. In the first advertisement, the attractiveness of a western woman was used whereas in the second one there is an image of a woman who is modern but who respects our traditional values and reflects our culture and all elements of our heritage with grace. Both of these different attractiveness category fits with the image or design language of the brand they represent. In this respect, it is possible to say that images of these brands are configured on the promise of a modern or modernized traditional lifestyle.

This also explains the importance of one element that McCracken emphasized while explaining the meaning transfer model distinct from other celebrity endorsement models. "Meaning of celebrity is shaped within the cultural structure of the society" [1].

The conclusion that attractiveness traits of celebrities are different from one another and that this difference is determinant in emphasizing the modern or conventional qualities of the housing residence arises from the cultural fabric of the society we are part of. As we are located between the "western" and "eastern" world, we have always been stuck between the value judgment of the west and east [29]. This dilemma is implicated directly or indirectly in advertisement of housing projects and expressed such as "modern residence," "the residence where traditional living spaces are modernized."

Specific to the housing sector but may be more specific to the cultural structure of the society, the second most important difference is the preference of celebrities popular in the football arena in advertisements that exploit the credibility trait. In advertisements where football celebrity endorsement is preferred, it is emphasized that buying a house from these project shall be a "good investment." When compared with many other products, property is a long-term investment both in terms of its use and rather high price. So it is not surprising that "investment" value is emphasized in advertisement of housing projects. However the interesting thing is the choice of celebrities in football field to emphasize the "investment value" of a house, except a few examples. These people try to highlight the value of the investment with words like "*I never missed an opportunity investment in my life,*" "*too bad if you miss it.*" In some examples, it is seen that investment value is expressed with very widely used sentence patterns. "*I will sign my name under it,*" "*too bad to miss it,*" etc.

Also it is believed that in housing advertisements that takes advantage of the credibility attribute of the celebrity, the quality highlighted in the running text plays an indicative role in selection of the celebrity. For example in the running text of "*İsthanbul Evleri*" *Project, there are expressions like* "*Premium life safety with a sound infrastructure*" *and* "*supporting formwork used globally in residential constructions*" and these expressions highlight the fact that construction techniques used in this residence is advanced and the residence is earthquake-resistant and this is explained to the consumers by a spokesperson, an earthquake expert that almost the whole society knows very well.

On the other hand in the advertisement for the Solarkent Project, the following expressions are used: "*I can own a house by installments of just TL 500 and my house converts solar energy to electricity energy and I can save as much as I pay. Who would miss that chance?*" and the project is introduced as "*first recycling housing Project of Turkey.*" These expressions used in the advertisement emphasize the technological infrastructure of the residence and relatively superior qualities in technical terms. We can say that in this example, marketing experts chose an expert of football techniques as a spokesperson instead of an expert on the subject, in order to better highlight the technical superiorities of the residence.

In this respect in housing advertisements where credibility trait is exploited, it is possible to say that endorsement by people who the public is interested in is preferred depending on the cultural fabric of the society. It is thought that the opinions of a celebrity who gained the trust and love of the society due to his/her success in his/her own field would be convincing.

Finally, even though housings are not very different from one another in terms of architectural aspect, specific qualities of housings are highlighted in advertisements or specific qualities are attributed to them in order to create a brand image. It is determined that when the architectural setup of the housing, social venues provided, modern or modernized conventional living conditions promised are being highlighted in the advertisement, generally attractiveness of the celebrity is used in endorsement process. However if more technical features like technological infrastructure of the housing—smart home technologies, green buildings, energy-saving buildings, etc.—construction techniques, and investment opportunities are being highlighted in the advertisement, it is determined that credibility attribute of the celebrity is exploited during the endorsement process.

8. Conclusion

The main objective of this research is to examine the celebrity endorsement strategy that is widely used in housing advertisements. Based on the result of the research, it is possible to say that this strategy is not used to describe the qualities of the house and in fact that there is not even a single clue in such advertisements about the utilization value of these houses. On the contrary, it is seen that celebrity endorsement in housing projects is used to give a meaning to the product and to promise a new identity to potential consumers through this meaning. This matches up with the theories generated to describe the consumer society.

It is known that today more importance is attached to the "identity value" of consumption goods rather than their "value of use" [30]. Warde [31] defined identity value as the value that enables social communication and that determines whether a consumer will be accepted to a social environment or not. Baudrillard [32] named it as an indicator value and interpreted as a coded difference obtained by the individual within the social hierarchy. In this respect, it is possible that marketing experts try to add identity value to the housing through celebrity endorsement and build their messages defining the image of the brand in a way to emphasize this value.

All projects are launched for sale based on their models and project visuals even before construction phase starts, so the messages that define the image of the brand are designed together with the product. Arvidsson [33] interprets this process as developing the product and consumer identity together and attributing material and symbolic values to the product so that the product is identified with the consumer. Accordingly, it is seen that consumption phase is preplanned and organized in housing projects just like any product that is produced in masses, in other words that production and consumption process are configured at the same time. This explains the market dynamics where the messages about the brand image are created together with the design of the house and that the marketing experts are involved in the housing production process right from the start.

With the impact of changing market dynamics, celebrity endorsement has become one of the most frequently used communication strategy in marketing of housings; however, this strategy that is being widely used in marketing of housings has not been investigated yet at a scientific level. In this respect, this study accomplishes a first, but at the same time it

has specific limitations. First, this study examined the celebrity endorsement issues mostly over the newspaper advertisements, which is one of the traditional marketing communication tools. However today, it is known that, just like it is true for other sectors, digital marketing communication tools (facebook, twitter, instagram and similar social networks, web sites, etc.) are being used in this sector along with traditional marketing communication tools [34]. For this reason, it seems important to include digital marketing communication tools along-side the traditional marketing communication tools in the future researches that will examine the celebrity endorsement. This way it will become possible to examine the issue on a more extensive set of samples and it may even be possible to compare the celebrity endorsement strategies used in traditional marketing communication tools (newspaper, journals, TV, radio, etc.) with the ones used in digital marketing communication tools.

A similar suggestion is mentioned in the study of Bergkvist and Zhou [35], which is one of the most recent studies carried out regarding celebrity endorsement. Writers have examined 10 marketing journal and 5 advertising journal and reviewed the literature in celebrity endorse-ment fields over 126 articles published after 2013. The most significant finding determined as the result of this literature review was that all publications they reviewed still used the "celebrity endorsement" definition made by McCracken [1] in 1989. Writers claim that this definition is outdated. Because celebrity endorsement strategy today is being used in other social media platforms besides advertisements. Also celebrities no longer endorse just con-sumption goods but they also endorse business to business products and service, consumer services, noncommercial entities like political parties, etc. In the light of changing conditions, Bergkvist and Zhou [35], p. 644] makes a new definition of celebrity endorsement: "*A celebrity endorsement is an agreement between an individual who enjoys public recognition (a celebrity) and an entity (e.g., a brand) to use the celebrity for the purpose of promoting the entity.*" It will make sense to discuss in future researches, the celebrity endorsement strategy as part of the changing conditions specifically in the housing market.

Second, this study reviews a qualitative research carried out about celebrity endorsement. Future researches may be built on evaluating the impact of celebrity endorsement strat-egy used in housing market, on consumers via methods like surveys, etc. Accordingly the contribution of celebrity endorsement to the perception of brand image and its impact on purchasing behavior of consumers may be interpreted in more detail.

And third, it is anticipated that actors like investors, designers, marketing experts, etc., who play a role in housing production process are included within the scope of the research in order to discuss the issue more extensively. Actors that take a part in production and mar-keting of housings may be interviewed and positive and negative results arising from use of these strategies may be discussed and even compared with other sectors. The issue of popu-larization in the housing production is very different from other sectors. And the main reason for this is that the housing is a location-dependent product and is redesigned every time according to the quality of the land it is built on. In this context, it is believed that the results are much different than the results obtained in cosmetics industry, automotive industry and similar industries where celebrity endorsement is studied profoundly.

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