

# **What's in a Name? Asymmetry of Foreign Branding Effects in Hedonic versus Utilitarian Product Categories**

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# **What's in a Name? Asymmetry of Foreign Branding Effects in Hedonic versus Utilitarian Product Categories**

## **Abstract**

**Foreign branding (spelling a brand name in a foreign language) is one way to create desirable product associations. In three empirical studies, we apply justification theory to demonstrate that foreign branding increases purchase likelihood if it is compatible with the product category (e.g., a French brand name for hedonic and a German name for utilitarian products). However, incongruence between the country of origin (CoO) implied by the foreign brand name and the actual CoO, indicating a different origin, backfires for products in hedonic categories. However, by implicitly helping consumers to justify their purchase decision, this negative effect can be reduced.**

**Keywords:** *brand management, foreign branding, international marketing*

**Track:** *International and Cross-Cultural Marketing*

## 1. Introduction

Choosing a proper brand name is crucial for the success of new products (e.g., Aaker, 1996; Keller, Heckler, & Houston, 1998). Foreign branding, “the strategy of spelling or pronouncing a brand name in a foreign language” (Leclerc, Schmitt, & Dubé, 1994, p. 263), is one way to semantically direct consumers to desirable product associations. Consequently, many companies use foreign branding in hope that those brand names would suggest or enhance certain qualities of their products. One of the best known examples in this context is the American ice cream brand *Häagen Dasz* (Leclerc et al., 1994) which suggests a Scandinavian origin. Also the use of French sounding brand names is very common: A Japanese fashion designer, Issey Miyake, chose to give French names to his perfumes (e.g., *L’Eau Bleue*), presumably to highlight their hedonic properties of elegance and temptation via automatic references in consumers’ minds to French perfume brands. Similarly, Storck, a German confectionary producer, also gave a French name to its product *Chocolat Pavot*. Others make use of the German language (e.g. *Renkus Heinz*, a US loudspeaker brand) to enhance associations such as high quality often attached to German products.

Increasingly, this strategy has also been applied by developing or newly industrialized countries: For example, several Korean manufacturers gave French brand names to their Korean cosmetics lines (e.g., Amorepacific: *Laneige* and *Mamonde*). On the other hand, a leading Chinese appliance brand, *Haier*, uses a more German sounding brand name to enhance utilitarian associations such as durability, which are usually attached to German appliances. All these examples show that consumers nowadays are increasingly faced with products that carry both a brand name suggesting a developed country of origin (CoO) and the actual developing CoO-information. The reason is two-fold; first, many companies moved their production lines to developing countries. Second, many emerging economies start their own brands and market them internationally (Brown, 2005). Thus, understanding consumers’ reactions to the incongruence between the CoO implied by foreign branding and the actual CoO is of crucial importance for marketing managers.

In their seminal article, Leclerc et al. (1994) studied the effects of French foreign branding on consumers’ product attitudes. They found that French branding increased perceived hedonism of products for American consumers. Moreover, adding the incongruent country of origin association “made in the U.S.A” as additional information to the French brand name decreased perceived hedonism of the product. Several replication studies (e.g., Harris, Garner-Earl, Sprick, & Carroll, 1994; Thakor & Pacheco, 1997) partly confirmed these results.

Against this background, the contributions of this paper are three-fold. First, we investigate the effects of ‘utilitarian’ (e.g., German) foreign branding on purchase intentions in hedonic versus utilitarian product categories and compare two foreign branding alternatives to each other, namely ‘utilitarian’ versus ‘hedonic’ (French) foreign branding. In contrast, Leclerc et al. (1994) only compare foreign to ‘domestic’ (in their case: English) branding. Second, we comprehensively examine how the above effects change when consumers are exposed to incongruent CoO-information, suggesting the product is actually manufactured in a different country than implied by the brand name. Third, we demonstrate that asymmetric effects occur for hedonic and utilitarian products when incongruent CoO-information is given.

## 2. Study 1

When making a purchase decision, people automatically construct reasons to justify their choices to themselves and others (e.g., Shafir, Simonson, & Tversky, 1993). Salient product attributes, such as the brand name, are therefore often used as predictors of product benefits

and thus influence the way this justification is made (e.g., Keller et al., 1998). However, justification is not only influenced by salient attributes of the product per se, but also by the perceived easiness with which such a justification can be made (Park & Kim, 2005). This perceived fluency is determined by the way in which the attributes and the product benefits interact with each other. Based on the compatibility principle (Shafir, 1993), the saliency of a certain product attribute is enhanced by its compatibility with the product outcome. In other words, when evaluating a hedonic product, a consumer is attending more to the attributes that are congruent with the hedonic benefits. For example, when choosing a convertible sports car, color and shape (compatible hedonic attributes) would be more salient attributes than gasoline consumption (an incompatible utilitarian attribute) and the reverse would be true for a more utilitarian family vehicle.

Brand names are powerful product attributes. Foreign brand names elicit associations related to a country's image (Leclerc et al., 1994) and language (Noriega & Blair, 2008). Those semantic associations primed by a brand name influence consumers' imagery and enable them to infer attributes or benefits of the products (e.g., Keller et al., 1998). Thus, a brand name reinforces the corresponding general category associations, including its hedonic-utilitarian dimension (e.g., Hong & Wyer, 1990; Jaffe & Nebenzahl, 2006). Hence, in addition to serving as a semantic cue, a brand name compatible with the product category (i.e., a brand name that elicits hedonic associations, e.g. a French name, for hedonic products and a brand name that elicits utilitarian associations, e.g. a German brand name, for utilitarian products) is likely to simplify the purchase justification and therefore increases purchase likelihood. Thus,

*H1. A French brand name increases purchase likelihood for hedonic products.*

*H2. A German brand name increases purchase likelihood for utilitarian products.*

*Study design.* The study had a 2 (brand name: French Croixbergière versus German Kreuzberger) x 2 (product type: hedonic versus utilitarian) x product category (candles versus watches) between-subjects design. Fictitious brand names were approved by French and German native speakers to ensure that all of them were acceptable in both languages and exhibited the most possible similarity in terms of syllables and length. A pretest showed high hit rates of correct classification for the brand name pair finally used in this study. The hedonic category was represented by a decorative scented candle and a luxury watch; the utilitarian products were an insect-repellent candle and a sports watch. The prices of the corresponding products in the utilitarian and hedonic categories were identical (e.g., the prices of luxury and sport watches were the same). The data was collected via an international online panel according to a quota sampling procedure to represent New Zealand consumers in terms of age, gender, and household income. The final sample consisted of 351 respondents (163 male; 188 female). New Zealand was chosen so that both French and German represented foreign languages. Participants were randomly assigned to one out of eight fictitious advertisements depicting the product, its brand name, a short product type description, an announcement that the product would soon be available in stores and the product's price. Participants then indicated their likelihood to purchase the product shown in the ad on a 7-point scale (1=not at all likely; 7=very likely).

*Manipulation check brand name.* We asked participants to indicate which country the brand was most likely to come from. 74% of respondents in the French brand name conditions correctly identified it as French, and 89% of respondents in the German brand name conditions correctly identified it as German. The two hedonic products were rated significantly ( $p < .001$ ) more hedonic ( $M_{\text{decorative\_candle}}=5.16$ ,  $M_{\text{luxury\_watch}}=4.97$ ;  $M_{\text{hed}} = 5.06$ ) than their corresponding utilitarian ones ( $M_{\text{insect\_repellent\_candle}}=2.76$ ,  $M_{\text{sports\_watch}}=2.69$ ;  $M_{\text{ut}}=2.72$ ) on a 7-point-scale (1=definitely utilitarian; 7=definitely hedonic).

*Results.* An ANOVA conducted on purchase likelihood with brand name, product type and product category as between-subjects factors, respondents' interest in the product category as

control variable, and an interaction of brand name with product type supported our predictions. We found a significant positive interaction effect between brand name and product type ( $B = .787$ ,  $F(1,345) = 5.9$ ,  $p = .02$ ), suggesting that for hedonic products a French brand name actually enhanced purchase likelihood and the same was true for utilitarian products with a German brand name (consistent with H1 and H2). The main effect of product category was significant ( $B = .894$ ,  $F(1,345) = 30.407$ ,  $p < .000$ ) which means that the respondents in general were more likely to buy a candle than a watch. The main effects of brand name and product type were not significant ( $p > .10$ ), which suggests that overall respondents were not more likely to buy hedonic than utilitarian products and that overall the brand name on its own did not have a significant effect on purchase likelihood. Thus, foreign branding only increases purchase likelihood if it is compatible with the product category, consistent with our H1 and H2.

### 3. Study 2

Both foreign branding and “made in”-information (i.e., CoO-information) can elicit associations towards a country and a country’s image (Leclerc et al., 1994; Heslop & Papadopolous, 1993). Thus, if—in addition to the brand name suggesting a specific CoO—an incongruent CoO-information is given, dissonant associations lead to a dilution of the brand’s image in consumers’ minds (e.g., Keller, 1993). This, in turn, makes consumer’s justification of the product purchase more difficult. Therefore,

*H3. Incongruence between the CoO suggested by foreign branding and the actual CoO reduces purchase likelihood for both hedonic and utilitarian products.*

Moreover, consumers are likely to make direct inferences about the overall quality of a product based on the CoO’s image (e.g., Han, 1989; Hong and Wyer, 1989, 1990). If incongruent CoO-information is given, leading to a dilution of the brand’s image, this incongruence (between CoO and foreign branding) is likely to lead to an overall downgrade of the perceived product quality, which in turn makes justification of such a purchase more challenging for consumers. Thus,

*H4. Product quality perceptions mediate the effect of incongruence between the CoO suggested by foreign branding and the actual CoO on purchase likelihood.*

An intriguing finding in the recent literature suggests that it is easier to justify purchases of utilitarian products than hedonic ones (Okada, 2005). The very difference in the nature of the types of benefits offered by the two types of products creates this asymmetry in justification. Hedonic products are evaluated primarily based on benefits related to experiential enjoyment or aesthetics (e.g., Holbrook & Moore, 1981). These benefits are more intangible and abstract in nature and therefore more difficult to quantify. To make things worse, there is often a sense of guilt associated with consumption of hedonic products (e.g., Khan & Dhar, 2006). In contrast, utilitarian products are evaluated based on practical and functional tangible attributes that are easier to quantify (e.g., Mano & Oliver, 1993). Because it is easier to justify quantifiable reasons (e.g., Hsee, 1996), ceteris paribus utilitarian products are easier to justify than hedonic ones. Conversely, it is more difficult to justify the purchase of a hedonic product. Therefore,

*H5. Incongruence between the CoO suggested by foreign branding and the actual CoO reduces purchase likelihood for hedonic products more than purchase likelihood for utilitarian products*

*Study design.* Study 2 was similar to study 1, with two differences: we only focused on one product category, namely watches, and added two experimental conditions to control for the (in)congruence between CoO and brand name. Thus, Study 2 had a 2 (brand name: French

Croixbergière versus German Kreuzberger) x 3 (congruent [“made in France”/”made in Germany”] versus incongruent positive [“made in Germany”/”made in France”] versus incongruent negative [“made in Bangladesh”] CoO-information) x 2 (product type: hedonic versus utilitarian) between-subjects design. The data collection procedure was identical to study 1. The total sample consisted of 594 (285 male, 309 female) respondents.

*Manipulation checks.* The hit rates of correct identification of the brand name origin were 71% for Croixbergière and 84% for Kreuzberger. Moreover, as we included CoO-information in the study, we also asked respondents where the respective product was actually manufactured. 77% of the respondents correctly indicated Bangladesh, 72% France and 87% Germany as the respective countries of production.

*Results.* We conducted an ANOVA on purchase likelihood with brand name, product type, incongruence and the interaction of product type with incongruence as between-subjects factors. We found a significant main effect of incongruence ( $B = -.085$ ,  $F(1,588) = 8.96$ ,  $p = .003$ ), suggesting that incongruence between actual CoO and the one suggested by foreign branding decreases purchase likelihood. Thus, H3 was supported. Consistent with H5, there was a significant interaction effect of incongruence with product type ( $B = -.624$ ,  $F(1,588) = 5.55$ ,  $p < .05$ ), suggesting that incongruence especially hurts hedonic products. To follow up on this significant interaction effect, we tested the planned comparisons. We found that the simple main effect of incongruence is significant in both the hedonic ( $F(2,588) = 11.27$ ,  $p < .001$ ) and the utilitarian case ( $F(2,588) = 4.39$ ,  $p = .013$ ). The follow-up planned comparisons revealed for the hedonic case that congruent CoO-information leads to a higher purchase likelihood than positive CoO-information ( $F(1,588) = 3.93$ ,  $p = .048$ ) or negative CoO-information ( $F(1,588) = 22.31$ ,  $p < .001$ ). For the utilitarian case, congruent CoO-information was only marginally better compared to negative CoO-information ( $F(1,588) = 3.32$ ,  $p = .069$ ), whereas no significant difference was found in comparison to the condition with positive CoO-information ( $F(1,588) = .94$ ,  $p = .333$ ) (see Table 1).

	Utilitarian	Hedonic
<b>Congruent</b>	2,83	3,16
<b>Incongruent positive</b>	3,04	2,74
<b>Incongruent negative</b>	2,45	2,15

Table 1: Means for purchase likelihood (Study 2)

Furthermore, a mediation analysis (Baron & Kenny, 1986) indicated that the effect of incongruent CoO-information on purchase likelihood was mediated by product quality ( $Z[\text{Sobel}] = 5.02$ ,  $p < .001$ ). Thus, H4 is supported.

To test for generalizability of our findings, we are currently collecting data for a different country sample, i.e. Australia, and for a different product category.

#### 4. Study 3

People are more likely to make decisions that they can justify easily (e.g., Park & Kim, 2005). In this context, the results of study 2 show that negative incongruence especially decreases purchase likelihood for hedonic products because justification of such purchases is highly difficult. Consequently, supporting consumers in the justification of their decision should increase purchase likelihood. Therefore, in study 3, we implicitly support respondents in their purchase justification by forcing them to give a reason to buy the product before indicating their purchase likelihood (Simonson & Nowlis, 2000). An increased pressure to justify the purchase decision should result in a positive effect on purchase likelihood.

*Study design.* The study had a 2 (high justification pressure/no justification pressure) x incongruent CoO-information (“made in Bulgaria”/”made in Uruguay”) x product category (perfume/wine) between-subjects design. We only chose hedonic categories (with compatible

French brand names) and incongruent CoO-information to cover the “worst case” of our results of study 2. Prices of the corresponding products in the two conditions were again identical. The data was collected via a paper-and-pencil lab experiment at a large German university. The final sample consisted of 205 respondents (114 male; 91 female). Participants were randomly assigned to one out of four fictitious advertisements. In the condition of high justification pressure, participants were asked to write down one reason why they would give that product to their best friend. In the condition without justification pressure they were asked to write down one feature of their best friends’ character they admire the most. Participants then indicated their likelihood to purchase the product.

*Manipulation checks.* The hit rates of correct identification of the French brand names were 89% and those of correct identification of the incongruent CoO-information were 86% for Bulgaria and 84% for Uruguay, respectively. The manipulation check showed that participants in the high justification pressure situation ( $M = 3.66$ ) significantly differed from those with no justification pressure ( $M = 4.24$ ; with 1 = perceived high justification pressure;  $t(205) = -2.92, p = .004$ ).

*Results.* An ANOVA on purchase likelihood with justification pressure and product category as between-subjects factors revealed a significant main effect of product category ( $F(1,201) = 12.68, p < .001$ ) suggesting that respondents were more likely to buy a wine than a perfume. More importantly, we found a significant effect of our justification manipulation ( $B = .540, F(1,201) = 4.76, p = .030$ ) meaning that forcing (and thereby supporting) respondents to justify their purchase decision has a positive effect on purchase likelihood.

## 5. Discussion and managerial implications

The results of study 1 show that French names seem to further enhance perceived hedonic features of a hedonic product, leading to a higher likelihood to buy the product by facilitating the justification of the purchase of this product. Similarly, German brand names enhance the purchase likelihood of utilitarian products. The results of study 2 support the hypothesis that the addition of CoO-information, which is incongruent to the country implied by the brand name, decreases purchase likelihood. This effect stems partly from the perception of product quality which serves as a mediator. Moreover, the results show that the reduction in purchase likelihood is worse for hedonic than for utilitarian products.

Our findings have several managerial implications. First, given current regulations that prescribe obligatory display of the country of manufacturing in most developed countries (Verlegh, Steenkamp, & Meulenberg, 2005), especially emerging countries should refrain from using foreign branding in hedonic categories as this situation has been identified as “worst case” in study 2. They may, however, get away with using it in utilitarian categories. Second, when a product is produced in a country with a favorable product image (e.g., French cosmetics, German appliances), a brand name reflecting the actual CoO, rather than a “country neutral” name, would enhance purchase likelihood. Third, on a more general level, our results suggest that when choosing a brand name, it helps if it is compatible with the product category. That is, the name should be able to elicit corresponding hedonic and utilitarian associations on its own. Future research might look at ‘hedonic-yet-country-neutral’ brand names to further investigate this suggestion. Finally, if a company is in the unfortunate situation of producing a hedonic product under a French brand name in an emerging country, our results of study 3 suggest a way how they can recover from the incongruence. That is, they may want to help consumers to justify the purchase by providing them hedonic reasons for doing it. Further research should address the generalizability of our findings by analyzing additional product categories and brand names.

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