

Strategic Responses to Brand Appropriation

(Working Paper)

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It was recently reported that Pabst Brewing Co., the 170-year-old brewery that makes Pabst Blue Ribbon (PBR) would be up for sale and command prices approaching \$1 billion. This high price is peculiar since domestic beer consumption has been falling rapidly over the past decade. Pabst's sales have actually been rising due in large part to the growth of its PBR brand. This growth has come from untargeted "hipster" customers. What has been traditionally known as an old man's, couch potato, cheap beer, had been "stolen" by these young hipster consumers. So what did PBR do in response to this new consumer brand adoption? Absolutely nothing. PBR continued to not target these hipsters, while enjoying their sales.

This concept of a brand being taken by new untargeted consumers is not a new, unique phenomenon just attributable to PBR. In the late 1990's, fashion brand Tommy Hilfiger which was initially made to target preppy, rich consumers, was adopted by urban, hip-hop, young customers. Much like PBR, Hilfiger chose to embrace these new consumers. Hilfiger even went a step further as to start shifting its marketing and advertising to target this new consumer group. But, in a recent 2014 article the company's founder explained that he regretted this strategy: "It fueled a lot of growth, but it took us away from our roots."

But this behavior isn't always met with positive response from the firm. Some firms intentionally choose to avoid these new consumers. Luxury brand Burberry has been dealing with its association with "chavs," in Great Britain. The chavs are a lower class group associated with rowdiness, hooliganism, and crime. They adopted the famous Burberry checkered pattern as part of their uniform. In response, the company discontinued production of the checkered caps and reduced their reliance on their famous trademark plaid design (Fitch 2009)

In the cases of PBR, Tommy Hilfiger, and Burberry, non-target consumers adopted a brand and added its unique brand associations, while muting or ignoring other associations. I

define this phenomenon as brand appropriation. When this appropriation occurs, there are key questions that can arise. Why does this behavior occur? How do current, targeted customers react? And in response, how should the brand or firm react?

For the purposes of this proposal, I focus on the third question: How the firm should respond to brand appropriation. While it may be financially beneficial to embrace these new customers, there is a risk of losing current customers, such as with Burberry. In particular I intend to examine the effects of accepting these new customers on brand attitudes. I consider the effect of two potential strategic decisions: the introduction of brand extensions and the introduction of target advertising as a firm response to brand appropriation. Additionally, I consider the moderating effect of consumer distinctiveness and brand exclusivity, and consider the emotion of betrayal as a potential mediator.

Conceptualizing Brand Appropriation

Brand appropriation is the public adoption of a brand by non-target market consumers, who attach their own unique set of associations to the brand. Brand appropriation creates a circumstance where consumers choose brands in which their self-image associations do not match firm-established brand-user associations, contradicting past research that suggests that consumers make brand choices based on the congruency between brand-user associations (Escalas and Bettman 2003). In the circumstance of brand appropriation, new consumers seemingly create their own unique set of brand associations to, adding new associations to the brand, while ignoring others.

Brand Appropriation: Co-Creation

This construct builds off the foundation of co-creation theory, which signifies the role consumers have to create brand value (Vargo and Lusch, 2005). The massive use of social media, and other online communities, offer the potential for firms to co-create value with a large number of customers or consumers (Füller 2010). Consumers may be invited to help in generating and evaluating new ideas or elaborating, evaluating or challenging concepts. Large companies such as Apple, SAP, Nestlé, Lego and Orange, have developed such strategies successfully (Ramaswamy and Gouillart 2010). Typically this co-creation literature acknowledges firms working with consumers to create brand value and has mostly concentrated on its positive effects.

But, brand appropriation presents a scenario of deviant co-creation behavior in which some consumers can create value for themselves, but potentially have negative, damaging effects that could lead to the destruction of value for other consumers. There has been research on dysfunctional customer behavior, which refers “to deliberately deviant behavior by customers” (Fisk et al., 2010). Brand appropriation behavior is not deliberate and is not necessarily negative in its content or sentiment, but it can still be damaging to the brand much like dysfunctional behavior, due to the response of current customers. Additionally, where brand appropriation deviates from dysfunctional behavior and any other co-creation literature is that it is started by uninvited, non-targeted co-creation participants.

Brand Appropriation: Non-Target Consumers

Target marketing refers to the identification of a set of buyers sharing common needs or characteristics that a company decides to serve (Kotler, and Armstrong 2008). Ultimately, the goal of target marketing is to create a strong affinity for the brand amongst the targeted group

(Aaker 1999). But, increasing opportunities for cross exposure due to media overlap and cross-cultural consumer contact have made the effects on non-target consumers an important area of study as well (Douglas and Craig 1997).

Crossover refers to when a product designed for one target segment meets with attraction and acceptance in another segment (Grier 2006). This phenomenon has traditionally been defined as the movement of a product or brand from margin to mainstream. Crossover effects have mainly been studied in regards to products intended for an ethnic minority group gaining penetration among mainstream white consumers. Some crossover research has discovered that introducing implicit minority imagery/symbolism within mainstream ads (Oakenfull et al. 2008) can sometimes lead to mainstream adoption of targeted brands. Currently there is no literature that addresses how firms should respond to non-target adoption or crossover. Additionally, while brand appropriation does involve the acceptance of a product by a non-targeted segment or group, but what differs from crossover is that the acceptance in another segment is generally done with a changing of associations.

Brand Appropriation: Consumer-Generated Incongruity

These non-target consumers have the power to create and introduce a new set of brand associations. We can observe the source of associations connected with a brand from two perspectives. First there are those associations, which are driven by the firm; these associations are known as brand identity (Aaker 1992). Brand identity serves to provide direction, purpose and meaning for the brand. Then there are perceptions about a brand as reflected by the brand associations held in consumer memory; these associations are referred to as brand image (Keller 1993). Conventional branding wisdom tells us that brands should strive for congruity between this brand identity and brand image. Incongruity could possibly lead to a diffuse brand image

where there is little congruence among brand associations for consumers (Keller 1993). A diffuse brand image can cause consumers to be confused as to the meaning of the brand and increase the likelihood that consumers will discount or overlook relevant brand associations in making brand choices (Keller 1993). But some literature has also indicated that incongruity can have positive effects such as reviving interest (Machleit et al 1993), attracting attention (Goodstein 1993), enhancing brand attitudes (Lee and Mason 1999), and improving brand evaluations (Kirmani and Shiv 1998) in mature brands. While, this literature explores consequences of firm created incongruity, there is no literature exploring detailed consequences when this incongruity is consumer-generated, like brand appropriation.

Embracing New Customers: Theoretical Development & Hypotheses

In addition to this brand appropriation construct being multi-faceted and not being researched from a number of different angles, the strategic response to this behavior has yet to be researched as well. The strategic management literature gives credence to the importance and relevancy of a firm choosing the appropriate strategy in responding to appropriation behavior. Strategy is a link between an organization and its environment (Ansoff & McDonnell 1990). An organization's strategy defines its unique image and provides its purpose and direction to its activities and to the people within and outside the organization (Grant, Jammine & Thomas 1988).

Contingency theory suggests that there is no optimal strategy for all organizations and that the most desirable choice of strategy variables alters according to certain contingency factors (Donaldson, 1996). These contingency factors include the firm's marketing choices (Claycomb,

Germain, and Droege, 2000). The firm's marketing choices combined with other variables can ultimately affect the firm's financial and market performance.

The firm has several strategic responses that they can engage in to counteract this brand appropriation behavior. They can choose to ignore this behavior and do nothing in response, much like PBR did. They can also choose to embrace these new consumers and target this new group like Tommy Hilfiger, or they can reject these consumers and explicitly express their disdain and avoidance of the group like Burberry. Ideally a brand wishes to attract and cater to new customers, without losing any customers to ensure growth. Ultimately what determines the effects of these potential strategies is the reaction of the current core customers. Strategic management literature indicates that a huge determinant of contingency factors that affects a firm's strategic choice is its business environment. The business environment is the totality of physical and social factors taken into consideration by a firm for making decisions (Duncan, 1972). The business environment is divided into external and internal categories. Specifically, the external environment comprises correlating factors existing outside the boundaries of the firm, including the firm's customers. For my research model I focus on examining the effects of embracing or accepting new brand appropriation customers through two strategies: brand extensions and advertising.

Acceptance Strategy #1: Brand Extensions

Brand extensions are a strategy used in which a firm introduces new products to a new previously untargeted segment. The advantage of launching a brand extension is that it allows the firm to curtail financial and managerial risks instead of launching a completely new brand (Aaker and Keller, 1990). The existing literature has identified the degree of similarity or fit

between the parent brand and the brand extension category as a major determinant of an extensions' success (Yeo and Park, 2006). Some research has specifically studied consumer response to ethnic crossover brand extensions. In these situations, brands associated with one ethnic group crossover into a product category associated with another ethnic group (i.e. McDonald's Café con leche). These studies have also shown that fit with the parent brand determines the effect of a crossover brand extension on a parent brand attitudes. Additionally the degree of ethnic embeddedness in the extensions strengthens the new, ethnic consumers' self-brand connections.

Since brand appropriation involves incorporating unique brand associations, and creating incongruity, the resultant brand extension created by the firm to satisfy these appropriators must incorporate some level of incongruity as well. This creates a lack of fit with the parent brand. Additionally, the value of brands can be diluted when firms pursue brand extension strategies (Keller 2009), especially when undesired outsiders start using the brand (White and Dahl, 2007). Therefore I propose:

H1: Brand extensions as a brand appropriation acceptance strategy has a negative effect on brand attitudes. This effect is moderated by the perceived degree of fit between the extension and the parent brand.

Acceptance Strategy #2: Targeted Advertising

In order to implement advertising to cater to the brand-appropriation group, the firm would have to first implement appeals that targeted this new consumer group. Aaker, Brumbaugh, and Grier (2000) discovered that felt similarity with sources in an advertisement, drives target market effects for distinctive viewers, whereas felt targetedness drives target market

effects for non-distinctive viewers. Past literature has shown that the response of crossover marketing has led to negative effects. Members of non-distinctive groups (e.g. Anglo-American and heterosexuals) have demonstrated unfavorable non-target market effects when exposed to advertisements not targeting them. For instance, heterosexual consumers report more negative attitudes towards advertisements featuring homosexual sources than heterosexual ones (Puntoni et al. 2011). While targeting marketing has benefits for the intended audience it can sometimes alienate mainstream consumers. Therefore I propose:

H2: Targeted advertising as a brand appropriation acceptance strategy has a negative effect on brand attitudes. This effect is moderated by the distinctiveness of the current customers.

Exclusivity of Brand

Another factor to consider about the effects of brand appropriation response is how much consumers view the brand or product as exclusive. There are numerous examples of consumers leaving a brand, because they felt that the brand no longer belonged to only them. As mentioned earlier Burberry suffered from overexposure of its signature plaid on multiple products and brand extensions (Galloni 2007). This overexposure creates a risk of brand dilution (Loken and Roedder John 2009). Consumers of exclusive brands, as members of a selective in-group, want to limit the number and type of consumers who have access to the brand and also want to maintain the brand's distinctiveness (Han, Nunes, and Dreze, 2010).

H3: Brand exclusivity attenuates (strengthens) the negative effect of both brand appropriation acceptance strategies on brand attitudes.

Betrayal

An important consideration of this conceptual model is the motivation behind the ultimate response of current customers to the brand's actions. One possible source of motivation that could dictate the response of consumers to either a brand extension or advertisement is the sense of betrayal felt by current customers. A greater sense of betrayal is difficult to forget and let go, it is likely to drive these customers to engage more vividly in revenge and brand avoidance (Ward and Ostrom 2006). Therefore I propose that:

H4: The effect of brand appropriation acceptance on brand attitudes is mediated by the perceived betrayal felt by current customers.

Potential Methods for Model Testing

The testing of this conceptual model will involve the using an experimental approach. I propose to use two separate experiments, one that tests the effect of target advertising as an acceptance strategy and another which tests brand extension as an acceptance strategy. Each experiment would follow the exact same design, except the manipulation in the advertising study would be an advertisement which targets a brand appropriation group and in the brand extension group the manipulation would be the use of an article about a brand extension which caters to a brand appropriation group. Each experiment would follow a 2 (appropriation acceptance strategy vs. do nothing) x 2 (high brand exclusivity vs. low brand exclusivity) between subjects design. While the brand appropriation acceptance strategy (brand extension or advertisement) and brand exclusivity would be randomized amongst participants, the perceived distinctiveness of the appropriating group would be dependent on the level indicated by each participant in the survey.

A pre-test would be conducted prior to these experiments to indicate a brand that is low or high in exclusivity. A pre-test, post-test design would be used in which survey participants brand attitudes would be measured both before and after exposure to the manipulation. An appropriate scale would be used to measure the participants feeling of betrayal. Participants would also be asked a series of questions to indicate their perceived lack of fit between the strategy and parent brand.

Intellectual Contributions & Contributions to the Literature

This research has the potential to make significant compelling contributions to the literature, while also having many practical managerial implications. The theoretical goal of the brand appropriation construct is to build on the foundation of the service dominant logic/co-creation of value literature and extend it to the area of brand incongruity activity. The co-creation literature identifies consumers as brand value creators, but the incongruity literature has not looked at consumers as incongruity creators. With brand appropriation, a consumer group actively introduces brand associations to another consumer group. Furthermore this research looks at co-creation from a fairly new perspective in that the source of the co-creation is non-target consumers.

The practical implication of this paper is that it will directly provide guidance and inform firms on how to respond to brand appropriation behavior. Firms have limited to no control over this consumer-generated incongruity, but do have the ability to respond in a number of manners, which have been addressed in this paper. The results of this research can be very vital to brands that are currently confronted with brand appropriation. What is so intriguing about brand appropriation is that is consumer created incongruity, which means the firm is not fully in control

against the inception of this phenomenon. But the results of this research could help firms be more proactive in discovering this appropriation, and assist in helping firms make appropriate decisions in response. This may help firms decipher whether they should introduce product extensions, change their advertising or alienate this new market. With the increasing amount of cross-cultural contact, especially with the increasing level of social media usage as a means for consumer information (i.e. online customer reviews, forums, social networks), brand appropriation is likely to become even more of a challenge for firms in the future.

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