THE ADDED VALUE OF CORPORATE BRANDS: WHEN DO ORGANIZATIONAL ASSOCIATIONS AFFECT PRODUCT EVALUATIONS? GUIDO BERENS, CEES B.M. VAN RIEL, GERRIT H. VAN BRUGGEN

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ABSTRACT

This study shows that different types of associations regarding a company have different effects on customers' product evaluations. Associations with a company's *ability* influenced quality perceptions of products marketed by the company's subsidiaries, but not intentions to actually buy those products. In contrast, corporate *social responsibility* associations influenced product purchase intentions, but not quality perceptions.

INTRODUCTION

When communicating with customers, multi-business companies can choose whether to label their individual businesses or products by separate brand names (stand-alone), or by the corporate brand name (either as the sole brand or as an endorser). When people have favorable *associations* with the corporation as a whole (i.e., organizational associations), the use of the corporate brand is thought to produce more favorable attitudes and behavior towards the company's products than the use of only 'stand-alone' business unit/product brands (e.g., Aaker 1996). The reason for this assumption is that organizational associations not only can provide cues about a product's quality (like all brands), but also provide information about the organization's other roles in society, such as community contributions, quality as an employer, and financial performance (Cohen 1963; Brown 1998). However, in a review paper, Brown (1998) shows that while a number of empirical studies have found positive influences of organizational associations on product evaluations, other studies failed to find such effects, or even found negative effects (Hardy 1970). In other words, the question "do customers really care about the company behind the products they buy?" has not been definitely answered.

Brown (1998) explains the mixed results of previous studies by pointing out that organizational associations are a *heterogeneous set* that relate to a diversity of aspects of an organization and, therefore, cannot be expected to have one general influence¹. Companies often perform diverse social roles and have responsibilities towards different stakeholders

¹ This is also the reason why we prefer to use the term 'associations' rather than 'reputation' or 'image', which refer more to holistic perceptions.

(e.g., manufacturing good products, being profitable, being a good employer, limiting environmental pollution). In performing these different roles organizations will evoke different types of associations. The evaluation of these different organizational associations will have different influences on specific product evaluations. However, so far few studies have addressed the differential effects of different types of organizational associations on product evaluations. (Exceptions are Brown and Dacin 1997, Keller and Aaker 1998, and Handelman and Arnold 1999.) Furthermore, it is not clear under what conditions each type of organizational associations can influence product evaluations. Finally, the influence of organizational associations has not been studied in the context of parent corporations with multiple subsidiaries, the existence of which is an important reason for the interest in organizational associations. In this context, the question is whether organizational associations with the corporate brand can influence product evaluations in the presence of one or more subsidiary brands.

In this paper we present the results of a survey showing that people's associations with (1) a parent company's *ability* to deliver products and (2) its *social responsibility* (e.g., community involvement, environmental friendliness, or employee treatment) influence their evaluations of products marketed by the company's subsidiaries. We show that these different types of associations influence different aspects of product evaluations. Furthermore, we show that variables related to by the company's branding strategy, customers' perception of the product (e.g., risk, involvement), and their perceptions of the subsidiaries, have different moderating influences on the effects of the two types.

HYPOTHESES DEVELOPMENT

The research model underlying our study is graphically displayed in Figure 1. We expect that organizational associations related to a company's ability and social responsibility have a positive influence on evaluations of products marketed by the company's subsidiaries. Furthermore, we expect this influence to be moderated by the visibility of the corporate brand, customers' evaluations of the subsidiaries, the fit customers perceive between the company and the product, and the amount of risk and involvement they associate with consuming the product.

[Insert Figure 1 about here]

The Effects of Corporate Ability and Social Responsibility Associations

Organizational associations related to corporate ability and social responsibility can be expected to influence product evaluations. It has often been demonstrated that associations that people have with a product brand serve as a cue for their evaluation of a product (e.g., Jacoby, Olson & Haddock 1971). In a similar way, research has shown that associations that are not related to a specific product, but to the overall quality of a company's products (i.e., corporate ability or expertise), can influence the evaluation of specific (new) products (Shimp & Bearden 1982; Yoon, Guffey & Kijewski 1993; Brown & Dacin 1997). Social responsibility associations, while generally not directly relevant for judging products, have also been found to influence such evaluations (Belch & Belch 1987; Creyer & Ross 1997). Such an influence can occur because these associations serve as a general evaluative context for the product (Brown & Dacin 1997; Sen & Bhattacharya 2001). Social responsibility associations have also been found to influence actual product choice, because they affect the perceived legitimacy of the organization (Miller & Sturdivant 1977; Winters 1988). Research has also shown that corporate ability and social responsibility associations each have their own (independent) effects on product evaluations (Brown & Dacin 1997; Keller & Aaker 1998; Handelman & Arnold 1999). Therefore, we hypothesize:

H_{1a}: The more favorable customers' corporate ability associations, the more favorable will be their evaluations of specific products marketed by the organization's subsidiaries.
 H_{1b}: The more favorable customers' corporate social responsibility associations, the more favorable will be their evaluations of specific products marketed by the organization's subsidiaries.

In addition to the independent main effects of corporate ability and social responsibility, we expect these associations to have an interaction effect on the evaluation of products. Handelman and Arnold (1999) found that when corporate ability was very low, social responsibility did not have a significant effect on product purchase intention. Similarly, when corporate social responsibility was very low, corporate ability did not have a significant effect. Thus, there appears to be a minimum acceptable level for both types of associations, which needs to be exceeded before the other type of associations becomes effective. This leads to positive interdependencies between the effects of the two types of associations. Therefore, we hypothesize:

H_{1c}: The more favorable customers' corporate social responsibility associations, the higher will be the influence of corporate ability associations on the evaluation of a product, and vice versa.

The Effect of the Visibility of the Corporate Brand

The influence of organizational associations on product evaluations is likely to depend on the degree to which the corporate brand is visible in communications regarding the product. A number of levels of corporate brand visibility can be distinguished. These levels correspond to commonly used corporate branding strategies. Companies such as Shell or Philips generally use only the corporate brand in their communication. This results in a high visibility of the corporate brand. Other companies, such as 3M or Citigroup, use a "subbranding" strategy, in which the corporate brand is visible, but receives less emphasis than the product brand. Finally, certain companies (e.g., Procter & Gamble) do not use the corporate brand in their product communications at all, but only use 'stand-alone' product brands

It seems logical to propose that when the corporate brand is prominently visible, organizational associations will have more impact than when it is not or hardly visible. So far, this proposition has received only limited empirical attention. Burke, Milberg and Smith (1993) found that the visibility of the link between parent and subsidiary did not have a significant moderating effect on the influence of the parent's unethical behavior on the evaluation of the subsidiary. Sheinin and Biehal (1999) on the other hand, did find a significant moderating influence of branding strategy (stand-alone vs. subbranding) on the effect of overall corporate image.

To develop a better understanding of the way the visibility of a corporate brand could influence the effect of organizational associations product evaluations, we look at the psychological processes through which this influence may occur. Feldman and Lynch (1988) identified three factors that determine the influence of any piece of information that is stored in an individual's memory on any evaluation made by that individual: (1) the accessibility of the information, (2) the accessibility of other (diagnostic) information, and (3) the diagnostic value of the information. Organizational associations will more likely play a role in a person's evaluation of a product or service if these associations are highly accessible in his/her memory, if they are more accessible than other information (e.g., about the product or service), and if these associations are perceived to be diagnostic for his/her evaluation. If associations are accessible but not perceived as diagnostic, a person will search his/her

memory or the environment for additional information. When the associations are relatively inaccessible, it is unlikely that the person will consider them at all (cf. Biehal & Sheinin 1998). The visibility of the corporate brand will influence the accessibility of organizational associations, and therefore their influence on product evaluations (cf. Biehal & Sheinin 1998; Brown 1998). We hypothesize:

 H_{2a} : When a corporate brand is visible in communications regarding a product, customers' corporate ability associations will have more influence on their evaluation of the product than when the corporate brand is not visible.

H_{2b}: When a corporate brand is visible in communications regarding a product, customers' social responsibility associations will have more influence on their evaluation of the product than when the corporate brand is not visible.

In addition to the moderating effects of organizational associations, we also expect that the effect of any associations a person has with the *subsidiary* brand that markets a product will be lower when the *corporate* brand is prominently visible. This is because when the corporate brand is more visible, the accessibility of a person's associations with the subsidiary, *relative* to the accessibility of corporate organizational associations, will decrease. Therefore, we hypothesize:

H_{2c}: When a corporate brand is visible in communications regarding a product, customers' associations with the subsidiary that markets the product will have less influence on their evaluation of the product than when the corporate brand is not visible.

The Effect of the Evaluation of the Subsidiary Brand

If a company chooses for a dual-branding or sub-branding approach where both the corporate brand and a subsidiary brand are being used, one can expect that both brands evoke associations, which may interact. Biehal and Sheinin (1998) suggest that when attitudes towards a subsidiary brand are highly valenced (i.e., strongly positive or strongly negative), corporate associations will have less influence on customer evaluations. This is because more extreme attitudes are generally also more accessible (Bassili 1996), so that when subsidiary brand evaluations are more extreme, their accessibility *relative* to associations with the corporate brand will increase. Following the reasoning of Feldman and Lynch (1988), in such a situation corporate brand associations will have less influence. In support of this reasoning,

Janiszewski and Van Osselaer (2000) report that associations with a subsidiary brand have more influence on product evaluations when associations with the parent brand are less favorable. This would suggest that the evaluation of the subsidiary brand negatively moderates the effect of corporate brand associations.

On the other hand, corporate and subsidiary brand associations could enhance each other when both are held with a relatively low degree of confidence. In such situations corporate and subsidiary associations together can provide the required (minimum) amount of information and, therefore, have a stronger effect than both types will have alone (cf. Dacin & Smith 1994). This implies a positive interaction effect. Because social responsibility associations generally have a low diagnosticity for product evaluations, their accessibility relative to other information is not likely to be relevant to their use in forming a judgment. Therefore, we only expect moderating effects of subsidiary evaluations for corporate ability associations.

H_{3a}: The influence of customers' corporate ability associations on product evaluations will be moderated by their evaluations of the subsidiary brand.

H_{3b}: The influence of customers' corporate social responsibility associations on their product evaluations will not be moderated by their evaluations of the subsidiary brand.

The Effect of Perceived Fit

In research on the evaluation of brand extensions it has generally been found that the effect of parent brand associations on customers' evaluations of new products is stronger when customers perceive a high fit between the product and the brand (e.g., Aaker & Keller 1990; Smith & Park 1992). Perceived fit refers to the similarity between the existing brand and the new product or service. If perceived fit increases one may expect the diagnostic value of corporate ability associations to increase as well. Customers will reason that if a company is able to manufacture a certain product or service it will be able to manufacture a similar product as well. We don't expect social responsibility associations to have a similar effect because we expect that these associations have no diagnostic value for the evaluation of the quality of products as produced by the organization. Therefore, we hypothesize:

 H_{4a} : The higher the fit customers perceive between a product and the organization, the higher the influence of corporate ability associations on their product evaluations.

H_{4b}: The influence of corporate social responsibility associations on customers' product evaluations will not be moderated by perceived fit between the product and the organization.

The Effect of Perceived Risk

Research has shown that the functional risk a customer perceives when evaluating a specific type of product increases the degree to which these customers use corporate brands as a cue for product quality (e.g., Levitt 1967; Erdem 1998). Functional risk is the perceived probability that a product of an unfamiliar brand will not function properly (Jacoby & Kaplan 1972). It can be distinguished from financial, physical, psychological, social, and time risk. A high perceived functional risk implies that a customer finds product attributes hard to judge. Associations with an organization's ability to develop and manufacture products are then more accessible than associations regarding product attributes, or more diagnostic than information about the product (which doesn't provide a good cue for the important attributes of the product). These organizational associations are therefore more likely to serve as cues in evaluating the product.

The influence of associations related to a company's social responsibility are not expected to be stronger when risk is high. The reason is that social responsibility associations are not directly relevant for product evaluations, and therefore are not likely to be perceived to be diagnostic. This leads to the following hypotheses:

H_{5a}: The higher the risk customers attribute to a product category, the higher will be the influence of corporate ability associations on their product evaluations.

H_{5b}:The influence of customers' corporate social responsibility associations on their product evaluations will not be moderated by perceived risk.

The Effect of Involvement

We expect customers' *involvement* with a product class to influence the relationship between organizational associations and product evaluations. Involvement has been defined as "an unobservable state of motivation, arousal or interest evoked by a particular stimulus" (Jain & Srinivasan 1990). It is regarded as a multi-dimensional construct. In this study we focus on the "rational" dimension of involvement, that is the degree of personal relevance or importance of an object or issue (pleasure, symbolic value, and risk are the other dimensions).

Maheswaran, Mackie and Chaiken (1992) have found that when a product or task has a low personal relevance, brand associations have more influence on product evaluations. This is because low involvement decreases a person's *motivation* to evaluate product attributes. In such a situation, people rely on heuristics such as brand associations in evaluating the product. In other words, the threshold that a person has for diagnosticity of information decreases, so that he/she is more easily satisfied with less diagnostic information (Lynch, Marmorstein & Weigold, 1988). Because of this lower threshold, both corporate ability and corporate social responsibility associations may have more influence on product evaluations when involvement is low. Therefore, we hypothesize:

H_{6a}: The lower customers' involvement with a product class, the higher will be the influence of corporate ability associations on their product evaluations.

H_{6b}: The lower customers' involvement with a product class, the higher will be the influence of corporate social responsibility associations on their product evaluations.

METHOD

To test our hypotheses, we used a survey that included some experimental manipulations. Our respondents were potential and actual customers of a large financial services provider. They were asked to evaluate products that were marketed by subsidiaries of the company. These products were shown on advertisements. We manipulated the visibility of the corporate brand on those advertisements as a between-subjects variable. We also measured respondents' associations with the company and their evaluations of the company's subsidiaries.

Materials

The financial service provider we studied consists of a large number of subsidiary banks and insurance companies, most of which operate under their own name (without strongly referencing to the parent company). However, it is fairly widely known among the general population what the largest subsidiaries are. In our study we investigated the evaluation of products marketed by four subsidiaries. Each subject evaluated two products from two different subsidiaries. The product evaluation was done after being confronted with an advertisement of the subsidiary. To ensure sufficient realism of the materials, we used

existing print advertisements. The four subsidiaries were all marketing (different) products to both the private market and to business markets. This led to the following eight product-market combinations being used.

	Private market	Business market
Subsidiary A ²	Disability insurance	Employee Security Plan
Subsidiary B	Stock ordering via Internet	Payments within Europe
Subsidiary C	Investment Fund Mortgage	Business funding with private
		benefits
Subsidiary D	Financial consultancy for	Consultancy for succession problems
	prospective lawyers	

To manipulate the visibility of the corporate brand, an alternative version of each advertisement was prepared, on which the name and logo of the subsidiary shown in the lower right-hand corner was replaced by the corporate name and logo, followed by the subsidiary name (a 'dual' branding approach). The original ad served as the stimulus material for the low corporate visibility condition. The ads were prepared by a professional advertising agency, to ensure that the manipulated advertisement looked as realistic as possible. To assess the manipulation's effectiveness, we included a manipulation check after each product evaluation, asking respondents of which company they thought while seeing the logo on the advertisement. Of the respondents that saw an advertisement with the corporate logo, 52.8 % afterwards mentioned that they thought of the parent company, while only 4.2 % of the people that saw an original advertisement (without the corporate logo) mentioned the parent company. Therefore, we judge the manipulation to be successful.

Respondents

A total of 232 respondents participated in our study, with about equal numbers of private and business customers. All respondents were responsible for financial matters in their families and companies, respectively. To obtain a sample representative of the population, the private subsample was stratified according to geographic region, sex, age, and social class, and the business subsample was stratified according to geographic region and company size (5-49)

² For reasons of confidentiality, the brands are labeled A to D.

versus more than 50 employees). The respondents were screened on their familiarity with the parent company. Only people who indicated that they were at least somewhat familiar with the organization participated in the study. Respondents were randomly assigned to the two corporate brand visibility conditions.

Procedure

The business customers were pre-recruited by telephone and interviewed at their offices. Private customers were interviewed at their homes. A face-to-face interview procedure was used, in which the interviewer posed questions and filled out the respondents' answers. The interview procedure was as follows. After questions about demographics and familiarity with the different brands, the first advertisement was shown. Respondents were asked to take a careful look at it. After the subject had studied the advertisement, the advertisement was removed and the subject was asked to evaluate the product shown in the advertisement. Next, he/she answered questions about perceived fit, risk, and involvement related to the product, as well as his/her image of the subsidiary. The same procedure was followed for the second advertisement. Finally, the questionnaire was handed over to the subject, who then filled out the remaining questions, which dealt with his/her associations with the corporate brand. The interviews lasted on average for about 50 minutes.

Independent measures

For all measures, we used multiple-item scales consisting of 7-point Likert scales with endpoints labeled "certainly not" and "certainly yes" (except where indicated). Except for the independent measures (which were self-administered), the scales were shown to the respondents on cards. The exact wording of all items is presented in the Appendix.

Our independent variables are corporate ability associations (related to overall quality or expertise) and corporate social responsibility associations (related to being a 'good corporate citizen'). To measure these two types of organizational associations, we adapted the Reputation Quotient scale (Fombrun, Gardberg & Sever 2000), which captures several aspects of corporate reputation. In their scale, Fombrun et al. (2000) distinguish the following six dimensions: Emotional Appeal (4 items), Products and services (4 items), Vision and Leadership (3 items), Workplace Environment (3 items), Social and Environmental Responsibility (3 items), and Financial Performance (3 items). Although not explicitly stated by Fombrun et al., the Emotional Appeal subscale is regarded more as a measure of an

overall evaluation than as a separate component of reputation (see Reputation Institute 2000). As our interest is in different types of organizational associations, we did not include the Emotional Appeal subscale in our measurement instrument.

A principal component analysis on the items of the remaining five subscales showed that five dimensions could indeed be distinguished, with loadings corresponding to the structure indicated by Fombrun et al. (2000). To investigate the validity of the subscales, the structure of the five scales was tested using confirmatory factor analysis. This did not show adequate fit (Standardized RMR = 0.080, Comparative Fit Index = 0.85). Examination of the standardized residuals (cf. Steenkamp & Van Trijp 1991) suggested that this was mainly caused by two items, related to Vision and Leadership and Social Responsibility, that had large positive residuals with the items of Products and Services and with each other. Judging by their content (one was "communicates its values clearly", the other "behaves in an ethically responsible manner"), it seems likely that they are more related to an overall evaluation than to the more specific factors they were intended to measure. Removing these items lead to a substantial improvement in fit (Standardized RMR = 0.052, CFI = 0.92). Because we were interested in corporate ability and corporate social responsibility, we also estimated a second-order factor model, with an "ability" factor underlying the Products & Services, Vision & Leadership, Workplace Environment³, and Financial Performance factors. This model showed adequate fit (Standardized RMR = 0.052, CFI = 0.93). Therefore, we averaged the scores on these four dimensions to form one measure of corporate ability (α = 0.89). Reliability of the social responsibility subscale was 0.79.

Moderator measures

Subsidiary evaluation. To measure respondents' evaluation of the subsidiary brands, we applied Fombrun et al.'s (2000) 4-item Emotional Appeal subscale, which can be regarded as a measure of overall attitude. A confirmatory factor analysis with one underlying factor showed adequate fit (Standardized RMR = 0.019, CFI = 0.98). The scale showed a very good internal consistency (coefficient α = 0.93).

Fit. Perceived fit was operationalized as the similarity that respondents perceive between the corporate brand and the product. This construct was measured by two items adapted from previous literature on brand extensions (e.g., Keller and Aaker 1992). Internal

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³ While the name of this variable would suggest a focus on employee treatment, it deals more with the *expertise* of employees and management (see Appendix).

consistency was adequate ($\alpha = 0.76$). The two items were averaged to form one measure of fit.

Risk. We operationalized risk as the functional risk that customers perceived in relation to the type of product they were evaluating, i.e., the perceived probability that this kind of product, when purchase from an unknown company, would not 'function' properly (Jacoby & Kaplan 1972). This was measured by two items that were taken from the risk probability and risk importance subscales of the New Involvement Profile (Jain & Srinivasan 1990) and adapted to our research setting. Coefficient α was 0.51. This is well below generally accepted cutoff values (of 0.60 or 0.70), so the results regarding this variable should be interpreted with caution.

Involvement. Involvement was operationalized here as cognitive (rather than affective) involvement, i.e., the product's perceived relevance and importance, rather than its perceived pleasure or sign value (which are generally not applicable to financial products and sevices). This dimension was measured by the three items of the Relevance subscale from the New Involvement Profile (Jain & Srinivasan 1990). Coefficient α was 0.75.

Dependent measures

We measured respondents' evaluations of the subsidiaries' products, displayed in the advertisements, on four dimensions: *quality, appeal* (feelings regarding the product), *reliability*, and *purchase intention*. Two items that had low correlations (< 0.30) with the scale they belonged to were deleted (one from the perceived quality subscale, one from the appeal subscale). A principal component analysis indicated that four dimensions were indeed underlying the items. The internal consistency of the scales was satisfactory ($\alpha = 0.82, 0.88, 0.87$, and 0.84 for Quality, Appeal, Reliability, and Purchase intention, respectively). A confirmatory factor analysis with four dimensions underlying the items showed adequate fit (Standardized RMR = 0.037, Comparative Fit Index = 0.97).

[Insert Table 1 about here]

Descriptive statistics and bivariate correlations of the variables are shown in Table 1.

RESULTS

To test our hypotheses, we estimated a hierarchical multiple regression model, with organizational associations as the main independent variables, the moderators as additional independent variables, and the four product evaluation dimensions as dependent variables. The corporate brand visibility conditions were included using a dummy variable. In addition, dummy variables were included representing the eight different product-market combinations. The complete model is specified as follows:

Product evaluation
$$_{i}$$
 [Quality, Appeal, Reliability, Purchase intention] = $\alpha + \beta_{1}PMC1_{i} + \beta_{2}PMC2_{i} + \beta_{3}PMC3_{i} + \beta_{4}PMC4_{i} + \beta_{5}PMC5_{i} + \beta_{6}PMC6_{i} + \beta_{7}PMC7_{i} + \beta_{8}CA_{i} + \beta_{9}CSR_{i} + \beta_{10}(CA_{i} \times CSR_{i}) + \beta_{11}(CA_{i} \times Visibility_{i}) + \beta_{12}(CSR_{i} \times Visibility_{i}) + \beta_{13}(Subsidiary_{i} \times Visibility_{i}) + \beta_{14}(CA_{i} \times Subsidiary_{i}) + \beta_{15}(CSR_{i} \times Subsidiary_{i}) + \beta_{16}(CA_{i} \times Fit_{i}) + \beta_{17}(CSR_{i} \times Fit_{i}) + \beta_{18}(CA_{i} \times Risk_{i}) + \beta_{19}(CSR_{i} \times Risk_{i}) + \beta_{20}(CA_{i} \times Involvement_{i}) + \beta_{21}(CSR_{i} \times Involvement_{i}) + \beta_{22}Visibility_{i} + \beta_{23}Subsidiary_{i} + \beta_{24}Fit_{i} + \beta_{25}Risk_{i} + \beta_{26}Involvement_{i} + e_{i}$

Where:		
α	=	Constant for the model
β	=	Regression coefficient for the model
PMC1 i	=	Dummy variables representing the 8 different product-market
		combinations
PMC7 _i		
CAi	=	Respondent i's rating of the parent company's ability
CSR _i	=	Respondent i's rating of the parent company's social responsibility
Visibilityi	=	Dummy variable representing the corporate brand visibility condition
		for respondent i (equals 0 if corporate brand absent, 1 if corporate brand
		present)
Subsidiaryi	=	Respondent i's overall rating of the subsidiary
Fiti	=	Respondent i's rating of the product's fit with the parent company
Risk _i	=	Respondent i's rating of the product's risk
Involvementi	=	Respondent i's rating of his/her involvement with the product
ei	=	Error term for respondent i

To investigate whether both types of organizational associations together had a significant influence, first a model was estimated that contained only the dummy variables representing the eight product-market combinations and the moderating variables. In the second model, perceived corporate ability and social responsibility were entered. This was done to account for the possibility of a spurious relationship between organizational associations and product evaluations. For example, it could be the case that involvement has a positive influence both on the favorability of organizational associations and on product evaluations, so that the effect of associations would be overestimated if involvement were not included. Similar effects could occur for being in the business segment rather than the consumer segment, or for evaluating a product from a highly valued subsidiary. In the third model, product terms representing the proposed two-way interactions were included.

To avoid multicollinearity of the product terms and the original variables, we mean-centered the original variables before computing the product terms (Jaccard, Turrisi & Wan 1990). The data from the 232 respondents were pooled over the two products that each subject evaluated, creating a sample size of 464⁴. The results of the regressions are shown in Tables 2 to 5. To be able to compare the effect sizes, standardized coefficients are reported. The coefficients for the product dummies are not presented here but are available from the authors.

[Insert Table 2 about here]
[Insert Table 3 about here]
[Insert Table 4 about here]
[Insert Table 5 about here]

The Influence of Corporate Ability and Corporate Social Responsibility on Product Evaluations

Our first hypothesis concerns the relationship between the two different types of organizational associations and customers' product evaluations. Model 2, as well as the difference in variance explained between Models 1 and 2, provides a test of this hypothesis. The results show that adding the two types of organizational associations significantly improved the explanatory power of the model for all dependent variables except purchase

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This artificial increase in sample size may lead to an overestimation of the reported significances, so that marginally significant effects (0.05 should be interpreted with caution.

intention. More specifically, corporate ability associations had a significant positive influence on perceived product quality, appeal, and reliability (see Tables 2, 3, and 4, respectively). Thus, if customers had a favorable impression of the company's ability, they evaluated the products of its subsidiaries more positively. Corporate ability associations also positively affected product purchase intentions, but this influence was not significant.

The impact of social responsibility associations was different from that of corporate ability associations. Corporate social responsibility had a (marginally) significant positive influence on product purchase intention, but not on product quality, appeal, and reliability. Apparently, corporate ability has an important influence on the way a product is evaluated, while social responsibility has more influence on the intention to actually buy a product.

Next, we investigate the presence of an *interaction effect* between corporate ability and corporate social responsibility associations. The results of Model 3 show that the interaction between corporate ability and corporate social responsibility associations was significant for perceived product quality (Table 2). However, contrary to our hypothesis (H_{1c}), this interaction was negative. Thus, corporate ability associations had a significant positive influence on product quality when social responsibility associations were unfavorable, but not when social responsibility associations were favorable. Conversely, social responsibility associations had a significant positive influence on product quality when corporate ability associations were unfavorable, but not when corporate ability associations were favorable (see Figure 2). It is interesting to see that when the company's perceived ability was low, corporate social responsibility associations had a positive influence not only on product purchase intentions, but also on the perceived quality of the product.

[Insert Figure 2 about here]

The Moderating Influence of Corporate Brand Visibility

We hypothesized that the influence of corporate ability associations as well as corporate social responsibility associations would be higher when the corporate brand was visible on the advertisement than when it was not visible. In contrast, evaluations of the subsidiaries should have less influence when the corporate brand was visible. This hypothesis was confirmed for corporate social responsibility associations as well as for subsidiary evaluations, but not for corporate ability associations (see Model 3). Apparently, corporate ability influenced product evaluations even when the corporate brand was not shown on the product advertisement. On the other hand, social responsibility associations only had a

significant positive influence on product purchase intention when the corporate brand was prominently visible (see Figure 3). Similarly, customers' evaluations of the *subsidiary* brand only influenced perceived product quality when the corporate brand was *not* visible. This suggests that the accessibility of the associations with the subsidiary, relative to associations with the corporate brand, was decreased by the presence of the corporate brand.

[Insert Figure 3 about here]

The Moderating Influence of Subsidiary Brand Evaluations

We hypothesized that customers' evaluations of the subsidiary brands would influence the effect of corporate ability associations, without specifying a direction. The results of Model 3 show a significant *negative* moderating effect of subsidiary evaluations on the influence of corporate ability. Thus, corporate ability associations had a positive influence on quality, appeal and purchase intention when the evaluation of the subsidiary brand was relatively low, but not when the evaluation of the subsidiary was relatively high (see Figure 4)⁵. The image of the parent company and the image of its subsidiaries seemed therefore to function as competitors in evaluating a product, rather than complementing each other.

As we hypothesized (H_{3b}) , the influence of corporate social responsibility associations was not significantly moderated by subsidiary evaluations. It did not matter for the influence of these associations whether the subsidiary was evaluated favorably or unfavorably.

[Insert Figure 4 about here]

The Moderating Influence of Perceived Fit

We hypothesized that perceived fit between the product and the parent company would have a positive influence on the effect of corporate ability associations. The results of Model 3 show that the interaction effect of fit and corporate ability was indeed generally positive, but not significant for any of the dependent variables.

A possible explanation for this failure to find a significant moderation may be in the role of perceived risk. Thus, it may be the case that a positive moderating effect of fit may be present when perceived risk is high, but that fit may actually have a negative moderating effect when risk is low (cf. Campbell & Goodstein 2001). The reason is that when risk is low,

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⁵ It should be noted that only 3.7% of the respondents reported a mean evaluation of one of the subsidiaries that was less than 3 on a 7-point scale, so "relatively low" is this case means near the mid-point of the scale.

a very high fit (e.g., a bank offering a bank account) may in itself give enough information about the product, so that information about corporate ability would not have much added value. In such a case, corporate ability associations would have more influence on product evaluations when fit is relatively low. In contrast, when risk is high, a high perceived fit would not give enough information about product quality, and there would be a need for information about corporate ability. We tested this conjecture by including the three-way interaction between corporate ability, fit, and risk in an additional model. This interaction was significant (p < 0.05) for product appeal. As shown in Figure 5, in case of a high perceived risk, corporate ability had a significant positive influence on product appeal when fit was high, but not when fit was low. In contrast, in case of a low perceived risk, corporate ability influenced product appeal when fit was low, but not when fit was high.

Contrary to our hypothesis (H_{4b}) , there was also a significant positive moderating effect of fit on the influence of social responsibility. This type of associations had a significant (p < 0.01) positive influence on perceived product quality and reliability when a person perceived a high similarity between the parent company and the product, but not when a person perceived a low similarity.

[Insert Figure 5 about here]

The Moderating Influence of Perceived Risk

Perceived risk was hypothesized to have a positive effect on the influence of corporate ability associations. In our initial model, this hypothesis was not confirmed: the interaction was only marginally significant for product appeal, and in the opposite direction (negative). We conjectured that this absence of a significant effect could be explained by a low *motivation* to reduce risk in some respondents. Thus, some respondents may perceive a high risk, but may not be motivated to reduce it, either because they care little about the product as such, or because they are generally not bothered much by a high risk. For these persons, corporate ability associations may have little influence on their product evaluations, despite a high perceived risk.

To investigate this conjecture, we conducted an additional analysis in which we included the three-way interaction between corporate ability, risk, and risk taking tendency⁶,

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 $^{^6}$ Risk taking tendency was measured by three of the nine items from a scale for exploratory tendencies in customer behavior (Raju 1980). We only used the items that deal with risk taking involving brands, rather than product types. Coefficient α was 0.57.

and the three-way interaction between corporate ability, risk, and involvement. Our hypothesis was that when motivation would be a factor determining the moderating influence of risk, at least one of these interactions should be significant. The results of this additional model show that both these interactions were significant for quality (p < 0.05 and p < 0.10, respectively) and appeal (p < 0.05 and p < 0.01, respectively). There was a significant negative interaction between corporate ability, risk, and risk taking, implying that perceived risk had a positive moderating influence for people who were relatively risk avoiding, but not for people who were relatively risk-taking. In other words, corporate ability associations had a significant positive influence on people's evaluation of the product (including purchase intentions), when these people perceived a high product risk *and* were risk-avoiding, but not when they either did not perceive a high risk or were not risk-avoiding. Similarly, perceived risk only had a positive moderating influence for people who had a high involvement with the product class (see figure 6). On the other hand, no such moderating effects were found for corporate social responsibility associations. Thus, there was partial support for hypotheses 5a and 5b.

[Insert Figure 6 about here]

The Moderating Influence of Involvement

We hypothesized (H_{6a} and H_{6b}) that involvement would have a *negative* effect on both the influence of corporate ability and corporate social responsibility associations, i.e., that both would have more influence when involvement was low. As in the case of risk, there was no significant moderating effect of product class involvement for either corporate ability or corporate social responsibility. However, as stated above, there was a significant three-way interaction between corporate ability, involvement, and risk. Thus, corporate ability associations had a significant positive effect on product evaluations when involvement and risk were either both low, or both high, but not when one was high and the other low (see Figure 6). The direction of the moderating influence of involvement seemed, therefore, to depend on the level of perceived risk: when risk was low, corporate ability associations had more influence under low involvement, but when risk is high, the associations had more influence under high involvement. As indicated above, such a three-way interaction was not found for social responsibility.

DISCUSSION

This study shows that different types of customer associations (perceptions) regarding companies have different effects on customers' product evaluations. Associations regarding a company's ability to deliver quality products and services influenced only the perceived quality, appeal, and reliability of the products, but not customers' intentions to actually buy those products. In contrast, associations regarding corporate social responsibility only influenced product purchase intentions, but not perceived product quality, appeal, and reliability. These results shed new light on the different psychological mechanisms for the two different types of associations. Brown and Dacin (1997), as well as Keller and Aaker (1998) found that on the whole, social responsibility associations have a smaller influence on product perceptions than corporate ability associations do. This is because corporate ability serves as a cue for quality, while corporate social responsibility serves as a more general evaluative context (Brown & Dacin 1997) or as a cue for the legitimacy of the organization (Handelman & Arnold 1999). Our results suggest that compared to corporate ability associations, corporate social responsibility associations indeed have a weaker effect on product quality perceptions, but a *stronger* effect on product purchase intentions. This suggests that corporate social responsibility does not 'merely' serve as a general evaluative context, but is in itself important for customers in making a decision about product purchases, perhaps because it affects the perceived legitimacy of the organization.

As additional support for the idea of different psychological mechanisms, we found that the effects of corporate ability and corporate social responsibility associations are moderated by different sets of variables. The influence of corporate social responsibility associations was moderated by corporate brand visibility: social responsibility influenced product evaluations when the corporate brand was visible on the product advertisement, but not when the corporate brand was not visible. In contrast, the influence of corporate ability associations was independent of whether or not the corporate brand was shown on the advertisement. An explanation for this finding is that corporate social responsibility may have a symbolic value for customers, in that being a customer of a socially responsible firm may serve to express one's identity or personal values to others (e.g., Sen & Bhattacharya 2001). This is easier when others can see that the organization that is patronized, is indeed socially responsible (e.g., when the name of the organization is shown on product advertisements). Corporate ability, on the other hand, is less likely to have a symbolic value, but serves as a cue for the functional quality of a product. As a consequence, the influence of corporate

ability associations would depend to a lesser degree on corporate brand visibility. A prerequisite for the validity of this explanation is that most respondents who did not see the corporate brand on the advertisement nevertheless *knew* that the company they saw was a subsidiary of the parent company. Although we have no data to confirm this from our respondents, it seems safe to assume that this is indeed the case, as the parent company's brand structure is fairly well known in the population of our study.

As a further illustration of the differences between corporate ability associations and corporate social responsibility associations, customers' evaluations of the company's *subsidiary* brands had a negative moderating effect on the influence of corporate ability associations, but not on the influence of corporate social responsibility associations. Corporate ability associations influenced product evaluations when the evaluation of the subsidiary was relatively low, whereas they did not have this influence when the subsidiary evaluation was relatively high. This suggests that corporate ability associations "compete" with the subsidiary brand attitude when evaluating a product's quality. That is, customers do not base their judgments on all diagnostic associations they have in their memories, but only on the most accessible ones. This is because people only use so much information as is needed to make an acceptable judgment (Feldman & Lynch 1988). When either corporate ability associations or subsidiary evaluations are highly accessible (because they are highly favorable), the customer considers them sufficient to form a judgment, so that the other information is not considered any more.

Similarly, corporate ability influenced product evaluations for people who perceived a high risk *and* were relatively risk avoiding, but not for people who perceived a low risk and/or were more risk-taking. This effect can be explained by pointing out that when risk is low, the attributes of the product by themselves provide enough information to evaluate the product, whereas when risk is high, information about product attributes alone is not sufficient, and corporate ability can help 'fill in the blanks' (cf. Erdem 1998).

Corporate ability associations thus seem to be cues that are used to make an adequate evaluation of a product. However, another result in our study suggests an additional role for corporate ability associations. We found that corporate ability associations had a stronger influence when people either perceived the product to be of low risk and had a low involvement with it, or perceived the product to be of high risk and had a high involvement with it. In general, this suggests that corporate ability associations have a higher influence when a person either is not *able* (but motivated) or not *motivated* (but able) to evaluate the product's attributes by themselves. In the first case, corporate ability is an essential piece of

information that, in competition with other information, serves to make a better evaluation. In the second case corporate ability serves as a heuristic that serves to reduce the effort spent in making the evaluation. This result also suggests an explanation for the seemingly inconsistent findings in the literature regarding the direction of the moderating effect of involvement on corporate image transfer. Thus, while some studies have found that corporate image has more influence when involvement is low (Maheswaran et al. 1992), others have found the opposite effect (Dawar & Parker 1994). Our results show that the moderating effect of involvement is positive when risk is high, but negative when risk is low.

The effect of corporate social responsibility associations was not moderated by subsidiary evaluations and perceived risk, suggesting that this type of associations does not compete with other information in forming a product evaluation. This can be explained by the relatively low relevance that corporate social responsibility generally has for evaluations of product attributes such as quality and reliability. Social responsibility associations did, however, have a significant influence on such attributes when a person perceived a high fit between the company and the product. In addition, our study showed a *negative* interaction between corporate ability and corporate social responsibility associations, suggesting that ability and responsibility are competing associations, which can take on each other's role. This would suggest that corporate social responsibility associations *are* perceived as relevant, and can compete with other types of information. Additional research would be needed to shed more light on this finding. For example, our finding of a negative interaction between ability and social responsibility (in contrast with Handelman and Arnold's [1999] results) could be explained by the relatively low variance of both corporate ability and social responsibility in our study. That is, few people may have regarded this particular company's ability or social responsibility as being below a minimal acceptable level. Supporting this interpretation, Arnold, Handelman & Tigert (1996), who asked respondents whether or not a company was the best among its competitors regarding a certain attribute (thus including only very favorable and neutral associations, but not unfavorable ones), also found a negative rather than a positive interaction between corporate ability and corporate social responsibility.

Limitations and directions for future research

While this study reports several important findings, it is not without limitations. First, the independent and dependent variables were measured in the same questionnaire, which could inflate the reported relationships (Feldman & Lynch 1988). While this was partially dealt with by measuring the independent variables *after* measuring the dependents, it still would be

possible that respondents' answers on the "dependent" measures (product evaluations) would influence their responses on the "independent" measures (organizational associations).

Second, we did not include measures of *confidence* in organizational associations, leaving some uncertainty about measurement validity. Thus, it may be possible that some respondents, being asked to answer questions on, e.g., the company's social responsibility, had no associations with this aspect of the company and therefore had to create an answer on the spot. We tried to minimize this problem by including only respondents who were at least somewhat familiar with the company. Furthermore, this study used only a single company's organizational associations, which likely induced truncation on the measures of these variables (as was discussed above). This implies that we have to be careful in generalizing the results in this study to situations in which people's associations with companies are extremely favorable or extremely unfavorable. Future research could corroborate our findings using multiple organizations or experimental manipulations of organizational associations.

Table 1

Descriptive statistics and correlations

	Mean	Std.				C	orrelatio	ns			
		Dev.									
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Corporate ability	5.24	.70									
(2) Corporate social responsibility	4.44	.89	.46**								
(3) Subsidiary evaluation	4.88	1.17	.20	.08							
(4) Fit	5.44	1.28	.12**	.05	.14**						
(5) Risk	4.63	1.40	05	05	06	01					
(6) Involvement	4.07	1.54	.13**	.03	.09*	.18**	20**				
(7) Quality	4.52	.96	.22**	.14**	.31**	.29**	17**	.35**			
(8) Appeal	4.56	1.45	.21**	.12*	.23**	.28**	13**	.37**	.66**		
(9) Reliability	4.62	1.42	.25**	.15**	.24**	.29**	29**	.38**	.62**	.71**	
(10) Purchase intention	3.68	1.56	.15**	.11	.30**	.29**	06	.36**	.56**	.64**	.58**

^{*} p < 0.05 (two-tailed)

^{**} p < 0.01 (two-tailed)

Table 2

The impact of organizational associations on product quality

	Model 1	Model 2	Model 3
Corporate ability		0.096 *	0.059
Corporate social responsibility		0.061	0.078
Corporate ability × Corporate social responsibility			-0.089 *
Corporate ability × Corporate brand visibility			-0.051
$\overline{\text{Corporate social responsibility} \times \text{Corporate brand}}$			0.076
visibility			
Subsidiary evaluation × Corporate brand visibility			-0.100 *
Corporate ability × Subsidiary evaluation			-0.126 *
Corporate social responsibility × Subsidiary			0.054
evaluation			
Corporate ability × Fit			0.041
Corporate social responsibility × Fit			0.124 *
Corporate ability × Risk			-0.019
Corporate social responsibility × Risk			0.034
Corporate ability × Involvement			-0.034
Corporate social responsibility × Involvement			-0.022
Corporate brand visibility	-0.037	-0.050	-0.023
Subsidiary evaluation	0.228 ***	0.198 ***	0.211 ***
Fit	0.203 ***	0.196 ***	0.214 ***
Risk	-0.117 *	-0.104 *	-0.094 *
Involvement	0.267 ***	0.251 ***	0.230 ***
Adjusted R ²	0.214	0.228	0.261
ΔR^2		0.017 **	0.052 **
† p < 0.10 (two-tailed)			
* p < 0.05 (two-tailed)			
** p < 0.01 (two-tailed)			

*** p < 0.001 (two-tailed)

Table 3

The impact of organizational associations on product appeal

	Model 1	Model 2	Model 3
Corporate ability		0.107 *	0.078
Corporate social responsibility		0.040	0.048
$\overline{\text{Corporate ability} \times \text{Corporate social responsibility}}$			-0.047
Corporate ability × Corporate brand visibility			-0.040
Corporate social responsibility × Corporate brand			0.031
visibility			
Subsidiary evaluation × Corporate brand visibility			-0.061
Corporate ability × Subsidiary evaluation			-0.152 **
Corporate social responsibility × Subsidiary			0.049
evaluation			
Corporate ability × Fit			0.066
Corporate social responsibility × Fit			0.080 †
Corporate ability × Risk			-0.080 †
Corporate social responsibility × Risk			-0.027
Corporate ability × Involvement			-0.004
Corporate social responsibility × Involvement			-0.025
Corporate brand visibility	-0.072 †	-0.084 *	-0.070 †
Subsidiary evaluation	0.227 ***	0.196 ***	0.204 ***
Fit	0.205 ***	0.198 ***	0.205 ***
Risk	-0.095 *	-0.083 †	-0.083 †
Involvement	0.285 ***	0.269 ***	0.264 ***
Adjusted R ²	0.220	0.232	0.254
$\overline{\Delta R^2}$		0.015 *	0.041 *
$\uparrow p < 0.10$ (two-tailed)			
* p < 0.05 (two-tailed)			
** p < 0.01 (two-tailed)			
*** p < 0.001 (two-tailed)			

Table 4

The impact of organizational associations on product reliability

	Model 1	Model 2	Model 3
Corporate ability		0.141 **	0.109 *
Corporate social responsibility		0.052	0.059
Corporate ability × Corporate social responsibility			-0.022
Corporate ability × Corporate brand visibility			-0.017
Corporate social responsibility × Corporate brand			0.057
visibility			
Subsidiary evaluation × Corporate brand visibility			-0.054
Corporate ability × Subsidiary evaluation			-0.052
Corporate social responsibility × Subsidiary			-0.044
evaluation			
Corporate ability × Fit			-0.007
Corporate social responsibility × Fit			0.150 **
Corporate ability × Risk			-0.060
Corporate social responsibility × Risk			0.000
Corporate ability × Involvement			-0.027
Corporate social responsibility × Involvement			-0.047
Corporate brand visibility	0.010	-0.006	0.016
Subsidiary evaluation	0.198 ***	0.157 ***	0.161 **
Fit	0.222 ***	0.212 ***	0.237 ***
Risk	-0.211 ***	-0.196 ***	-0.192 ***
Involvement	0.243 ***	0.222 ***	0.212 ***
Adjusted R ²	0.275	0.299	0.313
ΔR^2		0.027 ***	0.035 †
† $p < 0.10$ (two-tailed)			
* p < 0.05 (two-tailed)			
** p < 0.01 (two-tailed)			

Table 5

The impact of organizational associations on product purchase intention

	Model 1	Model 2	Model 3
Corporate ability		0.008	-0.011
Corporate social responsibility		0.080 †	0.065
Corporate ability × Corporate social responsibility			-0.022
Corporate ability × Corporate brand visibility			-0.086 †
Corporate social responsibility × Corporate brand			0.133 **
visibility			
Subsidiary evaluation × Corporate brand visibility			-0.014
Corporate ability × Subsidiary evaluation			-0.118 *
Corporate social responsibility × Subsidiary			0.081
evaluation			
Corporate ability × Fit			0.038
Corporate social responsibility × Fit			0.035
Corporate ability × Risk			0.011
Corporate social responsibility × Risk			-0.026
Corporate ability × Involvement			0.018
Corporate social responsibility × Involvement			0.009
Corporate brand visibility	-0.057	-0.066	-0.059
Subsidiary evaluation	0.268 ***	0.257 ***	0.258 ***
Fit	0.185 ***	0.183 ***	0.195 ***
Risk	0.013	0.019	0.026
Involvement	0.282 ***	0.277 ***	0.263 ***
Adjusted R ²	0.206	0.209	0.221
$\overline{\Lambda R^2}$		0.007 n.s.	0.032 †
$\uparrow p < 0.10$ (two-tailed)			
* p < 0.05 (two-tailed)			
** p < 0.01 (two-tailed)			

*** p < 0.001 (two-tailed)

Figure 1
Research model

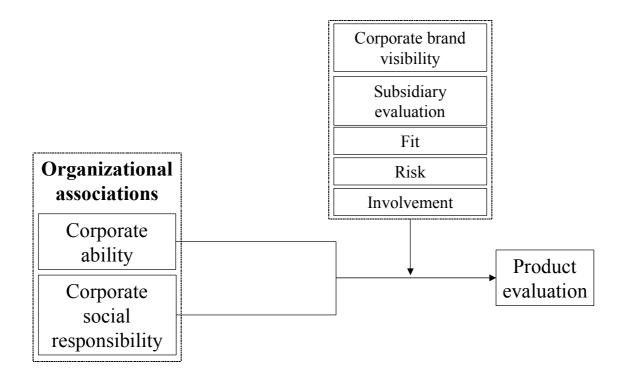


Figure 2

Interactive effect of corporate ability and corporate social responsibility on product quality

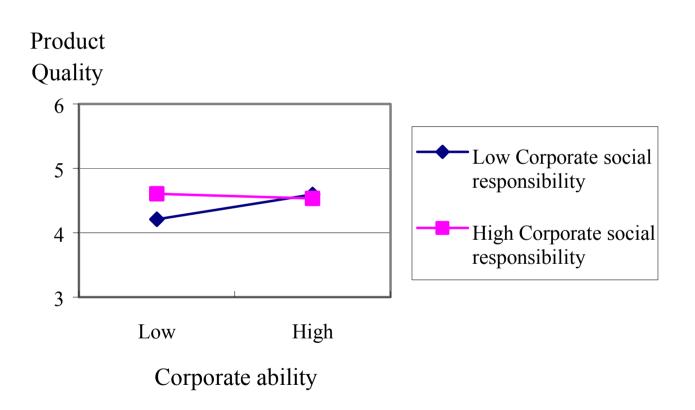


Figure 3

Interactive effect of corporate social responsibility and corporate brand prominence on product purchase intention

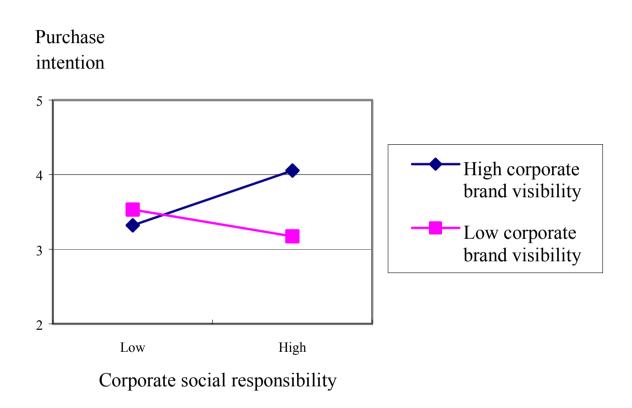


Figure 4

Interactive effect of corporate ability and subsidiary evaluation on perceived product quality

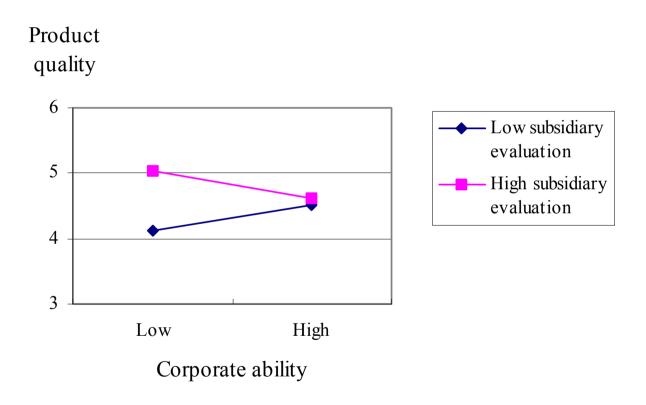


Figure 5

Interactive effect of corporate ability, perceived fit, and perceived risk on perceived product appeal

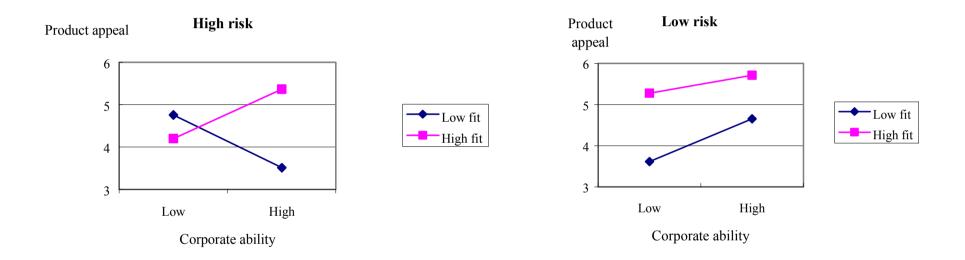
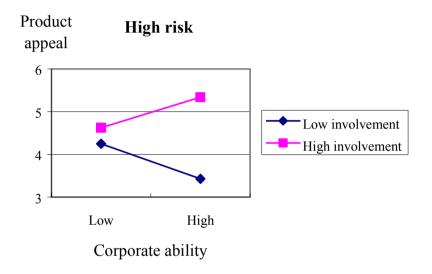
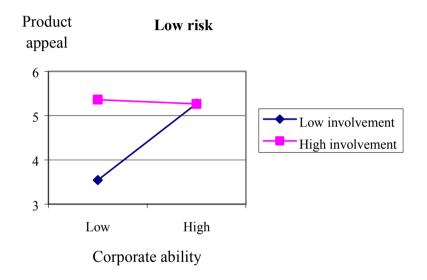


Figure 6

Interactive effect of corporate ability, involvement, and perceived risk on perceived product appeal





Appendix: measures

Items marked with an asterisk (*) are reverse scored.

Corporate ability associations

(The original subscale names are indicated in brackets: PS = Products & Services, VL =

Vision & Leadership, WE = Workplace environment, FP = Financial Performance.)

Do you think [parent company name] communicates clearly what its products are? (PS)

Do you think [parent company name] offers innovative products and services? (PS)

Do you think [parent company name] offers high-quality products? (PS)

Do you think [parent company name] offers products with a good price-quality ratio? (PS)

Do you think [parent company name] has a lot of authority in the financial sector? (VL)

Do you think [parent company name] has a convincing vision on its role in the financial sector? (VL)

Do you think [parent company name] is well-managed? (WE)

Do you think [parent company name] is a good employer? (WE)

Do you think [parent company name] employs talented people as compared with competitors? (WE)

Do you think [parent company name] has a strong record of profitability? (FP)

Do you think [parent company name] is an attractive share for investors? (FP)

Do you think [parent company name] has good prospects for future growth? (FP)

Corporate social responsibility associations

Do you think [parent company name] supports good causes?

Do you think that [parent company name] behaves responsibly regarding the environment?

Subsidiary evaluation

Do you find [subsidiary name] sympathetic?

Do you find [subsidiary name] respectable?

Do you find [subsidiary name] reliable?

Do you think that [subsidiary name] stands behind its products and services?

Fit

Do you think that this product fits the image of [parent company name]?

Do you think that this is a logical product for [parent company name] to market?

Risk

Do you find choosing this type of products complicated?

How large do you feel the risks are that are involved with purchasing this type of products?

(Endpoints: "very small" and "very large")

Involvement

How essential do you find this type of products? (Endpoints: "essential" and not "essential")*
How useful do you find this type of products? (Endpoints: "useful" and "useless")*
Do you need this type of products? (Endpoints: "certainly not" and "certainly yes")

Quality (endpoints: "very low" and "very high")

What do you think about the quality of this product?

What do you think about the quality of this product in comparison with similar products?

How high do you think the returns of this product are for the customer?

Appeal

Do you find this product sympathetic?

Do you find this product attractive?

Does this product give you a pleasant feeling?

Reliability

Do you find this product reliable?

Does this product give you a safe feeling?

Purchase intention

If you were planning to buy a product of this type, would you choose *this* product?

Would you purchase this product?

If a friend were looking for a product of this type would you advise him/her to purchase this product?

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