

Factors Influencing Effective Rebranding Strategy

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Abstract

Scholars and marketers have tried to formulate effective rebranding strategies to expand target markets and retain loyal customers. Yet, advice from scholars seems largely based on qualitative studies rather than on research evidence. To fill the gap, this study, using a quantitative approach, sets out to examine how rebranding evaluation can be affected by consumer innovativeness, brand loyalty and perceived brand image fit.

The findings demonstrate that brand equity can be improved when rebranding is evaluated positively. Innovative customers tend to evaluate rebranding more positively than others. Furthermore, customers who were more loyal to the initial brand may pay more attention to brand image fit before and after rebranding when making evaluations.

Keywords: Rebranding Strategy, Consumer Innovativeness, Brand Loyalty, Perceived Brand Image Fit

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I. Introduction

When facing many rapid changes and challenges in retail markets such as fashion and restaurants nowadays, marketers attempt to develop new branding strategies to create more brand values which are hard to be imitated by competitors. Rebranding strategy (e.g. Daly and Moloney, 2004; Keller, 1999; Muzellec and Lambkin, 2006) has become a usual practice for marketers to achieve such goals. By changing visual brand elements like color and logo and by launching various marketing programs such as integrated marketing communications, marketers aim to create new brand associations and induce customers' purchase intentions. The outcomes, however, varied between different retail brands. Some brands are successful in delivering new brand images to their customers, while others fail to impress, or be accepted by their loyal customers with such changes. Thus, it is worthwhile to investigate factors affecting rebranding outcomes and to assess the possible indicators of rebranding success.

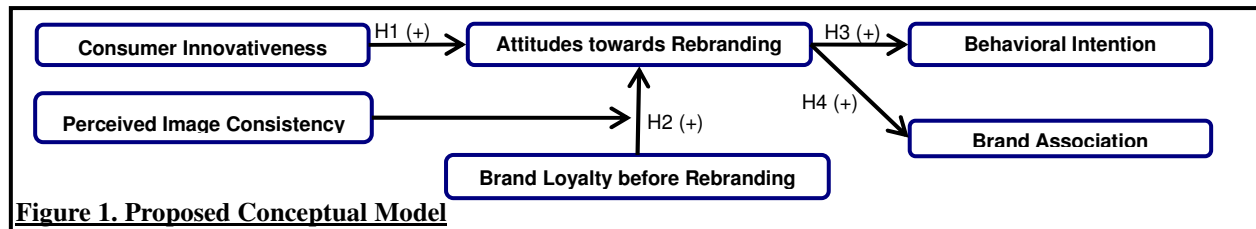
II. Literature Review and Hypotheses Development

Despite the increase in the popularity of rebranding issues, Merrilees (2005) observes that no general framework for rebranding has been generated. As different firms have different structures and objectives, no uniform branding strategies can be employed by all firms for all products and services (Keller, 2002; LaForet & Saunders 1994). Rebranding strategies, which is one of the branding strategies, are required to be customized for different firms with their own needs; therefore it is difficult for all firms to apply a common formula of rebranding. Nevertheless, researchers and scholars attempt to describe different kinds of processes and natures of rebranding strategies and provide useful insights on the designs and implementations.

Definition of Rebranding: There are extensive discussions on rebranding in different forms and natures in the literature. Keller (1999) describes rebranding strategies as parts of repositioning without destroying existing brand loyalty. Daly and Moloney (2004) suggest rebranding can be viewed as a continuum which refers to three change categories with respective change formats – Minor Changes (Aesthetics), Intermediate Changes (Reposition) and Complete Change (Rebranding). Besides, Stuart and Muzellec (2004) state that rebranding can be achieved with the changes of brand identity, which can be categorized into three main types: Name, logo and slogan changes. In contrast, Muzellec and Lambkin (2006) believe that both changes of marketing aesthetics and repositioning can be rebranding approaches. They suggest that minor and intermediate changes on logos and slogans can be classified as evolutionary rebranding; whereas complete changes symbolized by creating new names can be described as revolutionary rebranding. Andrews and Kim (2007) maintain that rebranding always involves some changes in the existing perceptions among customers and also firm position in the market. For instance, when marketers implement rebranding for an established brand, new name, term, symbol, design or other visual identity devices may create a novel position and image to both internal organization and external market (Muzellec and Lambkin, 2006; de Chernatony and Riley, 1998).

In fact, rebranding can be a very risky and challenging strategy that may cause serious damage to brand loyalty and brand equity (Ellwood, 2006; Gotsi and Andriopoulos, 2007; Hatch and Schultz, 2003). Customers may not appreciate such changes of the brands and react

negatively if they perceive that core brand values have disappeared after rebranding (Haig, 2003). Based on the literature reviewed, a conceptual model to investigate consumer response to rebranding is proposed and shown in Figure 1. Four hypotheses are developed to assess the determinants of consumer attitudes towards rebranding and to evaluate rebranding effectiveness in terms of behavioral intentions and perceptions of brand associations.



Consumer innovativeness: Rebranding into new images can probably be a shortcut to recapture market's attention to the brands. Consumer innovativeness, which has been discussed extensively in literature on branding strategies, may affect how customers evaluate rebranding strategies. Midgley and Dowling (1978) define consumer innovativeness as a personality trait that represents an individual's proneness to try new things. Innovative people may enjoy purchasing and trying new products; in contrast, conservative people may exhibit more resistance to brand novelty. Hem, de Chernatony and Iversen (2003) discover that customers who regard themselves as innovative persons tend to react more favorably towards brand extensions which bring novelty to the brands. Inferentially, innovative customers may have more favorable attitudes towards rebranding as they seem to be more receptive to new ideas and changes associated to the brand (Salinas and Perez, 2009). Thus, it is hypothesized that:

Hypothesis 1: Consumer innovativeness has a positive influence on rebranding attitude

Brand loyalty and evaluation of rebranding moderated by perceived brand image fit: Brand loyalty is defined as a kind of behavioral response (e.g. purchase) with biased brand selection (i.e. repurchase the particular brands) which is expressed over time (Jacoby and Chestnut, 1978). Some studies reveal that brand loyalty can be damaged due to some alterations made in the brand, of which core values and benefits cannot be preserved and maintained during such changes. However, some researchers discover that loyal customers seem to be more tolerant towards the changes if there are high similarities before and after the changes of brands. For instance, Pimentel and Heckler (2003) demonstrate that, with the familiarity effects, customers tend to accept slight changes of visual identities of brands. A study by Walsh, Page and Mittal (2007) also discover that consumers who are strongly committed to a brand have more negative attitudes when the difference of logo redesign increases. Thus, the second hypothesis is:

Hypothesis 2: There is a positive relationship between brand loyalty before rebranding and customers' evaluation of rebranding strategy, moderated by perceived brand image fit

Improvement in Customer-based brand equity: Customer-based brand equity is a power of the brands that is created in customers' minds and is rooted in what they have experienced and learnt about the brand over time (Keller, 1993). In fact, brand equity can be operationalized by consumers' perceptions on brand associations and behavioral intentions (Cobb-Walgren *et al.*, 1995). In this study, the impact of rebranding strategies on the customer-based brand equity, in terms of behavioral intentions and brand associations, is investigated.

(i) Behavioral intentions. Keller (1999) believes that a successful rebranding strategy can help

improve customer-based brand equity in form of increased quantity purchased and frequency of consumption. With strong customer-based brand equity, customers have stronger behavioral intentions and react more favorably to the marketing activities of the brand. In fact, behavioral intentions are always regarded as indicators to evaluate how customers perceive services in many previous studies (e.g. Cronin, Brady and Hult, 2000; Zeithaml, Berry & Parasuraman, 1996). Hence, the third hypothesis is :

Hypothesis 3: Favorable attitudes towards rebranding could increase behavioral intentions

(ii) Brand associations. Keller (1999) clearly indicates that favorable attitude towards the rebranding strategy can improve the strength, favorability and uniqueness of brand associations which make up brand image and also increase customer-based brand equity. In fact, Andrews and Kim (2007) use brand associations consisting of brand image and brand attitude as the indicators of rebranding effectiveness. Their study shows that there are improvements on these indicators when customers have favorable perceptions towards the rebranding strategies. Thus, it is postulated that:

Hypothesis 4: Favorable attitudes towards rebranding could improve brand associations

III. Methodology

In this study, self-administered survey was adopted for data collection. 147 respondents completed the questionnaire and 109 responses were usable. Questionnaire was designed to assess consumer innovativeness, brand loyalty status, perceived brand image fit (before and after rebranding), overall evaluations of rebranding strategy of the chosen retail apparel brand, and the improvements in customer-based brand equity after rebranding (measured in terms of brand association and behavioral intention). Seven-point Likert scales were used for all the measures. A local retail apparel brand which revamped her brand in year 2007 was chosen to be investigated in this study. This local brand is one of the most famous mass apparel brands in Hong Kong. This brand embarked a holistic rebranding campaign by emphasizing family values and offering a home feeling while preserving “value-for-money” as her core brand value. A convenience sample of young adults was used due to the exploratory nature of this study. The subjects of this survey were mainly young adults as Wang, *et al.* (2004) reveal that young adults seem to be more brand conscious and fashion conscious when purchasing fashion products. They may read more fashion magazines, shop more frequently and spend more on clothing.

IV. Result

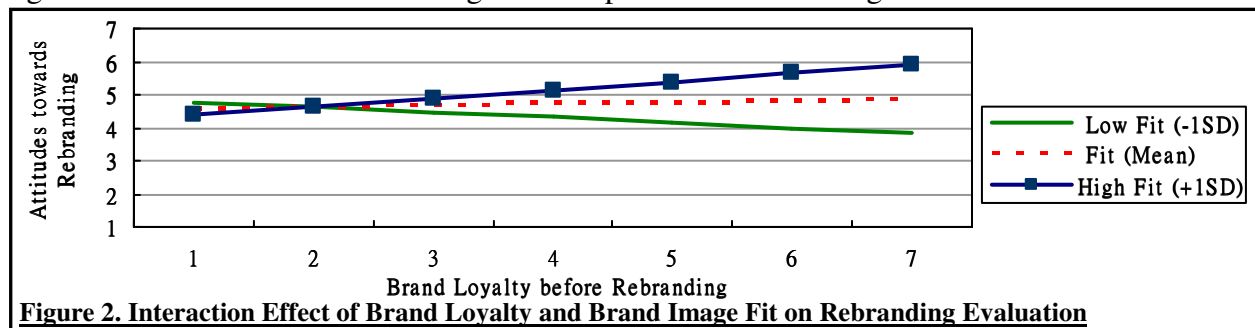
All constructs in the model are of high reliability with high Cronbach's alpha values (ranging from 0.726 to 0.945), which are above the recommended levels of 0.70 (Nunnally, 1978), indicating satisfactory internal consistency. Besides, each of the scales with more than three items (i.e. Consumer innovativeness, Brand loyalty before rebranding, Overall evaluation of rebranding, Brand association and Behavioral intention) loads on to one factor (Eigenvalue greater than 1.8 in all cases, with a total variance greater than 55%). These results show that the contributions of each scale in the statistical analysis are generally accepted because the factors demonstrate high reliability and validity explained with a substantial amount of variance.

Hypothesis One: The impact of consumer innovativeness on rebranding evaluation. A regression analysis was performed to predict how customers evaluate rebranding strategy at

different levels of consumer innovativeness, which is defined as a prediction variable in this hypothesis. Not surprisingly, consumer innovativeness has a significant and positive effect on the evaluation of rebranding strategy (Beta=0.376; $p=0.000$; $R^2=0.141$). This suggests that when customers are more prone to new ideas and novelty, they are inclined to have favorable attitudes towards the rebranding strategies. Hence, hypothesis one is empirically supported.

Hypothesis Two: *The moderating effect of perceived brand image fit on the evaluation of rebranding strategies at different brand loyalty status.* Prior to analyzing the interaction effects of the independent variable (Brand Loyalty before Rebranding) and the moderator (Perceived Brand Image Fit), their main effects were assessed respectively using simple regression analyses to obtain more precise understanding on each variable. The finding shows that the effect of brand loyalty before rebranding on evaluation of rebranding is statistically insignificant (Beta=0.050; $p>0.10$). Besides, perceived brand image fit has a negative and statistically significant effect on rebranding evaluation (Beta= -0.371; $p<0.01$), which means that people, in general, tend to evaluate rebranding favorably when brand images before and after rebranding are dissimilar.

To analyze the interaction effects of perceived brand image fit and brand loyalty status of customers, multiple regression analysis was conducted. The result demonstrates that the relationship between brand loyalty status and rebranding evaluation is strengthened when there is a perceived higher brand image fit (Beta=0.243; $p=0.008$; $R^2=0.234$). It is apparent that perceived brand image fit can moderate attitude towards rebranding strategies of consumer with different levels of brand loyalty. To further analyze the moderating effects of perceived brand image fit on evaluation of rebranding strategy, simple slope test (Aiken and West, 1991) was performed by selecting three values of the moderator (High, Mean and Low level of perceived brand image fit). Figure 2 below shows the moderating effect of perceived brand image fit.



As shown in Figure 2, significant differences occur in high and low perceived brand image fit level. In the case of low perceived brand image fit, loyal customers tend to react less favorably towards rebranding, whereas non loyal customers may react more favorably. Yet, in the case of high brand image fit, people who are more loyal to the brand tend to have more favorable attitudes towards the rebranding strategy, while people who are less loyal to the brand may react less favorable towards rebranding. Hence, hypothesis two is validated in this study. In fact, this finding is also consistent to some previous research which show that perceived brand image fit plays an important role in attitude formation in other branding strategies (Helmig, Huber and Leeflang, 2007; Hem, de Chernatony and Iversen, 2003).

Hypothesis Three: *The influences of attitude towards rebranding on behavioral intention.* The relationship of attitudes towards rebranding strategies on behavioral intentions was examined by a linear regression analysis. The finding shows a significant and positive relationship between rebranding attitude and behavioral intention for customers (Beta=0.476; $p=0.000$; $R^2=0.227$). It

implies that people with more favorable attitudes towards the rebranding strategies would have higher purchase potential, indicating that attitude can play a significant role for people to decide whether they try or keep purchasing after rebranding. Hence, hypothesis three is supported.

Hypothesis Four: *The impact of attitude towards rebranding on brand association.* Simple linear regression was conducted to assess the impact of attitude towards rebranding. The result shows that the relationship of attitude towards rebranding and brand association is significantly positive (Beta=0.706; $p=0.000$; $R^2=0.499$). It implies that when people evaluate rebranding more favorably, brand associations can be improved. Thus, hypothesis four is confirmed.

V. Discussion and Conclusion

Not surprisingly, more innovative people will probably have better attitude towards rebranding as they tend to seek novelty and variety in their purchase behavior, contributing to positive rebranding evaluation. Therefore, marketers should consider consumer innovativeness as one of the key factors influencing the success of their planned rebranding strategies. In addition, it is apparent that people who evaluate rebranding positively will perhaps perceive better brand association and have greater behavioral intentions to the brand after change. Thus, it is believed that successful rebranding can lead to an improvement in customer-based brand equity.

As predicted, loyal customers who perceive higher brand image similarity tend to react more favorably towards rebranding strategies; meanwhile, customer-based brand equity can also be improved, indicated by better brand associations and greater behavioral intentions. By contrast, when there is a low similarity between brand images before and after rebranding, people who are less loyal to the brand may have more favorable attitude towards rebranding. This may be due to a reason that those who are of low brand loyalty have more tolerance towards the changes when they have less emotional bonds with the brand. This study confirms that the positive impacts of perceived brand image fit on loyal customers' evaluation of rebranding strategies. This finding is consistent to Merrilees and Miller's (2008) concept, which suggests that marketers should retain some core or peripheral brand concepts during rebranding processes in order to build up connections between the initial brand images and the revamped brand images.

This study makes contributions on both theoretical and practical perspectives. Theoretically, it is apparent that previous studies mainly focus on the analysis of rebranding processes from the viewpoint of firms. Relatively little attention has been devoted to the influences of customer-level factors on evaluations of rebranding strategies, so this study adds to the existing literature by conducting empirical research on the impacts of customer characteristics on evaluations of rebranding, such as consumer innovativeness and brand loyalty status. Furthermore, this study also proves the interaction effect of perceived brand image fit and brand loyalty status on rebranding evaluation. From a managerial perspective, by showing the importance of brand image fit, this helps marketers design more suitable and comprehensive rebranding strategies to strike a right balance between existing and new customers, which are considered as difficult tasks for rebranding. Besides, this study aims to remind marketers to consider the characteristics of their target customers when designing their rebranding strategies as some customer characteristics may influence customers' evaluation of rebranding. However, a limitation of this study is that only a Hong Kong fashion retailer was used for the study, generalizability of the result is therefore limited. In future studies, more industries are suggested to be investigated to increase the generalizability.

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