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Blab Reports

Special Issue
Innovative Brand Management

Special Issue

Innovative Brand Management I

Carsten Baumgarth (Ed.)

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Preface

Brand management is, and remains, an exciting research and management topic. Technological, social and legal changes lead to new challenges and research topics. Even if these sometimes disruptive and continuous changes are difficult for brand management to master, it is exciting for researchers because there are always new and exciting questions.

This special issue "Innovative Brand Management I" contains four papers covering a broad spectrum.

However, what makes the contributions particularly interesting is that the authors are all master students of the HWR Berlin who wrote the articles in the summer semester of 2019. As part of the course "Advanced Brand Management", eleven groups chose research questions and worked on scientific papers. This was done under my supervision. At the beginning of the course, students were taught the basics of scientific publishing (e.g. journal rankings, databases, double-blind review process, structured abstract, IMRaD: Introduction, Methods, Results and Discussions structure, etc.). Afterwards, researchers (Prof. Dr. Holger J. Schmidt, Dr. Samuel Kristal, Prof. Dr. Cleopatra Veloutsou, Prof. Dr. Oriol Iglesias, Prof. Dr. Carsten Baumgarth) presented current brand research projects. Furthermore, the students were able to participate in scientific sessions of the 14th Global Brand Conference. Based on this input and a call for papers, the students developed a research topic in small groups, conducted a literature search and derived hypotheses and/or models. After a further input phase on empirical master techniques, the students developed a design and conducted an empirical study. The implemented approaches ranged from case studies, expert surveys and standardized consumer surveys to experiments. The papers were then reviewed by a peer review with the help of a review form. Based on this feedback, the groups improved their contributions and submitted the final versions. The seminar ended with a poster session of all eleven papers. Based on the quality of the contributions, four papers were selected for this special issue "Innovative Brand Management". What is remarkable about these is, that despite time, financial, and methodological limitations, students succeeded in developing, carrying out, evaluating and documenting good studies within about four months.

I am convinced that this very labor-intensive teaching format for lecturers and students has brought great learning progress and represents a perfect preparation for the master's thesis. I wish you, the reader, an inspiring read. If you have any questions or feedback, please do not hesitate to contact me as the editor or the students.

Berlin, November 2020

Prof. Dr. Carsten Baumgarth

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“Handmade effect” on brand attitude and possible enhancement

Till Letzel, Raphaela Rausch, Sarah Schubert

Abstract

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Abstract

Purpose – Empirical research provides evidence that the “handmade effect” positively impacts product attractiveness. Yet, questions remain regarding the effect of the handmade-claim on the brand attitude and willingness to pay, and if that “handmade effect” can be enhanced through the visual introduction of an artisan. The paper aims to discuss these issues and indicates potential drivers for the effect.

Design/Methodology/Approach – Two brands with three different production cues (no cue, handmade, handmade with visual introduction of the handcrafter) are introduced to test their perceived brand attitude within a 2x3 laboratory experiment.

Findings – Findings provide evidence that the “handmade effect” has a positive impact on brand attitude. But the results do not show a significant enhancement of that effect through visual introduction of the artisan as well as no significant increase of willingness to pay - neither for handmade nor for handmade with an artisan introduction. The results suggest several drivers for the “handmade effect” on brand attitude with “quality” and “personality” as strongest ones.

Originality/Value – This research contributes through the extension of the “handmade effect” on brand attitude and provides first insights in its enhancement through the combination of the claim handmade and a visual artisan introduction. Furthermore, the study suggests several drivers of the “handmade effect”.

1 Introduction

21st century companies produce goods quickly, accurately and in large quantities, which is the result of industrialization and digitization. Especially through rationalization and mass production, it was possible to increase productivity and thus reduce prices and working hours (cf. Haupt and Torp, 2009). In addition to production, ways of communication have also changed. The Internet has led to a global interconnectedness, resulting in an enormous flood of information. Thus, consumers are exposed to high amounts of messages each day, and as a result, it's increasingly difficult for companies to reach their target audience (cf. Keller, 2009).

In order to stand out from the crowd, several companies market their products as handmade contrary to the technical progress. This trend can be observed in various industries including cosmetics, fashion, household appliances and many more. For instance, the English cosmetics company Lush sells its handmade products with sales in the millions (cf. Fuchs et al., 2015). There was no empirical evidence that handmade products are particularly attractive until Fuchs et al. (2015) examined the "handmade effect" within four studies and proved its existence regarding product attractiveness. In this context, the researchers provided incentives for future studies, whereby the "handmade effect" could be increased by the visual presentation of the handcrafting person (ibid.).

This topic seems relevant because some companies are already advertising their products with a handmade claim plus the visual exposure of the several handcrafters: The German textile manufacture Ege places the artisans in combination with products on their website (cf. Ege Textil Manufaktur, 2019). A similar representation of the producing employees can be observed regarding the Berlin porcelain manufactory KPM (cf. KPM Berlin, 2019) and the German knife manufacturing company called Windmühlenmesser (cf. Windmühlenmesser, n.d.).

Since there is no explicit study that examines a possible enhancement of the "handmade effect" with the introduction of an artisan, the present study aims at this. The experimental setup is based on the initial study by Fuchs et al. (2015). But as a holistic approach is taken, this study focuses on brands (attitude), not just products. Two (scarf and knife) out of four product categories Fuchs et al. (2015) investigated, are adopted for the experiment and supplemented by a third one (jewelry). These three product categories are transferred into brands because a better acceptance within the target group is assumed. Further, the aim is to not limit the setting as in the Fuchs et al. (2015) study where a gift setting is given.

The respondents are presented with a fictional brand advertisement with either no specificity, a manipulation with a handmade claim or additionally to the handmade claim, a picture of the artisan. The attitude of consumers towards a brand is measured, since it reflects the individual internal assessment of a brand by the viewer and also plays an important role in predicting consumer behavior (cf. Mitchell and Olson, 1981). It can be assumed that the attitude towards a brand actually lasts for a long time and presumably can influence the behavior of the customer (cf. Eagly and Chaiken, 1993). Hence brand attitude seems important and suitable for this study,

because it is about investigating whether the image of a person combined with a handmade claim has a positive effect on the customers' attitude towards the brand. In addition, the question arises if the "handmade effect" with or without the visualization increases the willingness to pay (in the following: WTP) for the products, which is also part of this study. In the end, several drivers for the effects are discussed to give an approach for further research.

2 Theoretical Background

2.1 Handmade versus machine made

There are many different opinions regarding the production process, its promotion and its impact on the consumer. Markoff (2012) assumes that machine made productions are the future, as machines can work 24 hours, 7 days a week and 365 days a year and thus are more cost efficient and additionally have the ability of heavy lifting- and precise working-tasks, that could not be done by human hands. On the other hand, a conscious return to traditional handmade production is recognizable. Products that are marketed as handmade convey (among others) love, creativity, quality and environment friendliness (cf. Fuchs et al., 2015; Hsu and Ngoc, 2016) and thus increase the product attractiveness, which Fuchs et al. (2015) declared to be the "handmade effect". Hsu and Ngoc (2016) additionally provided proof that this "handmade effect" has a positive impact on the customers' purchasing decision.

2.2 Brand Attitude

In an affluent society it is becoming increasingly important for a company to differentiate itself from competitors. Research provides evidence that strong brands create a sustainable competitive advantage for firms (cf. de Chernatony et al., 2011; Aaker, 1995). According to Bettman (1979), consumers form attitudes as a result of their limited cognitive processing capabilities since attitudes function as a perception-"filter" for an object (Lutz, 1991). Brand attitude refers to an appreciation of a brand by a consumer (cf. Mitchell and Olson, 1981). As a differentiation factor and to enhance the product attractiveness, companies should develop favorable brand attitudes (cf. Zarantonello and Schmitt, 2013).

Therefore, brand attitude is of vital importance for a company which marketers need to reinforce or enhance but no prior study examined the impact of the handmade-claim on brand attitude. The "handmade effect" has only been tested on products. For this reason, this research addresses the question whether the mode of production affects customers' attitude towards a brand which can be hypothesized as,

H_{1a}: The handmade claim has a positive effect on the brand attitude.

Fuchs et al. (2015) and Hsu and Ngoc (2016) have provided first insights into the "handmade effect". Questions remain regarding the reinforcement of it on the product attractiveness (cf. Fuchs et al., 2015) or derived on this

research, the brand attitude. A possible enhancement could be the handmade claim and additionally a visual presentation of the manufacturing artisan (ibid.). Referring to Fuchs et al. (2015,) the researchers assume that an artisan picture, his naming as well as role within the production process within the brand presentation could lead to even more positive attitude towards the brand. So the hypothesis can be deduced as,

H_{1b}: The combination of a handmade claim with a visual introduction of the handcrafter enhances the positive effect on the brand attitude.

2.3 Willingness to Pay

The WTP refers to the maximum amount of money an individual is willing to spend for a product or service (cf. Cameron and James 1987; Krishna 1991). It measures the value that a person allocate to a consumption or usage experience in monetary units (cf. Homburg et al., 2005). Several studies reported a WTP higher prices for different types of ethical products (cf. Doane, 2001). Handmade products could be seen as ethical products since previous research linked them for example with “environmental friendliness”, “local community support” (Hsu and Ngoc, 2016) and “emotional attachment” (Schroll et al., 2018). According to Thompson et al. (2005) an emotional attachment with a brand is a predictor of customers’ WTP. Therefore, the hypothesis is:

H_{2a}: The handmade claim has a positive effect on the willingness to pay.

In this context, this research again raises the question whether the combination of a handmade claim and an introduction of the handcrafters not only enhances the “handmade effect” but also enhances H_{2a} and leads to an even higher WTP, which is summarized as follows:

H_{2b}: The combination of a handmade claim with a visual introduction of the handcrafter leads to a higher willingness to pay.

Various studies show a positive correlation between the brand attitude and the WTP (cf. Keller, 1993; Augusto and Torres., 2018). As this study addresses these two topics (combined with the “handmade-effect”), it is interesting to what extent this positive correlation can be confirmed, since this relationship is important because it is a key element in the profit equation. So the last hypothesis can be deduced as,

H₃: The brand attitude has a positive impact on the willingness to pay.

The hypotheses are summarized in figure 1, that underlines the connection between two variables and its intense.

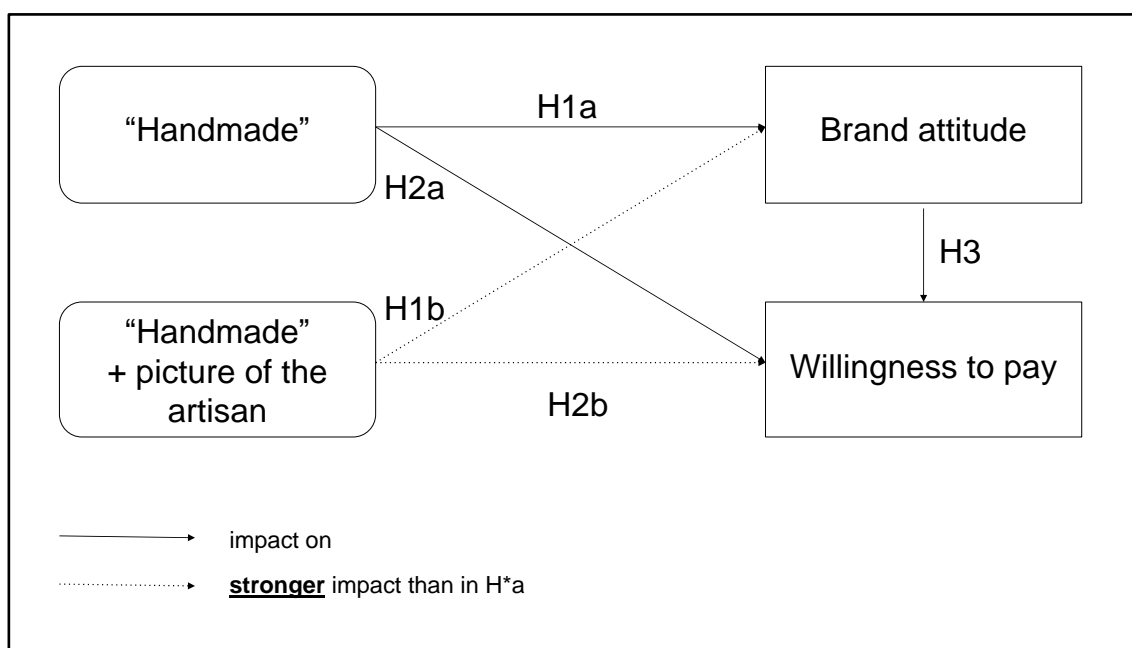


Figure 1: Conceptual model

2.4 Potential driver of the “handmade effect”

In order to be able to provide initial explanations for the expected findings, we will discuss ten possible drivers of the “handmade effect” derived from previous research. Fuchs et al. (2015) and Hsu and Ngoc (2016) confirmed both the driver “love” within their studies. Hsu and Ngoc (2016) expand that “love conveyance” by “quality”, “creativity”, “environmental friendliness” and “local community support”. Those two studies were the template of the present study.

Kruger et al. (2004) suggest that “effort” is used as a heuristic for quality. Participants rating a poem, a painting, or a suit of armor provided higher ratings of quality, value, and liking for the work the more time and “effort” they thought it took to produce. In addition, Newman and Dhar (2014) showed that products from a company's original manufacturing location are viewed as containing the essence of the brand so that consumers view products from the original factory as more “authentic” and valuable than identical products made elsewhere. Handwritten typefaces create perceptions of human presence, which lead to more favorable product evaluations (and behavior) by enhancing the “emotional attachment” between the consumer and the product (cf. Schroll et al., 2018). Furthermore, Abouab and Gomez (2015) suggest that handmade products are judged as more “natural” than machine-made products because of an increase in perceived human contact.

Thus, the five drivers of the “handmade effect” (Fuchs et al., 2015; Hsu and Ngoc, 2016) were expanded by “effort”, “authenticity”, “personality”, “emotional attachment” and “naturalness” as they seemed all to be of importance for the present study.

3 Methodology

Participants were exposed to sets of brand presentations, each consisting of two parts. Firstly, a coloured picture representing a brand advertisement, showing one of the brands products and the brand logo. Secondly, a short introducing text, explaining the history and key assets of the brand. Initially, the presented fictive brands were *Kronholm* (kitchen knife brand), *Meba* (woollen textiles brand), and *Osia* (jewellery brand), but one of them had to be cancelled over the course of the pretest, as will be explained later on. Although the three brands came from different industries, all were described as being small to medium sized companies, rather focusing on regional and/or sustainable raw material. For each brand there were three variants of presentation, varying the given cue of it's production methods. Within Cue 1 (*no cue*), the picture as well as the text gave no hint at all on how the products were manufactured. Cue 2 (*handmade*) was about a descriptive claim including the word "handmade" as part of the brand's logo as well as multiple hints on the product being handcrafted within the description. And lastly, Cue 3 (*picture*), was the same as for Cue 2 (*handmade*), but pictures of the artisan manufacturing the products were added to the advertisements. For *Kronholm* a male blacksmith with a glowing piece of iron, for *Meba* a female tailor next to a sewing machine, and for *Osia* a female jewellery designer next to her workbench. The photos were labelled with the artisans name and their job title.

3.1 Pretests

In a first step, an online pretest (n=25) in order to verify that participants actually recognize the stimuli with Cue 2 (*handmade*) and Cue 3 (*picture*) as being handmade products was conducted. Additionally, possible drivers for the "handmade effect" were questioned. The pretest was a 3 (brand: *Kronholm*, *Meba*, *Osia*) x 3 (production cue: *no cue* vs. *handmade* vs. *handmade with picture*) design. Every participant was exposed to all three brands but in a randomized order and with a different production cue in each case. Right after every brand presentation, the subjects were asked "Are the products of the brand X handmade?". Also, they were asked to mark whether they connect one or more of the following associations with the brand: "love", "quality", "authenticity", "personality", "emotional bonding", "creativity", "eco-friendliness", "support of local communities", "effort" and "naturalness".

While 85.71% of the participants answered the handmade question according to the presented production cue ("not handmade" for Cue 1, "handmade" for Cues 2 and 3) of *Kronholm* and *Meba* correctly, 75% of the participants claimed *Osia*'s products to be handmade, although the Cue 1 (*no cue*) manipulation was shown to them. Also after changing the wording of *Osia*'s introduction text and two additional pretests with smaller sample sizes, over 50% claimed the products wrongly to be handmade. Possible reasons may lay in the product's aesthetics or general associations of jewelry being handcrafted. Accordingly, *Osia* had to be excluded from all further research to ensure accurate data collection. Regarding the potential drivers, the pretest has shown no significant differences in numbers of occurrences between participants with no cue and participants with

handmade-cues. It can be assumed that this might be due to the rather small number of participants of the pretest. Therefore, all ten drivers were taken to our main study in order to gain more detailed insights through bigger sample sizes

3.2 Main Study

The main study was conducted through an online survey. The survey was distributed via the researcher's private and professional network, as well as relevant social media groups. One hundred twenty-eight participants ($M_{Age} = 27,3$ years, 52% female) filled out the survey completely. Irregularities regarding the gender distribution between all groups were also checked and no major differences between the groups occurred ($\chi^2 = 2.467$, p (two-tailed) = .781). Since *Osia* was excluded, the main study was based on a 2 (brand) x 3 (production cues) experiment. Both factors were manipulated within each participant, resulting in two brand presentations per subject and three different participant groups in general (see table 1).

	no cue	handmade	picture
Kronholm	1	3	2
Meba	2	1	3

Table 1: Allocation of participants towards groups

After seeing the brand presentation, the participants assessed their attitude towards the brand on five items using a five-point scale following the preamble "For me, the shown brand seems..." ("unappealing/appealing", "bad/good", "unpleasant/pleasant", "unfavorable/favorable", "unlikable/likable"; $\alpha = .867$) (Spears and Singh, 2004). Since there were no utilizable results in the pretest, participants were asked to assess, how much they associate the ten given potential drivers with the shown brand, using a five-point Likert-scale ("disagree/agree"). Finally, participants were introduced to a first-price sealed-bid auction setting (cf. McAfee and McMillan, 1987; Voelckner, 2006) and were asked to state how much they were willing to pay for the shown product of the brand. At the end of the survey, there were two test questions in order to assure the quality of the results. Firstly, participants were asked what they think what the purpose of the study was. Secondly, they should state which of the products they have seen was handmade ("Kronholm", "Meba", "none", "unsure"). Due to the fact that the survey was conducted in German, all items and questions have been translated from English to German beforehand.

Because every subject answered the questions for two brands, they were split up into two individual cases. For data adjustment, 77 cases needed to be eliminated due to filling out the survey too fast ($t < 151$ s; $M_t = 378,47$ s; $n = 8$ cases) (cf. Leiner, 2019), knowing the study's purpose ($n=4$) or failing at the handmade test-question ($n=65$). This resulted in a total of 179 cases.

4 Results

4.1 Preliminary analysis

Although brand attitude scales are rather widespread and well established (cf. Zarantonello and Pauwels-Delassus, 2016), besides an internal consistency analysis, a factor analysis for the brand attitude measurement was conducted. The analysis showed that all five items of the scale were loading on one single factor, showing constantly high loadings ($M_{load.} = .812$). Based on this result, *brand attitude* was calculated as the new dependent variable based on the five items.

4.2 Main analysis and hypothesis tests

Firstly, it was tested whether there are differences in brand attitude ratings between all of the three production cues. The first appliance of an ANOVA showed there are significant differences in mean brand attitude ratings between the three groups ($M_{no\ cue} = 3.676$, $M_{handmade} = 3.922$, $M_{picture} = 4.096$; $p = .012^{**}$). But this was giving no hint on which of the three production cues has an significant effect on increasing a participants brand attitude. So three more iterations of ANOVA were applied to compare pairs of production cues against each other. Although the effect was not as strong as expected based on prior studies, the difference in mean attitude ratings between Cue 2 (*handmade*) compared to the Cue 1 (*no cue*) group provided evidence for a positive handmade effect ($p = .074^*$). The differences between Cue 2 (*handmade*) and Cue 3 (*picture*) were weaker though, showing a non-significant relationship ($p = .165$). Therefore hypothesis H_{1a} was confirmed while H_{1b} was rejected. Nevertheless, there is a strongly significant difference in mean brand attitude ratings between Cue 1 (*no cue*) and Cue 3 (*picture*) groups ($p = .004^{***}$). When calculated only for cases of the brand *Kronholm*, most differences in mean brand attitude between production cues stayed non-significant, but, as for the whole sample, the difference between Cue 1 (*no cue*) and 3 (*picture*) showed an evident effect ($p = .078^*$). In contrast, for *Meba* there was a significant difference between Cue 1 (*no cue*) and Cue 2 (*handmade*) groups ($p = .025^{**}$), as well as between Cue 1 (*no cue*) and Cue 3 (*picture*) ($p = .022^{**}$). Differences between Cue 2 (*handmade*) and Cue 3 (*picture*) also showed a positive effect of adding the artisan's picture to the advertisement ($p = .055^*$) (see appendix 1 for a concise overview).

Afterwards, correlations between the given production cues and the participants WTP was tested. Again, an ANOVA was applied to check for differences between all three groups. Surprisingly, the mean WTP showed no significant differences between the groups ($M_{no\ cue} = 48.41$, $M_{handmade} = 64.33$, $M_{picture} = 61.25$; $p = .35^{**}$). As for the brand attitude, the calculation with only two production cues in each case was repeated. The differences between Cues 1 (*no cue*) and 2 (*handmade*) remained non-significant ($p = .193$) as well as the differences between groups 2 (*handmade*) and 3 (*picture*) ($p = .812$) and 1 Cue (*no cue*) and Cue 3 (*picture*) ($p = .134$). The results for the WTP by each brand were also calculated. For *Kronholm*, the differences in mean WTP were non-

significant over all three groups, as well as between each group. Also for *Meba* all results between and over all groups were non-significant. In conclusion, both of the Hypotheses H_{2a} and H_{2b} were rejected.

In a next step, the goal was to calculate the relationship between the participants brand attitude and their WTP using a univariate regression analysis. The model was run twice, first using a linear regression model, afterwards using an exponential regression model. Although both regression models have shown a strongly significant influence of the brand attitude on the WTP ($p > .001^{***}$), the decision was to choose the exponential regression model since it explains the WTP to a greater extent ($R^2_{exp.} = .185$, $R^2_{lin.} = .118$) and provides a lower standard error of the estimate ($SE_{exp.} = .699$, $SE_{lin.} = 59.26$). Also, in contrast to the linear model, the exponential models' intercept was not negative. Since the model found a highly significant correlation between brand attitude and WTP, hypothesis H_3 could be approved. For a concise overview of all hypothesis evaluations see the following table 2.

Hypothesis	Short description	Evaluation
H _{1a}	"Handmade effect" on Attitude	Approved
H _{1b}	Increase of "Handmade effect" on attitude by showing a picture of an artisan	Rejected
H _{2a}	"Handmade effect" on WTP	Rejected
H _{2b}	Increase of "Handmade effect" on WTP by showing a picture of an artisan	Rejected
H ₃	Effect of Attitude on WTP	Approved

Table 2: Summary of hypothesis evaluations

Finally, the examination of which associations could lead to a positive "handmade effect" was done. The focus was to find out which drivers had a significantly higher rating for handmade brands than for brands of our Cue 1 (*no cue*) group by using the T-test. Therefore the groups of Cue 2 (*handmade*) and Cue 3 (*picture*) were joined into one single "handmade" group and got compared to the Cue 1 (*no cue*) group. Except the driver "eco-friendliness", all drivers scored significantly higher means in the "handmade" group, most of them providing strong evidence (see appendix 2). The aim of the last step was to find out, which of the variables really have driven the brand attitude of participants with the production Cues 2 (*handmade*) and 3 (*picture*) by using another regression analysis. Surprisingly, the highest possible adjusted R^2 value (= .490) was generated when the regression was run with all ten variables, although only two of them showed a significant direct influence (personality, $\beta = .140$ $p = .035^{**}$; quality, $\beta = .133$ $p = .059^*$; see appendix 3). Despite the others didn't have significant influence on the regression line, they still contributed enough to explaining the construct of brand attitude to increase the adjusted R^2 value. Thus, one might argue that there are not just one, two or three factors which might be drivers of a potential positive "handmade effect".

5 Discussion

In summary, the present study, in line with Fuchs et al. (2015), showed evidence for the existence of a positive “handmade effect” on the attitude towards a brand offering handcrafted goods (H_{1a}), although it is not as strong as expected. The exposure to an artisan manufacturing the product though didn’t increase consumers’ brand attitude significantly more than just claiming it to be handmade (H_{1b}), but it still influenced the attitude positively. Since lower p-values could be observed between Cues 1 (*handmade*) and 3 (*picture*) (compared to cues 1 and 2; see table 1) brands should consider enriching their handmade communication with pictures or footage of artisans in the first place. In contrast to the kitchen knife brand *Kronholm*, a significant positive “handmade effect” for the textile brand *Meba* became evident between all three production cues. Thus the effect might depend on the industry the brand operates in and common associations towards this industry. Regarding the Hypotheses H_{2a} and H_{2b} , the study showed no significant “handmade effect” on consumers’ WTP at all, so both hypotheses needed to be rejected. The reason for this may lay in the heterogeneity of the sample, and therefore widely varying shopping behaviors of the participants. Furthermore, our study confirmed prior researches, showing there is a strongly significant influence of the brand attitude towards consumers’ WTP (H_3). Although Fuchs et al. (2015) admitted that there might be more than just one factor influencing the “handmade effect”, their approach of claiming “love” to be the major driver of a positive “handmade effect” was considered to be rather inappropriate. Nine out of ten drivers scored significantly higher mean values for Cues 2 (*handmade*) and 3 (*picture*) compared to the Cue 1 (*no cue*) groups (see appendix 2). Additionally, all variables contributed to explaining the construct of brand attitude for Cues 2 (*handmade*) and 3 (*picture*). In conclusion, the current study suggests that there might be even more factors influencing a consumer’s attitude towards handmade brands all at the same time. Especially the highest possible adjusted R^2 (= .490), which is rather low, indicated many more, not yet considered factors explaining the brand attitude.

6 Implications

6.1 Theoretical implications

Previous research (cf. Fuchs et al., 2015; Hsu and Ngoc, 2016) found a “handmade effect” on product attractiveness. The present study aimed at contributing to the understanding of the impact of a handmade production mode on the brand attitude; and its possible enhancement through the introduction of artisan. The results showed a positive impact, which expands the “handmade effect”-theory. But an improvement through demonstrating *handmade plus picture* could not be proven, resulting in possible saturation of the “handmade effect”. The findings thus support the statement of Fuchs et al. (2015) that “positive contagion effects are not only elicited by physical contact with a specific producer but can be elicited by physical contact with an unspecific, anonymous producer”. Furthermore, the study provided insights on the “handmade effect” within different brands, so that the occurrence of a significant “handmade effect” can also depend on the industry,

brand and its presentation. An increase in WTP because of the handmade production mode could not be proven at all. But particularly noteworthy are the tested drivers of the “handmade effect”. While previous studies (cf. *ibid.*; Hsu and Ngoc, 2016) focussed on one or a few drivers, the present study extended them and tested ten potential drivers. Nine out of the ten selected drivers showed higher ratings within the *handmade*-groups compared to the *no cue*-group. But only “personality” and “quality” could be confirmed as direct driver of the “handmade effect”. This is in clear contradiction to the strongly emphasized “love”-driver of Fuchs et al. (2015).

6.2 Managerial implications

It can be said that for selected brands the handmade claim can certainly be an interesting field of association and a guideline for brand management (cf. Baumgarth and Schmidt, 2017). The positive impact of the “handmade effect” on brand attitude implies that marketing managers should test if their brand is a suitable “handmade brand” in order to invest in handmade products to potentially enhance brand attitude which is linked with a price premium. In addition, the customers benefit is increased and it is rewarded by the customers that the brand represents the respective original in the category (cf. Pricken, 2014). Since the study results regarding the recognition of the production way weren’t significant, marketers need to promote their brand as handmade even more clearly but should be aware that an introduction to the handcrafter not automatically leads to an enhanced “handmade-effect”.

Several drivers were tested for the “handmade effect”, whereby “quality” and “personality” had the strongest effect. Baumgarth and Schmidt (2017) also noted that, among other things, “quality” and handmade products are closely linked. Even if “love”, “authenticity”, “emotional attachment”, “creativity”, “local society support”, “effort” and “naturalness” could not be proven to be direct drivers, their mean scores within the *handmade*-groups were significantly higher. Thus, the results suggest that in the minds of customers, handmade-products are linked to them. Following from this, handmade-brands could use one (or more) of those attributions to highlight their handmade-position.

7 Limitations and further research

Since this research was to the best of our knowledge the first experiment on the topic, it can be seen as a first step towards an understanding of the relationship between “handmade effect” and brand attitude whilst introducing the artisan. Some limitations need to be stated. Firstly, after elimination of several respondents, the completed answers per groups were partially unrepresentative, due to a small number of participants. The number of eliminations was particularly high since many participants failed in the last test question about whether the shown brand was handmade or not. This incident is probably reasonable in the fact, that the participants memory ability was not strong enough at the end of the survey to specify the cues correctly. Thereafter, the manipulation was not satisfying and should be amplified in further research. Secondly, due to

the elimination of unrecognized cues, only two brands of two product categories were queried, which leads to an unrepresentative outcome. In addition, the participants were mainly young adults, which also negatively affected the generalizability. Thirdly, the setting of the different brands was not consistent regarding for example the coloring or the brand values. These different starting situations may have influenced the participants differently or distorted the perception. Lastly, Baumgarth and Schmidt (2017) summarized thirteen success factors of the handmade model. Therefore, besides of claiming the brand as handmade there are several other things that need to be considered. For example, it has not been included that handmade brands are only credible if the quantity produced and offered is limited to the customer (cf. Kapferer and Bastien, 2009). In addition, when communicating through form and color, the handmade character must be symbolized and the communication of regional origin is also important (cf. Thakor and Lavack, 2003; Pricken, 2014).

Thus, for further research it could be suggested using a bigger sample representing the main population as well as introducing more brands with products from different product categories but similar settings. Thereafter the results will be more generalizable and representative and may show a variance in several industries. It is also recommended to test if there are other, for example gender, effects visible in the results and thus, the manipulation should be adjusted. In addition, regarding the present study only a single handcrafting person with the job title was used but there might be differences in results if more than just one handcrafting person is introduced and/or the profession is explained in more detail. Moreover, it could be tested whether the effect is different if only the handcrafting person is shown without an explicit handmade claim as e.g. the chocolate company Lindt does in their advertisements. Finally, research should be continued regarding other factors that might influence the brands attitude.

Appendix

Appendix 1: Significance of differences in variance of attitude ratings between cues

Tested Cues	p	Significance
all brands		
All cues	.012	**
Cue 1 → Cue 2	.074	*
Cue 2 → Cue 3	.165	-
Cue 1 → Cue 3	.004	***
Kronholm		
All cues	.256	-
Cue 1 → Cue 2	.553	-
Cue 2 → Cue 3	.310	-
Cue 1 → Cue 3	.078	*
Meba		
All cues	.024	**
Cue 1 → Cue 2	.025	**
Cue 2 → Cue 3	.550	-
Cue 1 → Cue 3	.022	**

Appendix 2: T-test results for potential drivers between no cue and handmade groups

Driver	Production cue	Mean	SE of mean	T	p (two-tailed)
Love	handmade	3.10	.113	1.75	.082
	no cue	2.75	.174		
Quality	handmade	4.39	.079	1.924	.056
	no cue	4.11	.124		
Authenticity	handmade	3.83	.083	3.046	.003
	no cue	3.38	.117		
Personality	handmade	3.55	.093	3.603	.000
	no cue	2.93	.153		
Emotional bonding	handmade	2.94	.108	3.005	.003
	no cue	2.35	.167		
Creativity	handmade	3.19	.095	2.86	.005
	no cue	2.69	.153		
Eco-friendliness	handmade	3.48	.093	.389	.698
	no cue	3.42	.141		
Support of local communities	handmade	3.40	.102	2.709	.007
	no cue	2.91	.150		
Effort	handmade	4.03	.097	4.182	.000
	no cue	3.31	.139		
Naturalness	handmade	3.94	.094	2.383	.018
	no cue	3.55	.134		

Appendix 3: Multiple Regression analysis results for potential drivers on attitude

Driver	β -coefficient	SE	Standardized β -coefficient	p value
Love	.064	.053	.116	.233
Quality	.133	.070	.170	.059
Authenticity	.073	.067	.099	.274
Personality	.140	.065	.210	.035
Emotional bonding	.065	.051	.114	.204
Creativity	.055	.053	.084	.303
Eco-friendliness	-.083	.058	-.125	.157
Support of local communities	.007	.058	.012	.902
Effort	.086	.063	.136	.172
Naturalness	.069	.061	.105	.261

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Impact of influencer marketing on consumer-based brand equity: differences in reach and expertise knowledge?

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Abstract

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Abstract

Purpose – This study attempts to investigate the effect of influencer marketing on consumer-based brand equity with respect to the influencer’s reach and expertise knowledge of a promoted brand category.

Design/methodology/approach – For this purpose, in a 2 x 2 experiment (influencer reach and expertise) were manipulated. Through an online survey, 155 undergraduate and graduate students were questioned. The data was analyzed using factor analysis and one-way ANOVA.

Findings – The results indicated that influencer marketing generally does not have an effect on consumer-based brand equity. Also, the outcomes revealed that the influencer’s reach does not impact consumer-based brand equity but suggested that a high degree of expertise positively affects consumer-based brand equity in the case of sports brands.

Research limitations/implications – A limited set of brands, product categories, influencers and participants as well as only one social media channel (Instagram) were used.

Originality/value – This research will provide an insight into the consumer perspective of brand equity regarding social media influencers, which has not sufficiently been evaluated in literature yet. It can therefore be valuable for marketing managers in deciding whether and how to integrate influencer in marketing strategies.

1 Introduction

Back in 2008, Brown and Hayes highlighted that influencer marketing is the most important new approach in marketing to influence individual purchasing decision making. In addition, scholars have predicted that influencer marketing serves as a highly potential advertisement tool for companies' revenue creation (Booth and Matic, 2011; Gillin and Felow, 2008). Looking at previous research, it has been proven that social media marketing activities have a significant positive effect on brand equity (Kim and Ko, 2011). In addition, scholars have investigated that using celebrity endorsers in general can be very essential in influencing consumers' brand equity. Furthermore, previous studies indicate that a high influencer reach may be an indicator for high credibility and trustworthiness when evaluating a brand advertised by an influencer (Metzger and Flanagin, 2013) which in turn could have a positive effect on consumer-based brand equity. Respectively, this effect could hold true for an influencer's expertise knowledge, since Till and Busler (2000) found out that an individual's high competence and expert level is assumed to be more persuasive than an endorser with low perceived expertise.

Although various studies about social media marketing and influencer marketing exist, there is no current study on the effectiveness of Instagram influencer marketing on consumer-based brand equity. Thus, this paper contributes to the research stream on social media influencer marketing and consumer-based brand equity. This study is an attempt to evaluate the impact of social media influencer marketing on brand equity with the example of Instagram, while especially concentrating on an influencer's reach and expertise knowledge about the product category he or she is advertising for.

Therefore, this study will first give an overview of the current state of literature regarding influencer marketing, celebrity endorser marketing as well as consumer-based brand equity. Afterwards, hypotheses will be developed based on previous research findings. The authors set up an experiment to generate data and provide insights for this research. Further, based on the methodology employed, results will be evaluated. Finally, a discussion including managerial implications as well as limitations of the study will be provided.

2 Theoretical Background

2.1 Influencer Marketing

Social media marketing refers to digital technologies, that enable the "creation and exchange of user-generated content, while also facilitating interaction and collaboration between participants" (Alves et al., 2016, p. 1029). As such, social media marketing contains content community sites such as YouTube, Flickr, Facebook or Instagram (Alves et al., 2016), whereas influencer marketing is often part of social media marketing. (Booth and Matic, 2011; Gillin and Felow, 2008).

However, there is no commonly agreed definition for influencer marketing provided in literature yet. According to the Word of Mouth Marketing Association (WOMMA) (2013), influencer marketing is defined as: “The act of a marketer or communicator engaging with key influencers to act upon influences in pursuit of a business objective” (cf. WOMMA Influencer Guidebook, 2013, p. 6). Furthermore, De Veirman et al. (2017) and Freberg et al. (2011) define social media influencers as independent individuals, having built a sizeable social network with the usage of social media. In common usage, there are two primary size categories for influencers: macro and micro influencers. These categories classify influencers according to their reach, whereas macro influencers have more than 100.000 followers and micro influencers have less than 100.000 followers (Jahnke, 2018).

Recently, according to De Veirman et al. (2017), the interest and use of influencer marketing has risen both in literature as well as in practice, as scholars and marketers argue that influencer marketing can win consumer trust, especially compared to traditional online advertising. Following this, Nirschl and Steinberg (2018) stated, that consumers do not only tend to mistrust classical advertisement, but instead rather follow recommendations of family, friends, and independent experts. For example, these endorsements are likely to be interpreted as highly credible electronic Word of Mouth techniques rather than paid advertising as they are often integrated into the daily narratives influencers post on their social media accounts (Abidin, 2016). In particular, brands make use of such techniques as these appear to be more effective than traditional advertising tactics, due to higher authenticity and credibility, which subsequently leads to lower resistance to the message (de Vries et al., 2012). Not only do marketers aim to maximize the diffusion of information through social networks (Weimann, 1994; Keller and Berry, 2003), but they can also make use of an influencer’s post that may influence a disproportionate large number of others (De Veirman et al., 2017).

In this research paper, the authors will evaluate whether social media influencers, in particular Instagram influencers, impact consumer-based brand equity and whether reach or expertise of the influencer has an effect on consumer-based brand equity as well. Instagram influencer were selected as the marketing spend worldwide for Instagram influencer is steadily increasing (Influencer DB, 2018) as well as stated above literature lacks research in this area.

2.2 Celebrity endorsement

In order to differentiate products, celebrity endorsement was integrated as a compelling possibility in advertising (Kok Wei and Li, 2013; Simsek, 2014). McCracken (1989, p. 310) defines a 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”. More precise, Erdogan (1999) outlines the benefits of celebrity endorsement as the following: increased attention, brand introduction and brand repositioning, image polishing, as well as supporting global campaigns. Moreover, scholars assume that the use of celebrities positively influences consumer attitudes and ultimately consumer behavior (Kok Wei and Li, 2013; Atkin and Block,

1983). In the academic literature, four main constructs play an important role in celebrity endorsement: source credibility, source attractiveness, meaning transfer model, and lastly fit between endorser and endorsed product (Erdogan, 1999; Kok Wei and Li, 2013; McCracken, 1989; Simsek, 2014). Source attractiveness means that a celebrity endorser's persuasiveness is influenced by his/her attractiveness, that is the endorser's physical appearance, personality, familiarity and likeability to consumers (McGuire, 1985; McCracken, 1989). Consequently, attractiveness can enhance consumers' brand perceptions, brand recall and positive attitudes towards a brand (Kahle and Homer, 1985). Regarding source credibility, the underlying factors trustworthiness, which is defined as the perceived willingness of an endorser to make valid statements, as well as expertise, which refers to the endorser's knowledge or experience, are of great interest. According to Atkin and Block (1983), celebrities are perceived as more trustworthy compared to non-celebrities. Erdogan claims (1999), that the perceived expertise of a celebrity endorser can drive positive attitudinal change. Moreover, expertise is found to be a significant factor affecting the consumer's purchase intention. Additionally, the meaning transfer model states that celebrities hold symbolic meanings that are passed on to the endorsed products (Erdogan, 1999). This transfer is most effective when the meaning of the endorser and the product match (Erdogan, 1999). Further studies underline the importance of a congruence or fit between the celebrity and product in terms of image, expertise and attractiveness (Till and Busler, 1998; Friedman and Friedman, 1979).

As such, research indicates that celebrity endorsement can be used as a beneficial marketing tool (Foong and Yazdanifard, 2014) which is a technique that outlines many parallels to influencer marketing. Despite its marketing potential, celebrity endorsement also holds its downsides as it is comparatively costly and poses risks like brands being outshined by an overpowered celebrity, the overuse of a celebrity by too many brands, or potential negative image transfers of celebrities on the endorsed product in case of scandals (Erdogan, 1999; Khatri, 2006).

2.3 Consumer-based brand equity

Brand equity is a central concept in the field of marketing. Since the emergence of brand equity in literature, it has been investigated in numerous researches. Brand equity can be seen from various perspectives, such as from a manufacturer, retailer or customer point of view (Cobb-Walgreen et al., 1995). Thereby, previous researches have differentiated brand equity into two main streams: a customer perspective and a financial perspective.

The majority of them propose a customer perspective and support the assumption, that the "power of brands lies in the minds of consumer" (cf. Buil et al., 2013, p. 63). In contrast, from a financial point of view, brand equity is considered as the monetary value a brand adds to a firm (Simon and Sullivan, 1993).

Keller (1993) and Aaker (1991) introduced the concept of consumer-based brand equity. According to Keller, consumer-based brand equity can be defined as "differential effect of brand knowledge on consumer response to the marketing of the brand" (cf. Keller, 1993, p. 2). Both Keller (1993) and Aaker (1991) provide a set of

brand assets underlying the concept of consumer-based brand equity, with Aaker (1991) describing them as brand awareness, perceived quality, brand associations, brand loyalty as well as proprietary assets. Keller (1993) also includes brand awareness into his concept, but replaces the other constructs by strength, favorability and the uniqueness of brand associations in a consumer's mind.

In line with these approaches, this study also concentrates on consumer-based brand equity as this may enable the authors to derive managerial implications on marketing programs in the end. A high degree of consumer-based brand equity positively impacts customer responses to marketing activities, such as advertising, pricing, promotional activities as well as distribution (Buil et al., 2013) and shows positive effects when introducing new brands or in the case of competitive attacks (Farquhar, 1989). Moreover, studies proved that across different product categories a high degree of brand equity leads to greater preference and purchase intention of brands (Cobb-Walgren et al., 1995). Finally, higher brand equity can lead to greater profits (Keller, 1993).

In literature, both measuring concepts as well as the management of brand equity have been discussed thoroughly. One measurement of consumer-based brand equity, that is widely accepted among researchers, is the multidimensional scale by Yoo and Donthu (2001). Yoo and Donthu developed a four-item based scale to measure overall brand equity, which is used in this study.

3 Hypotheses

Although there is no research on the effect of influencer marketing for Instagram on consumer-based brand equity, scholars have investigated similar approaches by using social media marketing activities that positively affect brand meaning.

In 2011, scholars found that social media marketing activities effectively enhance brand equity by providing novel value to customers that traditional marketing media usually does not provide. Using luxury and fashion brands as an example, previous researchers proved that social media marketing activities have a significant positive effect on brand equity. Respectively, they argue that a brand's social media platform (such as Instagram) has the potential to offer venues for customers enabling them to engage in communications with the brand and other users (Kim and Ko, 2011).

Additionally, Dwivedi et al. (2015) proved that celebrity endorsers, who can fulfil similar functions like influencers, have long been used successfully to infuse brands with meaning and are essential in influencing consumers' self-brand connection as well as brand equity.

Keller (1993) stated, that brand equity emerges when consumers hold unique and positive brand associations towards a brand. Theoretical framework shows, that these positive associations can be triggered through

(celebrity) endorsers (Fink et al., 2004). Ultimately, various studies have proven that endorser marketing results in increased brand recognition, brand recall, purchase intention and perceived quality (Spry et al., 2011; Dwivedi et al., 2015; Till and Busler, 2000; Zafar and Rafique, 2012; Fink et al., 2004; Eisend and Langner, 2010).

In the light of the theory just presented, we hypothesise that:

H₁: Social media influencer marketing has a positive effect on consumer-based brand equity.

To overcome the rising complexity of evaluating the plethora of information caused by digital media technologies, previous research found that in the online environment, consumers tend to use heuristics to assess digital information. As such, when evaluating a social media influencer, consumers may refer to an influencer's follower numbers as a cue for credibility and trustworthiness (Metzger et al., 2010). As Sundar (2008) found out, people will likely adapt their assumptions to overall popular assumptions, meaning that if many other people evaluate something as correct, then it must be correct. This is known as the "bandwagon" heuristic, which may be transferred to social media, where influencers with a high reach may be adjudged higher credibility. Further, Metzger et al. (2010) investigated that social endorsement will affect one's opinion on unfamiliar online sources. According to Metzger et al. (2010), a high quantity of endorsement from third parties regarding an unknown online source can increase people's initial scepticism about that source. Applied to social media, an influencer with a high reach may change consumer's opinion on brands positively as a high reach would mean high social endorsement.

Moreover, De Veirman et al. (2017) proved that the number of followers positively affects consumer attitudes comprising of a higher perception of popularity and therefore higher likeability towards an influencer. Since the follower number has an impact on the evaluation of the influencer, this may be equally transferred to the brands they advertise.

In the light of the theory just presented, the authors hypothesize that:

H₂: A high reach of a social media influencer has a positive effect on consumer-based brand equity.

However, a positive effect of endorsers on brand aspects such as brand recall, recognition and purchase intention hold only true with a highly credible endorser (Dwivedi et al., 2015). Dwivedi et al. (2015) conclude that a celebrity endorser with a high credibility has a more effective and positive effect on brand equity, which is supported by Silvanandamoorthy (2013), Doss (2011) and Spry et al. (2011). To become a credible endorser for customers, the brand itself and the ambassador must logically fit together (Till and Busler, 1998, 2000; Fink et al., 2004). In order to create this match, analysis has shown that expertise is a key element of credibility to investigate (McGinnies and Ward, 1980; Fink et al., 2004; Silvanandamoorthy, 2013). Expertise is hereof defined as individual skills, knowledge or achievements which relate to the product category (McGinnies and Ward, 1980; Wen et al., 2009). A study conducted by Till and Busler (2000) confirms this relationship: a

celebrity athlete with expertise knowledge in sports was more persuasive and effective in promoting an energy bar than other endorsers. Thus, a highly competent and expert celebrity is generally assumed to be more persuasive than a celebrity endorser with low perceived expertise (Ohanian, 1991; Erdogan, 1999). As celebrity endorsers can again fulfill similar functions like influencers, in the light of the theory just presented, the authors hypothesise that:

H₃: A high degree of expertise of a social media influencer has a positive effect on consumer-based brand equity.

The following figure “Hypotheses Model” illustrates the hypotheses stated above that are to be tested.

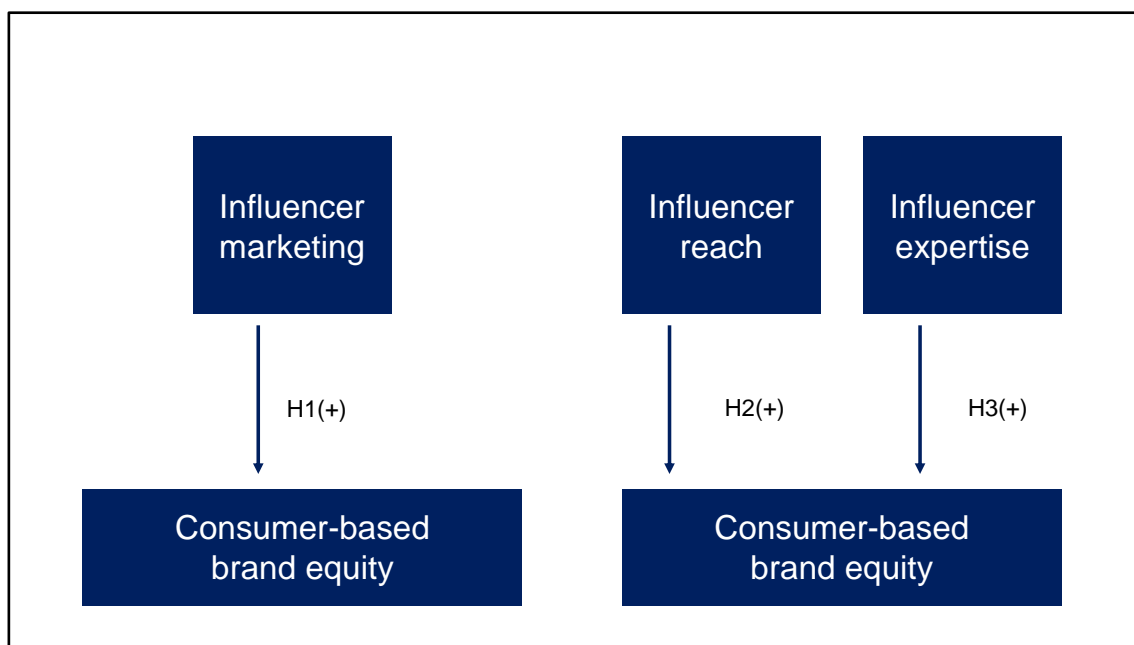


Figure 1: Hypotheses Model

4 Methodology

4.1 Experimental Design

In order to test the described hypotheses, quantitative research in the form of an experiment is used. This research approach was chosen because it is best suitable if you want to determine the relationship between various variables by manipulation (Tanner, 2018). That is in this case the impact of influencer marketing on consumer-based brand equity in general, second the impact of an influencer’s expertise for a certain product category on consumer based brand equity, as well as the impact of an influencer’s reach on consumer-based brand equity. The experiment set up is a 2 (reach of an influencer: low versus high) by 2 (expertise knowledge

of an influencer about the product category: no expertise versus expertise) between-subjects experimental design to test the hypotheses. Moreover, a control group was integrated in the main study.

4.2 Manipulation

Based on pictures of real individuals' Instagram profiles, two fictional influencers were created: one male influencer, who was called *lifewithlars*, as well as one female influencer, called *goodiesfromemma*. Additionally, two product categories were tested in this experiment. The sports category brand was promoted by the fictional male influencer *lifewithlars*, the food category brand was advertised through the female influencer *goodiesfromemma*. Furthermore, eight scenarios were created describing the fictional influencer's life and his or her follower number in about five sentences. The length of the text describing each scenario was equally long for every scenario. The following table "Scenario Test Set-Up" outlines the scenarios that were tested for each group:

Group	Food category		Sport category	
	Reach* ¹	Expertise	Reach* ¹	Expertise
1	Control Scenario (just brand logo)		Low	Yes
2	Low	No	Control Scenario (just brand logo)	
3	High	Yes	High	No
4	Low	Yes	Low	No
5	High	No	High	Yes

Table 1: Scenario Test Set-Up

In order to define the stimuli for the main study, the authors first had to identify brands for both the sports category as well as the food category, which were then tested in the main study. Second, it had to be examined whether the manipulation of the influencer's expertise knowledge and the manipulation of the influencer's reach were recognized by participants. Expertise knowledge was manipulated through assigning the influencer both academic education as well as awards regarding the advertised category. In contrast, in the no expertise scenario the influencers were described as educated in a field not related to the brand category. Concerning the manipulation of the influencer reach, the follower number was manipulated from 2.400 follower in the low reach scenario to 306k follower in the high reach condition. As the authors wanted to test, whether a higher reach in general has an impact on consumer-based brand equity, only one clearly low and one clearly high follower number was tested in the different scenarios. Hereby, a pre-test was used to test the different scenarios.

¹ Reach refers to an influencer's follower number, whereas low reach = 2.400 followers and high reach = 306k followers

4.3 Pre-test

A total of 20 students participated in the pre-test, with 62.5 % of the participants being female and 37.5 % being male. 80% were between 20-25 years old, the remaining participants were between 26 and 30 years old. Each participant was shown two different scenarios describing the influencer's manipulated expertise and reach. Respondents were asked to agree or disagree with the author's statements that the influencer has a high follower number and that the influencer is an expert for the product category on a 5-Likert scale with 1 meaning disagree and 5 meaning agree.

One-way ANOVA method was used to test whether the influencer being introduced with expertise knowledge was also identified as such by the participants. Moreover, this method was also deployed to investigate whether respondents agree with the author's categorisation of an influencer's high and low reach.

The pre-test results showed that the influencer with expertise knowledge was identified as such in contrast to influencers with no expertise. The means of expertise knowledge with 4.0 and no expertise knowledge with a mean of 2.16 were proved to be strongly significant (significance value of $p < 0.01$). Additionally, the same could be proven for the influencer's reach. Influencers with a reach of 306k were perceived as having a high reach (mean 4.40) in contrast to those with 2.400 follower as low reach (mean 2.95) at a p -value < 0.01 .

In addition, the pre-test was conducted to identify brands for both the sports category and the food category to be used in the main study. In the pre-test, ten brands within the sports category were presented as well as nine brands for the food category. For the sports category, the brand Asics was chosen as 90% of participants recognized this brand, which the authors think is a reasonable recognition rate. Regarding the food category, the brand MyMuesli was chosen, having a recognition rate of 100%. In this case, the authors decided to select the most recognized brand MyMuesli since it has had a fast-paced success story in the past years (Vencat et al., 2015).

4.4 Main study

The sample size consists of 155 undergraduate and graduate students in total (61.6 % females, 37.7 % male, and 0.6 % diverse, with the majority (73.5 %) being 20-25 years old). All participants were students from a German university. The experiment was conducted via an online questionnaire which was randomly distributed among students using the author's university and their personal network for spreading the questionnaire. Respondents were assigned to the conditions by indicating the day of the month their birthday is on. In eight scenarios, an Instagram influencer promoted either the food brand MyMuesli or the sports brand Asics, whereas his or her expertise knowledge and reach were manipulated.

In the main study participants were first shown a picture of the influencer using the brand, i.e. depending on the scenario either MyMuesli as a breakfast meal or the Asics symbol on sports clothing. Afterwards, they were asked to read a description of the influencer, that was already tested in the pre-test. Additionally, a control group was implemented with two scenarios only showing the brands themselves, either the logo of MyMuesli or Asics. Each participant was shown two scenarios. After each scenario, they were asked to rate the brand using the scale of Yoo and Donthu for overall brand equity. Since the effect of influencer marketing on brand equity is of great interest for the authors of this study and not its underlying brand assets, such as brand awareness, associations or perceived quality as such, the scale by Yoo and Donthu (2001) for overall brand equity was used to measure and evaluate consumer-based brand equity on a 5-point Likert scale (1 = disagree; 5 = agree). The scale consists of four consumer-based brand equity elements measuring overall brand equity and is widely used in literature.

Lastly, a manipulation test examining whether participants recognized reach and expertise was conducted. Participants were asked to indicate their agreement/disagreement on a 5-point Likert scale, with 1 meaning disagree and 5 meaning agree, with the following statements: “*goodiesfromemma / lifewithlars* is an expert in food/sports” (for expertise) and “*goodiesfromemma / lifewithlars* has a large/small follower number” (for reach).

The hypotheses were tested by using one-way ANOVA. In order to test the sampling distribution regarding gender and age of the participants, which were randomly assigned to the five questionnaires, a chi-square test was conducted. Moreover, one-way ANOVA was also conducted in order to examine the manipulation test. Following, a factor analysis tested whether the four items of the scale by Yoo and Donthu (2001) measuring overall brand equity are valid. Cronbach’s alpha was calculated as an indicator for internal consistency of all four items. Variance homogeneity test between the groups was conducted through a Levene test. A Levene-test showed variance homogeneity for the groups exposed to influencer marketing versus the control group ($p = 0.20$), but variance heterogeneity for the groups that were exposed to high or low reach influencer and high or low expertise (reach: $p = 0.39$; expertise $p = 0.08$). Variance analysis methods were adjusted accordingly. For the purpose of testing the named hypotheses, one-way ANOVA was carried out for all three hypotheses. The analysis included the use of influencer marketing, an influencer’s reach and expertise as the independent variables and overall brand equity as dependent variable.

5 Results

In the analysis, data was gathered from the questionnaires and evaluated with IBM SPSS Statistics version 24.

Participants perceived the influencers’ reach to be lower in the low reach scenario compared to the high reach scenario ($p < 0.01$). Further, participants also perceived the influencers’ expertise as low in the no expertise scenario compared to the high expertise scenario, where the influencers’ expertise were recognized ($p < 0.01$). To conclude, all manipulation stimuli were recognized as planned.

First, a sampling distribution regarding gender and age was tested through chi-square test, which revealed that all five groups of participants show equal distribution regarding age and gender (age $p = 0.29$; gender $p = 0.79$). Following, a factor analysis examined the four items measuring brand equity and reduced them towards one factor which was named overall consumer-based brand equity and served as the dependent variable in the following analyses of variances. Factor loading of the first item was 0.86, of the second item 0.90, of the third item 0.89 and lastly of the fourth item it was 0.85. Cronbach's α -test was implemented, measuring reliability of the scale, and revealed an excellent Cronbach's α with 0.90 which is clearly above the mandatory threshold of 0.7.

In order to test the hypotheses, one-way ANOVA was conducted for each of the three hypotheses. Hypothesis one tested the impact of influencer marketing on consumer-based brand equity. Variance analysis showed that there was no significant difference between the brand equity of products that were advertised through an influencer compared to the control group, which was exposed to the brand only ($p = 0.102$). Therefore, hypothesis one cannot be supported. Moreover, the one-way ANOVA implemented for the second hypothesis, testing differences in an influencer's reach on brand equity, revealed that there is no significant difference in the impact of an influencer's reach on consumer-based brand equity ($p = 0.73$). Consequently, hypothesis two could not be proven.

Lastly, analysis of variance was conducted through one-way ANOVA for hypothesis three as well, testing whether there is an impact of an influencer's expertise of the product category on consumer-based brand equity. The third hypothesis could be proven, since the analysis showed a significant difference in the consumer-based brand equity of products being advertised through an influencer with category expertise in comparison to an influencer having no expertise ($p < 0.05$).

Additionally, the study tested two brand categories, i.e. sports brand and food brand. One-way ANOVA was conducted for both brands separately, highlighting differences between the brand categories. Regarding the food brand category, none of the hypotheses could be proven, since all significance values were higher than 0.05 ($H_1: p = 0.17$; $H_2: p = 0.35$, $H_3: p = 0.90$). Concerning the sport category, an impact on consumer-based brand equity could only be proven for hypothesis three, regarding a high expertise knowledge of an influencer ($p < 0.01$). Hypothesis one and two had to be rejected as the significance value was above 0.05. ($H_1: p = 0.36$, $H_2: p = 0.65$). Therefore, no impact of influencer marketing on consumer-brand equity exists for sports brands. Moreover, an influencer's reach does not affect consumer-based brand equity in the sports brand category.

Detailed results can be seen in the following Table 2 for food and sports brand separately and the overall results in Table 3.

Food brand results			
Hypotheses	Mean	Standard Deviation	Significance
Hypothesis 1			
Influencer	2.00	0.98	0.17
No influencer	2.26	0.95	
Hypothesis 2			
Micro reach	1.92	0.95	0.35
Mega reach	2.08	0.94	
Hypothesis 3			
Expertise	2.01	1.01	0.90
No expertise	1.99	0.88	
Sports brand results			
Hypotheses	Mean	Standard Deviation	Significance
Hypothesis 1			
Influencer	1.91	0.96	0.36
No influencer	2.09	1.10	
Hypothesis 2			
Micro reach	1.94	1.11	0.65
Mega reach	1.87	0.77	
Hypothesis 3			
Expertise	2.19	1.71	0.01**
No expertise	1.62	0.71	

Table 2: Results of variance analysis of hypotheses for food brand and sports brand

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

Overall results (for both brands)			
Hypotheses	Mean	Standard Deviation	Significance
Hypothesis 1			
Influencer	1.95	0.95	0.10
No influencer	2.18	1.04	
Hypothesis 2			
Micro reach	1.93	1.03	0.73
Mega reach	1.97	0.86	
Hypothesis 3			
Expertise	2.10	0.82	0.01**

Table 3: Overview results of variance analysis of hypotheses

6 Discussion and managerial implications

The purpose of this study was to investigate the effect of influencer marketing on consumer-based brand equity with respect to the influencer's reach and expertise knowledge of the promoted brand category. As already stated, this was investigated with the use of Instagram influencers. The findings are the following:

First, the use of influencer marketing does not affect consumer-based brand equity. This is valid for sports and food brands.

Second, the reach of an influencer shows no impact on consumer-based brand equity. Against the assumption, a higher reach of an influencer does not influence consumer-based brand equity positively. This could be proven for both investigated brand categories, i.e. sports brand and food brand. Ultimately, the study revealed that consumers are affected by the influencer's expertise on the product category he or she is advertising for. A higher expertise knowledge of an Instagram influencer leads to higher consumer-based brand equity. Nevertheless, this impact could only be proven concerning the sports brand and was not valid for the food brand.

As reviewed, high consumer-based brand equity can have a positive effect on the consumers' buying decisions, customer satisfaction and brand performance and long-term growth of a company (Oliveira et al., 2017; Kim et al., 2003; Nam et al., 2011).

Note: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

However, this study has proven that influencer marketing does not have a positive impact on consumer-based brand equity and therefore only limited positive impact on the above-named outcomes. This implies, when managers aim to increase consumer-based brand equity via marketing instruments, this does not necessarily have to include Instagram influencers. Further, even if influencers are aimed to be integrated in strategy, contrary to public opinion, it does not make any difference whether a micro reach or mega reach influencer is used. Nevertheless, managers would be advised to cooperate with an influencer with a higher follower number, as he or she has a higher reach to promote products to potential customers and therefore a larger potential target group. Furthermore, if these results are stable for other brands over the long-term, this would imply that influencers could be evaluated according to their cost-reach-ratio, as the effect on brand equity would be the same for all influencer. Therefore, a cost-reach-ratio, similar to the key performance indicator “price-per-thousand” (Freter and Sanger, 1998), could be calculated and serve for strategic decisions.

As expertise knowledge only had a positive impact on consumer-based brand equity for sports categories, the research outcomes suggest choosing influencers that are perceived as experts for those areas, whereas in this study expertise was backed up through past field product category related experiences or successes as well as academic knowledge. This paper finally draws a critical picture of the actual effectiveness of influencer marketing, which has been on the rise the past years but, as shown, only possess limited to none positive effects on consumer-based brand equity.

7 Limitations and research implications

This study and its managerial implications, as stated above, have limitations which will be explained in the following section.

This research questioned students and did not include other profession or age groups and is therefore limited to its sample design.

Also, the effect of participant’s gender, cultural background on the results was not investigated. Therefore, additional studies could further analyse these impacts. The region questioned was Berlin only, and it could be interesting to examine whether the research outcomes can be verified for rural areas. The experiment was tested in the short-term and is therefore limited to a time frame of one week. It would be interesting to see the long-term effect influencer marketing has on consumer-based brand equity. Possibly, the more often participants see the post and become familiar with it could have a positive effect on consumer-based brand equity, analog to the so-called “Mere-Exposure-Effect” (Zajonc, 1968).

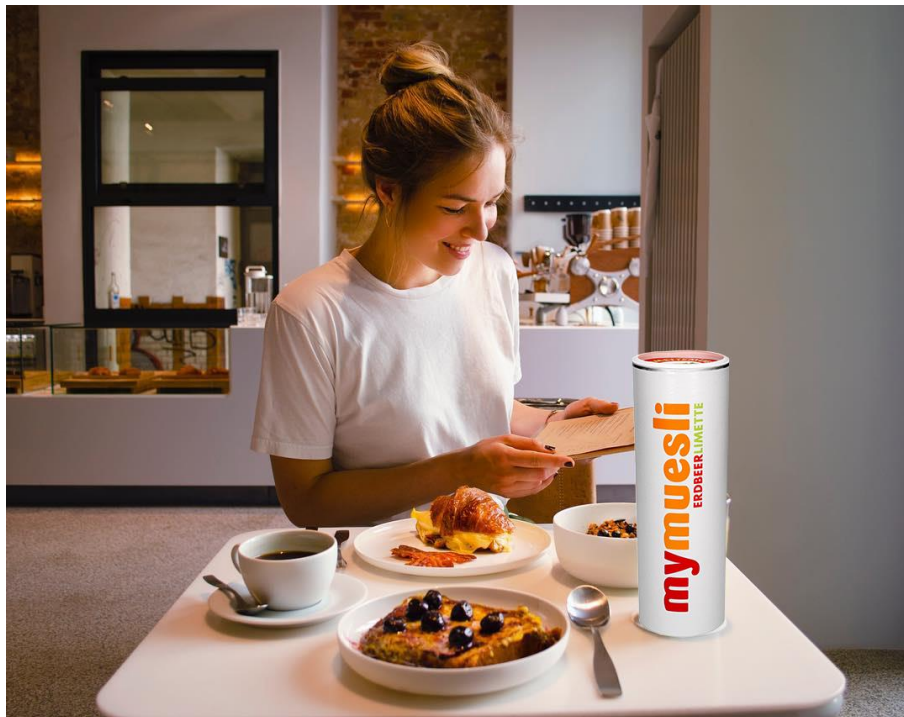
Concerning the characteristics of the influencer itself, only his or her expertise and reach was examined. Nevertheless, other possible influencer characteristics that could bias the results such as age, attractiveness or gender were not analyzed. Additionally, differentiating the influencers through different (political) opinions, cultural background or the fit between brand and influencer and how these affects consumer-based brand-equity

could further be researched. Also, it was not investigated whether and how the influencer's brand equity affects the attitude towards the brand. As only expertise for sports brands had an impact on consumer-based brand equity it would be interesting to see how expertise could be improved for influencers e.g. through the number and content of the posts. As the authors have created a fictional influencer picture and descriptive text underneath, but not an actual Instagram post or profile, this could be changed for future validation. Furthermore, the authors only investigated the effects of influencer marketing on Instagram, while leaving out other channels such as YouTube or Facebook. For Instagram, only a picture was shown and therefore other possibilities in creating content, such as Instagram stories, videos, and Instagram TV, and their impact can further be studied.

For this research, the authors decided to investigate only sports and food as brand categories and two particular brands, i.e. MyMuesli and Asics. Further analysis can therefore be done in confirming the results of this research with respect to other brand categories or other brands in general. The stated limitations can serve as future research topics.

Appendix

Appendix 1: Influencer Manipulation Stimuli Example 1: Expert in food with high reach



The Instagram user, who calls herself *goodiesfromemma*, has 306k followers on Instagram, she is 25 years old and is educated through an apprenticeship as a cook at the five-star hotel Adlon in Berlin. Meanwhile, she has participated in various cooking contests and just recently won the “Cook of the Year Contest Berlin” in 2018. Currently, she is in the process of publishing her own cookbook. She actively recommends MyMuesli to her Instagram followers, as she regularly has it for breakfast. Apart from cooking, she likes to take photographs and goes on city trips with her friends in her free-time.

Appendix 2: Influencer Manipulation Example 2: No expert in sports with low reach



The Instagram user, who calls himself *lifewithlars*, has 2.400 followers on Instagram, he is 26 years old and has a University Degree in teaching in the courses German and English from the University of Cologne. Right now, he works at a primary school in Cologne. In his free-time, to take off the stress, he likes to go for a run with his dog. When doing so, he actively recommends Asics products on his Instagram account to his followers. Also, he likes to take photographs and goes on city trips with his friends whenever he has time.

Appendix 3: Adapted multidimensional consumer-based brand equity scale by Yoo and Donthu (2001)

Please rate the following statements on a scale from 1, meaning disagree to 5 meaning agree.

1. Even if another brand has the same features as Asics/MyMuesli, I would prefer to buy Asics/MyMuesli.
2. If another brand is not different from Asics/MyMuesli in any way, it seems smarter to purchase Asics/MyMuesli.
3. It makes sense to buy Asics/MyMuesli instead of any other brand, even if they are the same.
4. If there is another brand as good as Asics/MyMuesli, I prefer to buy Asics/MyMuesli.

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Exploring the relevance of co-creation in the video streaming sector: The impact on consumer brand engagement

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Abstract

1 Purpose of Paper

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2.2 Consumer Brand Engagement (CBE)

2.3 Co-Creation and Interactive Series

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3.2 Pretest

3.3 Research Approach

3.4 Findings

4 Conclusion

4.1 Limitations and Further Research

4.2 Theoretical and Practical Implications

References

Abstract

Purpose – The paper aims to address the relevance of co-creation, more precisely of interactive series, on consumer brand engagement illustrated within the video streaming service sector.

Design/methodology/approach – Building on a literature review, the study tests the impact of co-creation on consumer brand engagement by taking a validated scale. Data was sourced from an experiment and a quantitative online survey including a total of 62 bachelor and master students in Germany.

Findings – The study reveals that co-creation has an impact on both the chosen corporate brand's brand engagement and the sub brand's brand engagement. Furthermore, a spill-over effect from the sub brand to the corporate brand was investigated.

Research limitations/implications – Future research is required to improve the research method itself, improve the experimental setting and find out whether the perception of co-creation changes the more often consumers get in contact with interactive series.

Practical implications – The paper concludes with a set of practitioner implications, pointing out that positive spillover effects may emerge when implementing co-creation and insights to important behavioral patterns of millennial consumers will help to develop a deeper understanding of the target group to therefore create a competitive advantage.

Originality/value – To the best of our knowledge, this study is the first exploratory research project, that focuses on exploring the relevance of co-creation. Furthermore it examines the effect on consumer brand engagement by using interactive series in the video streaming sector.

1 Purpose of Paper

The development of the Internet and the on-demand economy have led to the rise of a variety of video streaming services in the digital environment (cf. Dobrian et al., 2011, p. 362). Since the commercial rise of the Internet in the late 1990's, it is believed that videos should be streamed to users over a network (cf. Li et al., 2013, p. 331). Based on that, the academic and industry research on the development of video streaming received a lot of attention within the past two decades (cf. Li et al., 2013, p. 332) to work towards this preference. Since then, the role of streaming services has been growing in media and the entertainment industries (cf. Burroughs, 2018, p. 2) and today streaming is labeled as the newest version of 'digital media industry' (cf. Allen-Robertson, 2013, p. 77). Although the video streaming market is still considered to be relatively new, it is mostly saturated and already forecasted that revenue growth on the German market will decrease from 21.71% in 2017 to 1.49% in 2022 (cf. Digital Market Outlook, 2017). Companies try to offer a wide range of content to attract as many customers as possible in this highly competitive market. Still the existing offer is mostly generic and easy to imitate (cf. Sutcliffe, 2019). As for now, customers still use up to four different video streaming services at the same time, e. g. Netflix, Amazon Prime Video, Sky Go, maxdome, and pay 5-10€ on average per month, since they did not encounter the optimal streaming services provider for their needs (cf. BVDW, n.d.). The high fluctuation proves that the existing offer is still interchangeable and similar to each other and therefore customers seek for a video streaming service that fulfills all of their needs combined in one offer to a relatively low price. In order to escape out of the commodity trap and create a sustainable competitive advantage, companies start producing their own video content, launch own video streaming services such as *Apple* and *Disney* will and increasingly seek for customer participation and engagement with their brands (cf. Hollebeek, 2011, p. 555) to create an unique experience and gain exclusiveness (cf. Sutcliffe, 2019). One example of how to interact with its customers and make use of co-creation are so called interactive series, where the user watches a video and will be asked to make decisions on how a scene should continue. Instead of only watching the series, the user gets interactive during the whole video and is able to decide on how the story is going to end (cf. Netflix International B.V, n.d.a). By doing so, interactivity gives companies the chance to improve their customers relationship, develop new products or generally turn consumers into co-creators while creating a standalone value (cf. Füller et al., 2006, p. 58; Sutcliffe, 2019). The innovative approach of interactive series was first introduced in 2017 and does have potential to become one of the major next trends within the video streaming sector (cf. Rubin, 2019) which is why it is worth the research.

With the broader context, the consumer brand engagement concept has gained a lot of attraction in the existing literature (cf. Brodie et al. 2011; Calder/Malhouse/Schadel, 2009; Van Door et al., 2010) and has offered many insights on drivers of brand engagement in value co-creation (cf. Mane/Diop, 2017; Merrilees, 2016; Jaakkola/Alexander, 2014; Pilgrimienè et al., 2015). Despite the academic interest in brand engagement and co-creation, little remains known regarding the theoretical interface of these concepts in terms of interactive series and the importance within the video streaming market. Although the video streaming sector requires

continuous innovations where technology and content overlap to provide a personalized experience (cf. Osur, 2016, p. 22), still limited research on co-creation in terms of interactive media exists. Blasco-Arcas et al. (2012, 2016) for example focused on the potential power of social television or how to achieve customer participation and involvement in IP TV but did not focus on interactive series. Building on this research gap, the purpose of this study is to explore the relevance of co-creation on consumer brand engagement within the video streaming service sector based on interactive series. Whether co-creation is of relevance will be defined when investigating a positive effect on consumer brand engagement.

2 Literature Review and Hypotheses Development

2.1 Engagement

While ‘engagement’ has received meaningful attention across various fields in academic research, including organizational behavior and social psychology (cf. Hollebeek/Glynn/Brodie, 2014a, p. 150), the concept itself has only gained importance in the marketing literature since 2005 (cf. Brodie et al., 2011). In the existing literature ‘engagement’ has been viewed as a “promising concept expected to provide enhanced predictive and explanatory power of focal consumer behavior outcomes, including brand loyalty” (Avnet/Higgins, 2006a, 2006b; Avnet/Pham 2009; Schau/Muñiz/Arnould, 2009). Furthermore, several different forms of engagement exist including ‘customer brand engagement’ (Hollebeek, 2011), ‘customer engagement behaviors’ (Van Doorn et al., 2010), ‘consumer engagement’ (Vivek, 2009) or just generally ‘engagement’ (Higgins/Scholer, 2009).

2.2 Consumer Brand Engagement (CBE)

The concept of Consumer Brand Engagement is multidimensional and can be defined as a “consumer’s positively valenced brand-related **cognitive**, **emotional** and **behavioral** activity during or related to focal consumer/brand interactions” (Hollebeek/Glynn/Brodie, 2014a, p. 145).

The first dimension of the CBE scale is **cognitive processing**, including all brand-related thought processing when interacting with a brand (cf. Hollebeek/Glynn/Brodie, 2014a, p. 145). Important motives for co-creation participations include the learning and understanding of product-related solutions (cf. Nambisan/Baron, 2007, 2009). Based on the different concentration levels on the engagement object, the cognitive challenges then stimulate the consumer’s cognitive engagement with the brand (cf. Nysveen/Pedersen, 2014, p. 815).

Secondly, **affection** refers to the degree of positive brand-related affects when interacting with a brand (cf. Hollebeek/Glynn/Brodie, 2014a, p. 145) and therefore goes along with the **emotional** activity. Important emotional motives for co-creation are hedonic values such as enjoyment, fun and pleasure (cf. Nambisan/Baron, 2007, 2009). When consumers participate in co-creation, they will feel a higher devotion to the co-creating brand, have a stronger feeling of belonging and will strengthen their affective engagement (cf. Nysveen/Pedersen, 2014, p. 815).

Lastly, **activation** includes the “level of energy, effort and time spent” (Hollebeek/Glynn/Brodie, 2014a, p. 145) when interacting with a brand and can be compared to the **behavioral** activity. When investing interaction and vigor into the co-creation activity, the behavioral engagement with the brand will be stimulated and therefore facilitates the co-creation activity (cf. Nysveen/Pedersen, 2014, p. 815). By using the CBE concept with its complex, multidimensional and dynamic nature in order to conduct the current study, distinct engagement states can be identified. The concept of CBE was chosen because it is a convenient concept for measuring engagement of customers in the early stage of relationship building (cf. Bijmolt et al., 2010, p. 351). Additionally, it is convenient for digital environments and therefore for interactive and co-creative experiences (cf. Bijmolt et al., 2010, p. 351; Mollen/Wilson, 2010, p. 920).

2.3 Co-Creation and Interactive Series

Co-Creation has slightly different meanings. Nysveen and Pedersens (2014) define it as a “joint activity among customers and a brand, implicitly including some level of activity and behavior” (Nysveen/Pedersens, 2014, p. 815) which fits the underlying approach of this study well. It is further specified as “the process by which mutual value is expanded together” (Ramaswamy, 2011, p. 195). In conclusion, brand engagement can be considered as a co-creative consumer experience where they interact with an object, e.g. with a brand (cf. Xi/Hamari, 2019, p. 813). Companies have realized that including customers in their “value creation process leads to an enriching experience for all the stakeholders” (Karunakaran/Raveendran, 2018, p. 683) and their influence on the company play a significant role. For example, a positive co-creation experience could therefore lead to positive effects, like more loyalty and commitment towards a brand (cf. Karunakaran/Raveendran, 2018, p. 683). Also, different brand experiences and interactivity levels lead to different patterns on engagement and co-creation (cf. Merrilees, 2016, p. 406).

Based on the above, the following relationship was hypothesized for testing in this exploratory research study (Figure 1):

H₁: Co-Creation, has a positive impact on the *sub brand's* brand engagement.

On the corporate brand level, the consumer evaluates all points of contact and the whole process of interactivity (cf. Hamzah et al., 2014, p. 2307). Therefore, the following hypothesis was postulated:

H₂: Co-Creation, has a positive impact on the *corporate brand's* brand engagement.

Direct spillover effects in a brand portfolio mainly occur from a sub brand to its corporate brand since the main activity mostly happens at the sub brand level (cf. Lei/Dawar/Lemmink, 2008, p. 115). “Since a sub-brand mostly is the focus of initial activations in a brand portfolio, spillover from a sub-brand to its parent brand is

stronger than from a parent brand to its sub-brands” (Wang/Qu/Yang, 2019, p. 4). It is also stated that the intensity of the spillover effect differs based on having weak or strong associations with the sub brand (cf. Lei/Dawar/Lemmink, 2008, p. 116). Because of this knowledge, the third hypothesis was being developed:

H₃: The *sub brand's* brand engagement has a positive impact on the *corporate brand's* brand engagement.

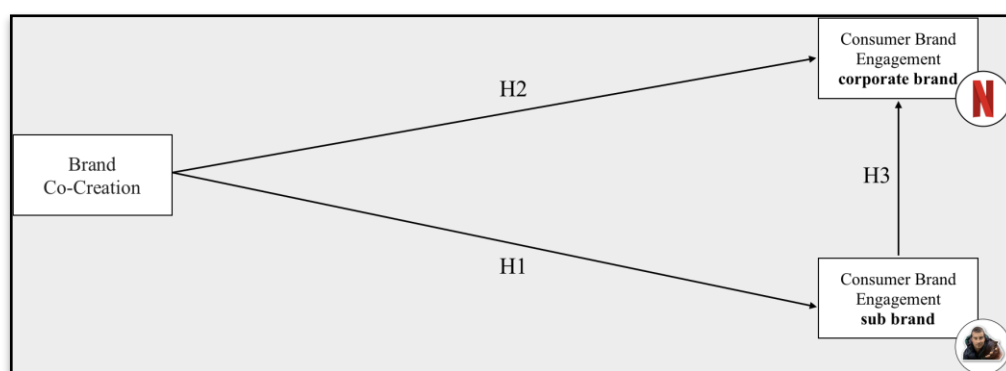


Figure 1: Research Framework

3 Methodology

3.1 Sample Selection

Millennial consumers are considered to have a high level of engagement on multi-platforms (cf. Duggan et al., 2015, p. 2). Therefore, students are a coherent sample for measuring the effect of co-creation. Furthermore, the current student population represents a population of interest and enhance the validity of the study because of their homogeneity (cf. Peterson/Merunka, 2014, p. 1036).

3.2 Pretest

Before conducting the main study, data was collected for an online pretest ($n = 10$) on *Google Forms* with participants having characteristics close to the actual target group. The purpose was to provide clues about the validity of the study design, the suitability of the brands and the perception of co-creation after watching one episode of an interactive series. As the focus of the experiment, we took one episode of the interactive series called “You vs. Wild” on *NETFLIX*. Counting 155.43 million subscribers worldwide in Q1 2019 in more than 190 different countries (cf. Netflix International B.V., n.d.b) and approximately 5.2 million subscribers on the German market⁴ (cf. n-tv Nachrichtenfernsehen GmbH, 2019) next to *Amazon Prime Video*, *NETFLIX* is the

⁴ Specific subscription numbers for single markets remain unknown and are not published by *NETFLIX*.

most used internet entertainment service in Germany (cf. ARD/ZDF, n.d.). NETFLIX is considered to be the most dominant player on the video streaming market (cf. Wayne, 2017, p. 737) and as they introduced streaming in 2007, it already was a well-established brand, which was known for technological innovation and a direct-to-consumer philosophy (cf. Osur, 2016, p. 22). Due to its high level of awareness, NETFLIX was chosen as the corporate brand.

The series “You vs. Wild” belongs to the genre of documentary-action and adventure series, where the protagonist and well-known British ex-soldier Bear Grylls reveals his personal survival strategies while taking the consumer on dangerous adventures only equipped with the most important things to survive in the wild (cf. Netflix International B.V., 2019). First launched on the German market in 2007 as an adventure series, the interactive version is available since April 2019 (cf. Netflix International B.V., 2019). The protagonist *Bear Grylls*’ first adventure reality TV show “Man vs. Wild” was first introduced into the English market (United Kingdom and Scotland) in 2006 and available in Germany in 2007 for a duration of five years. During the seven seasons, it was regularly viewed by more than 1.2 billion consumers worldwide and can be seen as one of the most seen adventure/survival series (cf. BGV Global Limited, n.d.). Based on this knowledge, Bear Grylls was chosen as the sub brand of the experiment.

The pretest consisted of several questions that queried the participants opinion regarding co-creation in general and on interactive video series. The results showed that 9 out of the 10 participants said that interactive video series were perceived as co-creation. Furthermore, the pretest confirmed that the chosen interactive series “You vs. Wild” had been perceived as co-creation. Binding by the confirmation, both brands were used in the main study afterwards.

3.3 Research Approach

The researchers chose the less-biased quantitative approach since the character of the study is to measure the correlation of the variables. The labor experiment included an experimental group watching the interactive video as part of the co-creation experience, while the control group was asked to watch the same video but in a manipulated version without co-creation. While watching the interactive video, the participants of the experimental group had to make at least four and a maximum of eight decisions depending on their previous choice. A sample size of $n = 30$ was randomly chosen for each group to provide statistically significant results (cf. Hair et al., 2014, p. 75). From a total of 62 participating bachelor students at the Berlin School of Economics and Law that were willing to take part of the experiment, 26 % of them were bachelor students and 74 % master students. They were 24 years old on average and 72 % of the them were female concluding that 28 % were male.

The between-subjects design study consisted of one independent variable (co-creation) and two dependent variables (CBE sub brand and CBE corporate brand). Ten different items were used to measure the dependent variable CBE for the corporate and sub brand (Figure 2 and Figure 3). They originated from the existing measurement scale of CBE by Hollebeek, Glynn and Brodie (2014b). The items were standardized as five-point Likert scale questions in the type of agreement questions ascending from 1 (disagree) to 5 (agree).

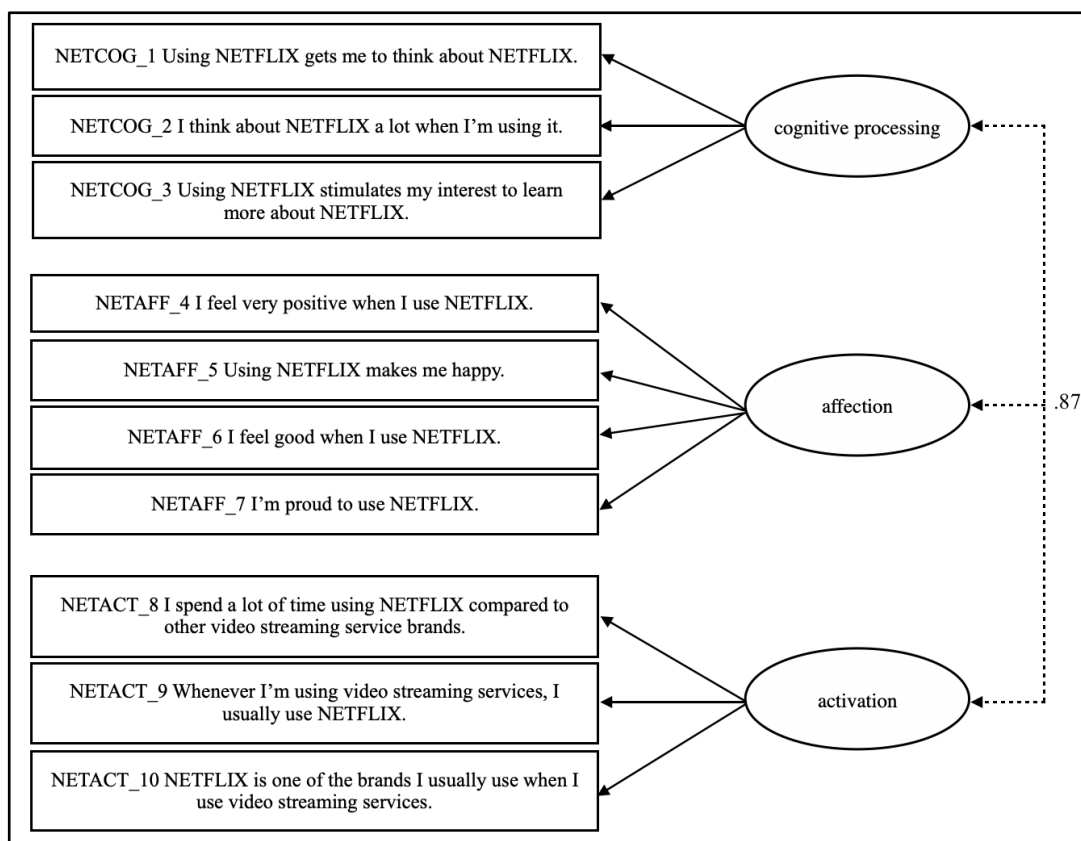


Figure 2: Consumer Brand Engagement scale corporate brand with overall Cronbach's alpha (source: based on Hollebeek/Glynn/Brodie, 2014b)

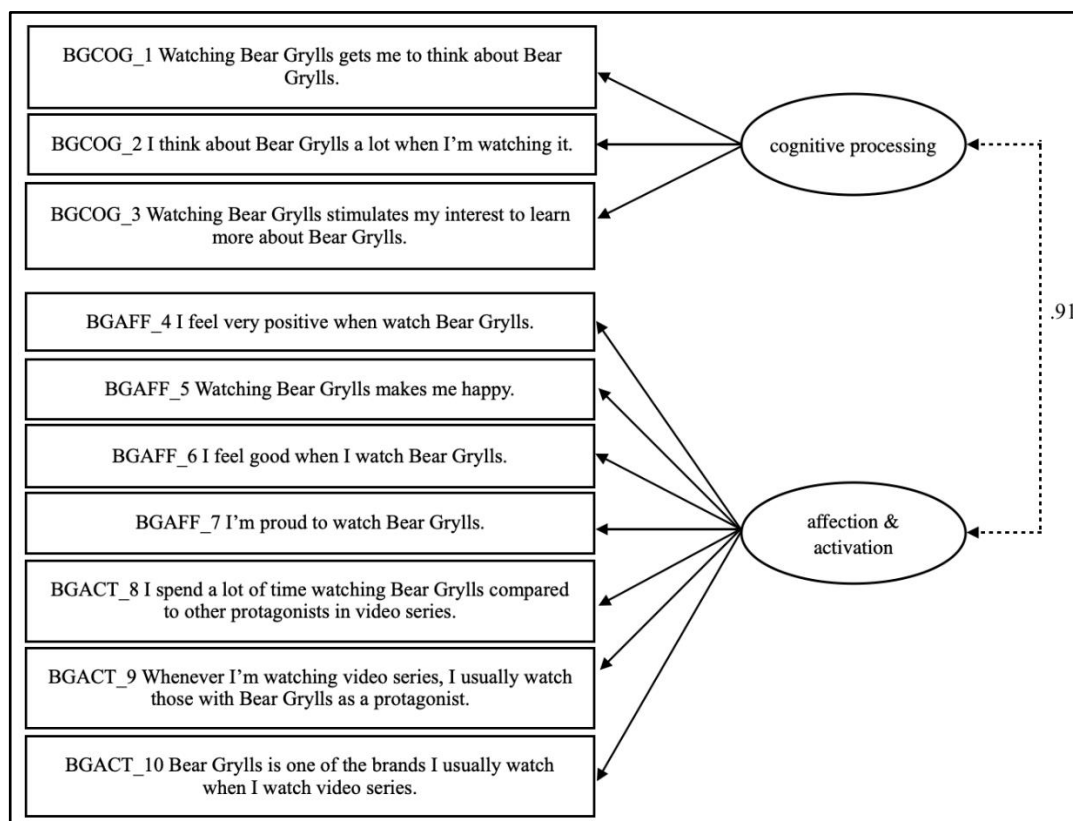


Figure 3: Consumer Brand Engagement scale sub brand with overall Cronbach's alpha

(source: based on Hollebeck/Glynn/Brodie, 2014b)

The implemented control variables were (1) brand awareness of Bear Grylls, (2) awareness of interactive series, (3) personal characteristics, (4) personal co-creation characteristics and (5) popularity of survival series.

3.4 Findings

To establish the groundwork for the research, several statistical methods were used with the help of an IBM statistics software called SPSS.

For reliability analysis, Cronbach's alpha was calculated. The internal consistency of the questionnaire regarding the corporate brand was satisfying with Cronbach's alpha = 0.87 (cf. Henson, 2001, p. 178). The result of Cronbach's alpha for the sub brand was higher than 0.91 which implicates that the used CBE scale was reliable for the measured data (cf. Henson, 2001, p. 178).

An exploratory factor analysis (EFA) was conducted to examine the factor structure and to determine how well the items measured what they intended to measure and to confirm construct validity (cf. Hair et al., 2014, p. 122). The EFA was adjusted to Kaiser-Meyer-Olkin (KMO) to prove the suitability of the responded data for the chosen method. The KMO value for the corporate brand was 0.775 and therefore middling (cf. Hair et al., 2014, p. 102). The Bartlett's Test of Sphericity was significant ($p < 0.001$), indicating that sufficient correlations

existed among the variables to proceed (cf. Hair et al., 2014, p. 103). Regarding the corporate brand, the EFA has confirmed the previously used scale by Hollebeek consisting of 10 items, which were combined to three factors. According to the statistics of the rotated factor matrix, it was noticeable that the fourth item in 'affection' was a low value (component = 0.493), in particular compared to the other items. Nonetheless, the value was acceptable and therefore the item was included. The KMO value for the sub brand was 0.87 and to be classified as meritorious (cf. Hair et al., 2014, p. 102). The Bartlett's Test of Sphericity was significant ($p < 0.001$) (cf. Hair et al., 2014, p. 103). In this instance, the three factors were not delineated but rather two factors. However, the composition of the items was similar with two of the original factors combined into a single one. Similar to the EFA of the corporate brand, all 10 items were assigned to a factor. Because of to the explorative factor analysis, which yielded a two-factor solution, the number of factors was reduced on this basis. The two factors 'affection' and 'activation' loaded into one factor. Subsequently, this result was used for further calculations.

For the calculation of the CBE the factors were loaded according to the number of items they contained, thus the index was the average of all items. To test whether the data fit to the measurement model, a confirmatory factor analysis was conducted (CFA) (cf. Hu/Bentler, 1999, pp. 22). The CFA validated the CBE scale in the case of the corporate brand. The measures of fit yielding results can be defined as satisfactory based on Hu/Bentler ($CFI_{Corporate} = 0.99$; $TLI_{Corporate} = 0.993$; $RMSEA_{Corporate} = 0.03$; $SRMR_{Corporate} = 0.06$) (cf. Hu/Bentler, 1999, pp. 22-28). The CFA was also conducted for the scale to measure CBE of the sub brand. The results deviated from demanded target values for well-fitting factors ($CFI_{Sub} = 0.74$; $TLI_{Sub} = 0.66$; $RMSEA_{Sub} = 0.26$; $SRMR_{Sub} = 0.1$) (cf. Hu/Bentler, 1999, pp. 22-28).

Regarding the corporate brand, the level of CBE increased from without interaction ($M_{Control} = 2.87$, $SD = 0.65$) to with interaction ($M_{Experimental} = 3.51$, $SD = 0.61$). The level of CBE regarding the sub brand increased from without interaction ($M_{Control} = 1.77$, $SD = 0.65$) to with interaction ($M_{Experimental} = 2.25$, $SD = 0.86$).

The conducted one-way ANOVA assessed the significance of the measured effects of co-creation on CBE distinguishing between the corporate brand and the sub brand. Homogeneity of variances was asserted using Levene's Test which showed that equal variances could be assumed for the corporate brand ($p = 0.793$) and for the sub brand ($p = 0.164$) (cf. Hair et al., 2014, p. 82). Due to the distinct results of the ANOVA, which will be described in detail in section 5.1, an additional t-test was spared.

To test H_1 , an ANOVA was conducted for the results of the sub brand. It compared the measured results for the control group without co-creation and the experimental group which experienced co-creation during the study. The results of the ANOVA showed that the CBE of the sub brand differed statistically significant for the two examined groups ($F(1,60) = 6.094$, $p = 0.016$). To assess the extent to which co-creation affects CBE of the sub brand, the calculated means ($M_{Control} = 1.77$, $M_{Experimental} = 2.25$) were compared. The results showed that the CBE, in the group that participated in co-creation, was 0.48 points (27 %) higher than in the group, who watched a video without interaction (Figure 3).

To test H₂, another ANOVA was conducted to compare the results of the two groups regarding the corporate CBE. The results of the ANOVA also showed that the brand engagement of the corporate brand differed statistically significant between the two examined groups ($F(1,60) = 16.168, p \leq 0.001$). To assess the extent to which co-creation affected brand engagement of the corporate brand, the calculated means ($M_{\text{Control}} = 2.87, M_{\text{Experimental}} = 3.51$) were compared again. The results showed that the brand engagement in the group that participated in co-creation was 0.64 points (22 %) higher. Comparing the effect on the CBE of the corporate against the effect on the sub brand, the absolute difference was higher (0.64 vs. 0.48) while the relative increase was lower (22 % vs. 27 %).

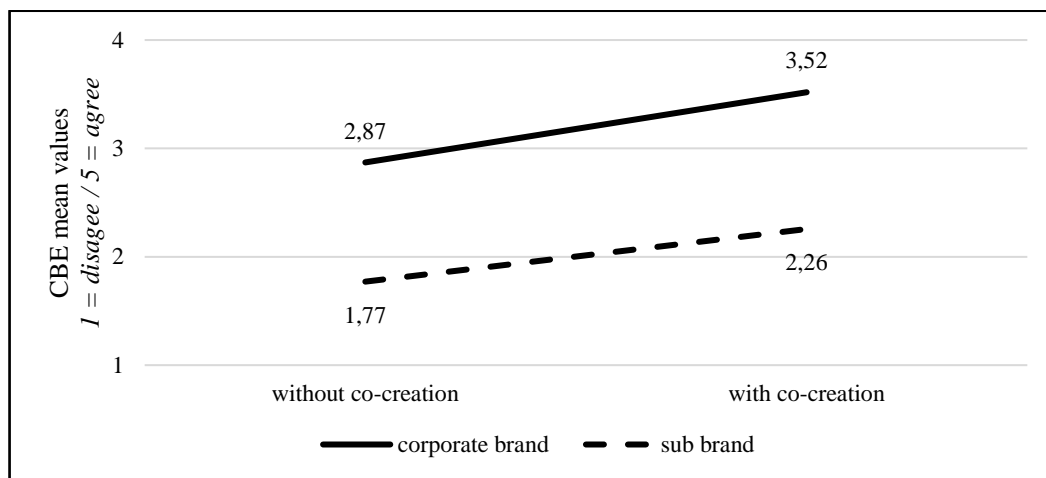


Figure 4: Comparison CBE means corporate brand and sub brand

To test H₃, a linear regression analysis was used (Figure 5). The analysis showed that the sub brand's CBE significantly predicted CBE for the corporate brand ($R^2 = 0.37, \beta = 0.48, p < 0.001$) (cf. Park, 2013, p. 161).

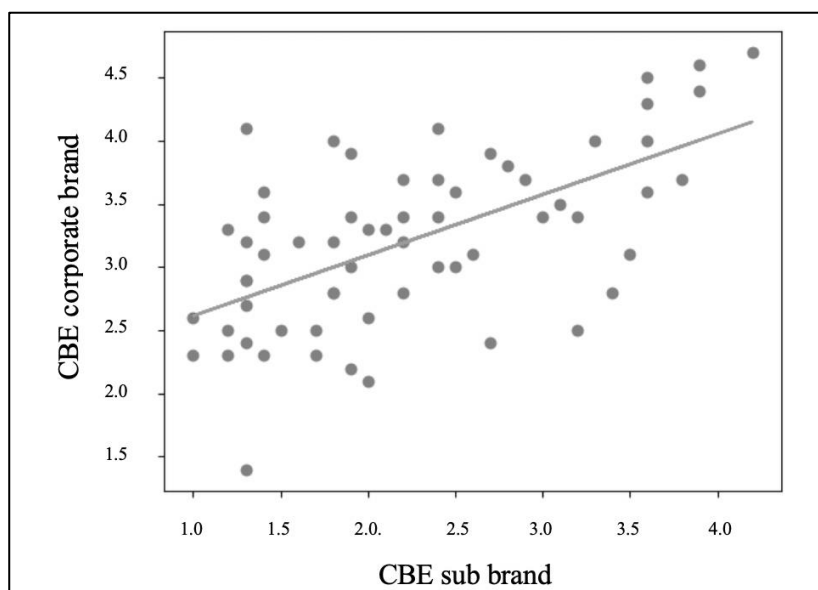


Figure 5: Linear regression plot of the CBE values

4 Conclusion

4.1 Limitations and Further Research

Despite the contributions, this research was also subjected to several limitations: One of them included the cross-sectional data that had been used. We were only able to look at a specific point in time without seeing any development of the brand engagement over time. We encourage future studies to consider a longitudinal research design to investigate whether a difference can be seen. One of our major limitations focuses on the execution of the experiment itself. Since we could not provide the same technical device for each participant, they all took their private smartphones, watched the video on a large screen or on a laptop device. It remains unknown how much the different settings influenced the overall result and would have made a difference if they would have used the exact same device including same lighting and sound settings. Because of a lack of willingness to give someone else their personal smartphone, we asked those participants having a NETFLIX subscription, to automatically be part of the experimental group and therefore did not randomize the sampling. Thus, we do not know if the experimental group might have been more familiar with the corporate and sub brand anyway due to their existing NETFLIX subscription (and therefore had a higher brand engagement) compared to the control group. Furthermore, it would have been interesting to know whether some participants purposely made the protagonist fail the mission instead of making it to the end. Since it was not in the focus of attention, we did not include any further questions on that. In conclusion, further studies could include measurements to find out how an interactive series could be structured to be most attractive for consumers. Since we only asked bachelor and master students, we conducted data of a homogenous group, which on the other hand cannot be generalized. Nevertheless, they represent a part of the audience which appeal to the used

brands in the study. Therefore, we recommend to replicate our study by using a more heterogeneous sample and compare the findings. Further, 72 % out of the 62 participants were female, concluding that the sampling was not equal in terms of gender and the sample size of each group differs by two participants. Lastly, we realize that CBE is more likely to be a short-time concept. It would therefore be interesting to see if the experiment would have had an influence on a long-time orientated concept such as brand equity, as well. Besides that, it is suggested to find out whether the perception of co-creation would change when participants would get in contact with the interactive video more than once and therefore the familiarity towards the method would rise.

4.2 Theoretical and Practical Implications

Based on an example of the video streaming sector, the study identified that co-creation has a positive effect on CBE. It confirmed the affirmative fundamental attitude of existing co-creation studies. Based on the literature, personalized variety is enhanced by implementing co-creation (cf. Prahalad/Ramaswamy, 2004, p. 8). In greater depth, enterprises should activate consumers emotionally to build authentic relationships (cf. Gambetti/Graffigna/Biraghi, 2012, p. 683). The noteworthy result is that the positive impact of the experienced co-creation of the sub brand influences the corporate brand likewise. Based on the results, from a consumer point of view, CBE increases towards the corporate brand. Regarding the corporate brand, the effect of the experienced co-creation is even stronger comparing to the sub brand. By implementing co-creation in the sub brand, positive spillover effects emerge on the corporate brand. Practitioners gain insights into important behavioral patterns of millennial consumers regarding implementation of co-creation. It is an effective tool for relationship building and engagement driver within this target group. Transferring the findings into the practical field, the study reveals important implications for managers. Business practitioners could possibly use the given knowledge from the research by undelining that enterprises should use co-creation, especially in the video streaming market. The strategic aim is to implement a higher level of co-creation to enhance the engagement between the consumer and a company. Enterprises should provide environments that enable consumers to interact and experience pleasant and arousing circumstances (cf. Blasco-Arcas/Hernandez-Ortega/Jimenez-Martinez, 2016, p. 559). Retracting to numerous competitors, video streaming service providers are facing the commodity trap. By implementing co-creation, these services can add value and higher the involvement of the array of products. In sum, managers should implement co-creation especially in product categories which face the commodity trap, because it allows a closer relationship with consumers that facilitate the development of a brand's differentiating characteristics. Co-creation leads to a faster and more effective binding to a brand. Therefore, practitioners should implement co-creation to support creating a bond between the consumer and the sub brand as well as the corporate brand. This study aimed to only look at the video streaming sector. However, we strongly believe that our results offer critical insights to other industries, as well. The research could therefore be relevant for e-learning platforms in company learning venues or in academic environments, because it revealed that co-creation has a expeditiously positive effect on engagement. The implementation increases the engagement learning performance (cf. Blasco-Arcas et al., 2013, p. 102).

Overall, the research offers valuable contributions to brand management by validating the positive effect of co-creation on CBE towards the sub and corporate brand. Therefore, the use of co-creation as a strategy method to enhance consumer relationship towards the brand and to use positive spillover effects, is a worthwhile opportunity for brand managers.

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Branding in lean start-ups - priority or burden?

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Abstract

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Abstract

Purpose – The purpose of this study is to investigate how branding is being executed in start-ups that follow the lean start-up approach. The paper focuses on the fields of *brand relevance*, *brand creation*, *brand building activities and problems and mistakes*.

Design/methodology/approach – To gain first-hand knowledge, four in-depth interviews with co-founders of four start-ups were conducted. A preliminary checklist provided information on to which extent the lean start-up approach is being applied in their companies.

Findings – The results of this study draw some parallels between three of the four interviewed start-ups. All of them stated that branding is relevant to their young company, though three start-ups prioritized product development at the start of their business creation and neglected branding due to a lack of resources.

Research limitations/implications – All of the start-ups have been founded and still mainly operate in Berlin. Additionally, they have at one point been supported or still get sponsored by the Startup Incubator Berlin. Moreover, only some elements of branding have been examined.

Practical implications – Even though the essence of the lean approach is constant development and early release of the product, branding should not be left out when building up a company. This can result in later complications when set structures are not easily remodeled.

Originality/value – There are no studies so far concerning the subject of branding in start-ups that follow the lean approach. Therefore, this study addresses a research gap that is becoming more relevant considering the increasing attention the lean philosophy receives among start-ups.

1 Introduction

There are various ways of how to organize a start-up. Since the publication of Ries's book 'The Lean Startup' in 2011, the lean method has become popular. This approach focuses on control instruments that allow quick and easy corrections of the company development instead of long-term plans (Ries, 2011). Moreover, start-ups often have limited resources in terms of capital, know-how and time. Therefore, they focus on financial and production issues. This leads to a neglect of branding, followed by a missing brand plan. Start-ups realize too late that the costs of subsequent changes to brand identity are high. The problem is that if start-ups are not able to establish their corporate brand right from the start, they could disappear from the market (Timmons, 1999).

Since recent studies identified brand strategy as the most crucial business strategy for start-ups (Rus, Konecnik Ruzzier & Ruzzier, 2018), the lean approach should be viewed against these findings. Has the lean approach, where product development and testing, as well as customer feedback are of high priority, an impact on branding? Although there is a lot of literature on branding and some about start-ups or the lean method, there is a research gap in the connection between these topics. This paper examines how branding is executed in lean start-ups. Therefore, four in-depth interviews with co-founders of four start-ups that follow the lean approach were conducted. A literature review about start-ups, lean start-ups as well as branding in such companies will give an overview about the current state of research. After that, the empirical part of this study will be explained. Lastly, a discussion about research implications, limitations as well as practical recommendations will conclude this paper.

2 Literature review

2.1 Start-ups and lean start-ups

The number of founders and start-ups in Germany is growing. In 2017, there were around 108.000 founders and 60.000 start-ups. This corresponds to an increase of around 16 percent by comparison to the previous year (Metzger, 2018). Despite, there is no generally accepted definition of start-ups so far. According to Ries, "a start-up is a human institution designed to deliver a new product or service under conditions of extreme uncertainty" (2011, p. 8). For Pott and Pott, the word start-up describes a newly founded, young company which is in the initial or expansion stage of the company development (2012). Moreover, they are not yet established on the market and require financing (Weimerskirch, 2013; Pott & Pott, 2012). Start-ups are highly innovative with their business model and their technology and have high growth potential (Kollmann et al., 2018). A common age limit for being a start-up is not determined. In this paper, we will refer to the definition of 'Deutscher Startup Monitor' (Kollmann et al., 2018), since this definition is also supported by the German Federal Ministry for Economic Affairs and Energy (BMW, 2019, p. 1). According to this definition, a company

can be called a start-up if it is younger than ten years. The term lean start-up was formed in 2011 by Ries, who invented the lean start-up model. According to him, the lean start-up concept can be illustrated by not having complex and long-term plans, but rather by focusing on control instruments that allow quick and easy corrections of the company development (Ries, 2011). Characteristic features of a lean startup are that “it favors experimentation over elaborate planning, customer feedback over intuition, and iterative design over traditional ‘big design up front’ development” (Blank, 2013, p. 66). According to Blank (2013), the lean method has three main principles. The first is the application of a ‘business model canvas’ instead of writing a business plan. In this framework, they summarize their hypotheses. By testing hypotheses and the ‘minimum viable product’ at an early stage, companies obtain regular customer feedback, using it for revising their assumptions and making adjustments in iterative steps. This is the second principle, also called ‘customer development’. The third key principle of the lean method is ‘agile development’ which is linked to customer development. In this process, the product is developed iteratively and incrementally by eliminating wasted time and resources.

2.2 Branding in start-ups and lean start-ups

While the scope of literature and research on branding is vast and continually growing, there is little research on branding in start-ups or young ventures (Rode & Vallaster, 2005, Merilees, 2007). However, establishing a strong brand is especially important to those companies. This is due to the fact that branding increases corporate value, which plays a significant role in start-ups for instance when planning an exit strategy, planning on expanding or winning customers’ trust for a so far unknown brand (Rode, 2004). Rode states further that young companies often underestimate the strategic relevance of corporate branding and thus do not consider this a crucial aspect for their success. When Bresciani and Eppler investigated branding practices in 15 Swiss start-ups (2010), they found that the importance of branding and execution differ widely. One common characteristic though is the use of “unconventional and innovative approaches” (p. 8). However, in 2015, Konecnik Ruzzier and Ruzzier found out in their study through in-depth interviews that there is a changing awareness among start-ups about branding. In the same paper, they developed the ‘Startup branding funnel’, which represents a branding model for newly established companies. It is composed “of four phases and eleven building blocks that entrepreneurs should follow in order to develop and implement successful brands” (Konecnik Ruzzier & Ruzzier, 2015, p. 32). The ‘Startup branding funnel’ is further described as “a dynamic branding process that incorporates the current dynamics on the market, which are especially evident among startup companies” (Konecnik Ruzzier & Ruzzier, 2015, p. 34). Additionally, in 2018, Konecnik Ruzzier and Ruzzier, together with Rus, conducted an online survey about start-up branding according to the ‘Startup branding funnel’. In this study, they found out that ‘brand development’ was named the most essential business strategy among the 195 interviewed start-ups, followed by ‘product development’. As stated by their study, branding has become more important in recent years. While there is no research so far on how branding is established in lean start-ups, there are ideas on a lean branding concept. Lean branding refers to a branding strategy that applies the principles of the lean start-up philosophy into branding practice (Gardener & Cooper, 2014; Busche, 2014). The underlying

concept of lean branding contains that a brand or product must always adapt to customers' demands and is therefore, never fully completed (Busche, 2014). However, no research has been conducted so far on whether lean start-ups apply this method or how they generally handle the extensive field of branding in their young companies.

3 Empirical Study

3.1 Goal and approach

The objectives of this paper are to gain insights into branding practices of lean start-ups and subsequently discuss research implications as well as to give practical recommendations concerning branding for start-ups that follow the lean approach. In order to work out these research goals, in-depth interviews with four co-founders of Berlin lean start-ups were conducted. The following four research questions were taken over from Bresciani and Eppler's above-mentioned study "Brand new ventures? Insights on start-up's branding practices" (2010), in which they investigated branding approaches among the Swiss start-up scene. They identified the branding elements *brand relevance*, *brand creation*, and *brand building activities* as "unique [branding] factors to new ventures" (p. 4):

Research Question 1: What is the perceived relevance of branding for lean start-ups?

Research Question 2: How do they create the brand?

Research Question 3: Which brand building activities do they decide to conduct and why?

Research Question 4: What are the most common problems and mistakes they faced?

These research questions were taken over because they offer a clear and differentiated overview of the most critical elements of branding.

3.2 Methodology

The data on which this work is based on was collected through four semi-structured in-depth interviews with co-founders of lean start-ups. The selection criteria of the interview partners are that they are founders of a lean start-up which mainly interacts in the B2C area. To ensure that the start-ups follow the lean approach, a literature-based checklist of nine statements about the lean start-up approach was created and handed out to the selected start-ups beforehand. These statements are composed of two sources that deal with the lean approach in detail. These are, on the one hand, Blank's "Why the Lean Start-Up Changes Everything" (2013) and on the other hand "A Business Model Architecture for Lean Start-Ups" by Horton (2014). It includes criteria such as obtaining customer feedback, setting up a business model canvas or hypothesizing. With a full agreement with all typical lean statements, a score of 100% (45 points) could be achieved. All of the interviewed start-ups

reached a score of at least 64% agreement with the lean approach. An overview of the start-ups can be seen in table 1.

	Industry	Founding year		Product	Lean accordance (total: 45 points)
1	Service	2015	B2C, B2B	Consulting, Social Commitment, Relaying	29
2	Consumer Goods	2019	B2C	Cooking Kit	43
3	Consumer Goods	2018	B2C	Sustainable Toothpaste	39
4	Service	2019	B2C	Mediation of Services	36

Table 1: Overview of the interviewed start-ups

The interviews were recorded and partly transcribed. Since three of the four interviews were conducted in German, the quotes used here were translated into English. The transcription made it possible to later classify them into categories according to the interview guide and form relationships. In the following extraction, raw data were assigned to the categories before being summarized and reduced. Within the evaluation, the research questions were answered.

3.3 Results

Start-up 1

About the company

The first start-up was founded in 2015 by two students, of which one was being interviewed for this paper. The founders have made it their goal to revolutionize the social volunteering sector by connecting volunteers as well as companies with social associations on an online platform.

Research Question 1: Relevance of Branding

The co-founder stated that branding was on their radar from the start. This is why the start-up decided to invest their first earned money into a communication agency. After the agency failed to form a branding strategy for the start-up, the founders decided to shift the focus away from branding and concentrate on product development. After that and during the first years on the market, “[branding] was always neglected, just because resources weren’t available” (17.55). However, for two months, the start-up has been setting up a team responsible for social media and online marketing. Nowadays, there is growing awareness for branding related topics: “now it is for the first time starting to get explicit and with concrete measures that are being derived from that. (...) That happens now after five years. (...) But that’s the way it is when you try to build something with such little resources” (25.58).

Research Question 2: Brand Creation

Initially, the start-up's name was just a working title: "We've decided early on to keep this name because we've already been covered in the press a lot. (...) But it didn't have any meaning originally, there's no concept behind it" (07.05). The logo was designed by a professional graphic designer in training. However, this research revealed that the name was never trademarked (Deutsches Patent- und Markenamt, 2019). The start-up thinks now is the time for strategic branding since they know at this point exactly who they are, what target groups they have, and what they can offer them. Another communication agency is currently commissioned to set up a holistic branding strategy. This rebranding is planned for the near future. A new name will be chosen in that process as well.

Research Question 3: Brand Building Activities

The co-founder describes initial branding measures as "relatively unprofessional" (24.32), even though conventional marketing instruments like benchmarking and best practice were used. What speaks for a lean approach towards branding is the trial and error method that was executed by the start-up. Nonetheless, the start-up utilized a corporate language that was hugely inspired by the interviewee's personal preferences: "A lot of what makes out our brand is how I talk, how I think it's beautiful to communicate with people. But there's no strategy, this is what we're building up just now" (19.45). Concrete initial measures included setting up a Facebook page and creating the website which functions as a mediation platform for different stakeholder groups. Now, however, the start-up carries out several brand building activities that differ from one target group to another in order to satisfy the different needs of each group. Part of their brand building activities is to follow an established communication guideline. On top of what the start-up used to undertake at the beginnings of the founding, they now as well use Instagram and paid media as brand building activities.

Research Question 4: Problems and Mistake

One mistake in the beginning was, as mentioned above, mandating a communication agency to create a branding strategy which did not work out in the end. As a reason for this, the co-founder states: "They somehow didn't understand us. Back then, we didn't even exactly know who we are ourselves. (...) The product wasn't really clear yet" (14.40). Another problem poses their main business instrument, their website, that needs to address all of the three most important target groups in an appropriate manner.

Summary

Summarizing start-up 1's branding, it can be said that product development was their first priority after facing initial difficulties with a communication agency. As a result, their name now consists of a working title that does not reflect their current business model. In the course of the first five years, the company underwent several branding measures even though they were neither developed in a holistic branding strategy, nor were they evaluated through brand or market research. According to the co-founder, limited resources are to blame for the current state of branding. At this moment, another agency is tasked with a rebranding of the start-up, which will

eventually result in a new name and overall, a new brand identity. The co-founder fears non-monetary disadvantages like loss of brand visibility through reduced search engine coverage.

Start-up 2

About the company

Start-up 2's business idea consists of sending out Asian themed food boxes with recipes and all required ingredients. The food start-up was founded in 2019 and had, at the time this study was being conducted, just sent out 20 prototypes of their boxes to customers. The interviewee was one of the two co-founders.

Research Question 1: Relevance of Branding

The co-founder said branding was important from the beginning, but no concrete plans were made, and the start-up's focus was heavily on product development. "I think we don't have a strong brand awareness yet because we don't do any marketing activities, so we're just testing our product at the moment" (20.20). According to the co-founder, branding plays a more significant role once the company starts to grow than in the starting phase. The added value of branding is described by the interviewee as followed: "If we want to acquire new customers in different regions, (...) I think the brand impacts a lot because people when they see a different logo or name of the brand they have to easily (...) recognize it" (16.19).

Research Question 2: Brand Creation

Even though branding is not seen as a priority in this company, there are already concrete plans on how to create the brand once the product is developed further. "We have two different activities: online and offline. In terms of the offline: (...) our goal of this year is to make 100 crazy subscribers (22.27). The start-up wants to wait with online activities until the company is ready to expand to other German cities. "We are going to share our stories with cartoons weekly. That will be our main activity online and (...) in three to four months we are going to have some paid marketing activities like SEO and some advertisements" (23.15). The logo was designed with the help of a friend who is a professional graphic designer, though there is no trademark on the name yet.

Research Question 3: Brand Building Activities

The only conscious decision concerning branding at the start of the company was the development of a name and the design of the logo. Now, there are additional brand building activities like a cooking event. Apart from that, the start-up took part in a street food festival. These measures are executed in order to establish customer loyalty.

Research Question 4: Problems and Mistakes

One problem that the start-up faced so far was the attendance at the street food festival mentioned above. This was only moderately successful because visitors were more interested in the food than in the concept of the

company. Furthermore, the co-founder fears the name might sound cheap even though customer feedback was very positive on the name so far. No previous study on the perception of the brand's name was being conducted.

Summary

While the co-founder says branding is an important issue within the company, the focus lies heavily on product development. Start-up 2 focuses on getting customer feedback at this stage, so the product is created with the customer together and fits its needs perfectly. After achieving a market-ready product, more focus will be put on developing a strong brand and on marketing activities to raise brand awareness.

Start-up 3

About the company

The third company interviewed is located in the consumer goods industry. They are a producer of toothpaste made from natural ingredients, packaged in a sustainable tube. The idea was born in 2016, and they have been on the market since the beginning of 2019. The interviewee is one of two co-founders and is mainly responsible for branding, marketing, product design, and product development.

Research Question 1: Relevance of Branding

Branding is very essential for the third company. The high relevance has not only developed over time, but was given from the beginning, also from an aesthetic point of view. "After the development of the prototype (...), the next step was to build the brand, as these are the two foundations" (18.30). Since the interviewee is "aware of how heavy a brand weighs and what power it has" (14.04), he orients the branding of his company according to that. The reason for this is that "it is not about which product or service you provide, but about what the brand stands for" (23.50).

Research Question 2: Brand Creation

The logo was developed together with a designer on a take-off day. It was regarded as "extremely important" and "much was taken in the beginning [for it]" (16.30). Furthermore, they registered their brand as a trademark.

Research Question 3: Brand Building Activities

Brand building measures have evolved over time. First, "the logo, then the packaging design and (...) the website" were created (43.30). Especially the design of the tubes as a means of communication was of great importance. "With an analog, physical product like the one we have, the tube was extremely important right from the start" (27.15). The co-founder stated about the first touchpoints of the brand with potential business partners or customers: "The website is really the first touching point for many people who do not even get in touch with the product. You have to show professionalism with a website right from the start" (44.57). In the meantime, brand building activities have expanded. While the website continues to be of great importance,

social media channels like Instagram and Facebook were created as well. Social media is crucial for this start-up, but it will post only relevant and high-quality content. Being covered by the press will only be an issue when a go-to market plan has been drawn up, and the product is ready for the market.

Research Question 4: Problems and Mistakes

The branding of the start-up had been very successful so far, and no major mistakes occurred.

Summary

To sum up, branding has always had a very high priority for this start-up. The first measures that were taken in order to shape the brand were the logo, the packaging and the website. Branding activities such as the construction of the website and social media channels took place very professionally. Especially the website is seen as one of the most critical touchpoints with business partners and customers.

Start-up 4

About the company

This company is a provider of an online platform, which is an expat community marketplace for personal services. In December 2018, the founders recognized the problem of international fellow students finding a shared flat due to the language barrier. Therefore, they developed an equivalent to the German platform 'wg-gesucht' and later extended it with further services. Now, the service portfolio consists of expats who need assistance with setting up their life in Berlin.

Research Question 1: Relevance of Branding

The added value of branding was recognized, but it had no high priority till this point. "Branding is definitely a big thing for me internally, but I don't know if it is so important at this point for the company" (11.20). Following the lean approach, going online quickly was more relevant than aesthetics or having the perfect website. Their first landing page did not meet the demands of one of the co-founders yet: "At the very beginning, we just brought the product out, without any big names or anything" (3.47). This way, they were able to improve the product instantly with first customer feedback according to the lean approach. Branding will gain more importance in the future as the co-founders "now (...) attach great importance to branding" (4.59). Meanwhile, it is possible to regard branding as a "big aspect" (5.07), since the marketing department has grown.

Research Question 2: Brand Creation

The name of the company came about because "the domain was the cheapest" (4.14). The logo was designed by one of the co-founders: "I made the logo by myself, (...) but it has no great meaning" (6.14). Later it turned out that it "is often misspelled or mispronounced" (4.35). Therefore, a rebranding is planned for the end of this

year in order to "achieve brand visibility" (14.10). Due to the planned rebranding, the name is not yet a registered trademark.

Research Question 3: Brand Building Activities

The first step was the creation of the landing page. The start-up posted their website in Facebook groups, in which expats were looking for help. Additionally, they post relevant content like blog posts in Facebook groups. "We have a blog to conduct content marketing, attract people, and share knowledge" (8.15). This way, Facebook has become one of their most important communication channels where they can reach their target group. Even though "Instagram is also an interesting channel, [we] haven't used it yet" (10.35). A new branding measure is the organization of events for expats, which they already executed once. The company could also imagine this form of branding activity in the future. The Facebook page that gained 2200 followers in 6 months, as well as the blog posts, were mentioned as particularly successful branding measures. Also, the sending of emails to prospects has been decisive so far.

Research Question 4: Problems and Mistakes

The distribution of flyers in immigration offices "wasn't as effective as [they] thought" (12.08). It became clear that without proactively addressing potential customers, the distribution of flyers is not sufficient. Another problem was negative comments on their posts in Facebook groups. "Due to the Facebook activity, which we were quite aggressive with at the beginning, there were some people who were annoyed by it, and there were some negative comments" (13.08). For the future, the co-founders intend to work more data-based. They noticed, for example, that a survey about the brand name would have made sense in advance.

Summary

The company does not see branding as a priority because of financial reasons and resource scarcity. This already caused some negative feedback on the customers' side. No concrete plans were created for the branding of their company, but a professional rebranding is planned for the near future as soon as financial resources are available.

4 Discussion

4.1 Research implications and limitations

The previous literature review examined the current research field of branding in lean start-ups. The qualitative research revealed insights into how branding is put into practice. Both have contributed to narrowing the research gap and can be seen as a good starting point for further research in which more start-ups with different geographical and educational background should be considered.

The insights gained in this paper only represent a certain part of reality and must therefore be viewed against the background of the determining factors of the present work. The most important limitations of the

investigations resulted from the limited sample size and the composition of the sample. In order to ensure the validity of the study, to increase the validity of the results and be able to generalize the results, the size of the sample should be extended. By interviewing further start-ups, the results could be confirmed with greater certainty or, if necessary, further amplified and expanded. It would therefore be interesting for further research to verify the results of this study with other lean start-ups. Furthermore, all companies interviewed are located in Berlin. This geographical characteristic could influence the results. A comparison with other cities or countries would be interesting in order to reveal possible similarities and differences. Further limitations are the participation of the interviewed start-ups in HWR's incubator program. Thus, all companies were grown in a similar environment and shaped in their thinking and acting by the same mentors. Therefore, start-ups with a different background should be included in further research. The research questions were taken over from Bresciani and Eppler's study "Brand new ventures? Insights on start-up's branding practices" (2010). For this reason, the considered elements of branding are limited to the four categories *brand relevance*, *brand creation*, *brand building activities*, and *problems and mistakes*. Further research should include additional components of branding to ensure a holistic view of branding in lean start-ups.

4.2 Practical recommendations

The lean start-up approach aims to constantly develop the product and release it, even if it is unfinished to gather customer feedback. This process is heavily resource consuming. Due to the fact that start-ups are young companies, they often do not have the budget also to elaborate a branding strategy. However, branding should not be left out when building up a start-up. At a later point in time, this can result in costly measures to set up branding structures that were missed out in the beginning. Especially changing the name of the company after years in business brings enormous disadvantages concerning, for instance, SEO activities or adjusting users and business partners to a new name. Start-ups that follow the lean approach should not only keep branding in mind at the very beginning of their company but develop a valid concept. A concrete measure could be taking part in workshops about branding or developing a brand with the help of modern branding tools like the 'Startup branding funnel'. In institutes like the Berlin Start-up Incubator, there are mentors specialized in different fields like brand management. They can be consulted for advice concerning this regard. This opportunity should be taken advantage of if possible. Another possibility is working together with students, who are also specializing in this area, which is an affordable alternative to hiring a brand consultant or agency.

Appendix 2: Interview Guideline English

Introduction/ Warm up:

- How did you get the idea for your start-up?
- How did you set up your start-up? Who took over which tasks?

Research Question 1: What is the perceived relevance of branding for lean start-ups?

- Was branding an issue from the beginning? (Possibly give definition to branding to prevent confusion to marketing)
- If you think back to the launch of your start-up: On a scale of 0-10: what was the relevance of branding at the beginning?
- On a scale of 0-10: what is the relevance of branding now?
- What do you think the added value of branding is for the company?

Research Question 2: How do they create the brand?

- Did you record your branding plans at the start of your start-up?
- Did you have your logo professionally developed?
- Are you a registered trademark? (word and picture)
- Do you have a brand portfolio (multi-brand / umbrella brand strategy)?

Research Question 3: Which brand building activities do they decide to conduct and why? (e.g. Advertising, PR, Events, Sponsoring, Newsletter, Internal Brand building)

- Were there initial measures to establish the brand? If so, why exactly these measures?
- What measures are there at the moment to establish/strengthen the brand?
- Why did you decide to take these measures?
- Which measures were positive?

Research Question 4: What are the most common problems and mistakes they faced?

- Which measures were negative?
- What do you think were the reasons for that?

Recap:

Final question: how do you see the future of your branding in your start-up?

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