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# Consumer evaluation in new products: the perspective of situational strength

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## Abstract

**Purpose** – This study aims to investigate the interaction between branding strategies, levels of perceived fit and consumer innovativeness on the evaluation of new products from the perspective of situational strength.

**Design/methodology/approach** – Two experiments were conducted to empirically test the hypotheses.

**Findings** – A significant three-way interaction of branding strategy, perceived fit and consumer innovativeness on the evaluation of the new products was found. A significant two-way interaction of branding strategy and perceived fit was also found. Situational clarity fully mediates the relationship between branding strategy and consumer product evaluations at various fit levels.

**Practical implications** – The theory of situational strength may shed light on the selection of target market when managers launch new products. Innovative consumers are the target market for the new products under new branding or low fit sub-branding; under brand extension or high fit sub-branding, consumers are the target for the new products regardless of their degree of innovativeness.

**Originality/value** – This is the first work to apply situational strength theory to a new product evaluation context. The theory provides a unified framework for explaining the cognitive processes involved when consumers use and combine marketing cues (i.e. branding strategies and fit levels) to evaluate new products; it also facilitates evaluating how the effects of consumer innovativeness are accentuated or attenuated based on various combinations of marketing cues. Most research on the evaluation of new products has examined the influence of consumer innovativeness, perceived fit or branding strategies as distinct entities. This study simultaneously examined the three.

**Keywords** Consumer innovativeness, Branding strategies, New product introduction, Perceived fit, Situational strength

**Paper type** Research paper

## Introduction

Brand extension is a common strategy when launching new products. It aims to extend positive associations from a parent brand to a new product; thereby reducing consumer-perceived risk (Czellar, 2003). The perceived fit between a parent brand and new product is the most important determinant of the success of brand extension (Völckner and Sattler, 2006). Several studies have researched the influence of perceived fit within the brand extension context (Czellar, 2003; Sunde and Brodie, 1993; Völckner

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and Sattler, 2006). Sub-branding and new brand strategies is also a viable alternative for creating growth by targeting new segments (Aaker, 1991). For example, Toyota entered the luxury car market with their new brand, Lexus. Similarly, Xbox used the sub-brand, Xbox Kinect, to extend their market from the computer game segment to the family entertainment segment. However, few studies have addressed sub-branding or new brands (except for McCarthy *et al.*, 2001; Milberg *et al.*, 1997; Bhat *et al.*, 1998; Smith and Park, 1992). Moreover, few studies have considered these three branding strategies when addressing the moderating role of perceived fit on the relationship between branding strategy and the evaluation of new products. The underlying cause of the moderating effects of perceived fit has not been adequately addressed.

Situational strength theory deals with environmental cues and individual responses to those cues. This theory states that implicit and explicit cues provided by external entities on the desirability of potential behaviours can influence an individual to respond in a particular manner (Meyer *et al.*, 2010; Mischel, 1977). When introducing new products, marketers use branding strategies and the perceived level of fit of new products to provide consumers with situational cues. These cues exhibit different levels of clarity and induce positive or negative outcome valence in consumer minds, further influencing consumer evaluations of the new product. Stronger cues produce more predictable responses. For example, Harley Davidson used a brand extension strategy when launching a perfume and the launch failed. Situational strength theory can be used to understand this failure. The low perceived fit between perfume and a motorbike brand with a strong masculine image makes consumers think that using the new perfume may result in negative outcomes, creating negative situational valence. Using brand extension rather than other branding strategies clarifies the negative outcomes because knowledge of parent brand is more salient with brand extension. Hence, consumers tend to evaluate Harley Davidson perfume poorly. This example shows that situational strength theory may explain the cause of the interaction effect of branding strategy and perceived fit on new product evaluations. Therefore, this study investigates the moderating role of perceived fit on the relationship between branding strategy and the evaluation of new products from a situational strength perspective.

New products often first target innovative-minded consumers because they are more likely to evaluate novel ideas positively (Klink and Athaide, 2010; Rogers, 2003; Venkatraman, 1991). Previous studies on new product introduction have indicated that the influence of consumer innovativeness varies. Martinez and Pina (2010) and Völckner and Sattler (2006) determined that consumer innovativeness was not strongly influential in a brand extension context; by contrast, Klink and Athaide (2010) reported that consumer innovativeness was relevant in a new brand context. However, extant studies have not comprehensively addressed how the effects of innovativeness correspond to new product branding strategies. Situational strength theory may provide a complete scheme, elucidating the effects of innovativeness when using various branding strategies. The theory predicts that clearly defined situations decrease the effect of consumer innovativeness on new product evaluations (Meyer *et al.*, 2010; Mischel, 1977). Therefore, this research also examines the moderating role of decision variables (branding strategies and the levels of fit) on the relationship between consumer innovativeness and new product evaluations from a situational strength perspective.

This research makes three main contributions to the literature. It examines three factors (i.e. branding strategy, perceived fit and consumer innovativeness) that are related to new product success, describing the relationship among the effects of the three factors more clearly. In this study, the situational strength perspective is applied to new product adoption. This perspective provides a systematic and holistic framework for examining how marketing decision variables affect the evaluation of new products, elucidating the relevant cognitive processes. Specifically, this perspective indicates how marketing decision variables are related to the facets of situational strength and how these facets influence consumer evaluations of new products. This may provide insight to marketers when designing and presenting situational cues for marketing new products.

The first section of this paper presents a review of the relevant literature and describes the hypotheses based on situational strength theory. It then describes the two experiments conducted and presents the hypothesis test results. The research implications are then discussed, and the paper concludes by presenting the limitations of this research and suggestions for future areas of study.

## Background and hypotheses

### *Branding strategies for new products*

Three major types of branding strategies have been used by marketers when introducing new products to the market (Keller, 2003). Brand extension uses an established brand to introduce a new product. Sub-branding combines a new brand with a parent brand. A new brand strategy uses a new brand name for a new product (Keller, 2003). Brand extension has been extensively studied since the 1980s. Fewer studies have examined sub-branding and new brand strategy (Bhat *et al.*, 1998). Many researchers have contended that if companies only use brand extension strategies, they may miss opportunities (Aaker, 1991; Keller, 2003; Smith and Park, 1992). This study compares the effects of the three branding strategies and especially examines a type of new brand that operates independently, but is endorsed by its parent brand as a shadow endorser. Aaker and Joachimsthaler (2000) and Aaker (2004) have indicated that a shadow endorser is not visibly connected to an endorsed brand, but many consumers are aware of the link. For example, most consumers know that Toyota introduced Lexus, General Motor (GM) introduced Saturn and Levi-Strauss introduced Dockers. A parent brand provides a new brand with some credibility while minimizing direct associations between the new brand and its parent. The new brand is a completely separate product, which targets a new segment (Aaker and Joachimsthaler, 2000). Thus, this study defines a new brand as a member of a house of brands (Aaker, 2004), where the identity of the parent brand is recognizable.

### *Perceived fit*

Perceived fit refers to how much consumers think a new product is similar to other products affiliated with a brand (Smith and Park, 1992). Researchers have proposed various sets of perceived fit dimensions. Aaker and Keller (1990) proposed substitute, complement and transfer dimensions. Park *et al.* (1991) suggested two dimensions: similar product features and consistent brand concepts. Smith and Park (1992) proposed two dimensions: intrinsically and extrinsically based similarities. This research uses the perceived fit dimensions developed by Smith and Park (1992) for two reasons. The two

similarity dimensions reflect the well-known perceived fit dimensions proposed by Aaker and Keller (1990). Intrinsically based similarity corresponds to the transfer dimension and extrinsically based similarity corresponds to the substitute and complement dimensions. The two similarity dimensions are also defined from a product quality cue perspective. These cues reflect the potential performance of a new product.

Perceived fit positively influences extension evaluations and further influences brand image (Martinez and Pina, 2010). However, previous studies have not yet reached consensus on how interactions between perceived fit and branding strategy affect new product evaluations (Bhat *et al.*, 1998; Milberg *et al.*, 1997; Smith and Park, 1992). Situational strength theory may provide a systematic framework for understanding the interaction effects and the underlying cognitive processes.

### *The theory of situational strength*

Situational strength is defined as the implicit and explicit cues provided by an external entity on the desirability of potential behaviours (Meyer *et al.*, 2010; Mischel, 1977; Snyder and Ickes, 1985). The basic tenets of the theory indicate that when situational strength is high, people tend to behave in a similar manner and individual differences decrease because people tend to act according to the hint of cues, that is, anticipated behaviour is clear. When situational strength is low, people tend to act according to their personality traits because anticipated behaviour is obscured. The theory has been empirically tested and supported within organizational (Meyer *et al.*, 2010), strategic (Mullins and Cummings, 1999) and service marketing contexts (Liao and Chuang, 2004). However, it has not been examined in the new product introducing context.

Previous marketing studies have suggested that the cues in a consumption context provide receivers with hints concerning the desirability of certain behaviours. Studies on perceived quality and signal theory have suggested that marketing information concerning new products sends cues to consumers and establishes positive or negative outcomes related to acquiring the products (Curry and Riesz, 1988; Kirmani, 1997; Kirmani and Rao, 2000; Zeithaml, 1988). For example, high prices and spending on advertising can make consumers think that the new products are high quality (i.e. a positive situation) (Aaker, 1991). However, previous studies have not constructed a unified theoretical framework to explain the cognitive processes by which consumers discern marketing cues and integrate them into a summary concept for evaluating new products. We posit that situational strength theory can elucidate the cognitive processes involved when consumers integrate marketing cues and evaluate new products. In this study, situational strength is defined as the characteristics of marketing cues that induce consumer perception of the possibility that using a new product may result in either positive or negative outcomes.

Past studies operationalize situational strength in four facets – clarity, consistency, constraint and consequence with valence. (Meyer *et al.*, 2010). *Clarity* is the degree to which cues in a situation are available and easy to understand. In the organizational setting, clear instructions from supervisors construct unambiguous information on specific expected behaviours which enhances the clarity of a situation. *Consistency* is the degree to which the cues are compatible with each other. Information obtained from different sources may be different; therefore, two or more situational cues are required to consistently determine the desirability of specific behaviours. *Constraint* refers to the degree to which uncontrollable forces limit someone's freedom to decide and act.

*Consequence* refers to the degree to which decisions or actions have important positive or negative implications for the individuals involved. Most of the studies examined the effects of situational strength using one facet; only few studies examined the combined effects of two of four facets (Liao and Chuang, 2004).

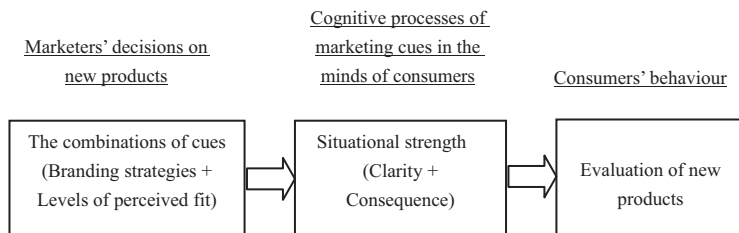
Scholars suggest that the four facets of situational strength may be selected according to the research context (Snyder and Ickes, 1985). In a new product evaluation study, consumers care whether new products yield positive or negative consequences. They tend to use marketing cues, such as the perceived fit between the new product and parent brand or company, to assess the likely positive or negative outcomes (Rogers, 2003; Zeithaml, 1988); thus, a consequence facet exists. Furthermore, consumers care whether new product information is adequate and unambiguous because clear information facilitates their decision-making (Mccarthy *et al.*, 2001). Aaker and Joachimsthaler (2000) indicated that various branding strategies generate brand associations of varying strengths, potentially influencing consumer evaluations of new products; thus, branding strategies may influence situational clarity by identifying the brands or sponsors that created new products. In this study, only the clarity and consequence facets were considered because they are influenced by branding strategies and levels of perceived fit, respectively.

### Hypothesis development

Branding strategies and the perceived degree of fit are the situational cues most often discussed in studies on new products. When consumers see these cues, they tend to form perceptions of situational strength. Because situational strength suggests the desirability of certain behaviours concerning new products (Meyer *et al.*, 2010; Mischel, 1977; Snyder and Ickes, 1985), situational strength may influence how consumers evaluate new products. The following section describes the relevant cognitive processes (Figure 1).

#### *Situational strengths influence the evaluation of new products*

Perceived fit can be used to indicate the potential performance of a new product. Specifically, if the new product is in a similar category to the parent brand, positive associations, quality perceptions and the overall effect of the parent brand can be transferred to the new product (Aaker and Keller, 1990; Read, 1983). Evaluations of extensions become more positive as perceived closeness with brands increase (Aaker and Keller, 1990; Völckner and Sattler, 2006), even for non-prestige brands (Park *et al.*, 1991). If a brand extends to an unrelated product category, this causes negative evaluations of the new product because consumers see the new product as unreliable and of poor quality (Kirmani *et al.*, 1999). A strong perceived fit increases new product



**Figure 1.**  
Consumers' cognitive processes on situational cues

success and a weak perceived fit decreases new product success (Boush *et al.*, 1987; Boush and Loken, 1991; Park *et al.*, 1991). Thus, the degree of fit influences the perception of the potential outcomes when consumers use a new product. If the degree of fit is high, the situation is perceived as positive; if the degree of fit is low, the situation is perceived as negative.

The main difference between the three branding strategies is how removed they are from the parent brand. Brand extension can decrease consumer uncertainty by leveraging the brand equity of an existing brand (Aaker, 1991; Keller, 2003). Sub-branding can complement the associations of a parent brand with new associations related to a sub-brand (Bhat *et al.*, 1998; Keller, 2003). The sub-brand and parent brand both drive consumer purchasing decisions (Aaker and Joachimsthaler, 2000). Adopting a new brand strategy creates brand associations that are the most different from those of the parent brand. Thus, the endorsed new brand, rather than the parent brand, drives the purchasing decision (Aaker and Joachimsthaler, 2000).

According to the spreading activation theory of memory, branding strategies can function as cues facilitating the transfer of knowledge from a parent brand to a new product (Anderson, 1983). Specifically, with brand extension, activated knowledge is more complete because the code from the old brand remains salient within consumer memories. When using sub-branding, the knowledge related to the parent brand is partially activated because the new brand may interfere with previous knowledge related to the old brand. With a new brand strategy, knowledge of the parent brand is minimally activated because the association with the parent brand is usually less obvious. Therefore, the three branding strategies differ according to how closely a new product is associated with a parent brand. Brand extension creates the closest relationship between a parent brand and a new product, new brand creates the least close relationship and sub-branding creates a relationship that is somewhere between the two. Clarity is the degree to which cues from a situation are comprehensible. It increases when the activated knowledge from a parent brand to a new product is more complete. Thus, brand extension provides more clarity than sub-branding and sub-branding provides more clarity than new brand.

Combinations of situational cues (i.e. branding strategies and levels of fit) cause consumers to construct various perceptions of situational strength. Table I lists the theoretical predictions regarding situational strength.

When fit is high, consumers tend to evaluate new products launched using brand extension strategies more positively compared with products launched using sub-branding or new brand strategies. This is because the inferences of obtaining favourable new product performance owing to high perceived fit are best induced when the associations of parent brand are salient, which is best achieved by a brand extension strategy. By contrast, when fit is low, consumers tend to evaluate new products using

Branding strategies	Theoretical predictions		Experimental results		Table I. Situational strengths under levels of perceived fit and branding strategies
	High	Perceived fit Low	High	Perceived fit Low	
Brand extension	Strongly positive	Strongly negative	Strongly positive	Strongly negative	
Sub-branding	Moderately positive	Moderately negative	Moderately positive	Moderately negative	
New brand	Weakly positive	Weakly negative	Weakly positive	Weakly negative	



brand extension strategies more negatively compared with products using sub-branding or new brand strategies. Furthermore, when fit is high, consumers tend to evaluate new products using sub-branding strategies more positively compared with products using new brand strategies. When fit is low, consumers tend to evaluate new products using sub-branding more negatively compared with products using new brand. This prediction is based on that the negative inference about new product performance owing to low similarity to parent brand is least induced with a new brand strategy compared with other branding strategies. Therefore, we propose the following hypotheses:

- H1.* The influence of branding strategies on the evaluation of new products is moderated by levels of perceived fit.
- H1a.* When fit is high, consumers evaluate the new product with brand extension more favourably than the new product with sub-branding. In addition, they evaluate the new product with sub-branding more favourably than the product with new brand.
- H1b.* When fit is low, consumers evaluate the new product with new brand more favourably than the new product with sub-branding. In addition, they evaluate the new product with sub-branding more favourably than the new product with brand extension.

#### *Consumer innovativeness*

Consumer innovativeness can be ranked by abstraction level as follows: actualized, domain-specific and innate innovativeness (Midgley and Dowling, 1978). Actualized innovativeness is the lowest level, which refers to certain people adopting new products before other people (Rogers, 2003). Actualized innovativeness is a poor predictor of innovative purchasing behaviours because situational factors drive the decision to purchase a product (Goldsmith and Hofacker, 1991). Hence, Hoffmann and Soyez (2010) suggested that innovativeness should be measured at a higher level of abstraction. Many researchers tend to consider innovativeness as an innate personality trait (Roehrich, 2004) and find that consumer innovativeness can influence product adoption behaviours (Hirschman, 1980; Midgley and Dowling, 1978). This study defines consumer innovativeness as a personality trait that renders the perception of new experiences desirable (Hirschman, 1980; Venkatraman, 1991). This definition treats innovativeness as a global personality trait, rather than domain-specific. We adopted this definition for the following reasons. Most situational strength researchers have selected global personality traits, such as The Big Five Personality Traits, as their research variables (Costa and McCrae, 1985). Studies have indicated that innate innovativeness positively influences adoption behaviours (Im *et al.*, 2003; Venkatraman, 1991). Marketing researchers have tended to focus on this generalized perspective of innovativeness for segmentation purposes (Kirton, 1976; Midgley and Dowling, 1978; Im *et al.*, 2003). Therefore, global traits are more appropriate for our research purposes. This research includes cognitive and sensory dimensions based on the operationalized definition of innovativeness used by Cotte and Wood (2004). These two dimensions correspond to those provided by scholars of generalized personality traits (Hurt *et al.*, 1977; Venkatraman and Price, 1990).

*Influence of situational strength on consumer innovativeness effects*

Rogers (1954) indicated that the effects of personality traits (e.g. openness to new experiences) on creative behaviours are likely to appear under specific conditions. The marketing decisions regarding a new product may establish psychological conditions in consumer minds that are conducive to the appearance of consumer innovativeness. Therefore, situational strength constructed by marketing decisions may limit the influence of consumer innovativeness.

Situational strength theory states that stronger situations weaken the effects of personal traits (Meyer *et al.*, 2010; Mischel, 1977). Because the suggested method of evaluating something is clear in strong situations, consumer innovativeness variance decreases. When the suggested method of evaluating something is less clear (in weak situations), consumer innovativeness can positively affect new product evaluations. As stated in *H1*, the branding strategy and perceived fit combinations can alter situational strength. Brand extension creates clearer situations than sub-branding or new brand and sub-branding creates clearer situations than new brand. Hence, consumer innovativeness affects evaluation more when a new brand strategy is used (a less clear situation) than when a sub-branding or brand extension strategy is used. That is, consumers with high and low innovativeness produce more distinct new product evaluations in a new brand situation than in a sub-branding or brand extension context. Furthermore, consumer innovativeness has more effect in a sub-branding context than a brand extension context. Table II presents a summary of the theoretical predictions on the effects of consumer innovativeness on new product evaluations. Therefore, we propose the following hypotheses:

*H2.* The effects of consumer innovativeness on the evaluation of new products are moderated by branding strategies under different fit levels.

*H2a.* Under high fit, consumers with a high degree of innovativeness evaluate new products more favourably and this difference is more pronounced when the firm adopts a new brand strategy than when it adopts either sub-branding or brand extension strategies.

*H2b.* Under high fit, consumers with a high degree of innovativeness evaluate the new products more favourably and this difference is more pronounced when the firm adopts a sub-branding strategy than when it adopts a brand extension strategy.

Branding strategies	Theoretical predictions		Experimental results	
	Perceived fit		Perceived fit	
	High	Low	High	Low
Brand extension	Attenuated	Attenuated	Attenuated	Attenuated
Sub-branding	Middle	Middle	Attenuated	Accentuated
New brand	Accentuated	Accentuated	Accentuated	Accentuated

**Notes:** "Middle" means the effects of consumer innovativeness under sub-branding are somewhere between brand extension and new brand

**Table II.**  
The effects of  
innovativeness under  
levels of perceived fit  
and branding  
strategies

*H2c.* Under low fit, consumers with a high degree of innovativeness evaluate the new products more favourably and this difference is less pronounced when the firm adopts a brand extension strategy than when it adopts either sub-branding or new brand strategies.

*H2d.* Under low fit, consumers with a high degree of innovativeness evaluate the new products more favourably and this difference is less pronounced when the firm adopts a sub-branding strategy than when it adopts a new brand strategy.

## Methods

Two studies using experimental design were conducted to test our hypotheses.

### Study 1

#### Overview

Study 1 adopted a 2 (consumer innovativeness: high or low)  $\times$  2 (perceived fit: high or low)  $\times$  3 (branding strategy: brand extension, sub-branding or new brand) mixed design. Consumer innovativeness and perceived fit were treated as between-subject factors. Consumer innovativeness was measured and perceived fit was manipulated. Branding strategy was treated as a within-subject factor and was manipulated. The branding strategies were presented in six orders.

#### Stimuli

This study selected a real brand instead of a fictional brand as the parent brand. We selected *Nokia* as the parent brand because cell phones are commonly used by college students and Nokia is the well-known brand.

The product categories for high and low levels of perceived fit were selected by a group of five marketing experts. Following a discussion, three product categories were selected to illustrate a high degree of perceived fit (MP3 player, digital camera and hand-held game console) and three for a low degree of perceived fit (GPS, electronic razor and facial cleanser). In total, 75 students in a marketing class were requested to evaluate the perceived fit of the selected product categories. The MP3 player had the highest level of perceived fit ( $M = 5.14$ ,  $S = 1.15$ ), whereas facial cleanser had the lowest fit ( $M = 1.93$ ,  $S = 1.25$ ). The MP3 player and the facial cleanser were compared according to intrinsically and extrinsically based fit dimensions proposed by [Smith and Park \(1992\)](#). The extrinsically [ $M_{\text{MP3 player}} = 4.83$ ,  $M_{\text{fac}} = 2.16$ ;  $t(74) = 14.55$ ,  $p < 0.001$ ] and intrinsically based [ $M_{\text{MP3 player}} = 5.45$ ,  $M_{\text{fac}} = 1.69$ ;  $t(74) = 22.23$ ,  $p < 0.001$ ] dimensions of perceived fit for MP3 player were both significantly higher than those for facial cleanser. Thus, the MP3 player and the facial cleanser were deemed representative of high- and low-fit product categories, respectively.

Appropriate brand names were selected for sub-brands and new brands by another group of three experts. After a discussion, candidate brand names were selected for the MP3 player and the facial cleanser, respectively. These brand names were included in two versions of a questionnaire, one for the MP3 player and the other for the facial cleanser. These two versions of the questionnaires were administered in two marketing classes in a university in northern Taiwan (61 students completed the MP3 player version; 64 students completed the facial cleanser version). Students were requested to evaluate the candidate brand names. *iMuzy* received the highest evaluation and was

selected as the new brand name for the MP3 player product category ( $M = 4.96, S = 0.82$ ). *Easkin* received the highest evaluation and was selected as the new brand name for the facial cleanser product category ( $M = 4.77, S = 0.63$ ). Sub-brand names for the MP3 player and facial cleanser were determined by combining the parent brand name and the new brand name. However, instead of selecting the new brand name with the highest evaluation, the second highest brand names were selected and combined with the parent brand name, Nokia. This helped to avoid the problem of overlapping names for new brands and sub-brands. Thus, sub-brand names were *Nokia-Odio* for the MP3 player and *Nokia-Clynn* for the facial cleanser.

### *Participants and procedures*

We recruited 137 college students and randomly assigned them to the 12 experimental conditions. The researchers then explained to the participants that the purpose of the experiment was to evaluate new products. Participants were requested to think like shoppers when evaluating the new products. The first part of the questionnaire addressed demographics and the second part prepared participants by describing new product purchasing scenarios. Participants then evaluated the new products based on the scenario details. The details included the brand name and features of the new product, which reflected the branding strategy and level of perceived fit. The scenarios are found in the [Appendix](#). Each participant was presented with three scenarios and each scenario appeared on a different page. Each scenario mentioned the parent brand (Nokia). In the third part of the questionnaire, participants answered questions related to consumer innovativeness and perceived fit. Participants were thanked for their cooperation after they completed the questionnaires.

### *Measures*

*Perceived fit.* Perceived fit was measured by intrinsically and extrinsically based similarities (Smith and Park, 1992). Seven-point scales anchoring “not similar/very similar” were used to record the judgements of subjects (Cronbach’s  $\alpha = 0.94$ ).

*Consumer innovativeness.* Consumer innovativeness was measured according to the need for cognition and the need for change. The need for cognition and change represents the cognitive and sensory dimensions, respectively. It was measured using 11 items on a seven-point Likert-type scale (Cotte and Wood, 2004) ( $\alpha = 0.92$ ). In subsequent analysis, subjects were split into two groups by means of a median-split with high and low degrees of innovativeness.

*New product evaluation.* New product evaluation was measured using four items ranked on a seven-point adjective scale (“low quality/high quality,” “inferior/superior,” “negative/positive,” “not likely to buy/very likely to buy”) (Kumar, 2005). The alpha value of the evaluation of new products under different branding strategies was 0.95 under brand extension, 0.91 under sub-branding and 0.82 under new brand.

### **Analyses and results**

A total of 137 questionnaires were collected and screened for validity, resulting in 120 usable questionnaires. A manipulation check for the level of perceived fit was supported [ $M_{\text{high fit}} = 4.75, M_{\text{low fit}} = 1.85; F(1,118) = 1277, p < 0.001$ ]. A 2 (consumer innovativeness: high/low)  $\times$  2 (level of perceived fit: high/low)  $\times$  3 (branding strategy: brand extension/sub-branding/new brand) repeated measures ANOVA was conducted. All cell sizes were greater than 27. The results of the analyses were not biased by order

effects (all  $p$ s > 0.05). Two-way interaction between branding strategy and perceived fit was statistically significant [ $F(2,115) = 41.95, p < 0.001$ ]. This indicates that these two factors should be combined to determine situations of different strength; it also shows that *H1* is supported, in that the effects of branding strategy on new product evaluations are moderated by the level of perceived fit. Two-way interaction between branding strategy and consumer innovativeness was statistically significant [ $F(2,115) = 7.58, p < 0.001$ ]. This is an indication that the influence of consumer innovativeness on the evaluation of new products was moderated by situations of different strength. Hence *H2* is supported. Three-way interaction between branding strategy, perceived fit and consumer innovativeness was also significant [ $F(2,115) = 4.64, p < 0.05$ ].

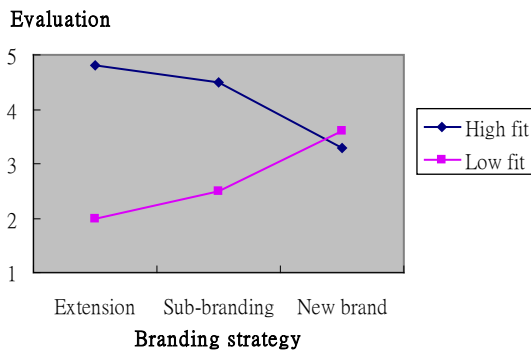
#### *Branding strategy and perceived fit*

*High fit.* The evaluation of new products under brand extension was significantly better than either evaluation under sub-branding [ $M_{\text{extension}} = 4.8, M_{\text{sub}} = 4.5; F(1,59) = 24.30, p < 0.001$ ] or evaluation under new brand [ $M_{\text{extension}} = 4.8, M_{\text{new}} = 3.3; F(1,59) = 260.89, p < 0.001$ ]. The evaluation under sub-brands was significantly better than evaluation under new brand [ $M_{\text{sub}} = 4.5, M_{\text{new}} = 3.3; F(1,59) = 196.71, p < 0.001$ ]. Hence, *H1a* was supported. The results are shown in Figure 2.

*Low fit.* The new product evaluation under sub-brand was significantly higher than under brand extension [ $M_{\text{extension}} = 2.0, M_{\text{sub}} = 2.5; F(1,59) = 31.90, p < 0.001$ ]. The evaluation under new brand was significantly higher than either under brand extension ( $M_{\text{new}} = 3.6, M_{\text{extension}} = 2.0; F(1,59) = 590.70, p < 0.001$ ) or under sub-brand ( $M_{\text{new}} = 3.6, M_{\text{sub}} = 2.5; F(1,59) = 211.29, p < 0.001$ ). Hence, *H1b* was supported. The results are shown in Figure 2.

#### *Consumer innovativeness, branding strategy and perceived fit*

*High fit.* The difference in evaluation between consumers with high and low innovativeness was significantly larger under new brand than under either brand extension [ $M_{\text{high inno. and new.}} = 3.68, M_{\text{low inno. and new.}} = 2.88, M_{\text{high inno. and extension}} = 4.92, M_{\text{low inno. and extension}} = 4.67; F(1,58) = 10.03, p < 0.01$ ] or sub-branding [ $M_{\text{high inno. and sub.}} = 4.65, M_{\text{low inno. and sub.}} = 4.41; F(1,58) = 11.33, p < 0.001$ ]. However, the difference in evaluation between consumers with high and low innovativeness was not significantly larger under sub-branding than under brand extension [ $M_{\text{high inno. and sub.}} = 4.65, M_{\text{low inno. and sub.}} = 4.41, M_{\text{high inno. and extension}} = 4.92, M_{\text{low inno. and extension}} = 4.67; F(1,58) =$



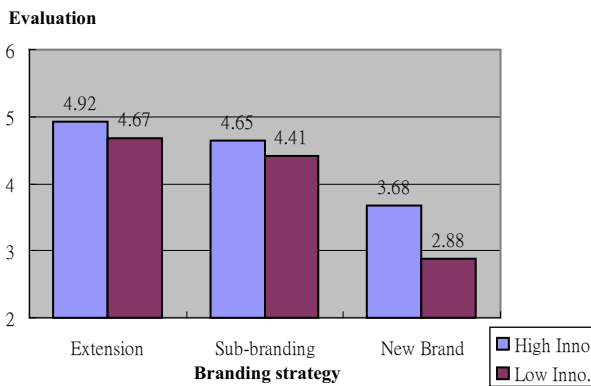
**Figure 2.**  
New product evaluations under two fit levels and branding strategies (Study 1)

0.00,  $p = 0.99$ ]. Hence,  $H2a$  was supported; however,  $H2b$  was not. The results are shown in Figure 3.

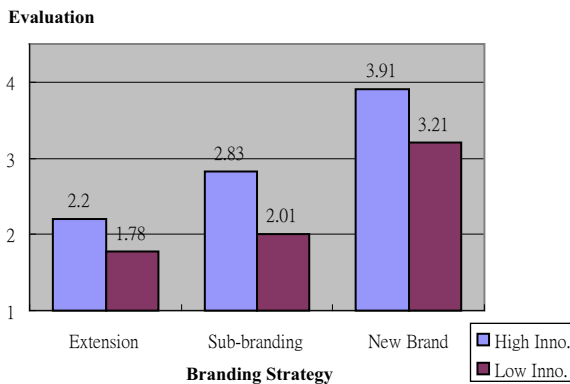
*Low fit.* The difference in evaluation between consumers with high and low innovativeness was significantly smaller under brand extension than under either sub-branding [ $M_{\text{high inno. and extension.}} = 2.20$ ,  $M_{\text{low inno. and extension.}} = 1.78$ ,  $M_{\text{high inno. and sub.}} = 2.83$ ,  $M_{\text{low inno. and sub.}} = 2.01$ ;  $F(1,58) = 6.75$ ,  $p < 0.01$ ] or new brand ( $M_{\text{high inno. and new.}} = 3.91$ ,  $M_{\text{low inno. and new.}} = 3.21$ ;  $F(1,58) = 4.73$ ,  $p < 0.05$ ). However, the difference in evaluation between consumers with high and low innovativeness was not significantly smaller under sub-branding than under new brand [ $M_{\text{high inno. and sub.}} = 2.83$ ,  $M_{\text{low inno. and sub.}} = 2.01$ ,  $M_{\text{high inno. and new.}} = 3.91$ ,  $M_{\text{low inno. and new.}} = 3.21$ ;  $F(1,58) = 0.58$ ,  $p = 0.45$ ]. Hence,  $H2c$  was supported; however,  $H2d$  was not. The results are shown in Figure 4.

**Discussion**

The results confirm  $H1$ ,  $H2a$  and  $H2c$ . However, some of our results do not support the predictions derived from situational strength theory (i.e.  $H2b$  and  $H2d$ ). When fit is high, consumer innovativeness exerts a similar influence with a brand extension strategy and sub-branding strategy. When fit is low, consumer innovativeness exerts a similar influence with a sub-branding strategy and new brand strategy. Situational strength



**Figure 3.** New product evaluation differences under branding strategies – high fit condition (Study 1)



**Figure 4.** New product evaluation differences under branding strategies – low fit condition (Study 1)

was measured directly in Study 2. This provided several clues that were used to infer the causes of the unexpected *H2b* and *H2d* results.

The objectives of Study 2 were as follows:

- to replicate the results of Study 1;
- to determine whether the clarity of the situations would match the predictions derived from the situational strength theory with various branding strategy and level of fit combinations; and
- to determine whether the clarity of the situations influences new product evaluations with various levels of fit.

Unlike Study 1, Study 2 used a between-subject design to eliminate the potential bias. Pictures of the new products were also used to increase the realism of the experimental stimuli. The clarity of the situations in Study 2 was measured directly.

## Study 2

### *Overview*

Study 2 used a 2 (consumer innovativeness: high or low)  $\times$  2 (level of perceived fit: high or low)  $\times$  3 (branding strategy: brand extension, sub-branding or new brand) between-subject design. Dependent variables included the clarity of situations and new product evaluation. The attractiveness of the stimuli (i.e. brand name, product information and picture), parent brand image, consumer knowledge and perceived risk were the covariates.

### *Stimuli and procedure*

Pictures were prepared for the six experimental conditions. Three marketing experts reviewed the pictures and selected a picture for each experimental condition. The pictures were selected to provide realistic images to the participants.

We recruited 220 college students and randomly assigned them to one of the six experimental conditions. The procedure was similar to that followed in Study 1. After being presented with a scenario, participants were asked to relate their beliefs on the positive or negative consequences of using the new products and answer questions related to situational clarity. They then answered the same questions as those asked in Study 1.

### *Measures*

Two items related to clarity were developed to reflect situational strength based on Meyer *et al.* (2010). The first item indicated the degree to which the information provided was sufficient or insufficient for judging the potential positive or negative outcomes of using the new product. The second item indicated the extent to which the information provided was sufficiently specific for judging the potential positive or negative outcomes of using the new product. We also measured the perceived consequences of using the new products on a scale ranging from negative to positive outcomes. The above three items were measured using seven-point scales. All other constructs were measured using the methods used in Study 1. The alpha coefficients were 0.85 for the new product evaluation, 0.79 for clarity, 0.96 for perceived fit and 0.75 for consumer innovativeness.

## Analyses and results

We collected 220 questionnaires and screened them for validity, producing 209 usable questionnaires. A manipulation check for the level of perceived fit was supported [ $M_{\text{high fit}} = 4.62$ ,  $M_{\text{low fit}} = 1.34$ ;  $t(207) = 26.19$ ,  $p < 0.001$ ]. The level of perceived fit corresponds to the valence of the situation. Specifically, when fit is high, the potential outcome of using a new product is greater than 4 – the neutral point of the scale [ $M_{\text{high fit}} = 4.93$ ,  $t(111) = 8.71$ ,  $p < 0.001$ ] – indicating a positive outcome. When fit is low, the potential outcome of using a new product is less than 4 [ $M_{\text{low fit}} = 3.08$ ,  $t(96) = -8.39$ ,  $p < 0.001$ ], indicating a negative outcome. This study included two dependent variables: the clarity of situations and new product evaluation. Thus, we conducted two 2 (consumer innovativeness: high or low)  $\times$  2 (level of perceived fit: high or low)  $\times$  3 (branding strategy: brand extension, sub-branding or new brand) ANOVA.

### *Dependent variable (DV): clarity*

**Branding strategy and perceived fit.** The two-way interaction between branding strategy and perceived fit was statistically significant [ $F(2,197) = 3.67$ ,  $p < 0.03$ ]. The main effect of branding strategy was significant [ $F(2,197) = 65.84$ ,  $p < 0.001$ ] and the main effect of perceived fit was not significant [ $F(1,197) = 2.57$ ,  $p > 0.11$ ]. All covariates were not significant (all  $ps > 0.11$ ).

**High fit.** These results reflect a positive situation. Using brand extension produced a positive situation with significantly higher clarity than using a sub-branding [ $M_{\text{extension}} = 4.8$ ,  $M_{\text{sub}} = 4.4$ ;  $t(73) = 2.03$ ,  $p < 0.05$ ] or new brand strategy [ $M_{\text{extension}} = 4.8$ ,  $M_{\text{new}} = 3$ ;  $t(73) = 9.05$ ,  $p < 0.001$ ]. Sub-branding produced significantly higher clarity than new brand [ $M_{\text{sub}} = 4.4$ ,  $M_{\text{new}} = 3$ ;  $t(72) = 6.34$ ,  $p < 0.001$ ].

**Low fit.** These results reflect a negative situation. In a negative situation, sub-branding produced significantly lower clarity than brand extension [ $M_{\text{extension}} = 4.9$ ,  $M_{\text{sub}} = 3.6$ ;  $t(60) = 6.28$ ,  $p < 0.001$ ]. Using a new brand strategy produced significantly lower clarity than using a brand extension [ $M_{\text{new}} = 3$ ,  $M_{\text{extension}} = 4.9$ ;  $t(64) = 7.66$ ,  $p < 0.001$ ] or sub-branding strategy [ $M_{\text{new}} = 3$ ,  $M_{\text{sub}} = 3.6$ ;  $t(64) = 2.46$ ,  $p < 0.02$ ].

### *DV: new product evaluation*

The two-way interaction between branding strategy and perceived fit was statistically significant [ $F(2,169) = 75.35$ ,  $p < 0.001$ ]. This supports *H1*. The two-way interaction between branding strategy and consumer innovativeness was statistically significant [ $F(2,169) = 13.79$ ,  $p < 0.001$ ], supporting *H2*. Three-way interaction between branding strategy, perceived fit and consumer innovativeness was also significant [ $F(2,169) = 3.97$ ,  $p < 0.03$ ]. Brand name attractiveness was a significant covariate ( $p = 0.05$ ) and controlled for in the subsequent analyses.

### *Branding strategy and perceived fit*

**High fit.** The new product evaluation with a brand extension strategy was significantly better than with a sub-branding ( $M_{\text{extension}} = 4.9$ ,  $M_{\text{sub}} = 4.4$ ;  $t(72) = 3.14$ ,  $p < 0.01$ ) or new brand strategy ( $M_{\text{extension}} = 4.9$ ,  $M_{\text{new}} = 3.4$ ;  $t(72) = 8.25$ ,  $p < 0.001$ ). Sub-branding produced significantly better evaluations than a new brand strategy ( $M_{\text{sub}} = 4.4$ ,  $M_{\text{new}} = 3.4$ ;  $t(71) = 5.31$ ,  $p < 0.001$ ). This supports *H1a*.

**Low fit.** The new product evaluation with a sub-branding strategy was significantly higher than with a brand extension strategy [ $M_{\text{extension}} = 2.5$ ,  $M_{\text{sub}} = 3.1$ ;  $t(59) = -3.48$ ,  $p < 0.001$ ]. A new brand strategy produced significantly higher evaluations than brand



extension [ $M_{\text{new}} = 3.5$ ,  $M_{\text{extension}} = 2.5$ ;  $t(63) = -5.20$ ,  $p < 0.001$ ] or sub-branding strategies [ $M_{\text{new}} = 3.5$ ,  $M_{\text{sub}} = 3.1$ ;  $t(63) = -2.24$ ,  $p < 0.03$ ]. This supports *H1b*.

*Consumer innovativeness, branding strategy and perceived fit*

High fit. A new brand strategy produced significantly more different evaluations between consumers with high and low innovativeness than brand extension [ $M_{\text{high inno. and new}} = 4.1$ ,  $M_{\text{low inno. and new}} = 2.6$ ,  $M_{\text{high inno. and extension}} = 5.2$ ,  $M_{\text{low inno. and extension}} = 4.9$ ;  $F(1,60) = 19.22$ ,  $p < 0.001$ ] or sub-branding strategies [ $M_{\text{high inno. and sub}} = 4.5$ ,  $M_{\text{low inno. and sub}} = 4.4$ ;  $F(1,60) = 27.01$ ,  $p < 0.001$ ]. However, a sub-branding strategy did not produce significantly more different evaluations between consumers with high and low innovativeness than a brand extension strategy [ $M_{\text{high inno. and sub}} = 4.5$ ,  $M_{\text{low inno. and sub}} = 4.4$ ,  $M_{\text{high inno. and extension}} = 5.2$ ,  $M_{\text{low inno. and extension}} = 4.9$ ;  $F(1,61) = 0.48$ ,  $p > 0.49$ ]. This supports *H2a*, but not *H2b*.

Low fit. The difference in evaluations between consumers with high and low innovativeness was significantly smaller with a brand extension strategy than with a sub-branding [ $M_{\text{high inno. and extension}} = 2.6$ ,  $M_{\text{low inno. and extension}} = 2.2$ ,  $M_{\text{high inno. and sub}} = 3.8$ ,  $M_{\text{low inno. and sub}} = 2.7$ ;  $F(1,52) = 4.85$ ,  $p < 0.04$ ] or new brand strategy [ $M_{\text{high inno. and new}} = 4$ ,  $M_{\text{low inno. and new}} = 2.6$ ;  $F(1,57) = 11.70$ ,  $p < 0.001$ ]. However, the difference in evaluations between consumers with high and low innovativeness was not significantly smaller with a sub-branding strategy than with a new brand strategy [ $M_{\text{high inno. and sub}} = 3.8$ ,  $M_{\text{low inno. and sub}} = 2.7$ ,  $M_{\text{high inno. and new}} = 4$ ,  $M_{\text{low inno. and new}} = 2.6$ ;  $F(1,54) = 1.75$ ,  $p > 0.19$ ]. This supports *H2c*, but not *H2d*.

*Mediation analysis* A regression analysis was conducted. The analysis steps follow LeBreton *et al.* (2009). The results of the mediation analysis indicated that branding strategy significantly influences situational clarity when fit is high [ $\beta = -0.63$ ;  $t(110) = -8.47$ ,  $p < 0.001$ ] and low [ $\beta = -0.64$ ;  $t(95) = -8.01$ ,  $p < 0.001$ ] and situational clarity significantly influences the evaluation of new products when fit is high [ $\beta = 0.58$ ;  $t(110) = 7.38$ ,  $p < 0.001$ ] and low [ $\beta = -0.33$ ;  $t(95) = -3.39$ ,  $p < 0.001$ ]. The results also indicated that situational clarity fully mediates the relation between branding strategy and the evaluation of new products at various fit levels.

## Discussion

Study 2 replicated the results of Study 1 (i.e. supporting *H1*, *H2*) and demonstrated that branding strategy and level of fit interact to influence the clarity of a situation. Specifically, when perceived fit is high, brand extension results in clearer positive situations than sub-branding. Positive situations are clearer in sub-branding contexts than in new brand contexts. However, in a sub-branding context, the clarity of positive situations is similar to that in a brand extension context (4.4 and 4.8, respectively) and different from that in a new brand context (4.4 and 3, respectively). Conversely, when perceived fit is low, a brand extension strategy produces clearer negative situations than a sub-branding strategy and a sub-branding strategy produces clearer negative situations than a new brand strategy. However, in a sub-branding context, the clarity of negative situations is similar to that in a new brand context (3.6 and 3, respectively) and different from that in a brand extension context (3.6 and 4.9, respectively). Study 2 also indicates that clarity in positive situations positively influences new product evaluations and clarity in negative situations negatively influences new product evaluations.

## General discussion

### *Implications for new product evaluation*

This study contributes to existing literature by using the situational strength perspective as a novel approach for examining consumer evaluations of new products. We evaluated how new product decisions (i.e. branding strategy and fit level) and consumer innovativeness influenced consumer evaluations of new products. Considerable research has examined the influence of specific aspects of new product marketing decisions on consumer evaluations of new products (Klink and Athaide, 2010; Klink and Smith, 2001; Milberg *et al.*, 1997; Smith and Park, 1992). Situational strength can be used as a new perspective in new product development (NPD) literature because it provides a unified framework, elucidating the cognitive processes involved when consumers combine marketing cues to evaluate new products. For instance, when fit is high, a brand extension strategy produces superior product evaluations compared with other branding strategies because consumers maintain positive clarity.

This study yields various implications regarding product signals. Previous studies have indicated that marketers send signals (e.g. brand equity, advertising, prices) that influence how consumers assess the quality of new products (Curry and Riesz, 1988; Kirmani, 1997; Kirmani and Rao, 2000); however, these studies have not comprehensively examined product signals. The situational strength perspective could provide new insight in this field, explaining how consumers cognitively process and combine relevant product cues and form perceptions of situational strength which affect their evaluations of new products. The situational strength perspective also addresses how marketing cues relate to consumer decision criteria (i.e. clarity, consequence, consistency and constraint) when selecting new products. Specifically, branding strategy influences clarity and perceived fit influences consequence. Furthermore, studies on product signals have focused on explaining how certain product signals influence consumer assessments of the quality of new products, primarily addressing the consequence facet of situational strength. The situational strength perspective is comprehensive, involving three additional facets (i.e. clarity, consistency and constraint).

### *Implications to consumer innovativeness*

These results explain some of the results of previous studies. This study demonstrates that situational strength may account for how the effects of innovativeness correspond to new product branding strategies. Previous research has indicated that consumer innovativeness is less influential in a brand extension context (Martinez and Pina, 2010; Völckner and Sattler, 2006) and more influential in a new brand context (Klink and Athaide, 2010). Situational strength is strong in a brand extension context, decreasing the influence of consumer innovativeness on the evaluation of new products. Conversely, situational strength is weak in a new brand context, increasing the influence of consumer innovativeness on new product evaluations.

### *Theoretical implications*

This study contributes to the situational strength literature by directly measuring the facets of situational strength (i.e. clarity and consequence). Most studies have indirectly measured situational strength by using situational cues as surrogates for situational strength (Liao and Chuang, 2004). Indirectly measuring situational strength may cause

confusion by mixing situational cues with perceived situational strength. Directly measuring situational strength according to its dimensions can reveal perceptions related to situations. These perceptions often better predict an individual's responses. Our results also show that situational cues may interact, producing situations with various levels of clarity and consequence valences within a new product evaluation context. Few studies have investigated this cue interaction and examined how these interactions form situational strength.

Based on the experimental results (Table II), the effects of consumer innovativeness on new product evaluations are difficult to predict when a sub-branding strategy is adopted. The effects of consumer innovativeness under sub-branding are expected to lie somewhere between new brand and brand extension. However, the results indicated that the effects of consumer innovativeness are attenuated under high-fit sub-branding but are accentuated under low-fit sub-branding. The effects of consumer innovativeness are more predictable if situational clarity is directly measured. As shown in Study 2, high-fit sub-branding generates a relatively high situational clarity ( $M_{\text{sub}} = 4.4$ , above 4 when using the seven-point scale) and the effects of consumer innovativeness are attenuated; low fit sub-branding produces a relatively low situational clarity ( $M_{\text{sub}} = 3.6$ , below 4 when using the seven-point scale) and the effects of consumer innovativeness are accentuated. Directly measuring situational clarity can help predict the effects of consumer innovativeness, especially when a sub-branding strategy is used. Thus, situational strength theory can still help explain the empirical results.

#### *Managerial implications*

We suggest that managers take a holistic approach to examine how marketing decisions (e.g. branding strategies, fit levels, product information communications, pricing and promotions) could exert influence on situational strength when marketing new products. In addition, managers could manipulate situational strength to improve the evaluation of new products. For example, they could attempt to make positive situations more obvious and downplay negative situations to construct strong situation with positive consequences. For example, GM successfully used the new brand strategy (i.e. Saturn) to introduce a new line of cars into the market. In the past, GM focused on large American cars rather than small cars (low perceived fit) and if it used brand extension or sub-branding strategy, the potential negative consequence is stronger and consumers will be less willing to try the new car.

The theory of situational strength may shed light on the selection of target market when launching new products. Managers must be aware when their decisions regarding new products will generate a strong situation because strong situations may lower the advantage when targeting innovative consumers. Specifically, in a strong situation (e.g. generated using brand extension), managers should know that targeting innovative consumers may not yield additional benefits compared with targeting non-innovative consumers. When perceived fit is high, both types of consumers should be targeted because both will favourably evaluate new products; when fit is low, both types of consumers will express relatively unfavourable evaluations. Thus, managers should avoid launching new products that clearly identify the parent brand. In weak situations (e.g. generated when a new brand has a high or low fit), managers should target innovative consumers and try to win their loyalty. In particular, if high-fit sub-branding is adopted, this can create a strongly positive situation and it is recommended that

managers should target both consumers with high and low innovativeness. Compared with brand extension under high fit, high-fit sub-branding has extra strategic considerations. The new components of sub-brand can modify the associations and personality of the parent brand. For example, XBOX Kinect is a big success. The high-fit sub-branding strategy not only creates a strongly positive situation of great playing experience as XBOX offered in the past but also instils the new product with a popular image. That is, playing Kinect is not the proprietary of young people – often innovative consumers – but people of all ages can play it. In this case, both consumers with high and low innovativeness would purchase Kinect and have fun. In addition, if low-fit sub-branding is adopted, it can produce a relatively weak situation and managers are recommended to target innovative consumers. LG – a Korean electronics company – successfully sells cosmetics using sub-brands such as WHOO, OHUI and THE FACESHOP and these sub-brands have attracted many young women, a segment that is conducive to accepting innovation (Rogers, 2003). Managers could measure consumer perceptions of situational clarity to determine whether to target only innovative consumers or both innovative and non-innovative consumers, particularly when sub-branding is adopted.

### Limitations and future research

Only two of the four situational facets (i.e. clarity and consequence) were used in this study. Future studies should explore the relation between marketing cues and the constraint and consistency facets to examine the effects of the four facets of situational strength on new product evaluations. This study finds the effects of consumer innovativeness on new product evaluations contingent on branding strategies and fit levels, future research could include other decision variables – such as availability, message consistency – that may construct situational strength to further study the boundary conditions of the effects of consumer innovativeness or other personality traits related to new product adoption. This study tested situational strength theory by only using one parent brand and one product category in each level of fit. Future studies could apply this theoretical model to other product categories and parent brands to increase its external validity.

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## Appendix. Scenario example

### *High perceived fit*

Consider the following scenario:

You go to a store to buy an MP3 player today. When you get into the store, you find a place where Nokia is displaying all kind of products. At this time, you see a new MP3 player-XXX MP3. Product descriptions are below:

- built-in optimized three-dimensional speaker;
- built-in FM tuner;
- 16 GB capacity for about 10,000 songs;
- alarm clock/sleep timer;
- 10.2 mm in size (very thin); and
- 68 g in weight (very light).

Please fill out the following questions about XXX MP3.

### *Low perceived fit*

Consider the following scenario:

You go to a store to buy a tube of facial cleanser today. When you get into the store, you find a place where Nokia is displaying all kind of products. At this time, you see a new facial cleaner-XXX Facial Cleaner. Product descriptions are below:

- deep cleansing efficacy;
- gentle and mild formula;
- natural ingredient;
- no artificial fragrance; and
- DOH advertisement permit NO. 9807450.

Please fill out the following questions about XXX facial cleanser.

Note. XXX substitutes brand names under different experimental conditions.

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