

THE RELATIONSHIP BETWEEN NEW BRAND INFORMATION EXPOSURE AND
FUTURE PURCHASE INTENTION: THE MODERATING ROLE OF BRAND IMPLICIT
IMAGE

By

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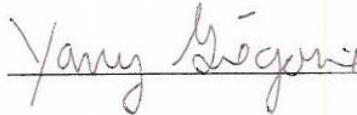
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To the Faculty of Washington State University:

The members of the Committee appointed to examine the dissertation of ABDULLAH J. SULTAN find it satisfactory and recommend that it be accepted.



Chair



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IMAGE

Abstract

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A measure of individual differences in brand implicit image (BII), defined as the extent to which consumers believe that brand attributes are fixed (brand-entity theorists) versus changeable (brand-incremental theorists), was introduced and validated. Scale development results confirmed the reliability and demonstrated the convergent and discriminant validity of the BII scale. A series of studies were conducted to establish the predictive validity of the BII scale. In these studies, participants indicated their purchase intentions after being exposed to new brand information (i.e., changes in brand pricing, changes in service quality, and introduction of a new product). The results generally supported the hypothesis that the impact of new brand information on purchase intentions is moderated by BII which suggests that brand-incremental theorists are more influenced by new brand information than brand-entity theorists. At the end of the dissertation, implications for practice and theory, limitations, and future research directions for BII were discussed.

TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENT.....	iii
ABSTRACT.....	iv
LIST OF TABLES.....	vii
LIST OF FIGURES.....	viii
CHAPTER	
1. INTRODUCTION.....	1
2. THEORETICAL BACKGROUND.....	6
Implicit Person Theories (IPT)	
Brand Implicit Image (BII)	
Individuals' Information Selection and Processing	
3. BII SCALE DEVELOPMENT AND VALIDATION.....	15
BII Scale Development	
Brief Form of the BII Scale	
BII Scale Validation	
Discussion	
4. CONSUMER RESPONSES TO NEW BRAND INFORMATION	
Study 1 Using BII Scale to Predict Reactions to Changes in Brand Pricing.....	23
Method	
Results	
Discussion	
Study 2 Using BII Scale to Predict Reactions to Changes in Service Quality.....	29
Method	
Results	
Discussion	
Study 3 Using BII Scale to Predict Reactions to New Product Introductions.....	33
Method	

Results
Discussion

5. CONSUMER RESPONSES TO SERVICE RECOVERIES

Study 4 Using BII to Predict Reactions to a Hypothetical Service Recovery.....46

Method
Results
Discussion

Study 5 Using BII Scale to Predict Reactions to a Real-World Service
Recovery.....50

Method
Results
Discussion

6. GENERAL DISCUSSION.....59

From Theories of People to Theories of Brands
Practical Implications
Limitations and Future Directions

APPENDICES

REFERENCES

TABLES

FIGURES

LIST OF TABLES

1. Factor Loadings of Full BII Scale.....	85
2. Correlations and Square Root of the Average Variance Extracted (AVE) of BII, IPT, PFC, and BL.....	86
3. Descriptive Statistics and Item Loadings of BII, IPT, PFC, and BL.....	87
4. Summary of Findings.....	88

LIST OF FIGURES

1. Map of the Conducted Studies.....	89
2. The Moderating Effect of Brand Implicit Image on the Relationship between New Pricing Information and Purchase Intentions.....	90
3. The Moderating Effect of Brand Implicit Image on the Relationship between New Service Quality Information and Purchase Intentions.....	91
4. The Moderating Effect of Brand Implicit Image on the Relationship between a New Product Introduction and Purchase Intentions.....	92
5. The Moderating Effect of Brand Implicit Image on the Relationship between a New Product Introduction and Brand Loyalty.....	93
6. The Moderating Effect of Brand Implicit Image on the Relationship between a Service Recovery and Purchase Intentions in a Hypothetical Situation.....	94
7. The Moderating Effect of Brand Implicit Image on the Relationship between a Service Recovery and Purchase Intentions in a Real-World Situation.....	95
8. The Moderating Effect of Brand Implicit Image on the Relationship between a Service Recovery and Future Supports in a Real-World Situation.....	96

Dedication

I dedicate this dissertation to my brothers (Hani and Ali Sultan), sister (Hadeel Sultan), daughter (Shahad Sultan), wife (Masouma Behbehani), and most importantly to my mother (Shahnaz Qasem). My family is the inspiration for my success in life.

CHAPTER ONE

INTRODUCTION

The continuing change seen in consumer markets alongside volatility of the business environment leads many companies to spend considerable time and resources to manage their brands. In some cases, companies change brand identities to maintain or enhance their market share by repositioning their brands, entering new markets, acquiring new businesses, or introducing new products or services. In other cases, companies seek to fix brand perceptions after devastating product or service failures by implementing recovery strategies, for example, in order to restore their brand images.

There is no doubt that brands need to be changed on a regular basis to be kept alive and relevant to their markets. A number of researchers have studied different branding concepts in order to highlight the importance of those changes over time, such as the concept of brand extension (Ahluwalia and Gürhan-Canli 2000; John, Loken, and Joiner 1998; Keller and Aaker 1992; Smith and Park 1992; Sullivan 1992), brand revitalization (Aaker 1991; Keller 2003), and rebranding or brand evolution (MaEnally and de Chernatony 1999; Merrilees 2005; Kapferer 2001; Park, Jaworski, and MacInnis 1986). Yet, despite the continuing changes in the management of brands, there has been little research conducted to explore the effect of those changes on consumers' subsequent purchasing decisions.

When a company undergoes a change in its brand image, there is often a compelling business reason to do so. However, do all consumers perceive this change in the same way? That is, does the change in the brand impact the purchasing decisions of all consumers in the same manner? The goal of this dissertation is to explore this question. Drawing upon research on

implicit theories (Dweck 1986), I examine whether exposure to new information about a brand can differentially influence consumers and, in turn, impact subsequent purchasing decisions regarding the brand.

In the business world, there are several examples that illustrate companies' efforts to make changes in their products or services in order to keep up with the inevitable needs of the market and increase sales. For instance, *General Motors (GM)* spent \$4 billion in an attempt to completely reposition the *Oldsmobile* brand as a luxury brand, accompanied by logo changes and product variations to match European competitors (Temporal 2002). The new *Aurora* was introduced in 2001 to bring new life to *Oldsmobile*, but did not display the *Oldsmobile* name on the exterior. There was also a talk at the time that the name of the *Oldsmobile* would be changed to simply *Aurora*. Although some customers reacted positively to this change, others could not accept the extreme transformation of the brand due to their prior associations with the brand. They viewed *Oldsmobile* as if it no longer had the personality that they knew and consequently the company failed in its branding revolution and was forced to end *Auroras* production in 2003 as its sales dropped significantly. As the *Oldsmobile* brand continued to fight for its identity, it was no longer able to persist and hence was forced to completely exit the market.

In addition to introducing new brands to supplement the flagship brand, companies sometimes encounter difficulties and resistance from consumers particularly when they use marketing campaigns to alter persistent negative brand images. For example, in July 2005, complaint data obtained by Consumers Union, publisher of *Consumer Reports* showed that *Cingular* and *AT&T* had the worst combined complaint record for 2004. In an attempt to alter consumers' prior beliefs about its poor service quality, *Cingular* started a new advertising campaign throughout the US market by widely adopting the prevalent slogan "*Cingular, raising*

the bar". However, the latest *Consumer Reports* cell-service ratings still ranked *Cingular* as one of the poorest performers in 2007. As a result, *Cingular* was not successful in changing the persistent negative images that some consumers hold about the brand performance.

Likewise, in 2006, *Wal-Mart* launched a multimillion-dollar advertising campaign to silence its critics who accused them of paying its associates below the poverty line, forcing them to work off the clock (Allegretto 2005), and not providing health care to over 775,000 employees. As a result, the focus of *Wal-Mart* advertising campaigns shifted to changing people's perceptions about *Wal-Mart* and introducing it as a company that cared about its associates and their family members. In a more recent marketing campaign, *Wal-Mart* presented a new slogan that was aimed at changing people's perceptions about the company's image. Unlike the traditional image of being "*Everyday low price*," the new advertised image of *Wal-Mart* was "*Save money, live better*." The new slogan comes as *Wal-Mart* incorporates an emotional tone into its advertising as a way to boost sales and position itself away from the traditional perception of being a low-price retailer (Maestri 2008).

The previous examples have one thing in common, namely to change consumers' prior perceptions by using new brand information that is either created by the company or spread through consumers (e.g., word of mouth, consumer reports). In recent years, a growing body of research has documented the possibility that sometimes firms create initial impressions with potential customers and then face the problem of determining how to change these impressions through marketing campaigns (Muthukrishnan and Chattopadhyay 2007). These researchers claim that the marketing literature offers little guidance on how to do this, and the psychology literature suggests that negative initial impressions are more resistant to change than positive initial impressions (Skowronski and Calston 1987). Therefore, it is important for researchers and

practitioners to determine the circumstances under which consumers are willing to accept new brand images presented by companies and whether practitioners can actually impact these perceptions in a way that is beneficial to the brand. This is important to firms since understanding the dynamics of brand implicit theories allows marketers to justify future marketing efforts aimed at altering consumers' prior brand perceptions.

This research explores whether such new information (whether it be positive or negative) is successful in influencing consumers' brand perceptions and, in turn, subsequent purchasing decisions and, more generally, whether a brand image is fixed or malleable in consumers' minds. These questions are investigated by utilizing the concept of implicit person theory (IPT; Dweck 1986). Implicit theory states that people differ in their views about the nature of human traits. Some people, known as entity theorists, think of human traits as immutable properties of individuals whereas other people, known as incremental theorists, think of human traits as changeable.

Just like individuals, brands are perceived by some consumers as possessing personality traits and some researchers argue that consumers can describe brands using human personality traits (Aaker 1997). Furthermore, consumers sometimes think of brands as if they were celebrities or famous historical figures (Rook 1985) and as they relate to one's own self (Fournier 1998). Motivated by this logic, this dissertation suggests that since individuals are viewed as malleable or fixed it is very likely that brands may similarly differ regarding how their images are viewed. To test this idea, a measure of individual differences in brand implicit image (BII) is introduced and developed to distinguish between consumers who differentially view brand images.

This dissertation explores the impact of BII on the relationship between exposure to new brand information and consumers' purchase intentions in contexts including changes in brand pricing and service quality, new product introductions, and service recoveries. It is argued that the effect of new brand information on purchase intentions will be greater for brand-incremental theorists (who believe that brand attributes are changeable) than brand-entity theorists (who believe that brand attributes are fixed).

In the following sections, the IPT literature is utilized to develop the BII construct and discuss the advantages that researchers can gain from using BII, as opposed to IPT, in branding contexts. Then, the development, measurement properties, and validity of the BII scale are described. After the convergent and discriminant validity of the BII scale are demonstrated, a set of studies using different consumer settings is reported to illustrate the predictive validity of the BII scale (see Figure 1 for studies map). At the end of the dissertation, implications for practice and theory, limitations, and future research directions for the BII construct and scale are discussed.

See Figure 1, Page 89

CHAPTER TWO

THEORETICAL BACKGROUND

Implicit Person Theories (IPT)

In this dissertation, the BII construct is introduced as an individual difference that can predict the impact of new brand information on individuals' subsequent purchasing decisions regarding a brand. The BII construct is built on Dweck's (1986) idea of implicit theories that are defined as lay beliefs about the malleability of personal attributes (e.g., ability and personality) that affect behavior. Some people (entity theorists) are more likely to think of human traits as immutable properties possessed by individuals (e.g., Eberhardt, Dasgupta, and Banaszynski 2003). In contrast, other people (incremental theorists) think of human traits as changeable properties. Dweck and colleagues have found that these beliefs about the malleability of self-attributes can predict judgments of the self (Hong, Chiu, and Dweck 1995; Robins and Pals 1996) and that people differ with regard to the implicit theories they hold about the nature of human traits (Chiu, Hong, and Dweck 1997; Dweck, Chiu, and Hong 1995; Dweck and Leggett 1988; Erdley and Dweck 1993; Levy, Plaks, and Dweck 1999). For example, entity theorists, who believe their intelligence to be a fixed entity, see academic failures as direct indications of their intellectual ability, while incremental theorists, who believe their intelligence to be malleable, tend to focus on attributes that help them improve their performance.

In addition, it has been argued in the IPT literature that entity theorists view traits as having high predictive validity that can be used to draw inferences about future behaviors (Eberhardt et al. 2003). However, incremental theorists often view trait labels as tentative

descriptions subject to revision. Relative to entity theorists, incremental theorists are less likely to view traits as possessing high predictive validity and to draw inferences about people's behaviors. Thus, incremental theorists find trait labels and trait-relevant information less useful and are more likely to rely on information that is relevant to the situation under examination than entity theorists (Eberhardt et al. 2003).

In a similar vein, Levy, Stroessner, and Dweck (1998) found that entity theorists considered stereotypes to be more predictive of future behavior than did incremental theorists. They claim that compared to incremental theorists, entity theorists more quickly generated stereotypical traits to describe ethnic and occupational groups, and they showed greater confidence in the limited information they had available for doing so. These findings support the view that entity theorists use trait labels to focus on trait-relevant and expectancy-consistent information (Erdley and Dweck 1993). Therefore, entity theorists do not change their judgments about people and have greater tendency than incremental theorists to make static judgments (i.e., personality or other trait judgments) of people, even on the basis of little information relative to incremental theorists (Chiu et al. 1997; Hong 1994; Hong et al. 1997). Furthermore, entity theorists are more likely to believe that trait-related behaviors are consistent over time, and a behavior observed in a particular situation is an indication of personality traits than incremental theorists (Chiu et al. 1997; Hong et al. 1997).

Other researchers argue that the difference between entity and incremental theorists holds in the domain of social interaction as well (Erdley et al. 1997; Benenson and Dweck 1986; Chiu, Hong, and Dweck 1994; Goetz and Dweck 1980). That is, a belief in fixed, versus malleable, self-attributes appears to be associated with a greater tendency to process information in terms of traits and trait evaluation (Chiu et al. 1997). Heslin, Latham, and VandeWalle (2005) expand the

theoretical scope and empirical foundation of IPT research by exploring whether IPT affects managers' recognition of improved employee behaviors. They demonstrated that the judgments of managers who are entity theorists were based on their prior perceptions about an employee's performance, while those of managers who are incremental theorists were not. This suggests that managers who are entity theorists are less willing to recognize employees' performance improvement than managers who are incremental theorists. Also, Heslin et al. (2005) found that acknowledging improvements in employee performance was maintained over a 6-week period and was greater for managers who are incremental theorists than for those who are entity theorists. Furthermore, these researchers investigated the effect of IPT on the willingness to coach a poor performing employee. Particularly, they found that managers holding entity theory views were less likely to help others to develop and improve than managers who held incremental theory views.

Chiu et al. (1997) found that the tendency to view traits as either fixed or changeable is related to a specific theory of personality. These researchers believe that entity theorists' views of fixed human traits are associated with lay dispositionism (the propensity to infer global and stable personality qualities from a specific behavior; Ross and Nisbett 1991). Therefore, entity theorists, compared to incremental theorists, have higher tendencies to use traits from a specific behavior as the unit of analysis in social perception and generalize them to other behaviors.

Brand Implicit Image (BII): From Theories of People to Theories of Brands

Given that some researchers believe that people perceive human and brand personalities similarly (Aaker 1997; Fournier 1998), it is possible that, just as individuals differ in their

implicit beliefs about the malleability of human personality, they may also differ in their implicit beliefs regarding the malleability of brands. These beliefs, in turn, could have important implications for whether consumers are willing to adjust their perceptions of a brand after receiving new brand information. To capture these individual differences, I propose a new construct, referred to as brand implicit image (BII).

The main reason for studying the BII construct, as opposed to the IPT construct, is that brands and people may not be perceived in the same way. A number of researchers argue that people infer brand attributes very much the same way as human attributes (Aaker 1997; Azoulay and Kapferer 2003; Fournier 1998; Plummer 1985). This brand-personality concept has in recent years gained more widespread legitimacy among academic researchers and practitioners alike. Furthermore, a number of studies suggest that consumers' relationships with brands carry some similarity to social relationships (e.g., Fournier 1998).

On the other hand, other researchers argue that the comparison between humans and brands is not without controversy (Aggarwal 2004; Azoulay and Kapferer 2003). These researchers claim that individuals process brand and human information in different ways. In this sense, although Aggarwal (2004) believes that sometimes people's relationships with brands do behave as if they share the same relationship, he makes a case that people and brands differ in many ways and different approaches may be needed to examine them separately. In addition, it is argued by some researchers that judgments of social stimuli (e.g., people) depend on inferred information, while judgments of nonsocial stimuli (e.g., brands) depend on concrete attributes (Lingle, Altom, and Median 1984). In line with this latter view, Yoon et al. (2006) have found via functional magnetic resonance imaging (fMRI) that individuals indeed process brand and human information in different brain regions, which provides further evidence that makes the

brand-personality concept (Aaker 1997) questionable. Therefore, in this dissertation, the latter argument that brands and humans have different characteristics which are processed differently in individuals' minds is adopted. This reasoning led to the conclusion that IPT may not fully represent individuals in terms of implicit theories about brands because information about brands and people is processed in different brain regions. Given this view, it is reasonable to believe that BII and IPT are distinct, but related constructs.

In this dissertation, BII is defined as the extent to which consumers believe that brand attributes are fixed (entity theorists) versus changeable (incremental theorists). As such, brand-entity theorists should be reluctant to accept new brand information that does not match with their prior beliefs and therefore should base their purchase intentions on these prior beliefs. By contrast, brand-incremental theorists should be more likely to integrate new brand information into their perceptions of a brand, even if the information does not match prior beliefs. This reasoning led to the prediction that, when presented with new brand information, brand-incremental theorists should be influenced to a larger extent by the new brand information than brand-entity theorists. Thus, if consumers initially develop a set of positive perceptions about a brand, but then receive later new information that contains these perceptions, brand-incremental theorists should be less likely than brand-entity theorists to show willingness to purchase from the brand. On the other hand, if consumers initially develop a set of negative perceptions about a brand, then receive new positive information, brand-incremental theorists should be more likely than brand-entity theorists to show willingness to purchase the brand.

Individuals' Information Selection and Processing

In order to understand the cognitive processes behind brand-entity and brand-incremental theorists, this dissertation relies on the cognitive dissonance theory. Specifically, this dissertation examines two versions of cognitive dissonance theory that are thought to set the basis for brand-entity and brand-incremental theorists' views. On the one hand, Festinger (1957) argued that people, in general, are more committed to their position and more selective to new information, which in turn makes them not open to new information that does not match with their prior beliefs. On the other hand, in a newer version of cognitive dissonance theory, Festinger (1964) believed that, sometimes, people are willing to tolerate cognitive dissonance when they believe that new information is more reliable and less refutable than their prior beliefs. In line with these views, brand-entity theorists compared to brand-incremental theorists take on the entity-theorist approach because they are more committed to their position and more selective to new brand information. As a result, they are less open to new brand information that does not match with their prior beliefs than brand-incremental theorists. This suggests that brand-entity theorists may follow Festinger's (1957) earlier version of cognitive dissonance, while brand-incremental theorists may follow Festinger's (1964) latter view of cognitive dissonance.

One of the original and most enduring predictions derived from cognitive dissonance theory (Festinger 1957) is that individuals are motivated to seek out information that is consistent with their attitudes and avoid or ignore information that is attitudinally inconsistent (Brannon, Tagler, and Eagly 2007). Researchers have shown that selective exposure is more pronounced for those with stronger attitudes than weaker attitudes. In consumer behavior, cognitive dissonance effects have been explored with respect to attitude change and repurchase tendencies, as well as to the search for selective information by consumers (Cummings and Venkatesh 1976). More recently, Frey (1986) details many of the conditions necessary for such effects. For

example, as is typical in dissonance research, choice and commitment are important factors for the selective exposure. Specifically, Frey and Wicklund (1978) found stronger selective exposure when participants had freely chosen to engage in the task relative to a no-choice condition. In addition, Cotton and Hieser (1980) found a greater preference for consonant information and less desire for inconsistent information among high-choice participants than low-choice participants. With respect to commitment, Frey and Stahlberg (1986) reported that committed participants reported a preference for supporting (over opposing) arguments, while control participants demonstrated no such preference. Also, Ahluwalia, Burnkrant, and Unnava (2000) show that high commitment consumers counterargue negative information. However, low commitment consumers exhibit attitude change in response to negative information because they perceived it to be highly diagnostic.

In addition to choice and commitment, attitude strength is another factor that influences selective exposure to attitudinally consistent information. That is, selective exposure effects may be more evident for more strongly held attitudes, given that strongly held attitudes generally have greater impact on information processing and behavior (e.g., Krosnick and Petty 1994; Brannon et al. 2007). In line with this view, the brand equity literature indicates that consumers become attached to various brands and form strong attitudes and “relationships” with them (e.g., Fournier 1998), which results in equity for the brand (e.g., Keller 1993). The brand attitudes that these consumers hold are expected to vary in strength. Stronger attitudes are known to exhibit greater resistance to information that attacks them (e.g., Petty and Krosnick 1994).

Within these three factors that influence selective exposure to information, one of the studies (Study 3) in this dissertation focuses on attitudes as a possible driver that could compel brand-entity theorists to resist new brand information. It is argued that, brand-entity theorists

compared to brand-incremental theorists develop attitudes based on their prior perceptions of a brand and hence will be less impacted by new brand information. One of the possible reasons why brand-entity theorists develop their attitudes using prior perceptions more so than brand-incremental theorists is that brand-entity theorists, as argued earlier, assume that prior perceptions have high predictive validity that can be used to make future decisions. However, brand-incremental theorists believe that prior perceptions are not entirely accurate and hence are open to new information.

So far, arguments have been provided to support the assertion that brand-entity theorists, relative to brand-incremental theorists, avoid new information that is inconsistent with their prior attitudes because of choice, commitment, and attitude strength. Contrary to these conceivable arguments, Frey (1986) claims that sometimes people do not avoid counterattitudinal information because it may be useful in certain situations. For example, Cannon (1964) found a preference for counterattitudinal information among participants expecting to have to defend their preferred solution in a business debate. Since performing well in a debate requires knowledge of opposing viewpoints, these participants were more open to counterattitudinal information. Furthermore, although many articles show the importance of dissonance theory (Festinger 1957) for understanding the selective exposure phenomenon, in his revised version of dissonance theory, Festinger (1964) argued that dissonant information is not always avoided and consonant information is not always preferred. In his essay, Festinger (1964) specified the conditions under which dissonant information is presumably desired. These conditions are: 1) when prior information is perceived as easily refutable, 2) when dissonant information is useful for future decisions, and 3) when revision of the decision is possible.

In the context of brand implicit theories, I argue that this tendency to accept inconsistency/duality will be greater for brand-incremental theorists than brand-entity theorists. Hence, when presented with attitudinal-inconsistent information, brand-incremental theorists will have the tendency to incorporate the information possibly because of one of the previously mentioned conditions highlighted by Festinger (1964), while brand-entity theorists will try to avoid the attitudinal-inconsistent information to minimize cognitive dissonance. Specifically, brand-entity theorists will be more likely to develop their attitudes toward a brand based on prior perceptions and use these attitudes to evaluate the brand later on. However, brand-incremental theorists will be more likely to develop attitudes toward a brand based on new brand information and hence base future brand evaluations on new information.

CHAPTER THREE

BII SCALE DEVELOPMENT AND VALIDATION

BII Scale Development

To develop a representative scale of the BII construct, an initial pool of 48 items (Appendix A; following Churchill's 1979 scale development approach) was created. Most of these items were written by modifying items from the IPT scale developed by Levy, Stroessner, and Dweck (1998) to fit a branding context. As an example, one IPT item read: "People can do things differently, but the important parts of who they are can't really be changed." To fit the brand context, the item was changed to read: "Many things about a brand can change, but my basic beliefs about that brand will not change." All items were rated on a seven-point scale, anchored with Strongly Disagree/Strongly Agree. The generated items were further reduced by an expert in consumer behavior research who was provided with the definition of BII to assess the content validity and redundancy of each item. The assessment resulted in a modified set of 24 items.

The reduced set of 24 items was then administered to a sample of 67 undergraduate students who earned course credit in an introductory marketing course to assess item-total correlations. Twelve items that possessed item-total correlations of greater than .40 were retained. These items formed the full BII Scale (Appendix B).

Brief Form of the BII Scale

For practical reasons, a brief form of the BII scale that correlated highly with the full scale was developed. To develop a brief BII scale, the full BII scale was administered to an independent sample of 416 undergraduate students. Then, an EFA was used to determine the number of factors to be extracted. The analysis generated two eigenvalues greater than 1.00 and the scree plot identified two factors. The eigenvalue of the first factor was 4.92 and the next closest was 1.24. Although the scree plot identified two factors, the factor loadings indicated that there were high cross-loadings among the items of these factors.

Also, an EFA is commonly used as a first step to remove weak scale items. Nunnally and Bernstein (1994) recommend that one needs to have a full understanding of the scale before attempting to analyze or eliminate items. Also, Nunnally and Bernstein (1994) argue that cutoffs, which researchers use to eliminate weak items, can vary for different scales based on the researchers' theoretical reasons. In this research, items that have factor loadings below 0.60 and cross-loadings above 0.30 are determined by the researcher to be good candidates for removing from the scale. Based on these cutoffs, six items were selected for the brief BII scale (Table 1; Appendix B). The brief BII scale had Cronbach's $\alpha = .81$ and its correlation with the full BII scale was $r = .91$, which suggested that the brief scale items were representative of the full scale items.

See Table 1, Page 85

In addition, a CFA was conducted ($N = 845$) to confirm the unidimensionality of the brief BII scale. The CFA output showed that the one-factor model's fit was acceptable ($CFI = 0.97$; $SRMR = .03$; $RMSEA = .08$).

Another independent sample of 200 undergraduate students completed the brief BII scale at two points in time (separated by four weeks) to evaluate the test-retest reliability of the brief BII scale. The theory is that if the scale is valid, it will yield similar results for the same respondents at two different time periods. The correlation of the brief BII scale at two points in time was found to be reasonably high, $r = .62$, $p < .001$.

BII Scale Validation

Convergent Validity. First, evidence that the BII is related to, but differentiated from, such constructs as the IPT (Levy, Stroessner, and Dweck 1998) and preference for consistency (PFC; Cialdini et al. 1995) is provided by assessing the correlations between these constructs. It is predicted that BII will correlate positively with IPT because IPT scale items were initially used to generate items for BII scale. Also, these two constructs are composed of items designed to measure implicit theories, but the correlation should be weak since they measure the implicit theories of two different domains (human and brand traits). In addition, it is predicted that the BII will correlate positively with the PFC because these two constructs measure an individual's desire to be consistent within one's responses. Again, this correlation should be weak because besides measuring consistency the BII measures an individual's willingness to acquire new brand information.

Second, evidence that each BII indicator's estimated loading (λ) on its underlying construct factor is significant and the average variance extracted (AVE) of the BII construct approaches .5 (Fornell and Larcker 1981) is shown. AVE measures the variance captured by a latent construct (i.e., the explained construct). It shows the ratio of the sum of its measurement item variance as extracted by the construct relative to the measurement error attributed to its items and should be at least .50.

Discriminant Validity. Discriminant validity is shown when each measurement item correlates weakly with all other constructs except for the one with which it is theoretically associated. In this dissertation, discriminant validity is shown by providing support that the BII differs from the IPT, PFC, and brand loyalty (BL; Beatty and Kahle 1988) constructs.

Theoretically, it is argued that the BII construct will be different from IPT because IPT measures implicit theories about human attributes, which are found to be different from brand attributes (Aaker 1997; Yoon et al. 2006). Yoon et al. (2006) argue that individuals do not typically view human beings and brands in the same ways and hence people process brand and human information differently. This view suggests that IPT is distinct from BII.

In addition, it is believed that the BII construct will be different from the PFC construct because the PFC does not capture individual's beliefs about the malleability of brands. By contrast, the PFC measures a broadened sense of individuals' tendencies to base their responses on previous expectations, commitments, and choices. Cialdini et al. (1995) identify three domains in which a preference for consistency could assert itself: in the desire to be consistent within one's own responses (internal consistency), in the desire to appear consistent to others (public consistency), and in the desire that others be consistent (others' consistency).

Lastly, the BII construct should be different from brand loyalty for two reasons. First, research suggests that the main focus of BL are planned commitment (Bloemer and Kasper 1995; Chaudhuri and Holbrook 2001), repurchase intentions and word-of-mouth (Narayandas 1996), or share of wallet and percentage of brand purchases in a product category (Baldinger et al. 2002); these items are conceptually different from those of BII. Second, the BL construct does not capture the willingness of individuals to account for new brand information or the malleability of brand attributes in individuals' minds because the BL has been viewed simply as repeat buying in the past (Ahluwalia et al. 2000).

In addition to the preceding conceptual arguments, empirical evidence for discriminant validity will be provided using two methods. Consistent with Fornell and Larcker (1981), the discriminant validity of the constructs is assessed by comparing the square root of the average variance extracted of each construct against its correlations with the other constructs (i.e., IPT, PFC, and BL). The square root of the average variance extracted represents the correlation between a given latent construct and its items (Hulland 1999), and it indicates that the latent construct is more highly correlated with its items than the other latent constructs. In addition, two CFAs were run to compare a one-factor (constrained) model with a four-factor (unconstrained) model of the BII, IPT, PFC, and BL. A substantial drop in the chi-square value of the four-factor model indicates that the BII construct is distinct from the other three constructs.

Results. To evaluate the convergent and discriminant validity of BII, 407 undergraduate students completed the IPT, PFC, BL, and brief BII scales. As expected, the scores on BII showed a significant positive relationship with scores on the IPT ($r = .25, p < .001$) and PFC ($r = .18, p < .01$; Table 2) and, as expected, the magnitude of these relationships was small. In addition to the correlation analysis, a CFA using EQS indicated that all BII indicators' loadings

were greater than .5 and the average variance extracted for the BII construct was .45 (Table 3), which is arguably acceptable. Therefore, the correlation and CFA results provided adequate evidence that the brief BII scale had convergent validity.

Furthermore, as illustrated in Table 2, the square root of average variance extracted for BII was substantially greater than the correlations of BII with the IPT, PFC, and BL. Also, it was found that the four-factor model's fit was acceptable ($CFI = 0.91$; $SRMR = .05$; $RMSEA = .06$; $\chi^2 = 425$). Most importantly, the fit of the four-factor model was significantly better than the fit of the one-factor model ($CFI = 0.47$; $SRMR = .15$; $RMSEA = .14$; $\chi^2 = 1865$, $p < .001$). Therefore, the square root of the average variance extracted and the CFA results confirmed that the BII, IPT, PFC, and BL assessed four unrelated and distinct constructs.

See Table 2 and Table 3, Pages 86 and 87

Discussion

The scale development results confirmed the reliability and validated the convergent and discriminant validity of the BII scale. The data supported the conceptualization of the BII scale as a construct that measures implicit theories that individuals hold for brands rather than people by showing that the BII scale was related to, but distinct from the IPT scale. In addition, the results supported the conceptualization of the BII construct as empirically discriminable from such constructs as the PFC and BL.

In the next set of studies, the predictive validity of the BII construct is evaluated by examining the moderating effect of BII on the relationship between new brand information exposure and future purchase intentions using different consumer settings. If this relationship is supported, it will give the first empirical evidence that the implicit theories can actually contribute to understanding the effect of new brand information on consumers' subsequent purchasing decisions.

CHAPTER FOUR

CONSUMER RESPONSES TO NEW BRAND INFORMATION

Whether a brand is perceived as possessing fixed or malleable traits should have important implications for a brand's positioning and whether a brand can successfully extend into a new price or quality category, and even introduce a new product. In the literature, consumer reactions to brand extensions have been shown to depend on the perceived fit of the brand in the new extension (Park, Milberg, and Lawson 1991). The success of a brand extension, therefore, depends on the consistency of the extension with existing brand beliefs (Loken and John 1993).

Building on this reasoning, what might happen if a brand, known for its low price/low quality image, sets up a luxury store with expensive/high quality products to target high-end consumers? More importantly, would consumers react in the same way if their favorite brand introduced a new product that was inconsistent with the product that the brand is most known for?

In the subsequent studies, I shed some light on these questions by showing how BII moderates the impact of new brand information on purchase intentions in such settings. In Study 1, individuals' reactions to a change in brand pricing are examined. In Study 2, individuals' reactions to a change in service quality are investigated. Lastly, in Study 3, individuals' reactions to a new product introduction offered by their favorite brand are studied. Throughout these studies, it is expected that the impact of new brand information (whether it be a change in brand pricing, service quality, or new product introduction) on future purchase intentions will be greater for brand-incremental theorists, than brand-entity theorists.

STUDY 1

Using BII Scale to Predict Reactions to Changes in Brand Pricing

In Study 1, an experiment is designed to test the willingness of individuals to purchase from a company after being informed that the company is extending its product lines and introducing a new product that does not match its overall price image. It is predicted that the new price information will have a greater impact on brand-incremental theorists, than brand-entity theorists, since brand-incremental theorists rely less on prior perceptions and more on new information. For example, when brand-incremental theorists perceive a company as having products with low price/low quality image and then are told that the company is introducing new products with prices that are above their prior price and quality image, brand-incremental theorists are more likely than brand-entity theorists to purchase from the company. By contrast, when brand-incremental theorists perceive a company as having products with high price/ high quality image and then are told that the company is introducing new products with prices that are below their prior price and quality image, these brand-incremental theorists should be less likely (than brand-entity theorists) to purchase from the company.

Method

Participants. Participants were 148 undergraduate students who earned partial course credit in an introductory marketing course. Two weeks before the experimental sessions, participants responded to the IPT and brief BII scales. As before, all items were rated on a seven-point scale, anchored with Strongly Disagree/Strongly Agree. IPT and brief BII scale items were

averaged to form the BII ($\alpha = .88$) and IPT ($\alpha = .76$) indices, with higher scores on both scales indicating a stronger entity theory. Following standard practice in the IPT literature (e.g., Dweck, Chiu, and Hong 1995, Levy et al. 1998), scores on the BII and IPT were subjected to median-splits in order to divide participants into groups of entity and incremental theorists, respectively.

Price/Quality Pretests. The product in Study 1 was a pen. Before conducting the main experiment, 40 photos of various existing pens were selected from the Internet based on price and quality levels. Of these pens, 20 pens were of higher price and quality levels (e.g., *price* > \$100) and the rest were of lower price and quality levels (e.g., *price* < \$1). An independent sample of 132 participants then rated the perceived price and quality of the 40 pens by responding to the following: “This is a high quality pen” and “This is an expensive pen” using a nine-point scale, anchored with Strongly Disagree/Strongly Agree. Based on the participants’ ratings of price and quality, six of the highest rated pens, six of the moderately rate pens, and six of the lowest rated pens were selected. Using these 18 pens, another sample of 40 participants were asked to provide the highest, average, and lowest prices for each one of these pens. Based on the average prices, six pens that participants reported as having the highest average price ($M = \$23$) and six pens that participants reported as having the lowest average price ($M = \$.80$) were selected for use in the primary study (Appendix C).

Brand Name Pretest. For the purpose of this study, seven potential brand names for the pens were pretested (e.g., *Dotum, Kaiti, Biondi, Mistral, Corsiva, Felix, and Neuropol*). These names were selected based on the belief that the different names would come across as credible, believable names for pens. A pretest for these names was administered to the same 132 participants used in the previous pretest. For this pretest, the participants were asked to respond to the following: “In your opinion, to what extent do you perceive <brand name> as an expensive

brand name?” and “In your opinion, to what extent do you perceive <brand name> as a high quality brand name?” using a nine-point scale, anchored with Inexpensive/Expensive and Low quality/High quality respectively. The results indicated that the name *Biondi* scored in the middle of a nine-point scale on both price ($M_{Expense} = 4.9$) and quality ($M_{Quality} = 5.2$) and was selected for the main study.

Main Study. In the main study, 148 participants received initial information about a company that manufactured and sold an array of pens. Participants were randomly assigned to one of two price/quality order conditions. In the low price-high price condition, participants were told that *Biondi* was known for its affordable pens and were shown (via computer) photos of six affordable pens with prices and descriptions. The screen was shown for a period of 90 seconds. Then, participants responded to the following two perceived quality measures ($\alpha = .92$; manipulation checks): “All things considered, I would say the *Biondi* pens have ...” using a nine-point scale, anchored with Poor Overall Quality/Excellent Overall Quality (Richardson, Dick, and Jain 1994) and “Overall, the *Biondi* pens are ...” using a nine-point scale, anchored with Poor/Excellent (Sprott and Shimp 2004).

After these manipulation checks, participants in the low price–high price condition were told that “*Biondi* wanted to expand its market share by serving a new type of customer who is looking for jewelry-quality, luxury pens and the managers wanted the participant’s help in evaluating the company’s brand image, assuming that he/she was a customer of the *Biondi* brand and sometimes buy its affordable pens”. As before, participants were shown (via computer) photos of six expensive pens with prices and descriptions. The screen was shown for 90 seconds. After being exposed to the expensive pens, participants were asked about their purchase intentions: “The likelihood that I would continue to purchase one of the expensive *Biondi* pens

is”, using a nine-point scale, anchored with Very Low/Very High. After purchase intentions, participants rated the quality of the expensive pens using the same two perceived quality measures described earlier ($\alpha = .91$).

Participants in the high price–low price condition completed the experiment in the reverse order. In particular, participants were first told that *Biondi* was known for its expensive pens and were shown photos of six expensive pens with prices and descriptions. After viewing the pens for 90 seconds, participants rated the pens on the same perceived quality measures described earlier ($\alpha = .91$). Next, participants were told that “*Biondi* wanted to expand its market share by serving a new type of customer who is looking for affordable pens and the managers wanted the participant’s help in evaluating the company’s brand image, assuming that he/she is a customer of the *Biondi* brand and sometimes buy its expensive pen”. Participants were shown photos of six affordable pens with prices and descriptions. After being exposed to the affordable pens for 90 seconds, participants completed the purchase intention measure described earlier for the affordable *Biondi* pens, and then rated the quality of the affordable pens ($\alpha = .92$).

Results

Manipulation Checks. Supporting the quality manipulation, after the exposure to the first set of pens, participants rated *Biondi* to have a higher perceived quality in the high price–low price condition than the low price–high price condition, $M_{high/low} = 7.10$, $M_{low/high} = 5.81$, $t(146) = 5.81$, $p < .01$. In addition, after the second exposure, participants rated *Biondi* to have a lower perceived quality in the high price–low price condition than the low price–high price condition, $M_{high/low} = 6.18$, $M_{low/high} = 6.64$, $t(146) = -1.95$, $p < .06$. Furthermore, a within-

subject t-test showed that, in high price–low price condition, participants rated *Biondi* to have a higher perceived quality after the exposure to the expensive pens than after the exposure to the affordable pens, $M_{high} = 7.10$, $M_{low} = 6.18$, $t(68) = 47.36$, $p < .01$. In low price–high price condition, participants rated *Biondi* to have a lower perceived quality after the exposure to the affordable pens than after the exposure to the expensive pens, $M_{low} = 5.81$, $M_{high} = 6.64$, $t(78) = 35.94$, $p < .01$.

Moderation Analysis. It was expected that the BII would moderate the impact of new brand information on participants' purchase intentions. In line with this expectation, a 2 (pricing condition: high price–low price versus low price–high price condition) x 2 (individual differences in BII: brand-entity versus brand-incremental theorists) between-subjects ANOVA on purchase intentions revealed a moderately significant two-way interaction between the BII and pricing conditions, $F(1, 144) = 3.70$, $p < .06$. Results also revealed a significant main effect for pricing conditions, $F(1, 144) = 5.05$, $p < .05$, and a non-significant main effect for BII, $F(1, 144) = 2.95$, $p = .09$. To further understand this interaction, the means of brand-incremental and brand-entity theorists were compared within a given price/quality condition.

As illustrated in Figure 2, in the low price–high price condition, the purchase intention of the second set of expensive pens for brand-incremental theorists was higher than that of brand-entity theorists suggesting that brand-incremental theorists were more impacted by new information, $M_{Entity} = 4.74$, $M_{Incremental} = 6.27$, $F(1, 77) = 6.78$, $p < .01$. In the high price–low price condition, brand-entity and brand-incremental theorists did not differ in their evaluations of the affordable pens, $M_{Entity} = 4.55$, $M_{Incremental} = 4.45$, $F(1, 67) = .02$, $p = .87$.

See Figure 2, Page 90

To further evaluate the extent to which the BII construct is distinct from the IPT construct, additional analyses were conducted to test whether the more general IPT scale did not moderate the impact of new brand information on purchase intentions as did the BII scale. Specifically, a 2 (pricing condition: high price–low price versus low price–high price condition) x 2 (IPT: entity versus incremental theorists) between-subjects ANOVA on purchase intentions was carried out. Consistent with the argument that BII assess something distinct from IPT, results revealed that the two-way interaction between the IPT and pricing conditions was not significant, $F(1, 144) = .68, p = .41$. Moreover, when including the IPT as a covariate in the moderation analysis of BII and pricing conditions, the previous findings did not change, suggesting that the BII is different from IPT.

Discussion

The primary goal of Study 1 was to evaluate whether individual differences in BII would influence how people responded to changes in brand pricing that did not match with their prior brand perceptions. Overall, the impact of BII on purchase intentions was significant when participants were first exposed to affordable pens and then later exposed to expensive pens, suggesting that brand-incremental theorists were more influenced by new brand information than brand-entity theorists. However, this effect did not exist when participants were first exposed to

expensive pens and then later exposed to affordable pens. Based on these results, entity consumers may believe that expensive brands can extend downward, but affordable brands cannot extend upward. For instance, if consumers perceive a company as having a high price/high quality image such as *Mercedes Benz*, they believe the company has the knowledge and technology and hence trust the company to produce affordable, but good quality cars. This reasoning suggests why the difference between brand-entity and brand-incremental theorists was non-significant when participants were first exposed to the expensive pens and then affordable pens, while the difference was significant when they were first exposed to the affordable pens and then expensive pens.

While companies might change their image by introducing new information about their pricing, they may also try to introduce new information about their product/service quality with the hope that the information will have an impact on consumers' future purchases. Therefore, it is important for marketers to know whether providing new information about the quality of their product/service can actually impact consumers' purchase intentions. Hence, in the next study, the findings of Study 1 are extended by investigating whether the BII will moderate the impact of new brand information on individuals' purchase intentions in a service quality context.

STUDY 2

Using BII Scale to Predict Reactions to Changes in Service Quality

In this study, the effect of new quality information of a service provided by an Internet service provider is tested. The main purpose of Study 2 is to replicate the findings of Study 1 using a different consumer setting. Like Study 1, it is expected that new brand information will

have a greater impact on brand-incremental theorists than brand-entity theorists, but in a service setting. Consider the situation when brand-incremental theorists experience a bad service and then receive new information about an improvement in the service quality. In such setting, these consumers will be impacted more positively by new information than brand-entity theorists. However, when brand-incremental theorists experience a good service and then receive new information about deterioration in the service quality, they will be impacted more negatively by new information than their brand-entity theorist counterparts.

Method

Participants. Participants were 258 undergraduate students who earned partial course credit in an introductory marketing course. Two weeks before the experimental sessions, participants responded to the IPT and brief BII scales. Medians of BII ($\alpha = .80$) and IPT ($\alpha = .85$) were used to create groups of entity and incremental theorists, respectively.

Main Study. Approximately two weeks after completing the IPT and brief BII scales, participants read a hypothetical scenario and then determined how they would respond to a change in service quality provided by an Internet service provider (Appendix D). Specifically, participants in the positive-negative condition were asked to imagine that they had an initial positive experience with the company and then received negative information about the quality level of the service provided. On the other hand, participants in the negative-positive condition were asked to imagine that they had initially had a negative experience with the company and then received positive information about the quality of the service provided. After reading the initial scenario, three perceived quality measures ($\alpha = .99$) were given to determine the extent to

which participants thought that the initial experience was Negative/Positive, Unpleasant/Pleasant, and Bad/Good using a nine-point scale. After the second scenario, participants were given the same perceived quality measures ($\alpha = .96$). Finally, participants indicated the extent to which they would consider purchasing a service plan from the same company again ($\alpha = .98$) on a nine-point scale, anchored with Very Unlikely/Very Likely, Very Implausible/Very Plausible, and Very Improbable/Very Probable.

Results

Manipulation Checks. Supporting the service quality manipulation, after the first scenario, participants rated their experience to be more positive in the positive-negative condition than in the negative-positive condition, $M_{Pos/Neg} = 8.64$, $M_{Neg/Pos} = 1.80$, $t\text{-test} (256) = 63.52$, $p < .001$. In addition, after the exposure to the second scenario, participants rated their experience to be less positive in the positive-negative condition than in the negative-positive condition, $M_{Pos/Neg} = 2.64$, $M_{Neg/Pos} = 6.39$, $t\text{-test} (256) = -16.33$, $p < .001$. Also, a within-subject t-test showed that, in the positive-negative condition, participants rated their experience to be more positive after exposure to the positive scenario than after exposure to the negative scenario, $M_{Pos} = 8.64$, $M_{Neg} = 2.64$, $t\text{-test} (160) = 158$, $p < .001$. In the negative-positive condition, participants rated their experience to be less positive after exposure to the negative scenario than after exposure to the positive scenario, $M_{Neg} = 1.80$, $M_{Pos} = 6.39$, $t\text{-test} (96) = -17.19$, $p < .01$.

Moderation Analysis. The primary hypothesis was that the effect of new brand information on purchase intentions would be moderated by the individual differences in BII. In

line with this hypothesis, a 2 (quality condition: positive-negative versus negative-positive condition) x 2 (individual differences in BII: brand-entity versus brand-incremental theorists) between-subjects ANOVA on purchase intentions revealed a significant two-way interaction between the BII and quality conditions, $F(1, 254) = 14.52, p < .001$, and non-significant main effects for quality conditions and BII, $F(1, 254) = .35, p = .56$; $F(1, 254) = .60, p = .44$, respectively. As can be seen in Figure 3, in the negative-positive condition, brand-incremental theorists were more likely to purchase from the company than brand-entity theorists, $M_{Entity} = 4.59, M_{Incremental} = 5.72, F(1, 95) = 8.55, p < .01$. In the positive-negative condition, brand-incremental theorists were less likely to purchase from the company than brand-entity theorists, $M_{Entity} = 5.40, M_{Incremental} = 4.64, F(1, 159) = 6.07, p < .05$.

See Figure 3, Page 91

As before, additional analyses revealed that the more general IPT scale did not moderate the impact of new information exposure on purchase intentions, as the BII scale did. A 2 x 2 between-subjects ANOVA on purchase intentions item revealed a non-significant two-way interaction between the IPT and quality conditions, $F(1, 254) = .03, p = .87$. Furthermore, when including the IPT as a covariate in the moderation analysis of BII and quality conditions, the results did not change.

Discussion

In Study 2, the influence of individual differences in BII on how people responded to new information about a change in service quality was examined. As predicted, the impact of new brand information (whether it be positive or negative) on purchase intentions was significantly greater for brand-incremental theorists than brand-entity theorists.

In the next study, the application of BII concept is further extended by showing the moderating effect of BII in a different consumer setting. Namely, a real-world experiment is conducted to examine whether individuals will be willing to purchase a new product introduced by their favorite brand. It is believed that the new product introduction will have a greater impact on brand-incremental theorists than brand-entity theorists, because brand-entity (relative to brand-incremental) theorists form attitudes toward a brand based on their prior perceptions and are more likely to use these attitudes to form their future decisions.

STUDY 3

Using BII Scale to Predict Reactions to New Product Introductions

The findings of the earlier studies confirmed that the new brand information (e.g., changes in brand pricing or service quality) influenced brand-incremental theorists to a greater extent than brand-entity theorists. In addition to the earlier findings, it is practically important for managers and researchers to examine whether consumers are able to judge any differences in product quality when the product has undergone some changes or been replaced by another product. More importantly, managers need to know whether consumers will be willing to buy

newly introduced products by the same company. Particularly, it has been argued in the literature that the failure rate for new products is as high as 50 percent at launch (Cooper and Edgett 1996). Also, when a business decides to make a change to its established brand image, it can either meet with great success (e.g., *Arm & Hammer's* toothpaste and *Ralph Lauren's* home furnishings) or embarrassing failure (e.g., *Frito Lay's* lemonade and *Smucker's* Ketchup). Therefore, it is practically important to examine the type of customers who accept or reject new product introductions.

When *Coca-Cola* introduced a new, reformulated *Coke* on May 9, 1985 to replace its original *Coke* formula, a number of consumers called *Coca-Cola* headquarters complaining about the old product's withdrawal. *Coca-Cola* executives anticipated that consumers would not differentiate between the two products or at least their dissatisfaction would dissipate quickly (Ringold 1988). However, consumer response was not according to the executives' expectation.

Although *Coca-Cola* received a lot of the media attention surrounding the withdrawal and subsequent reintroduction of original *Coca-Cola*, there is still little understanding of the reasons underlying the consumer rejection of *New Coke* (Ringold 1988). The next study examines one of the possible reasons why some consumers rejected *New Coke* by testing the moderating effect of BII and showing that some consumers (brand-entity theorists) are more willing to accept new product introductions because they rely more on prior attitudes than other consumers (brand-incremental theorists).

Another purpose of Study 3 is to understand the underlining processes that could account for the selectivity of brand information for brand-entity theorists. Perhaps, brand-entity theorists might be more reluctant to process contradicting information because of their greater emphasis on prior brand attitudes that they use to base future decisions, while brand-incremental theorists

might be more willing to process contradicting information because they rely less on prior attitudes to make future decisions.

In line with the previous prediction, much research in the confirmation bias literature has found that people have a preference for information that confirms their prior opinion compared to information that disconfirms it (Frey 1986). In addition, when individuals are committed to an alternative, they prefer supportive (consonant) information compared to opposing (dissonant) information to reduce post decisional conflicts (i.e., cognitive dissonance) (Frey 1986). This effect has been labeled *selective exposure to information* (Jonas, Schulz-Hardt, Frey, and Thelen 2001). These researchers claim that individuals performing sequential information search showed a significant bias by preferring articles that supported their previous tentative decision compared to articles that contradicted this decision. In general, when presented with new information, people are often biased in favor of previously held beliefs, expectations, or desired conclusions. In addition, studies in the framework of dissonance theory (Festinger 1957, 1964) showed that people who made a choice voluntarily and with a certain degree of commitment preferred information that supported this choice (Frey 1986). This is driven by the motivation to maintain consistency and avoid threats to a position to which one feels committed.

Given the previous research findings, the next study examines consumer responses to a new product introduction for *Coke* brand. Also, the study will rely on participants who are Classic *Coke* drinkers and have positive attitudes toward the brand. In general, it is expected that brand-entity theorists will be less affected by the new soft drink and more likely to base future purchasing decisions on prior beliefs that they have for the original *Classic Coke* drink than brand-incremental theorists.

Furthermore, the new soft drink will be served in either a labeled cup (with *Coke* label) or unlabeled cup (without *Coke* label). The idea here is that *Coke* label will serve as a peripheral cue that will remind participants of their prior attitudes. Also, since brand-entity theorists rely on prior attitudes more so than brand-incremental theorists, the difference between brand-entity and brand-incremental theorists will be more pronounced in the labeled-cup condition than in the unlabeled-cup condition, which is supported by the elaboration likelihood model (ELM; Petty, Cacioppo, and Schumann 1983).

The ELM is a model that distinguishes between two routes to persuasion: the *central route* and the *peripheral route*. Central route processes involve careful scrutiny of a persuasive communication (e.g., a speech, an advertisement, etc.) to determine the merits of the arguments. So, if favorable thoughts are a result of the elaboration process, the message will most likely be accepted, and if unfavorable thoughts are generated while considering the merits of presented arguments, the message will most likely be rejected. On the other hand, peripheral route processes do not involve elaboration of the message through extensive cognitive processing of the merits of the actual argument presented. Instead, these processes often rely on peripheral cues of the message, like the perceived credibility of the source, the attractiveness of the source, or the catchy slogan/logo that contains the message.

In this study, the *Coke* label will be used by brand-entity theorists as a peripheral cue to persuasion, which might emphasize the prior beliefs that these participants have for *Coke* brand and see the new soft drink as being similar to the original *Classic Coke* drink. Therefore, it is expected that brand-entity theorists, compared to brand-incremental theorists, will be more motivated to remind themselves of prior attitudes about *Coke* brand because of the *Coke* label and hence less likely to scrutinize the new drink.

Method

Participants. Participants were 79 *Classic Coke* drinkers who were recruited and earned \$10 cash and a chance to win \$100 cash. A couple of weeks prior to the main experiment, participants registered for the study using an online registration page and responded to the IPT ($\alpha = .80$) and brief BII ($\alpha = .79$) scales. In addition, they answered a number of questions and were told that they would take part in a taste test that was designed to understand consumers' evaluation to a new soft drink.

In the online registration page, participants indicated their attitude toward *Coke*, using four items measured on nine-point scales, anchored with Bad/Good, Dislike Very Much/Like Very Much, Unfavorable/Favorable, and Worthless/Valuable. These items were averaged to form the attitude strength measure ($\alpha = .95$). Then, they were asked to rate their familiarity with a number of soft-drink brands (e.g., *Shasta Cola*, *RC Cola*, *Super Chill Cola*) by indicating the extent to which they had consumed (Never/Always) and are familiar (Unfamiliar/Familiar) with these brands using a nine-point scale. These measures were used to identify a soft drink with which participants were least familiar to be used as the newly formulated *Classic Coke* drink. This is essential because participants must not have prior attitudes for the new drink in order to minimize the effect on their purchasing decisions. The data from the familiarity measure indicated that *Super Chill Cola* was the least familiar brand of soft drink. Therefore, it was used as the newly formulated *Classic Coke* drink in the main study.

The use of soft drinks was chosen because most college students are familiar with the attributes of soft drinks, which gives them the ability to evaluate the quality of soft drink that is

served in the lab. Moreover, it is important to choose a product that college students can relate to and see in the campus such as a soft drink and is readily available in a college campus.

Main Study. Before participants entered the lab, experimental sessions were randomly assigned to labeling conditions. Participant in the labeled-cup condition received a cup that featured the *Coke* brand name, while those in the unlabeled-cup condition received white foam cups that did not feature any brand name. As a cover story, all participants read the following letter:

Thank you very much for taking part in this marketing research. This research is supported by *Coca-Cola* bottling company in the Pacific Northwest. The company is planning to introduce a limited edition of *Classic Coke* drink to selected places on the *WSU* campus as a trial phase. As part of your task, you will be given the opportunity to try out the new formula and then be asked to give your honest feedback about the new formula and your future purchase intentions.

The *Coca-Cola* bottling company strives to create an exclusive formula to satisfy its valued *Coke* drinkers. Also, it is continuing an effort to learn about how students evaluate new soda drinks since students are the best source for getting truly representative opinions about new soda drinks at the university campus. Therefore, it is very important that you take the time to evaluate the new formula since your response will be highly considered in the launching process of the limited edition of *Coke* formula.

The cover story served as a means to strengthen the credibility of the research and make participants believe that the research was supported by *Coca-Cola* Company. After reading the cover story, the new soft drink was served in cups according to the labeling conditions. Then, participants indicated their purchase intentions by responding to the following: "Please indicate

the extent to which you would consider purchasing the limited edition of *Classic Coke* if it were introduced on the *WSU* campus” anchored with Very Unlikely/Very Likely using a nine-point scale. In addition, they responded to the following brand loyalty measure ($\alpha = .61$): “I would continue to buy *Classic Coke* if the limited edition of *Classic Coke* were introduced on the *WSU* campus” and “I consider myself to be a loyal customer of *Coca-Cola* brand” anchored with Strongly Disagree/Strongly Agree.

Lastly, participants responded to several items for measuring the similarity between the new soft drink and the original *Classic Coke* drink and the credibility about a *Coca-Cola* new soft-drink introduction. For the similarity measure ($\alpha = .90$), participants responded to the following: “Please indicate the extent to which you think the old and the limited edition of *Classic Coke*...” anchored with Are Very Dissimilar/Are Very Similar, Taste Different/Taste the Same, Are Distinguishable/Are Indistinguishable, and Are Very Easy to Tell Apart/Are Very Difficult to Tell Apart. For credibility ($\alpha = .94$), they responded to the following questions: “Please indicate the likelihood that *Coca-Cola* will introduce the limited edition of *Classic Coke* on the *WSU* campus” anchored with Very Unlikely/Very Likely, and “What are the chances that *Coca-Cola* will introduce the limited edition of *Classic Coke* on the *WSU* campus?” anchored with Very Small/Very Big. All items used a nine-point scale.

The credibility measure was examined to determine whether participants thought of the study as credible. In general, participants rated the study as quite credible ($M = 5.90$). The difference in credibility between the labeling conditions was non-significant, $M_{Labeled} = 5.78$, $M_{Unlabeled} = 6.03$, $F(1, 77) = .28$, $p = .59$, as was the difference between brand-entity and brand-incremental theorists was non-significant either, $M_{Entity} = 5.78$, $M_{Incremental} = 6.01$, $F(1, 77) =$

.26, $p = .61$. This suggested that all participants perceived the study scenario as legitimate and credible.

Results

Moderation Analysis. It was predicted that the impact of new product introduction on purchase intentions would be significantly greater for brand-incremental theorists than brand-entity theorists. The reason for this prediction is that brand-incremental theorists are more willing to elaborate on the difference between the new soft drink and the original soft drink than brand-entity theorists. Therefore, brand-incremental theorists should have lower likelihood to purchase the new *Classic Coke* formula and be less loyal to *Classic Coke* brand than brand-entity theorists. However, this result was expected to be qualified by the labeling conditions. That is, the difference between brand-entity and brand-incremental theorists should be more pronounced in the labeled-cup condition than in the unlabeled-cup condition because the label emphasizes the prior beliefs that some participants have for *Coke* brand and this effect should be stronger for brand-entity theorists relative to brand-incremental theorists.

Two (labeling condition: labeled-cup versus unlabeled-cup) x 2 (individual differences in BII: entity versus incremental) between-subjects ANOVAs were conducted on purchase intentions and brand loyalty. The results revealed a non-significant two-way interaction between the BII and labeling conditions on purchase intentions, $F(1, 75) = .62, p = .43$, and non-significant main effects for labeling conditions and BII, $F(1, 75) = .11, p = .75$; $F(1, 75) = .75, p = .39$, respectively. The results of purchase intentions were shown in Figure 4. Since the results

were non-significant, the comparison between brand-entity and brand-incremental theorists were not discussed.

On the other hand, the results of brand loyalty showed a significant two-way interaction between the BII and labeling conditions, $F(1, 75) = 5.92, p < .02$, and a non-significant main effect for labeling conditions, $F(1, 75) = .14, p = .71$, and a significant main effect for BII, $F(1, 75) = 4.59, p < .05$. A separate comparison between brand-entity and brand-incremental theorists within the labeling conditions was carried out to investigate the qualifying effect of the labeling conditions on brand loyalty. As shown in Figure 5, in the labeled-cup condition, brand-entity theorists were more loyal to *Classic Coke* brand than brand-incremental theorists, $M_{Entity} = 7.17$, $M_{Incremental} = 5.35, F(1, 39) = 11.82, p < .001$. In the unlabeled-cup condition, the difference between brand-entity and brand-incremental theorists was non-significant, $M_{Entity} = 6.05$, $M_{Incremental} = 6.17, F(1, 38) = .04, p = .85$.

See Figure 4 and Figure 5, Pages 92 and 93

As before, the general IPT scale did not moderate the relationship between the BII and labeling conditions on purchase intentions or brand loyalty, $F(1, 75) = .17, p = .68$; $F(1, 75) = .46, p = .50$, respectively. Also, when including the IPT as a covariate in the moderation analyses of BII and labeling conditions, the results did not change.

Mediation Analysis. Additional analyses revealed that, in general, brand-entity theorists had significantly more positive attitudes than brand-incremental theorists, $M_{Entity} = 5.93$,

$M_{Incremental} = 5.12$, $F(1, 77) = 9.05$, $p < .01$. Also, brand-entity theorists had significantly higher scores on similarity measure, $M_{Entity} = 6.41$, $M_{Incremental} = 5.68$, $F(1, 77) = 3.99$, $p < .05$. These results might explain the reason that brand-entity theorists were more loyal to *Classic Coke* than brand-incremental theorists, although the mediation analyses (Baron and Kenny 1986) did not support the mediating effects of attitude strength and similarity measure on the relationship between the BII and labeling condition on brand loyalty.

When brand loyalty was regressed on the BII and labeling conditions, the interaction between the two factors was significant, $F(1, 75) = 5.93$, $p < .02$. The same interaction was non-significant when attitude strength was regressed on the factors, $F(1, 75) = .23$, $p = .64$. Also, when attitude strength was entered as a covariate in the first regression equation, the interaction was more significant, $F(1, 74) = 7.12$, $p < .01$, and attitude strength was significant, $F(1, 74) = 6.90$, $p < .05$. For similarity measure, the interaction was non-significant when the similarity measure was regressed on the factors, $F(1, 75) = .14$, $p = .71$. Lastly, when the similarity measure was entered as a covariate in the first regression equation, the significance of the interaction effect was almost the same, $F(1, 74) = 5.80$, $p < .02$, and the similarity measure was non-significant, $F(1, 74) = .05$, $p = .83$.

Discussion

In Study 3, the willingness of *Classic Coke* drinkers to purchase a new, reformulated *Classic Coke* drink was examined. More specifically, it was predicted that the impact of new soft drink on purchase intentions and brand loyalty would be greater for brand-incremental theorists than brand-entity theorists. In addition, it was anticipated that this prediction would be qualified

by the labeling conditions. That is the difference between brand-entity and brand-incremental theorists would be more pronounced when participants were served the new drink in a cup with *Coke* label than in a cup with no label. The results provided partial support for these predictions. On one hand, the data showed that the impact of new soft drink on purchase intentions was statistically the same for brand-entity and brand-incremental theorists under both labeling conditions. On the other hand, brand-entity theorists were found to be more loyal to *Coke* brand than brand-incremental theorists when participants were given cups with *Coke* label, while the difference was non-significant when they were given cups with no *Coke* label.

One reason that might explain these results is that participants used the *Coke* label as a peripheral cue that reminded them of their prior beliefs about the original *Classic Coke* drink. Furthermore, since brand-entity theorists had stronger attitudes toward *Classic Coke* brand and were in general more likely to base their future decisions on these attitudes than brand-incremental theorists, they showed higher loyalty to the *Coke* brand even after the introduction of the new drink. By contrast, when given cups with no *Coke* label, brand-entity and brand-incremental theorists were not presented with any cues to remind them of their prior beliefs/attitudes and hence they showed equal levels of loyalty to the *Coke* brand. It should be noted that neither attitudes toward *Coke* brand nor the similarity between the new soft drink and the original *Classic Coke* drink mediated the relationship between the BII and labeling conditions on the brand loyalty.

So far, it has been shown that the impact of new brand information on purchase intentions was greater for brand-incremental theorists than brand-entity theorists whether the information was about a price or service quality. Also, the impact of new brand information on brand loyalty was greater for brand-incremental theorists than brand-entity theorists when the information was

about a new product introduction. While the findings of these consumer contexts have useful practical implications, there is also another important context that can provide useful insights for managers. This context is service failure and service recovery. Therefore, in the next studies, the moderating effect of BII is examined on consumers' willingness to purchase from a company following a service recovery.

CHAPTER FIVE

CONSUMER RESPONSES TO SERVICE RECOVERIES

The service literature has made an important distinction between the notions of service failure and service recovery (Smith, Bolton, and Wagner 1999). A service failure occurs when a company fails to perform an initial service at the level that is normatively expected, while a service recovery represents the subsequent stage during which a consumer formulates a complaint and a company tries to redress the situation. The notion of service recovery has been identified as critical in the development of consumer-company relationship (Bitner, Booms, and Tetreault 1990), and it represents the context of the next study. Research suggests that a firm's recovery efforts can either reinforce the customer relationships and create a heightened loyalty, or worsen the initial failure and create an irrecoverable situation (Kelley, Hoffman, and Davis 1993; Maxham and Netemeyer 2002; Smith, Bolton, and Wagner 1999), a phenomenon also labeled as double deviation (Bitner, Booms, and Tetreault 1990). Building on this literature, it is expected that some consumers (incremental theorists) will be more naturally predisposed to accept service recoveries, while others (entity theorists) will tend to be insensitive to any forms of recovery efforts.

The importance of the fairness norm at the recovery level is well established (Smith, Bolton, and Wagner 1999; Tax, Brown and Chandrashekar 1998). Hence, the notion of fairness to differentiate between the recovery attempts is used in this dissertation. Specifically, three types of fairness (distributive, interactional, and procedural) have been found by social exchange theorists to strongly affect consumer responses after a recovery and are used in the next studies. Distributive fairness refers to the outcomes or the compensation received by a

customer at the recovery stage, interactional fairness represents the manner in which employees treat and apologize to customers when the recovery is enacted, while procedural fairness refers to recovery speed.

In the next study, it is expected that the impact of service recovery on purchase intentions will be greater for brand-incremental theorists than brand-entity theorists. This is because brand-entity theorists rely on their prior perceptions and hence use the first encounter (i.e., service failure) with the company as an indicator for future experiences, while brand-incremental theorists do not consider the first encounter as a predictive indicator for future experiences and hence are more likely to be impacted by a service recovery.

STUDY 4

Using BII Scale to Predict Reactions to a Hypothetical Service Recovery

The results of the previous chapter provided empirical support that participants were less influenced by new brand information when they were brand-entity theorists, as compared to brand-incremental theorists. Unlike the previous studies in which new information was operationalized in terms of brand attributes (i.e., changes in brand pricing, changes in service quality, and new product introductions), in this study the new information is operationalized in terms of a company's service recovery attempt following a service failure.

Method

Participants. Participants were 89 undergraduate students who earned partial course credit in an introductory marketing course and were told that they would participate in several unrelated research tasks for a period of 30 minutes. The first task was the main study and there were several other unrelated filler tasks in the research session. In the last task, participants responded to the IPT and brief BII scales and the scale items were averaged to form the overall BII ($\alpha = .85$) and IPT ($\alpha = .86$) indices. Scores on the BII and IPT were subjected to median-splits in order to create groups of entity and incremental theorists, respectively.

Main Study. Participants were asked to imagine that they initially experienced a service failure with a haircut service and that subsequently the haircut service attempted to fix the problem by offering a service recovery (Maxham 2001). After reading the initial service failure, participants were randomly assigned to one of two conditions, based on the level of service recovery experienced (low versus high fairness). Similar to Maxham (2001), the low service recovery condition was characterized as having low distributive and interactional justice, whereas the high service recovery condition was described as having high distributive and interactional justice (Appendix E).

Next, participants rated the extent to which they thought that the service recovery was fair using measures for interactional and distributive justice (Kau and Wan-Yiun Loh 2006). For interactional justice measures ($\alpha = .92$), participants responded to the following statements: “The hairstylist seemed very courteous to me and interested in helping me,” “The hairstylist tried hard to resolve the problem,” and “I felt that I was treated rudely.” For distributive justice measures ($\alpha = .90$), participants responded to the following: “In resolving the complaint, the hairstylist gave me what I needed,” “The result of the complaint was not up to expectation,” and “Taking everything into consideration, the result was quite fair.” Purchase intentions were

adapted from Maxham (2001) and administered at the end of the questionnaire. The purchase intention measures ($\alpha = .95$) read: “I would have a haircut at this Haircut service in the future” and “There is likelihood that I would have a haircut at this Haircut service in the future.” The interactional and distributive justice measures along with the purchase intention used a nine-point scale, anchored with Strongly Disagree/Strongly Agree

Results

Manipulation Checks. Participants rated the low service recovery condition as having lower interactional justice than the high service recovery condition, $M_{Low} = 2.42$, $M_{High} = 8.30$, $F(1, 87) = 589$, $p < .001$. Also, they rated the low service recovery scenario as having lower distributive justice than the high service recovery scenario, $M_{Low} = 2.13$, $M_{High} = 8.04$, $F(1, 87) = 548$, $p < .001$. The manipulation was successful.

Moderation Analysis. It was expected that the impact of a service recovery on participants’ purchase intentions would be qualified by individual differences in BII. In line with this hypothesis, a 2 (recovery condition: low service recovery versus high service recovery) x 2 (individual differences in BII: brand-entity theorists versus brand-incremental theorists) between-subjects ANOVA on purchase intentions revealed a significant two-way interaction between the BII and recovery conditions, $F(1, 85) = 4.11$, $p < .05$, and significant main effects for recovery conditions and BII, $F(1, 85) = 91.10$, $p < .001$; $F(1, 85) = 3.98$, $p < .05$, respectively. As illustrated in Figure 6, in the high recovery condition, the impact of BII on purchase intentions suggested that brand-incremental theorists were more responsive to service recovery than brand-entity theorists, $M_{Entity} = 4.82$, $M_{Incremental} = 6.48$, $F(1, 42) = 5.05$, $p < .05$.

However, in the low service recovery condition, the impact of BII was non-significant, $M_{Entity} = 1.72$, $M_{Incremental} = 1.70$, $F(1, 43) = .001$, $p = .97$.

See Figure 6, Page 94

Furthermore, an additional 2 x 2 between-subjects ANOVA on purchase intentions revealed that IPT did not interact with the recovery conditions, $F(1, 85) = .14$, $p = .71$, and when IPT was included as a covariate in the moderation analysis of BII and recovery conditions, the results did not change.

Discussion

In this study, brand-incremental theorists were found to have higher purchase intentions than brand-entity theorists after a high service recovery. Although the service literature highlights the importance of a fair recovery to enhance a company's relationship with its customers, the findings of this study suggested that brand-entity theorists were less likely to purchase from the company after a high service recovery than brand-incremental theorists. Given the "unforgiving" nature of the brand-entity theorists, firms have to do everything in their power to minimize the occurrence of service failures, and do "things right" at the service delivery stage.

Interestingly, there was no difference between brand-entity and brand-incremental theorists when the service recovery was perceived as low in fairness. This result can be explained

by the fairness literature, which claims that consumers respond in a particularly negative manner when they perceive themselves to be the victims of a poor service recovery characterized by a low level of both distributive fairness and interactional fairness (Tax, Brown and Chandrashekar 1998). In this case, fair treatment cannot compensate for an unfair outcome, or vice versa (Brockner and Wiesenfeld 1996), and both types of consumers show little interest in continuing a relationship with the company.

In the next study, the realism of the findings is enhanced by using a real-world service recovery. Unlike study 4 in which interactional and distributive justices were manipulated, in the next study procedural and distributive justices are manipulated using a real-world service recovery. The procedural justice rather than interactional justice is manipulated to minimize any personal encounter or potential risks (stress or discomfort) to the participants caused by the service failure.

STUDY 5

Using BII Scale to Predict Reactions to a Real-World Service Recovery

The previous study focused on determining when service recoveries would be influential on participants' purchase intentions using hypothetical scenarios. Presenting a real-world service recovery will further enhance the predictive validity of the context under investigation.

Therefore, in Study 5, a real-world experiment is implemented to examine the effect of BII on individuals' willingness to purchase from a company after experiencing a real service recovery.

A replication of study 4 findings is expected, such that the impact of a high service recovery on purchase intentions will be greater for brand-incremental theorists than brand-entity theorists.

Method

Participants. For this experiment, 77 undergraduate students participated and earned partial course credit, \$10 cash, and a chance to win \$100 cash. Five participants were eliminated because they indicated that they had received information about *Cougar Catering Company* (the fictitious brand used in this study) before coming to the lab. Clearly, these participants heard about the study from other individuals who had participated in the experiment.

A few days prior to the main experiment, participants responded to the IPT ($\alpha = .90$) and brief BII ($\alpha = .89$) scales. In addition, they indicated general perceptions about the reliability of vending machines ($\alpha = .92$): “In general, what is your attitude toward the reliability of vending machines?” using a nine-point scale, anchored with Bad/Good, Unfavorable/Favorable, and Negative/Positive. This reliability measure was used as a covariate in the analyses to account for participants’ prior beliefs about the reliability of vending machines.

Main Study. For the purpose of this experiment, all participants encountered a service failure in a research lab. For this, participants were made to believe that a new university venture, referred to as the *Cougar Catering Company*, was planning to introduce snacks on the campus and was asking for student feedback on appropriate items to include in their vending machine. Participants were instructed not to eat a few hours prior to coming to the lab because they would be served a free snack. Practically, this was done to intensify the effect of service failure, since participants would likely be hungrier (Roehm and Brady 2008). In the lab, they were first asked to read the following letter as a cover story:

Thank you very much for taking part in this marketing research. This research is supported by *Cougar Catering Company*, a new venture of the university. The company

is planning to introduce snack items on the campus and asking for your evaluation to decide on appropriate items to include in their vending machines all over the Pullman campus

As part of your task, you will be given the opportunity to buy a snack from an assorted list of snack items available to you in the vending machine located in the lab.

The *Cougar Catering Company* strives to create an exclusive experience to satisfy its valued WSU students. Therefore, it is very important that you take the time to evaluate your snack choice since your response will be highly considered in the introduction of the snack items in the vending machines throughout the Pullman campus.

Then, they were asked a series of questions related to their snack choice and consumption behavior in order to strengthen the credibility of the cover story. Also to further emphasize the cover story, the lab and the vending machine had advertising posters for *Cougar Catering Company*. Next, they were given \$2 in quarters to buy snack items from a vending machine that was located in another room of the lab. The snack items and the snack prices were identical to those of snack machines located in the campus when the study was conducted. When participants approached the vending machine to make their snack selections, they encountered a service failure by not being able to operate the vending machine due to a computer malfunction. Then, they reported the problem to the experimenter. For service recovery, participants were randomly divided into two groups based on the recovery conditions (low versus high recovery conditions). Each study session accommodated a single participant at a time.

For high service recovery, participants were asked to wait in the lab while the experimenter contacted *Cougar Catering Company* maintenance department to figure out the problem over the phone. Participants in this condition waited for 5 minutes. Then, the

experimenter came out and indicated that the problem was not yet fixed, but the maintenance department provided the key for the vending machine. Furthermore, the experimenter attributed the delay to the maintenance department. Finally, the experimenter opened the vending machine door for the participants to make their snack selections and immediately refunded the \$2 as compensation for the service failure. For low service recovery, participants were asked to wait in the lab while the experimenter contacted *Cougar Catering Company* maintenance department to figure out the problem over the phone. Participants in this condition waited for 15 minutes. Then, the experimenter came out and indicated that the problem was not yet fixed, but the maintenance department provided the key for the vending machine. Furthermore, the experimenter attributed the delay to the maintenance department. Finally, the experimenter opened the vending machine door for the participants to make their snack selections. Participants did not receive \$2 as compensation.

After service recovery, participants indicated purchase intentions, likelihood to support the choice of *Cougar Catering Company* as the sole provider of vending machines on campus, and attitudes toward *Cougar Catering Company*. Then, they indicated reliability of the vending machines owned by the potential new vender. At the end, participants completed distributive and procedural justice measures to determine overall perceived fairness of the service recovery. All items used a nine-point scale.

The purchase intention measure read: "I would consider purchasing snack items from *Cougar Catering Company* if they were introduced on the *WSU* campus", anchored with Very Unlikely/Very Likely. The support measure asked: "How likely, as a *WSU* student, would you support the choice of *Cougar Catering Company* as the sole provider of vending services on the *WSU* campus", anchored with Very Unlikely/Very Likely. Participants were also asked to

indicate the extent to which they would agree to have their name used in supporting the choice of *Cougar Catering Company* as the sole provider of vending services on the *WSU* campus, anchored with Strongly Disagree/Strongly Agree. These items were averaged to form the future support for *Cougar Catering Company* index ($\alpha = .70$). Attitudes toward *Cougar Catering Company* were measured via the average of the following three items ($\alpha = .97$): “My attitude toward *Cougar Catering Company* is” anchored with Bad/Good, Unfavorable/Favorable, and Negative/Positive.

Reliability of *Cougar Catering Company* vending machines was measured by the average of the following three items ($\alpha = .92$): “The likelihood that the vending machines owned by *Cougar Catering Company* will be reliable is”, “The vending machines owned by *Cougar Catering Company* have high quality”, and “The likelihood that these vending machines owned by *Cougar Catering Company* will be dependable is”, anchored with Very Low/Very High, Strongly Disagree/Strongly Agree, and Very Low/Very High, respectively.

For manipulation checks, participants responded to distributive and procedural justice measures to determine whether the service recovery was manipulated successfully. These measures are suitable because the service recovery of this study was manipulated using the speed of the recovery (i.e., procedural justice) and the outcomes or compensation at the recovery stage (i.e., distributive justice). For procedural justice ($\alpha = .86$), participants responded to the following statements: “The length of time taken to resolve my problem was longer than necessary,” “*Cougar Catering Company* showed adequate flexibility in dealing with my problem,” and “*Cougar Catering Company* was very slow in responding to my problem,” these items were adapted from Tax (1993). For distributive justice ($\alpha = .87$), participants responded to the following statements: “The outcome I received from *Cougar Catering Company* was fair,” “I

did not get what I deserved,” “In resolving the problem, *Cougar Catering Company* gave me what I needed,” and “The outcome I received from *Cougar Catering Company* was not right,” these items were adapted from Oliver and Swan (1989a, b). All justice items were anchored with Strongly Disagree/Strongly Agree. Finally, participants were asked a yes/no question about whether they had received information about *Cougar Catering Company* before coming to the lab to eliminate participants who had heard about the study.

Results

Manipulation Checks. The manipulation was a success. Participants rated the low service recovery condition as having lower procedural justice than the high service recovery condition, $M_{Low} = 4.47, M_{High} = 7.85, F(1, 70) = 101.86, p < .001$. Also, they rated the low service recovery condition as having lower distributive justice than the high service recovery condition, $M_{Low} = 6.94, M_{High} = 8.01, F(1, 70) = 10.20, p < .01$.

Moderation Analysis. A 2 (service recovery: low versus high) x 2 (individual differences in BII: brand-entity versus brand-incremental theorists) between-subjects ANOVA on purchase intentions was conducted with the general reliability of vending machines measure serving as a covariate. The results revealed a significant two-way interaction between the BII and recovery conditions on purchase intentions, $F(1, 67) = 5.45, p < .05$, and non-significant main effects for recovery conditions, BII, and general reliability, $F(1, 67) = .11, p = .74; F(1, 67) = .46, p = .50; F(1, 67) = .04, p = .84$, respectively. As shown in Figure 7, in the high recovery condition, the impact of BII on purchase intentions suggested that brand-incremental theorists were more responsive to service recovery than brand-entity theorists, $M_{Entity} = 4.35, M_{Incremental} = 6.00, F(1,$

33) = 5.20, $p < .05$. In the low service recovery condition, the impact of BII was non-significant, $M_{Entity} = 5.82, M_{Incremental} = 4.90, F(1, 33) = 1.71, p = .20$.

Furthermore, a 2 (recovery condition: low service recovery versus high service recovery) x 2 (individual differences in BII: brand-entity versus brand-incremental theorists) between-subjects ANOVA on future support for *Cougar Catering Company* with the general reliability of vending machines measure as a covariate revealed a significant two-way interaction, $F(1, 67) = 7.10, p < .01$, and non-significant main effects for recovery conditions, BII, and general reliability, $F(1, 67) = 1.39, p = .24; F(1, 67) = 1.33, p = .25; F(1, 67) = .70, p = .41$, respectively. As shown in Figure 8, in the high recovery condition, the impact of BII on future support indicated that brand-incremental theorists were more influenced by the service recovery than brand-entity theorists, $M_{Entity} = 3.41, M_{Incremental} = 5.16, F(1, 33) = 6.05, p < .05$. In the low service recovery condition, the impact was non-significant, $M_{Entity} = 5.23, M_{Incremental} = 4.45, F(1, 33) = 1.01, p = .32$.

See Figure 7 and Figure 8, Page 95 and 96

In addition, a 2 x 2 between-subjects ANOVA revealed that IPT did not interact with the recovery conditions on purchase intentions and future support, $F(1, 67) = 2.50, p = .12; F(1, 67) = 2.14, p = .15$, respectively. Also, when IPT was included as a covariate in the moderation analyses of BII and recovery conditions, the results did not change.

Mediation Analysis. A series of mediation analyses were conducted to determine whether the interaction of BII and service recovery on purchase intentions was mediated by participants' perceptions of the future reliability of *Cougar Catering Company* vending machines or their attitudes toward *Cougar Catering Company* (i.e., attitude strength). It is expected that brand-entity theorists relative to brand-incremental theorists will express lower likelihood to purchase from or support the company because they have less favorable attitudes toward the company and they are less likely to perceive the vending machines owned by *Cougar Catering Company* as having good reliability compared to brand-incremental theorists. However, the results of the mediation analyses did not support the mediating effects of attitude strength or future reliability of the vending machines on the relationship between service recovery and subsequent decisions.

When purchase intention was regressed on the BII and service recovery, the interaction between the two factors was significant, $F(1, 68) = 5.50, p < .05$. The same interaction was non-significant when attitude strength was regressed on the experimental factors, $F(1, 68) = .68, p = .41$. Also, when attitude strength was entered as a covariate in the first regression equation, the significance of the interaction was almost the same, $F(1, 67) = 5.24, p < .05$, and attitude was significant, $F(1, 67) = 38.63, p < .0001$. For the reliability measure of *Cougar Catering Company* vending machines, the interaction was non-significant when the reliability measure was regressed on the factors, $F(1, 68) = .75, p = .39$. Lastly, when the reliability measure was entered as a covariate in the first regression equation, the significance of the interaction was almost the same, $F(1, 67) = 4.81, p < .05$, and the reliability measure was significant, $F(1, 67) = 25.40, p < .0001$. When future support was regressed on BII and service recovery, the interaction between the two factors was significant, $F(1, 68) = 6.97, p < .01$. When attitude strength was entered as a covariate in the first regression equation, the significance of the interaction was even

stronger, $F(1, 67) = 9.08, p < .01$, and attitude was significant, $F(1, 67) = 85.42, p < .0001$.

Lastly, when the reliability measure was entered as a covariate in the first regression equation, the significance of the interaction was almost the same, $F(1, 67) = 6.57, p < .05$, and the reliability measure was significant, $F(1, 67) = 29.79, p < .0001$.

Discussion

In this study, a real-world service failure and recovery were used to enhance the realism of the findings. It found that the effect of service recovery was greater for brand-incremental theorists than brand-entity theorists. However, this effect was qualified by the types of service recovery (low versus high service recovery). That is, brand-incremental theorists, compared to brand-entity theorists, were more likely to purchase from or support *Cougar Catering Company* under high service recovery conditions. However, the difference between brand-incremental and brand-entity theorists was non-significant under low service recovery. It should be noted that these findings replicated those of Study 4. That is, when a low service recovery was offered to entity or incremental theorists, it did not minimize the effect of the service failure and hence individuals responded negatively to the service recovery. However, when a high service recovery was offered to customers, it had a more positive effect on incremental theorists rather than entity theorists. These results suggest that when companies attempt to offer a service recovery, they should give the best level of service recovery to get at least customers who are incremental theorists to respond positively after a service failure.

CHAPTER SIX

GENERAL DISCUSSION

In this dissertation, a measure of individual differences in brand implicit image (BII; defined as the extent to which consumers believe that brand attributes are fixed versus changeable), was introduced, developed, and validated to distinguish between individuals who are brand-entity and brand-incremental theorists. In the business world, it is not uncommon for consumers to form prior perceptions of a brand and later be exposed to new information about the brand that does not match these earlier perceptions. Such a situation can be beneficial for a brand if the new information is more positive than the original information, but it can be detrimental when the new information is negative. Therefore, the primary question addressed in this dissertation is whether the impact of new brand information on purchase intentions depends on individual differences in BII.

To address the central question of this dissertation, a BII scale was developed, building on earlier work on IPT (Dweck, 1986), and shown to be valid and reliable over time. Next, a series of studies was designed and conducted to investigate whether individual differences in BII would impact how consumers respond to new brand information that did not match with prior beliefs. These studies provided a comparison between the BII and IPT scales and the ability of each to moderate effects of experimental manipulations on purchase intentions. Consistent with expectations, the moderating effect of BII on purchase intentions was found in several settings to be significant, suggesting that brand-incremental theorists were more impacted by new brand information than brand-entity theorists (see Table 4 for the summary of findings). However, the moderating effect of IPT was non-significant, a result that supports a conceptual distinction

between BII and IPT. In addition, this research provided empirical evidence that brand-incremental theorists were more responsive to (high quality) service recoveries, compared to brand-entity theorists, using hypothetical and real-world experimental settings. Taken together, this set of findings offers new insights into how consumers respond to new brand information, extends the work on IPT in a new and applied context, and identifies several directions for future research.

See Table 4, Page 88

From Theories of People to Theories of Brands

Dweck and her colleagues have found that people differ in the beliefs they hold about the nature of human traits. These researchers found that entity theorists were more likely to think of human traits as immutable properties possessed by individuals, while incremental theorists were more likely to treat these traits as tentative descriptions subject to revision. Moreover, incremental theorists were found to rely more on new information to predict future behaviors than entity theorists (Eberhardt, Dasgupta, and Banaszynski 2003). In line with these findings, it is possible that, just as individuals differ in their implicit beliefs about the malleability of human traits, they could very well differ in their implicit beliefs regarding the malleability of brand attributes. Also, some researchers argue that people perceive human and brand personalities similarly (Aaker 1997; Fournier 1998). Therefore, this dissertation relied on these research

findings and tested whether consumers were willing to adjust their perceptions of a brand after receiving new information that did not match these perceptions by implicating the BII concept. A theoretical contribution of this dissertation lies in highlighting the role of BII in influencing how consumers evaluate brands based on newly presented information. It was predicted that brand-entity theorists, compared to brand-incremental theorists, would be less impacted by new information about a brand that did not match their prior beliefs.

Another contribution of this dissertation lies in emphasizing the conceptual and empirical differences between the BII and IPT scales. One of the conceptual differences between these two scales is that the IPT scale was developed to measure how individuals perceive the malleability of human traits, while the BII scale was developed to measure how individuals perceive the malleability of brand attributes. In addition, in a variety of experimental contexts, the IPT scale did not capture the same effect as BII. Unlike IPT, the impact of BII was found to be significant on purchase intentions. These findings provide evidence that IPT and BII scales measure two different, but related constructs. Furthermore, these findings suggest that brands and people are indeed viewed differently in people's minds, supporting earlier views of Yoon et al. (2006).

Practical Implications

Throughout this dissertation, BII was demonstrated to measure a unique construct (different from similar constructs like IPT, PFC, and BL) and moderate the relationship between new brand information and future purchase intentions in several settings. An important question to consider is how this construct will impact marketers. Given the frequency at which firms communicate new information about its brands, marketers need to know the extent to which

consumers are impacted by new information. BII can help to understand this dimension of consumers. If consumers are brand-entity theorists, they will not be responsive to new brand information and as a result new information will not impact their response to the firm. However, if the consumers are brand-incremental theorists, then they will be more influenced by new brand information and will act accordingly. Therefore, this dissertation implied that the best prospects who could be persuaded by new brand information are consumers who are brand-incremental theorists because these consumers would be willing to adjust their beliefs according to new information about a brand and hence change their future purchasing decisions regarding the brand. Clearly, it is practically impossible to administer the BII scale to every consumer to find out whether the consumer is brand-entity or brand-incremental theorists, which in turn leads to the following question: how do marketers find out whether their consumers are brand-entity or brand-incremental theorists?

There are general indicators that marketers can use to infer the type of implicit theory held by a certain consumer such as the gender of a consumer. Although this was not the focus of the dissertation, a post-hoc analysis revealed that female participants were more likely to score lower than male participants on the BII scale. When the average of BII items was regressed on gender, male participants were found to score significantly higher than female participants, $M_{Female} = 4.21$, $M_{Male} = 4.57$, $F(1, 429) = 7.74$, $p < .01$, indicating that female participants are more likely to be brand-incremental theorists and male participants are more likely to be brand-entity theorists. This finding may also suggest that female consumers are more likely to be impacted by new brand information than male consumers; although in a post-hoc analysis, the interaction of BII and gender on purchase intentions was found to be non-significant.

Limitations and Future Directions

Like any other research, this dissertation has some limitations, which may impact the practicality of the BII construct. One limitation of this dissertation is that it did not manipulate BII. This is a critical next step for future research since by manipulating BII marketers will find it practically relevant and more useful to implement. There are several potential techniques that could be used to manipulate BII. In a classic example, during World War II, prisoners of war were forced to write an essay about the goodness of the enemy. These prisoners eventually changed their beliefs about the enemy and felt that the enemy was actually treated them well. Social psychologists (now) believe the prisoners changed their beliefs about the enemy in order to reduce inconsistency and hence cognitive dissonance.

For the purpose of this research, one may adopt this technique and ask participants to spend a few minutes brainstorming and writing about the malleability of brands (either entity or incremental theory). Participants in the entity-theory manipulation could write about the rigidity of brand images, while participants in the incremental-theory manipulation could write about the changeability of brands. When people commit the time and effort to write about certain beliefs, they will become attached to these beliefs and try to support the beliefs in order to reduce cognitive inconsistency.

Another important implication that was not the center of this dissertation is whether individuals who are brand-entity theorists can learn to think like brand-incremental theorists and vice versa. This is important because if consumers are brand-entity theorists, marketers will not be able to change these consumers' beliefs about the brand by simply presenting new information in their marketing messages. Marketers should first try to change consumers'

perceptions about the malleability of brands using an appropriate BII manipulating technique (whether it be entity or incremental theorist manipulation) before introducing new brand information in a direction that benefits the brand.

As noted previously, researchers in social psychology have utilized implicit theories of human traits to examine several important research ideas and this trend continues in the field. In marketing field, however, this trend has not started yet. Although this dissertation has begun this process by investigating some useful research ideas, there are many other research avenues that can be explored by using implicit theories of brands as an explanatory variable.

In my opinion, the range of research ideas can be extended to several useful contexts such as country-of-origin, brand extension, and other environmental and social welfare issues that are related to brands and are adopted by firms that have bad environmental and social reputations. Some of the important questions that this dissertation has not yet tackled are as follows: Will consumers be willing to buy products known to be made in countries with good (poor) production quality when the production facility is moved to other countries with poor (good) production quality? Will consumers be willing to change their prior beliefs about brands known to be environmentally unconscious such as petrochemical companies after the brands have declared that they are following environmentally safe standards? Most importantly, do consumers perceive some brands as having more susceptibility to change than others?

As a starting point, I believe that, out of these research ideas, the most essential question that needs to be investigated is whether some brands have the potential to change more than others. During the initial stages of this dissertation, it was argued that some brands such as *Oldsmobile* have solid foundations and are less likely to be perceived as changeable. For example, when *Oldsmobile* attempted to completely reposition the *Oldsmobile* brand as a luxury

brand to match European competitors, it was faced with great resistance from consumers. As a result, the *Oldsmobile* brand found itself being forced out of the market. Evidently, this real-world example illustrates how some brands may have the potential to be fixed more so than others. Therefore, future researchers should research this idea along with other research ideas and come up with possible characteristics or predictors that can be used to infer whether a brand is perceived as fixed or changeable in people's minds.

APPENDIX A

Initial Items Generation:

- 1) I can learn new information about a brand, but I can't change my basic beliefs about that brand.
- 2) A brand image is something that can't change very much.
- 3) Some brand attributes may change, but the core image about a brand can't be changed much.
- 4) I am not going to change my perceptions about a brand if I have formed an earlier impression of that brand.
- 5) Many things about a brand can change, but my basic beliefs about that brand will not change.
- 6) My beliefs about a brand are always influenced by my previous views of that brand.
- 7) People can say many things about a brand, but the most important thing is my earlier impression about that brand.
- 8) The most difficult thing to do is to change my initial impression about a brand identity.
- 9) A brand can have many new attributes, but my initial beliefs about that brand will always stay the same.
- 10) In my opinion, brand attributes are concrete traits that will never change.
- 11) Nothing can alter my basic beliefs about a brand.
- 12) Generally, beliefs are not changeable and therefore my initial beliefs about a brand are not changeable either.

- 13) My earlier beliefs about a brand will always represent the symbol of that brand.
- 14) My previous impressions about a brand can be changed*.
- 15) I believe that new information about a brand is a core determinant of that brand attributes.
- 16) I always recall my previous beliefs about a brand when I see that brand name.
- 17) My basic views about a certain brand can never be influenced by other people's perceptions.
- 18) My previous experiences with a certain brand will always determine my future beliefs about that brand.
- 19) I believe that a brand image is a solid trait that will never change.
- 20) New information about a brand identity will never affect my initial beliefs of that brand.
- 21) I have certain beliefs about certain brands and I really can't do much to change them.
- 22) In my opinion, brand identity is something basic that can't be changed over time.
- 23) In my opinion, a brand can always change its old perceived image*.
- 24) A brand can change its characteristics, but the core identity will always remain unchanged.
- 25) Bad experiences with a brand will not keep me away from trying that same brand again*.
- 26) Brand attributes are malleable traits that can be changed and developed*.
- 27) I never rely on my previous beliefs about a brand as exclusive information to control my future beliefs about that brand*.
- 28) I believe that a brand can change its extended image, but the core image will always remain unchanged.
- 29) A brand identity is a fixed and nonmalleable attribute.

- 30) In my opinion, beliefs are concrete thoughts and hence my basic beliefs about a brand can't change.
- 31) When I have a negative experience with a certain brand, I don't rely on that single experience as a core determinant of the brand total image*.
- 32) I am unlikely to change my beliefs about a brand after forming an impression of that brand.
- 33) I am inclined to make confident predictions of a brand performance in new situations on the basis of knowledge of this brand performance in a prior situation.
- 34) There is not much that can be done to change my previous beliefs about brand attributes.
- 35) Negative information about a brand will never change my initial views about that brand.
- 36) Positive information about a brand will never change my initial impressions about that brand.
- 37) It takes a lot of time and effort for a brand identity to wear in.
- 38) When I experience a poor brand performance, I am unlikely to acknowledge an improvement in that brand performance.
- 39) When I experience a decent brand performance, I am unlikely to acknowledge deteriorations in that brand performance.
- 40) I believe that past experiences with a brand in a particular situation is a definitive predictor for future experiences.
- 41) I tend to rely on my previous beliefs about a brand as a core indicator of brand traits.
- 42) My initial beliefs about a brand will lead me to quickly form strong impressions of that brand.

- 43) My past poor experiences with a brand affect my recognition of improved brand performance.
- 44) My past decent experiences with a brand affect my recognition of a decline in brand performance.
- 45) Brand attributes are something very basic about the brand and they can't be changed much.
- 46) Brand attributes are something about the brand that can't change very much.
- 47) I am likely to reconsider initial impressions about a brand after receiving new information about that particular brand*.
- 48) When I have a decent experience with a brand in a particular situation, I tend not to switch to another brand if I run into bad experiences with that same brand at another situation.

* These are reverse items (incremental theorists).

APPENDIX B

Full and Brief BII Scale Items:

- 1) In my opinion, a brand's image is something that doesn't change very much.
- 2) I typically don't change my perceptions about a brand if I have formed an earlier impression of that brand.
- 3) Many things about a brand can change, but my basic beliefs about that brand will not change.
- 4) In my opinion, the attributes of a brand are concrete and do not normally change.
- 5) My initial impressions about a brand can be changed*.
- 6) New information about a brand will not affect my core beliefs about that brand.
- 7) In my opinion, a brand's image is something basic that can't be changed over time.
- 8) A brand's core identity will always remain unchanged.
- 9) The beliefs I hold about brands aren't easily changed by new information.
- 10) I am unlikely to change my beliefs about a brand after forming my initial impressions of that brand.
- 11) There is not much that can be done to change my views of a brand.
- 12) Negative information about a brand will not change my impressions about that brand.

* These are reversed items; the bolded items are the brief BII scale items.

APPENDIX C

Study 1: Selected Pens for the Experimental Stimuli

A) Expensive Pens



BIONDI EXCEPTIONAL BALLPEN

This exceptional pen is crafted in solid 925 sterling silver with gold-plated details. The aviation theme is depicted in the 59 solid gold screws.
Retail Price: \$22,00



BIONDI TOWNSEND 10K GOLD ROLLERBALL

The **BIONDI** Townsend 10K Gold-filled Selectip rolling ballpen is one of those perfect, timeless designs, a worldwide symbol of excellence and dependable performance.
Retail Price: \$20,00



BIONDI NOZAC WITH GOLD TRIM FOUNTAIN PEN

The **BIONDI** Nozac's large, 12-faceted barrel is crafted in unique marbled resins, exclusive to **BIONDI**. Each pen features a luxurious, 24K gold-plated clip and band.
Retail Price: \$17,00



BIONDI USS CONSTITUTION BALLPEN

This pen is a replica of the USS Constitution pen, which was handcrafted in wood taken from the oldest commissioned warship afloat in the world today.
Retail Price: \$25,00



BIONDI PINK LACQUER BALLPEN

The **BIONDI** fun and feminine pink lacquer ball pen is finished with platinum-plated details and topped with a pink-color cabochon.
Retail Price: \$15,00



BIONDI RIFLESSI STERLING/BLACK BALLPEN

The Riflessi ball pen from **BIONDI** features gleaming precious metal caps with an exclusive diamond-shaped, guilloché pattern.
Retail Price: \$23,00

B) Cheap Pens



BIONDI ERASER PEN

Another perennial school supply favorite, the **BIONDI Eraser Pen** brings you style and elegance, plus a larger eraser! Black, blue, red Eraser Ballpoint Pen Writes at any angle and erases easily. Stainless steel point.
Retail Price: \$0.70



BIONDI BLACK BALLPOINT PEN

The **BIONDI** classic design, translucent barrel for visible ink supply comes in black, blue, and red. A 1.2mm ultra smooth writing system gives this pen its desirable writing style.
Retail Price: \$0.80



BIONDI RETRACTABLE PEN

The **BIONDI** retractable pen with lubricide ink system proves smooth writing at an economical price.
Retail Price: \$0.90



BIONDI STICK PEN

The **BIONDI** Stick Pen is the stick pen that everyone has used for years. With 49 different color combinations and a multi-color imprint, this pen is just the ticket for your everyday writing needs
Retail Price: \$0.70



BIONDI STICK PEN

The **BIONDI** Stick Pen is the world's most loved pen. This pen gives smooth writing at an affordable price. It is an ideal pen for home and school. Perfect for situations where large pen quantity are needed. It comes in red, black, and blue.
Retail Price: \$0.80



BIONDI ALLURE BALLPEN

The rubberized barrels, hot neon trim, and brilliant chrome clips make this pen an all-time favorite. Imprint color will match neon trim color. This pen comes in different colors.
Retail Price: \$0.90

APPENDIX D

Study 2: Condition Scenarios

A) Positive Initial Information/Negative New Information Condition

Initial Information

“Paul is a 23-year-old college graduate who just moved to a new city to get a job at a local company. Among other things, he needed to find a reliable Internet provider for his new apartment. Paul looked at the different options that were available in the market. After thinking about the options, he decided to go with FastNetwork, a local Internet provider. In addition, the company offered him a 30-day trial period as a service guarantee.

A few months later, Paul did not have any problems with his new FastNetwork service. In fact, he had a very good and pleasant experience with his Internet service. Also, he once had a question, and after calling the 800 number, the technical-support representative was very helpful and courteous in answering the question and Paul did not have to wait very long before getting to a technician.”

New Information

“After one year had passed, Paul decided to move to a bigger apartment for which he had to decide whether to continue the same Internet service with FastNetwork. Meanwhile, Paul read an independent consumer report on ConsumerReports.org website claiming that FastNetwork had the slowest and most unreliable Internet service compared to that of the other Internet providers for 2006. Also, he read that, relative to the other Internet providers, FastNetwork had the worst complaint record for 2006.”

B) Negative Initial Information/Positive New Information Condition

Initial Information

“Paul is a 23-year-old college graduate who just moved to a new city to get a job at a local company. Among other things, he needed to find a reliable Internet provider for his new apartment. Paul looked at the different options that were available in the market. After thinking about the options, he decided to go with FastNetwork, a local Internet provider. In addition, the company offered him a 30-day trial period as a service guarantee.

A few months later, Paul had several problems with his new FastNetwork service. In fact, he had a very bad and unpleasant experience with his Internet service. Also, he once had a question, and after calling the 800 number, the technical-support representative was very unhelpful and rude in answering the question and Paul had to wait very long before getting to a technician”.

New Information

“After one year had passed, Paul decided to move to a bigger apartment for which he had to decide whether to continue the same Internet service with FastNetwork. Meanwhile, Paul read an independent consumer report on ConsumerReports.org website claiming that FastNetwork had the fastest and most reliable Internet service compared to that of the other Internet providers for 2006. Also, he read that, relative to the other Internet providers, FastNetwork had the best complaint record for 2006.”

APPENDIX E

Study 4: Condition Scenarios

Service Failure Scenario

“Suppose for a moment that you used ABC Haircut service for the first time. The cost of an ABC Haircut is US\$18.00, and ABC is located 5 miles from your residence. You drove to ABC’s Haircut service and patiently waited (in the waiting area) for your appointment for 30 minutes. After you had received your haircut, you paid US\$18.00 to the hairstylist for the cost of the haircut. In addition, you paid US\$2.00 to your hairstylist as gratuity. Upon arriving home, you took a good look at your new haircut in the mirror. In doing so, you noticed that the hairstylist had done a poor job cutting your hair. Specifically, it appeared that your hair was at a large extent unevenly cut.”

A) High Service Recovery

“Please recall the poor service you received from ABC Haircut service. Now, suppose that you returned to ABC to explain your problem. Upon doing so, the hairstylist carefully listened to your complaint. Afterwards, the hairstylist expressed a sense of compassion regarding the problem and apologized for the mishap. Further, the hairstylist immediately refunded your US\$20.00 (US\$18.00 for the haircut cost and US\$2.00 tip). Moreover, ABC successfully fixed the problem (i.e., straightens your hair). Finally, ABC’s manager offered you a free haircut upon your next visit”.

B) Low Service Recovery

“Please recall the poor service you received from ABC Haircut service. Now, suppose that you returned to ABC to explain your problem. Upon doing so, the hairstylist listened to your complaint, but did nothing to resolve the problem.”

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TABLE 1

Factor Loadings of Full BII Scale

	Component	
	1	2
BII1	.737	.036
BII3	.713	.231
BII4	.705	.215
BII2	.701	.164
BII7	.632	.272
BII8	.597	.287
BII10	.400	.717
BII11	.349	.705
BII12	-.374	.688
BII6	.368	.594
BII9	.336	.584
BII5	.320	.556

- Extraction Method: Principal Component Analysis
- Rotation Method: Varimax with Kaiser Normalization
- Rotation Converged in 3 Iterations
- Items in bold are the brief BII scale

TABLE 2

The Correlations and Square Root of the Average Variance Extracted (AVE) of BII, IPT, PFC, and BL

	M	SD	# of Items	Correlations			
				BII	IPT	PFC	BL
Brand Implicit Image (BII)	3.88	1.08	6	(.67)			
Implicit Person Theory (IPT)	4.02	1.30	3	.27**	(.77)		
Preference For Consistency (PFC)	4.00	1.05	9	.19**	.12*	(.62)	
Brand Loyalty (BL)	3.43	1.86	3	.07	-.01	.08	(.67)

BII: brand implicit image; IPT: implicit person theory; PFC: preference for consistency; BL: brand loyalty

Diagonals are the square root of the average variance extracted (AVE); N = 407

** Correlation is significant at the .01 level (2-tailed)

* Correlation is significant at the .05 level (2-tailed)

TABLE 3

The Descriptive Statistics and Item Loadings of BII, IPT, PFC, and BL

Item	Loading (λ)
<i>(N = 407)</i>	
Brand Implicit Image (BII) ($\alpha = .83$, AVE = .45)	
• In my opinion, a brand's image is something that doesn't change very much.	.61
• I typically don't change my perceptions about a brand if I have formed an earlier impression of that brand.	.71
• Many things about a brand can change, but my basic beliefs about that brand will not change.	.75
• In my opinion, the attributes of a brand are concrete and do not normally change.	.80
• In my opinion, a brand's image is something basic that can't be changed over time.	.55
• A brand's core identity will always remain unchanged.	.54
Implicit Person Theory (IPT) ($\alpha = .82$, AVE = .60)	
• The kind of person someone is, is something basic about them, and it can't be changed very much.	.67
• People can do things differently, but the important parts of who they are can't really be changed.	.85
• Everyone is a certain kind of person, and there is not much that they can do to really change that.	.80
Preference For Consistency (PFC) ($\alpha = .87$; AVE = .39)	
• It is important to me that those who know me can predict what I will do.	.62
• I want to be described by others as a stable, predictable person.	.75
• The appearance of consistency is an important part of the image I present to the world.	.78
• An important requirement for any friend of mine is personal consistency.	.70
• I typically prefer to do things the same way.	.68
• I want my friends to be predictable.	.64
• It is important to me that others view me as a stable person.	.58
• I make an effort to appear consistent to others.	.36
• It doesn't bother me much if my actions are inconsistent.	.37
Brand Loyalty (BL) ($\alpha = .71$; AVE = .45)	
• I consider myself to be loyal to one brand soft drink.	.61
• If my preferred brand or type of soft drink were not available at the store, it would make little difference to me if I had to choose another brand.	.66
• When another brand is on sale, I generally purchase it rather than my usual brand.	.74

TABLE 4

Summary of Findings

STUDY	DV	IV	COVARIATES	HYPOTHESIS
1	Purchase Intentions	BII and Pricing Conditions	-	Moderately Supported, but the difference between brand-entity and brand-incremental theorists is significant in low/high price condition only.
2	Purchase Intentions	BII and Quality Conditions	-	Supported, the difference between brand-entity and brand-incremental theorists is significant in both conditions.
3	Purchase Intentions	BII and Labeling Conditions	-	Not Supported
3	Brand Loyalty	BII and Labeling Conditions	-	Supported, but the difference between brand-entity and brand-incremental theorists is significant in labeling condition only.
4	Purchase Intentions	BII and Recovery Conditions	-	Supported, but the difference between brand-entity and brand-incremental theorists is significant in high service recovery condition only.
5	Purchase Intentions	BII and Recovery Conditions	Reliability of Vending Machines	Supported, but the difference between brand-entity and brand-incremental theorists is significant in high service recovery condition only.
5	Future Supports	BII and Recovery Conditions	Reliability of Vending Machines	Supported, but the difference between brand-entity and brand-incremental theorists is significant in high service recovery condition only.

FIGURE 1

Map of the Conducted Studies

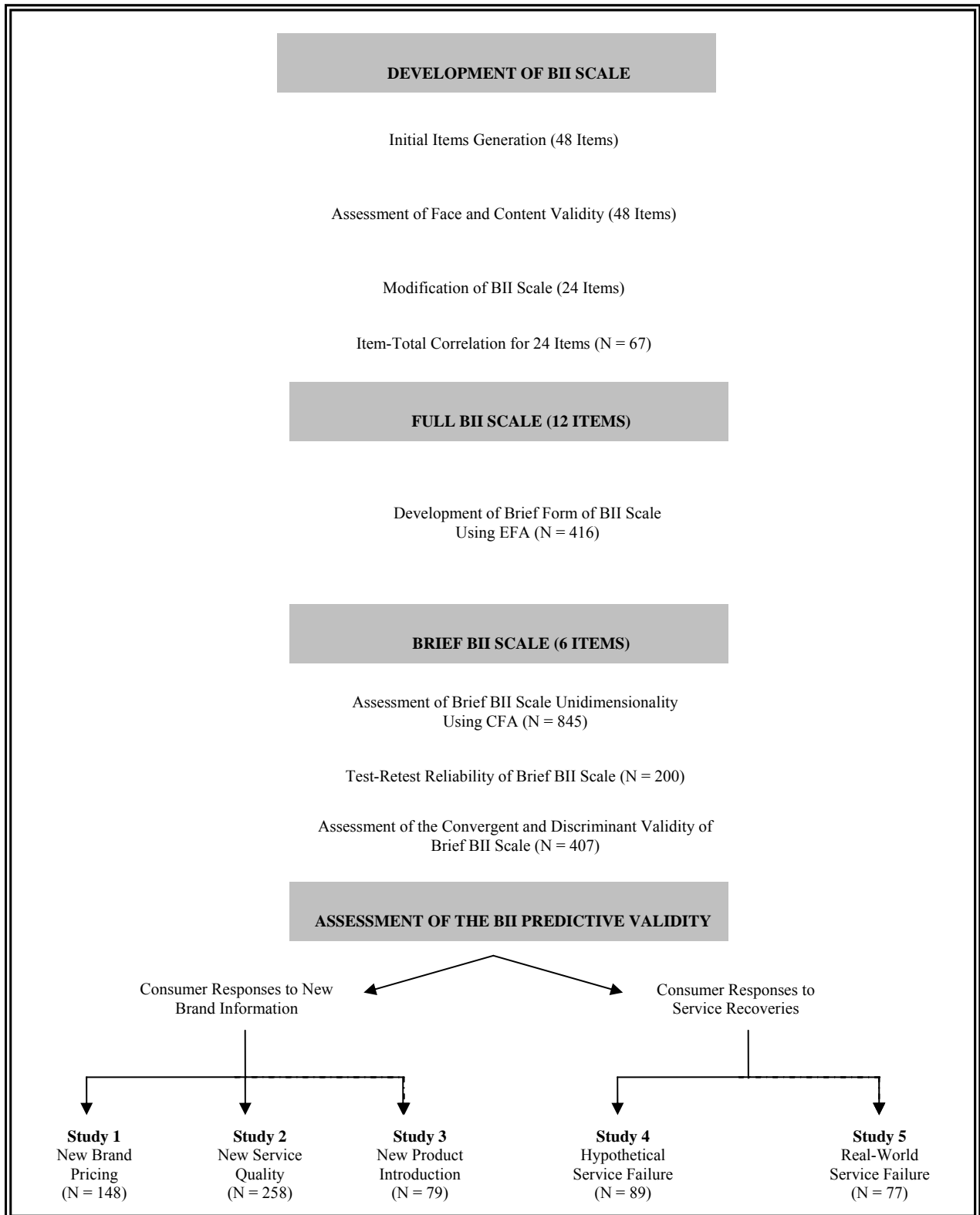


FIGURE 2

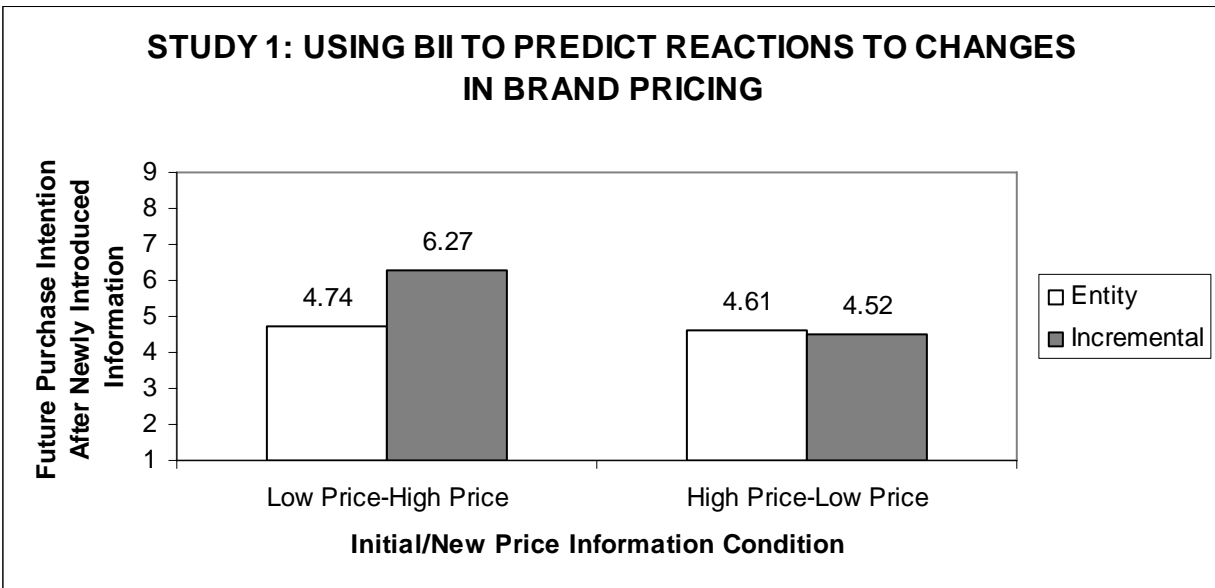


FIGURE 3

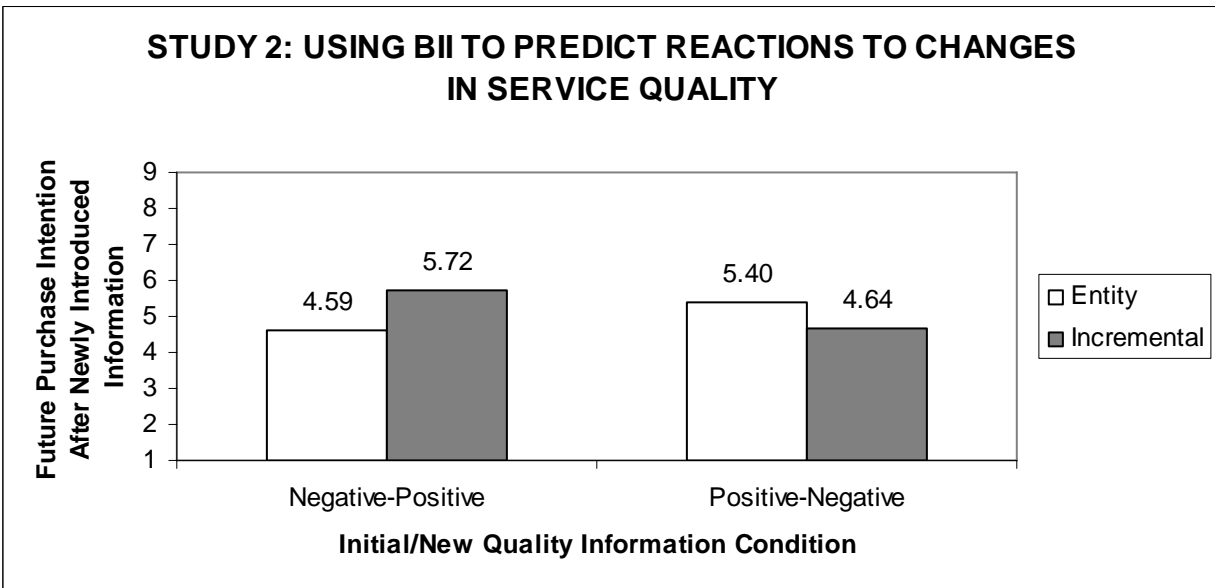


FIGURE 4

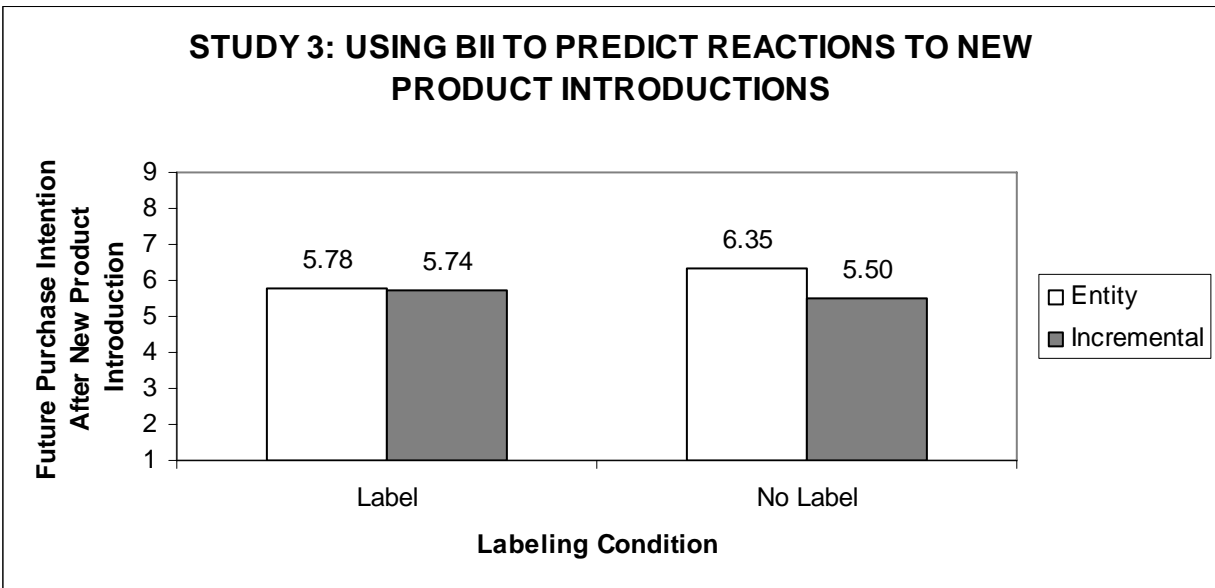


FIGURE 5

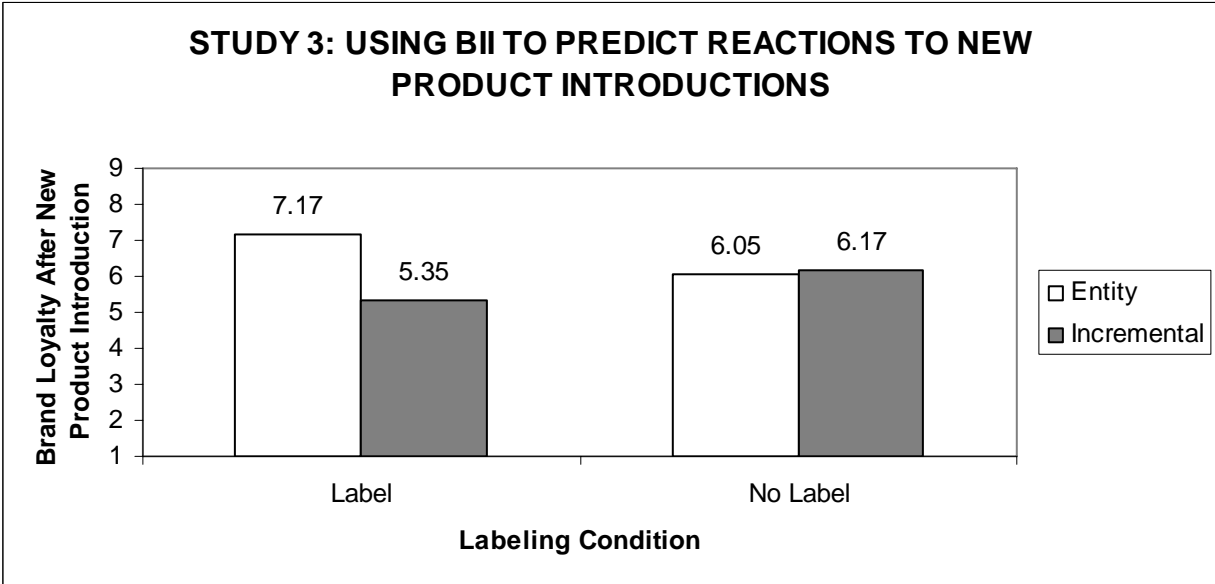


FIGURE 6

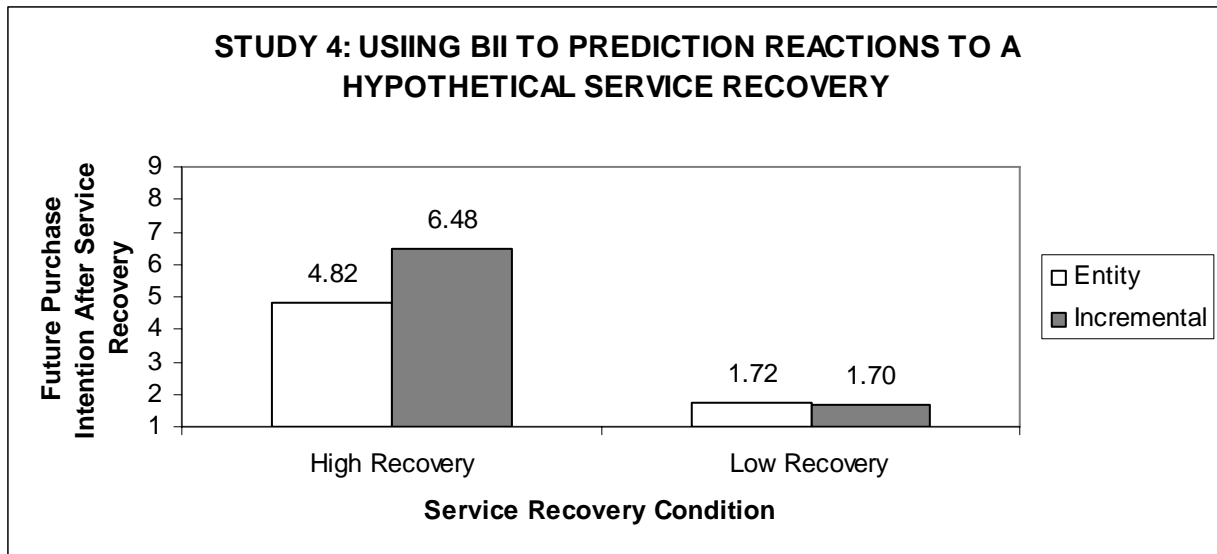


FIGURE 7

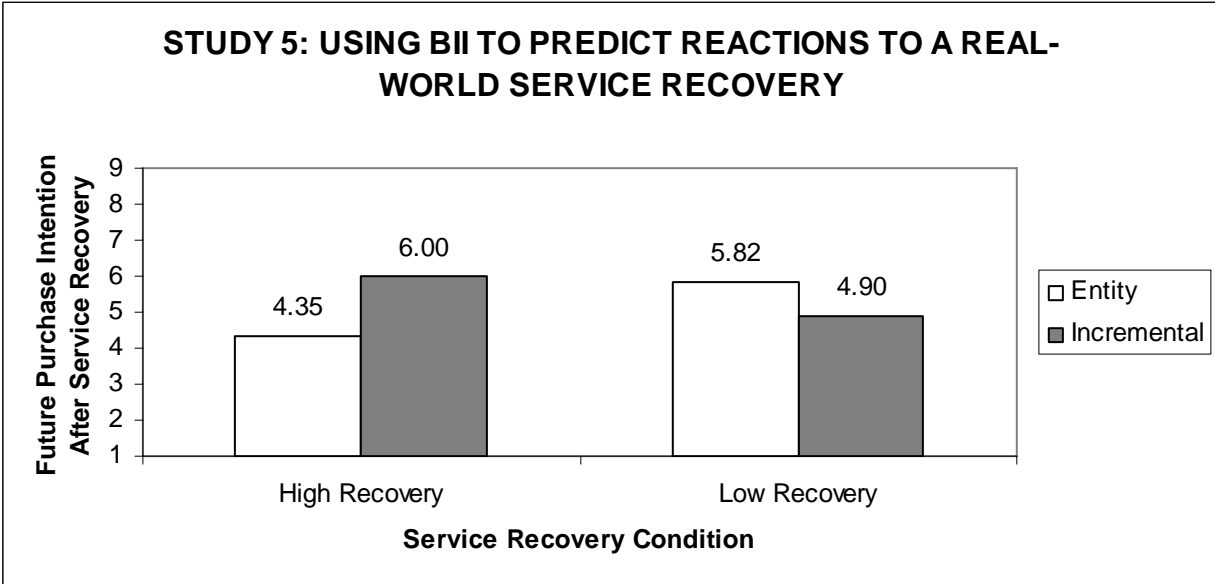


FIGURE 8

