CHAPTER 8

DISCUSSION

Studies that considered bundling as a new product introduction strategy primarily focused on the role of experiential and functional attributes on consumers' evaluation of the bundle. Such studies have generally ignored the effects of symbolic aspects on consumer perceptions and evaluations of new bundle components. Studies such as those of Harris and Blair (2006b) and Sheng and Pan (2009) tried to identify critical drivers of bundling effectiveness. These studies inferred that customer’s attitude towards the existing brand and congruence between the brands within the bundle was key to bundling effectiveness.

In the context of brand extensions and co-branding, literature suggests that brands provide symbolic benefits to consumers. Despite the importance of symbolic benefits (Self Congruity) being delivered by brands, we observe that their role has not been investigated in the context of brand bundling. An attempt was therefore made to examine the influence of symbolic benefits (self-congruity) in a bundling context. Extant literature suggests that self-congruity is a crucial factor in consumption behaviors, as it facilitates the expression of the consumer's internal self (Mason, 1981; Tsai, 2005).
It is very essential to consider both symbolic (self-congruity) and functional aspects (functional congruity) together, since customers are likely to pay the premium price not only for the utilitarian value but more so for the symbolic value. Symbolic attributes of a brand fulfill consumers’ social identity-related motivations, whereas functional features relate more to utilitarian motivations. This research effort approaches consumer benefits from the perspectives of self-congruity (that represent symbolic benefit) and functional congruity (that manifest in functional benefits). For the purpose of understanding the above mentioned phenomena, the study focused on two objectives.

The first objective of the study was to develop and empirically test a model that examines the roles of symbolic (self-congruity) and functional (functional congruity) benefits on consumers’ bundle purchase intention when bundling is used as a new product introduction strategy.

Second, the study was designed to investigate the process through which and conditions under which consumers’ symbolic and functional congruence with the existing brands in the bundle influences the purchase intention of the bundle as a whole.

Nine hypotheses were developed for studying interrelationship between self-congruity; functional congruity, existing brand attitude, new brand attitude, bundle purchase intention, conspicuousness, prior experience and complementarity (refer to figure 1). Stimuli for the main study were selected through three pretests. 2(Prior Experience: High vs. Low)* 2(Conspicuousness: High vs. Low) * 2 (Complementarity: High vs. Low) between subject experimental design was used
to collect the respondent data. Structural Equation Modeling and multigroup analysis was done for testing the hypotheses.

The first five hypotheses help in analyzing the direct relationship between the constructs. Hypothesis 1 examines the impact of Consumers’ self-congruity on functional congruity of the existing brand in a bundle. Hypothesis 2 examines the role of self-congruity on existing brand attitude. Hypothesis 3 examines the direct effect of functional congruity on existing brand attitude in a bundle. Hypothesis 4 examines the direct effect of existing brand attitude on attitudes towards the new brand in a bundle. Lastly, hypothesis 5 examines the direct effect of new brand attitude on bundle purchase intention.

The last four hypotheses examine the moderating role of prior experience, conspicuousness and complementarity on bundle purchase intention i.e. Hypotheses 6 and 7 examine the moderating role of prior experience between self-congruity, functional congruity and Existing Brand Attitude in a bundle. Hypothesis 8 examines the moderating role of conspicuousness between self-congruity and existing brand attitude in a bundle. Lastly, hypothesis 9 examines the moderating role of complementarity between existing brand and the new brand in the bundle.

The results show that the first five hypotheses (H1 to H5) are found to be significant.

It can therefore be inferred that self-congruity does have a significant direct (H1) as well as indirect effect (H2) (through functional congruity) on existing brand attitude. When compared to direct effect, we observe that indirect effect of self-congruity was higher on existing brand attitude. The result also supports
Elaboration Likelihood Model theory. Hence, it can be inferred that initially consumers will evaluate the brand on the basis of symbolic features (self-congruity) as they don’t have motivation and ability to process information regarding the existing brand. In other words, Consumers will evaluate brands on the basis of symbolic cues or symbolic features. Once they develop the affection towards the brand they would like to evaluate the brands on the basis of functional features (functional congruity) in other words they use the central route of persuasion for processing the information. It may thus be concluded that, higher the congruence between respondent’s self-concept and the existing brand in a bundle, higher will be a favorable attitude towards the existing brand in a bundle.

Results also show that consumers’ functional congruity with the existing brand in a bundle positively impacts their attitude towards the existing brand in that bundle (H3). It can be inferred that consumers will not purchase the bundles only for symbolic benefits (self-congruity); they will also look for functional benefits (functional congruity). It can therefore be understood that when consumers’ functional congruity with the existing brand is high, they form more favorable attitude towards the existing brand in a bundle. This validates the observations from prior studies on brand extension and co-branding.

It was also found that existing brand attitude has a significant direct and positive effect on attitude towards the new brand (H4). To further elaborate, quality perception of the new brand is enhanced as a result of the congruence of functional and symbolic benefits as also the transfer of favorable attitudes from existing to the new brand. These findings lend support to the categorization theory. Therefore it may be inferred that while evaluating the new brand in the bundle consumers put the new brand in the predefined category and evaluate the same
based on that category criterion. Hence, consumers would evaluate the new brands more positively and develop a favorable attitude towards the new brand in a bundle.

Lastly in Hypothesis 5 the study examined whether positive attitude towards the new brand has a significant positive effect on bundle purchase intention. The result was found to be significant and in line with the Theory of Reasoned Action (Ajzen and Fishbein, 1980), which states that development of favorable attitude towards the new brand will affect the consumers overall purchase intention for the bundle.

The next set of hypotheses (H6 to H9) examine the role of moderators namely conspicuousness, prior experience and complementarity in the overall model. The impacts of these moderators within their respective relational frameworks are discussed below.

Hypothesis 6 examined the impact of prior experience as a moderator between self-congruity and existing brand attitude. The results suggest that prior experience does moderate the relationship between self-congruity and attitude towards the existing brand. Consumers with low prior experience about the existing “bundled” brands are more likely to use self-congruity (symbolic benefit) with the existing brand for forming an attitude towards the brand. Hypothesis 7 investigates how prior experience moderates the relationship between functional congruity and existing brand attitude. The results prove that consumers with high prior experience about the “bundled” brands are more likely to have a positive attitude towards the brand based on the functional congruity (functional features) of the brand given their prior experience about the same.
It may be inferred that consumers with less prior experience about the brand tend to lack prior knowledge about the brand. This puts constraints on their cognitive abilities to evaluate the functional features of the existing brand. Therefore, such consumers are more likely to use symbolic cues for the purpose of evaluating the brand. The entire phenomenon is in sync with the Elaboration Likelihood Model.

Conversely, consumers with high prior experience about a product or brand may process information based on functional features because they have an adequate knowledge regarding the product/brands’ functional criteria hence they can use detailed cognitive method of evaluation i.e. functional congruity has a greater effect on more experienced consumers.

The impact of conspicuousness as a moderator in the relationship between self-congruity and existing brand attitude are examined (H8). The results suggest that brand conspicuousness moderates the relationship between self-congruity and existing brand attitude. Accordingly, respondent’s self-congruity will have a greater impact on existing brand attitude provided the brand is high on conspicuousness. The opposite result is expected for a low conspicuous brand.

Individuals may show the tendency to use certain brands to express their status, social standing etc. Intuitively, it may be deduced that individuals would develop more favorable attitude towards the existing brand given the higher conspicuousness of the same. Consumption of luxury brands is one such example. The findings of hypothesis 8 corroborate this relationship.

The final hypothesis (H9) deals with the moderation effect of brand complementarity between existing brand attitude and new brand attitude. The
outcomes suggest that, higher the level of complementarity between the existing brand and the new brand, higher the purchase intention towards the bundle and vice versa.

Consumers tend to transfer the positive attitude towards from the existing brand to the new brand in the bundle provided the new brand represents some dimensions of complementarity with the existing brand. For example a respondent would evaluate a particular brand of printer more positively if it is bundled with the branded personal computer given the latter has strong brand recognition. The phenomenon has its roots in the categorization theory (Sujan, 1985).
8.1 Theoretical Implications

The theories in support of usage of product/brand bundling (ELM, Categorization theory, Theory of Reasoned Action) etc. clearly point to the fact that this field is dynamic and evolving. We believe our attempt at understanding how consumers process bundles and how bundling can be used as a new product introduction strategy will be useful to academic literature. This study in our opinion adds the following dimensions to existing theory on product/brand bundling in general and other psychological aspects such as self-congruity, functional congruity in particular.

The theoretical implications of the research can be summarized as under:

i. The relationships between self-congruity and functional congruity in a brand bundling context have been examined. This we, believe is one of the first attempts at understanding the combined impact.

ii. Analysis reveals how consumers evaluate a new brand within a bundle in the presence of the existing brand that has high self-congruity and functional congruity. It can be inferred that if the existing brand enjoys high functional and symbolic congruity, the same can be transferred to the new brand in the bundle.

iii. This study expands our understanding of the categorization theory. Consumers tend to evaluate the perceived quality of the new brand in the presence of a strong existing brand even in a bundling context.

iv. The study enhances our understanding of how the antecedent factors such as favorable attitude towards the existing brand, self-congruity, functional congruity, prior experience and brand conspicuousness and brand
complementarity help consumers evaluate the brand more favorably in turn leading to a higher purchase likelihood of the bundle.

v. Studies on brand and product bundles have been conducted in other contexts and countries. To the best of our knowledge we believe a study of this nature has not been conducted in the Indian context. This study will help expand our understanding of the differences, if any, that may exist in different markets and contexts given the socio-economic, demographic and cultural differences.
8.1.2 Managerial Implications

As mentioned in earlier chapters the use of bundling as well as its strategic importance can never be discounted. Marketers are using this method more as a norm than an exception. With so much importance being given to this marketing and promotion activity, we believe marketing managers can benefit from the study findings.

The managerial implications are elaborated below.

i. Product’s, when bundled together help consumers reduce their perceived risk as well as convey a signal about the inherent product quality. This is true when a new / unknown product / brand are bundled with an existing popular product / brand. Marketing managers, in our opinion, should take extra precaution while bundling a well-known product with a relatively unknown/new product. This is true especially when the tied in product is new to the market or is being sold by a firm not popular / relatively unknown in the market. The strategy is double edged – it may succeed if consumers are able to transfer the positive characteristics of the well-known brand. However, if the tie in product is of poor quality the well-known brand also will suffer due to effect reversal. The study expands the understanding that bundling can be successful if there is a high degree of congruence between the symbolic and functional aspects leading to positive attitude formation on both – the existing brand and the new unknown brand. Before the tie in are planned careful evaluation of the product and its compatibility are critical inputs to be considered.
ii. Since popular brands help relatively new products, we suggest that bundling can be a strategic approach for planning brand alliances. This will be particularly relevant and practical for organizations that have resource and budget constraints. Such organizations may wish to test the market acceptability of the new product. If the customers accept the new product because of its position in the bundle, it can be safely assumed that over time the product would do well even after the alliance is broken. We suggest that marketers can take cues from these observations and plan brand alliance strategies with partners from related but uncontested product categories where they do not have a significant market presence. Over time such alliances help both firms – the existing and the new firm in expanding their consumer base.

iii. As the results of the study prove, brand conspicuousness impacts attitudes towards the existing and new brand. We suggest that the strategy is more relevant and useful in product categories that are perceived as conspicuous (example Apple iPhone). Marketers selling such products can take cues from the study and plan their strategies accordingly but exercise caution in the choice of products for the tie in.

iv. Communication strategies must necessarily incorporate the functional and symbolic cues inherent in the bundle and communicate to the target audience in a manner that is understood and comprehensible. The decision on the message that convey the product features (Central route to persuasion) and the imagery (peripheral route) must be taken up after careful planning and consideration based on target markets identified.
8.2 Limitations and Future Research

Studies in social science have inherent limitations in terms of scope, objectives, resources and time. This study is no exception. First, the study was conducted using expensive product categories (Smart Mobile Phones and Laptop) which are purchased by relatively affluent consumers. It remains to be investigated whether similar findings will emerge in product categories that are mass marketed. If the results happen to be similar or close irrespective of the product category we can conclude the robustness of the proposed model and study. It is suggested that a similar study must be conducted in other product categories to test the generalizability and contextuality of the findings.

The respondents in the study were Undergraduate and Postgraduate students and resembled samples used in similar studies that were conducted in western countries. Student samples however, are not a heterogeneous representation of real world. Replicating the model on a real sample, in our view, will elicit greater and realistic insights.

Consumer Behavior is highly dynamic and encompasses complex frameworks that aid as well as create barriers in consumer decision making. In this study we used only three variables namely product complementarity, prior experience and conspicuousness and analyzed how these influence consumers’ perceived attitude towards the existing brand and the new brand associated with the purchase of a product bundle. In our view, future research may also include other factors such as consumer innovativeness, product familiarity, involvement, risk aversion, product price and product form which might have a different impact on the purchase intention of the bundled product.