

# How much change is optimal when a brand is newly rebranded?

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There are many cases of rebranding and its numbers are growing. However, rebranding is still under research in the academic field, and there is no guideline on the effective way to change brand name. The objective of this paper is to integrate two inconsistent predictions from categorization theory and schema incongruity theory: a negative linear relationship (categorization theory) versus an inverted-U-shape relationship (schema incongruity theory) between brand name incongruity and consumer evaluation into one framework.

Specifically, this study examines how the effect of incongruity between an existing brand name and a new brand name (hereafter called “*brand name incongruity*”) on the new brand name attitude differs depending on a consumer’s individual characteristics (need for cognition). The experiment demonstrates that consumers with a high need for cognition show a better attitude towards a new brand name when the brand name was rebranded moderately incongruent compared to congruent or extremely incongruent. Thus, the experiment demonstrates that there is an inversed U-shape relationship between brand name incongruity and new brand name evaluation for consumers with a high need for cognition.

On the contrary, consumers with a low need for cognition show a better attitude towards a new brand name when the brand name is rebranded congruently compared to incongruent conditions (moderate incongruity and extreme incongruity). This result indicates that there is a negative linear relationship between brand name incongruity and new brand name evaluation.

Key theoretical and managerial implications of the present study are as follows.

This study integrates two alternative views of research on incongruity evaluation into one framework by demonstrating that need for cognition moderates the relationship between brand name incongruity and consumer evaluation. This present study provides a conceptual basis for understanding consumer evaluation towards a new brand name.

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Next, though rebranding is a very important decision making of brand management, there is no guideline on how to change a brand name. The findings of this research can suggest which degree of change is optimal when rebranding in order to utilize and strengthen existing brand equity. More specifically, when our target customer has high need for cognition, moderately incongruent rebranding can be optimal, whereas for those with low need for cognition, rebranding in accordance with existing brand name will be optimal.

Key words: rebranding, incongruity, categorization theory, schema incongruity theory, need for cognition

## I. Introduction

There is saying that a former governor is a wise governor. This means old one is better than new one. In general, consumer sentiment is weakening due to the recent economic recession. In this economic downturn, consumers tend to prefer familiar and proven old products over new ones, namely they prefer long-run brand. Long-run brand has big competitive advantage in this regard, but at the same time it has the image of outdated brand as it has been in the market for long. To address this, firms seek to add newness and youth to old and outdated brand image through rebranding.

There are many cases of rebranding and its numbers are growing. However, rebranding is still under research in the academic field, and there is no guideline on the effective way to change brand name though rebranding is a very important decision making of brand management. Even the extant rebranding studies have been researched from the perspective of firms, so

the research on consumer evaluation towards rebranding has been very rare. The meaningfulness of this study can be found in addressing these gaps.

Replacing a well-established brand name with a new brand name would seem to go against elementary marketing theory and practice (Muzellec 2006). Yet in the industry, companies adopting new branded name, referred to as 'rebranding,' are frequently reported in the press (Asia Business Daily 2009; Hankyoreh 2012; MBN 2012; McGurk 2002; Lamont 2003; Wiggins 2003).

Rebranding occurs during a company's strategic decision making process (Muzellec and Lambkin 2006). To satisfy the constantly changing desire of customers, companies often consider rebranding as a way to give new life to the existing brand through recreation and rejuvenation.

Rebranding is undertaken to give a brand new vitality and reestablish differentiated brand status through brand renewal, repositioning (Kapferer 1995; Muzellec and Lambkin 2006).

When rebranding, the change level can be categorized into high, medium, and low according to the extent to which the existing brand (name, logo, symbol design) changes (Daly and Moloney 2004). Changing the brand name together with a new symbol or logo is known as high-intensity rebranding, replacing the symbol or logo without changing the existing brand name is known as medium-intensity rebranding, and partial modification of the aesthetic factors in existing brand symbol or logo is known as low-intensity rebranding (Daly and Moloney 2004; Kwon 2010).

Rebranding has the advantage of arousing consumer curiosity, enabling a company to enter into a new area of business and break away from the existing brand image. On the other hand, the drawbacks are high cost and risk of decreased brand awareness when consumers familiar with the existing brand become unfamiliar with the brand. However, despite these risks, many companies attempt rebranding for advantages such as new business entrance or breakaway from the existing brand image. Successful cases of rebranding which resulted in sales growth and expanded customer base through product or corporate rebranding include CJ O Shopping, AK Plaza, GS Shop and Angel-in-us in Korea (Financial News 2009).

Despite some successful cases, rebranding has not gained academic attention and thus relevant research is rare (Muzellec, Doogan, and Lambkin 2003). Moreover, little research that

does exist mostly focused on the rebranding management model or the effect of rebranding on performance from the firm perspective (e.g., Ahonen 2008; Daly and Moloney 2004; Gotsi and Andriopoulos 2007; Merrilees and Miller 2008; Muzellec and Lambkin 2006; Muzellec 2006). The study addressing the effects of rebranding on consumer evaluation is very rare (Jaju, Joinier, and Reddy 2006; M'Sallem, Mzoughi, and Bouhleb 2009).

This study, therefore, is an investigation into the effects of rebranding incongruity on consumer evaluation. Specifically, this study verifies that the effect of brand name incongruity on consumer attitudes toward a new brand name differs depending on a consumer's individual characteristics (need for cognition). The present study is the first attempt to understand the cognitive processes or mechanisms underlying rebranding evaluation by investigating the interactive role of incongruity level and need for cognition in a brand name evaluation.

The main objective of this paper is to integrate two inconsistent predictions from categorization theory and schema incongruity theory: a negative linear relationship (categorization theory) versus an inverted-U-shaped relationship (schema incongruity theory) between rebranding incongruity and consumer evaluation. Specifically, this study investigates the relationship between brand name incongruity (i.e., change level of rebranding) and consumer

evaluation. Also, this study is aimed to investigate how the effect of incongruity level between an existing brand name and a new brand name on the new brand attitude differs depending on a consumer's individual characteristics (need for cognition). The incongruity level is determined by the degree of perceived dissimilarity between the rebranded brand name and the existing brand name.

The contradictory suggestions through categorization theory and schema incongruity theory lead to some important questions. It is meaningful to investigate the following two important questions regarding rebranding planning in this paper: (1) when would consumers prefer a congruent rebranding over an incongruent rebranding? That is, under what conditions does the relationship between brand name incongruity and attitude towards a new brand name follow a linear pattern? (2) under what conditions would consumers prefer a moderately incongruent rebranding over a congruent or an extremely incongruent rebranding? That is, when would the relationship between brand name incongruity and attitude towards a new brand name follow an inverted-U-shaped pattern? In conclusion, this study aims to integrate the two different views on the effect of brand name incongruity on consumer evaluation into one framework by proposing potential moderator.

## II. Theoretical Background and Hypotheses Development

### 2.1 Rebranding

Rebranding a company involves recasting its unique brand characteristics to be distinct from the competitor (Muzellec, Doogan, and Lambkin 2003). It also refers to the act of changing the existing brand through making a new brand name, symbol, logo, design or the combination of these four elements for differentiating the brand's status in the mind of external stakeholders (Muzellec and Lambkin 2006).

Four research areas of rebranding can be identified from thorough literature review. They are rebranding concept, model of rebranding process, reasons for rebranding, and the effect of rebranding on performance. For rebranding concepts, several studies discussed the definition of rebranding (e.g., Daly and Moloney 2004; Hankinson and Lomax 2006; Kapferer 2004; Muzellec et al. 2003; Muzellec and Lambkin 2006). According to Muzellec et al. (2003), rebranding can be defined as "the practice of building a new name representative of a differentiated position in the mindset of stakeholders and a distinctive identity from competitors." And Muzellec and Lambkin (2006) later redefined rebranding as "a change in an organizations self identity and/or an attempt to change perceptions of the image among ex-

ternal stakeholders.” The change in rebranding definition can occur because rebranding is an on-going activity.

For rebranding process models, Muzellec and Lambkin (2004) suggested three phases: rebranding factors, rebranding goals, and rebranding process. Lomax, Mador, and Fitzhenry (2002) proposed a conceptual model of the rebranding process, which gives the big picture of strategic management issues of rebranding and emphasized the involvement of the stakeholder in rebranding to redevelop the brand. Boyle (2002), Causon (2004), Daly and Moloney (2004), and Kaikati (2003) identified such important issues as building brand equity through rebranding. They argued that early research neglected the end result of rebranding, namely, brand equity. Therefore, they suggested rebranding study needs to be linked to brand equity, since brand equity is the ultimate goal of brand management

Many studies discussed the reasons for rebranding (e.g., Boyle 2002; Causon 2004; Daly and Moloney 2004; Kaikati 2003; Lomax et al. 2002; Muzellec et al. 2003; Stuart and Muzellec 2004; Muzellec and Lambkin 2006; Rosenthal 2003; Kaikati and Kaikati 2003; Gambles and Schuster 2003). The drivers in organizations for rebranding can be divided into two major reasons: external and internal factors (Boyle 2002; Causon 2004; Gambles and Schuster 2003; Kaikati and Kaikati 2003; Muzellec and Lambkin 2006; Stuart and Muzellec 2004). In case of

internal factors, there are some rebranding reasons which are not related with brand itself (e.g., two firms have merged or a firm has much expanded its service offerings) while some are related with brand itself (e.g., the existing brand has been spoiled or outdated in some way).

The last area is about the effect of rebranding on performance. Earlier studies of rebranding investigated the effect of rebranding on the performance of the corporation (Koku 1997a; Koku 1997b). Muzellec and Lambkin (2006) examined the impact of rebranding on brand equity. And Koku (1997a) investigated the financial performance of an organization after name change. They found that corporate renaming is an effective brand strategy for firms in the services industry to communicate enhanced standards.

Rebranding can be divided into several types, depending on the level of change intensity and direction. First, in terms of the level of change intensity in rebranding, there is evolutionary rebranding and revolutionary rebranding (Muzellec and Lambkin 2006; Stuart and Muzellec 2004). Evolutionary rebranding refers to incremental, gradual changes within the company’s positioning and involves forms such as modification of the slogan or logo. Revolutionary rebranding refers to a fundamental redefinition of the company and often involves simultaneous changes in brand name, slogan, logo etc. The direction of rebranding can be divided into a positive direction and negative direction (Kwon 2010).

Rebranding in a positive direction involves making use of the brand's current asset and strengthening it. Examples include AIG (AIA) and Family Mart (CU) in Korea. Rebranding through negative direction involves detachment from existing brand assets. Notable examples are Nexen Tire Corporation (Woosung Tire) and Chevrolet (GM Daewoo) in Korea. This suggests that there are various types of rebranding, and companies have to choose a rebranding type depending on its rebranding goal and strategy.

The objective of rebranding is to change the target and position, or to strengthen, regain, change, or to create brand equity (Muzellec and Lambkin 2006; Muzellec and Lambkin 2008). This is the reason why renaming - changing the brand name - is frequently chosen within the types of rebranding mentioned earlier. But rebranding through changing the brand name is complicated and risky (Daly and Moloney 2004). Therefore, attention must be paid to the method of changing a brand name in order to achieve the purpose of rebranding.

Brand name, logo, symbol, slogan etc. are brand components used to differentiate the company from other companies and the product of its rivals, and to gain a favorable impression from consumers (Aaker 1991, 1996; Keller 1998). Brand name, which is one of the brand components, is not a simple symbol but a complex symbolic element that provides a diverse image (Aaker 1991). Through its brand

name, the company communicates with consumers and is able to form a brand image (Calder and Reagan 2001; Dacin and Brown 2002; Grace and O'Cass 2005; Janiszewski and Van Osselaar 2000; Muzellec and Lambkin 2006). The reason for considering brand name importantly in both branding strategy and rebranding strategy is the critical role it plays in increasing consumer awareness on products and in forming brand attitude or brand image (M'Salleem, Mzoughi, and Bouhleb 2009). Most consumers recognize the brand name before recognizing product information, that is, quality, price, country of origin etc. Accordingly, the consumer recognizes the brand name before the product, which makes changing the established brand name risky (Lee and Jun 2007).

The logo and symbol are visual components that express the brand (Murphy and Lowe 1988). The symbol and logo's visibility leads consumers to recognize the brand more rapidly and easily and to remember it for a longer duration (Jung, Chang, and Chang 2002). Also, depending on the logo and symbol's visual characteristics, consumers display different emotional reactions (Henderson and Cote 1998).

Given these concerns, it is judged that consumer's emotional reactions toward a brand may be varied depending on a symbol or logo's visual characteristics. Therefore, this research will be conducted in the context of revolutionary rebranding, which changes the brand name, without changing logos or symbols.

## 2.2 Categorization Theory and Schema Incongruity Theory

This paper is focused on the evaluation of incongruity, that is, the incongruity level between a new brand name and an existing brand name. One research stream of incongruity literature is categorization theory. Categorization theory suggests that due to a need for cognitive economy, consumers naturally categorize the object and events, classifying them into understandable categories (Lee and Ganesh 1999). Incoming stimuli or objects are categorized in terms of how well they match the category they belong to (Rosch and Lloyd 1978).

Applied to rebranding, this theory suggests that consumers compare a new rebranded brand to its original brand, and use this comparison to guide their perceptions of a new brand. According to this view, a new brand possessing common attributes considered to be consistent with a consumer's schema on existing brand will produce good evaluation, whereas a new brand possessing uncommon attributes considered to be inconsistent with a consumer's schema on existing brand will not produce good evaluation. Therefore, it can be inferred that consumers evaluate two related brand names based on their 'perceived fit' (i.e., congruity or similarity). Specifically, if consumers perceive fit or similarity between a new brand name and its original name, they transfer the positive associations and affects for the existing brand

to the new brand name. Indeed, these inferences support the view that the favorableness of evaluation will increase as the congruity between a new brand name and the existing brand name. This assumption is based on the categorization theory, which argues that the categorizing process is completed when a consumer finds a complete match between incoming object and the activated category schema and transfers the affect associated with the category to the new object (Fiske 1982; Fiske and Pavelchak 1986). Findings in brand extension literature suggest that consumers transfer the positive associations of a brand to the new extension when there is a fit or congruity between the two involved product categories (Aaker and Keller, 1990). Therefore, a negative linear pattern between fit levels and brand-extension evaluation is suggested (Aaker and Keller 1990; Bottomley and Holden 2001; Boush and Loken 1991; Bridges 1992; Broniarczyk and Alba 1994).

Another research stream of incongruity literature is schema incongruity theory that adopts a different view with a 'perceived fit' view based on categorization theory. Mandler (1982) proposed that consumer's evaluation is different according to the incongruity level between schema (a network that consists of node and link with a structured system of knowledge) and the product information presented. In other words, looking to the relationship between the incongruity level between the given product

information and relevant product category schema and product evaluation, consumer's response in moderate incongruity condition was more favorable to congruity and extreme incongruity conditions, which suggest a reversed U-shape relationship between incongruity and product evaluation. The incongruity level is determined by the degree of perceived difference (discrepancy) between the stimuli and the evoked schema (Mandler 1982) or by the ease of incongruity resolution within the existing cognitive structure of consumers (Meyers-Levy and Tybout 1989; Walchli 2007).

Mandler (1982) suggested that congruent items (option, product) lead to favorable evaluation because consumers are likely to like items that are consistent with their expectations and are predictable. If a product is congruent with consumers' relevant existing schema, they can satisfy their expectations and find comfort in predictability. Schema-congruent products, however, are not very interesting and therefore are not likely to stimulate cognitive elaboration to process incongruity. The affective response aroused in the end is weak and it leads to at most a moderate level of positive evaluation of the product. Moderate incongruity between product information and existing product schema signifies the degree of incongruity that can be satisfactorily resolved with the existing cognitive structure. When consumers encounter a moderately incongruent product, they find it more intriguing and will

be motivated to make a stronger cognitive effort to resolve the incongruity. As such it generates interest that arouses higher level cognitive elaboration to enable more elaborate information processing. Through the process, moderate incongruity is resolved and as a result, positive emotional reactions (joy, fun, worth) appear and bring stronger, more positive evaluation of the products. Such moderate incongruity is preferred to schema congruity. However, extreme incongruity between product information and product schema renders product information unsolvable with a consumer's existing cognitive structure. Cognitive elaboration may occur but successfully solving the incongruity is difficult at best. Therefore, extreme incongruity will elicit unfavorable evaluations compared to moderate incongruity (Mandler 1982; Meyers-Levy et al. 1994; Meyers-Levy and Tybout 1989; Tesser 1978).

Stayman, Alden, and Smith (1992) also showed that consumers evaluated products more favorably when there is moderate incongruity with their expectation than when there is congruity or extreme incongruity to their previous experience with the product. Ozanne, Brucks, and Grewal (1992) stated that when the incongruity between incoming information and schema based expectation is moderate, people spend more time and effort in processing the attribute information. Subsequent research related to schema incongruity in consumer research (Campbell and Goodstein 2001; Lehtisalo



1985; Meyers-Levy et al. 1994; Peracchio and Tybout 1996; Sujan, Bettman, and Sujan 1986) mostly supported Mandler's theory. This schema incongruity theory was also applied to brand extension research. Meyers-Levy et al. (1994) first showed the non-monotonic (inverted U-shape) relationship between incongruity and brand extension evaluation. This study's results also supported Mandler's theory.

Taken together, previous research (e.g., Meyers-Levy and Tybout 1989; Peracchio and Tybout 1996; Snyder and Fromkin 1980; Vitz 1966), following the schema incongruity theory, suggest that moderate incongruity can lead to more favorable responses than congruity and extreme incongruity in a variety of domains. Some previous research (e.g., Barone, Miniard, and Romeo 2000; Maoz and Tybout 2002; Meyers-Levy and Tybout 1989) investigated moderating variables such as task involvement, mood, and dogmatism. These studies determined that positive mood, increased task involvement, and non-dogmatism lead to a resolution of moderate incongruity when processing effort or cognitive effort necessary to resolve the schema incongruity is present (Walchli 2007). The presence of these increases positive responses such as interest and satisfaction.

The above two views (downward sloping linear pattern based on categorization theory and inverted-U-shape prediction based on schema incongruity theory) provide a conceptual basis to understand consumers' evaluation towards

rebranding. However, they also lead to two inconsistent predictions on rebranding evaluation. More precisely, the present study is aimed to integrate the two different views on the effect of brand name incongruity on consumer evaluation of a new brand name into one framework by proposing that need for cognition as a potential moderator. Andrade(2005) argued bringing two alternative streams of literature together in one framework is always challenging as it have to deal with various moderators. The focal argument of this paper is that a need for cognition moderates the relationship between brand name incongruity and evaluation in different ways, and thus leads to alternative findings. The justification for taking need for cognition as a potential moderator is discussed later.

Relatively little attention, however, has been directed towards individual difference variables in rebranding literature. A review of literature shows that there is a gap on this front. Therefore, this study fills this gap by exploring the role of personality trait (need for cognition) as potential moderator of incongruity level.

### 2.3 Need for Cognition

The need for cognition is an personality trait variable which has an effect on the different processes of attitude formation in the elaboration likelihood model advanced by Cacioppo and Petty (1982). They define the need for cognition as "the tendency of participating in

an activity which requires cognitive effort". In other words, it means the difference in individual tendencies in enjoying thinking and devoting to cognitive effort. Because efforts to obtain specific information or a certain level of understanding are different for individual's differences in the need for cognition, people high in need of cognition handle the given information more carefully than people who are low in need of cognition (Haugtvedt, Petty, and Cacioppo 1992). Need for cognition has been found to be positively related to cognitive effort (Cacioppo and Petty 1982; Cacioppo, Petty, Feinstein, and Jarvis 1996; Srull, Lichtenstein, and Rothbart 1985).

People low in need for cognition dislike situations that require much cognitive effort and therefore dislike activities that require thinking. On the other hand, people high in need for cognition like thinking intrinsically, and devote a lot of effort in searching for the relevant information necessary to understand the relation between the stimulus and event (Sung and Han 2009). Therefore, in rebranding contexts that require cognitive effort to resolve brand name incongruity, there may exist differences in customer attitudes toward rebranding according to individual levels of need for cognition.

When consumers with a high need for cognition encounter a newly rebranded name, they try to search for the relevant information in order to resolve brand name incongruity and are motivated to elaborate on the rationale for

the rebranding. When the existing brand is rebranded moderately incongruently, which could be resolved within the existing cognitive structure of consumers, consumers in the high need for cognition are likely to identify moderately incongruent information, find it interesting and engage in the cognitive effort necessary to resolve brand name incongruity. In the process, cognitive elaboration increases. Such increased cognitive elaboration induces successful resolution of moderate incongruity and leads to positive consumer response (pleasure, fun, worth, satisfaction). Consequently, this means consumers with a high need for cognition exhibit a better attitude towards a new brand name when it is rebranded moderately incongruently compared to congruent or extremely incongruent. Moreover, when the existing brand is rebranded extremely incongruent and cannot be resolved within the existing cognitive structure of consumers, it is anticipated that in this extreme incongruity condition, the inability to successfully solve the extreme incongruity causes negative responses such as disinterest, frustration, irritation. As a result, brand name evaluation will be lower in the extreme incongruity condition than in the moderate incongruity condition. Thus, cases of a high need for cognition are expected to follow an inverse U-shape relationship between brand name incongruity and new brand evaluation.

On the contrary, when consumers with a low need for cognition encounter incongruently re-

branded new brand name, they may ignore or discount incongruent information. As such, they will be not likely to undertake the cognitive effort necessary to resolve incongruity. So due to a drive for cognitive economy, they compare a newly rebranded brand name to its original brand name, and use this comparison to guide their perceptions of a new brand. Accordingly, a new brand name possessing similarity considered to be consistent with a consumer's schema on exiting brand name will produce good evaluation, whereas a new brand name possessing dissimilarity considered to be inconsistent with a consumer's schema on exiting brand name will not produce good evaluation. As such, when the new brand name is incongruent with the existing brand name (moderately incongruent and extremely incongruent), the incongruently rebranded brand name will not stimulate the cognitive elaboration necessary to process brand name incongruity. When this process is discouraged, the moderately incongruent brand name no longer has an advantage for the low need for cognition condition. That is, in incongruent conditions (moderate incongruity and extreme incongruity), brand name incongruity cannot be successfully resolved and thus will not lead to a positive consumer evaluation. In other words, consumers with a low need for cognition exhibit a better attitude towards a new brand name when the brand name is rebranded congruently compared to incongruent conditions (moderate in-

congruity and extreme incongruity). Thus, for consumers with a low need for cognition, there is expected to be a negative linear relationship between brand name incongruity and a new brand name evaluation. Specifically, there will be decreased favorability for new brand name evaluation as incongruity level increases. Thus, we posit the following hypotheses:

*H1: Need for cognition will moderate the relationship between brand name incongruity and attitude towards a new brand name.*

*H1a: An inverted-U-shape relationship between brand name incongruity and attitude towards a new brand name will be more evident for individuals high in need for cognition. Specifically, consumers with high need for cognition will have a better attitude towards a new brand name that is moderately incongruent to the existing brand name than a congruent new brand name. And consumers with high need for cognition will have a better attitude towards a new brand name that is moderately incongruent to the existing brand name than an extremely incongruent new brand name.*

*H1b: A linear relationship between brand name incongruity and attitude towards a new brand name will be more evident for individuals low in need for*

*cognition. Specifically, consumers with low need for cognition will have a better attitude towards a new brand name that is congruent to the existing brand name than a moderately incongruent new brand name. And consumers with low need for cognition will have a better attitude toward the new brand name which is moderately incongruent to the existing brand name than an extremely incongruent new brand name.*

### III. Experiment

#### 3.1 Stimuli and Pre-tests

In this study, two pre-tests were made. In order to isolate the effects of brand name incongruity on brand evaluation, it was necessary to control for product category schema affect, brand awareness, and brand preference. This necessitated careful consideration of stimuli, especially brand selection. Also, for realism, actual brand were used. In the first pre-test, 18 university students participated. Mandler (1982) mentioned that the strong schema affect in product category may dominate the schema incongruity effect, and thus the effect would not appear. Therefore in this pre-test, a book store was chosen, which does not have strong schema affect. Moreover, a brand with

high brand awareness was chosen because if brand awareness is low, even though the existing brand's name has changed, it would not be recognized. It was deemed unsuitable to select a brand with low brand awareness to identify the effect of brand name incongruity on a new brand evaluation. According to the first pre-test, Kyobo Bookstore was the most preferred (61.6%), followed by Young-pung Bookstore (22.2%). Kyobo Bookstore was not chosen because it could affect the results of our study due to its existing high brand equity.

Degree of an incongruity has been defined as the degree to which a stimulus is different from an individual's schema (Mandler 1982), and by the ease with which it can be resolved in the existing cognitive structure (Meyers-Levy and Tybout 1989). Based on these definitions, we define the incongruity level of brand name as the degree of perceived difference between the rebranded brand name (the stimulus) and the current schema (ideas, beliefs, etc.) on the existing brand name. To manipulate the three levels of brand name incongruity that would be rebranded, the second pre-test was carried out, and 21 university students participated. The new brand names to be rebranded were Young-pung Books (영풍북스), Young Books (영북스), Knowledge Books (지식 북스), Book Scenery (책풍경), The Books (더북스), Knowledge Encyclopedia Book Store (지식백과서점), Book Square (북스퀘어), Book Scenery Book Store (책 풍경서점), etc. We

asked respondents to complete the following questions measured on a seven-point Likert scale (1 = strongly disagree, 7 = strongly agree): “How similar is it?” “How congruent is it?” and “How much it is related to the existing brand name, Young-pung bookstore (영풍문고)?”. As the result of the second pre-test, Young-pung Books (영풍북스) (M=5.75), Young Books (영북스) (M=3.05) and Knowledge Encyclopedia Book Store (지식백과서점) (M=1.59) were used to represent congruity, moderate incongruity, and extreme incongruity, respectively. Moreover, to control the confounding effect of preference in the brand name itself, we checked brand name preference and finally chose these three brand names as they had no differences in brand name preference.

## 3.2 Research Methodology

### 3.2.1 Research Design

This study was designed to examine whether the effect of incongruity level between an existing brand name and a new brand name on attitudes toward the new brand was different depending on a consumer’s individual characteristics (need for cognition). The experiment was structured as between-subjects of 3 (brand name incongruity level) x 2 (need for cognition). That is, the incongruity level of existing and new brand name was categorized into 3 groups: congruent, moderate incongruent and

extreme incongruent. Measuring an individual’s need for cognition, we divided subjects into two group—high and low need for cognition—based on the median value (M=4.2).

### 3.2.2 Participants and Procedure

Participants were university students in Seoul taking business related lectures. A total of 104 college students were divided into three groups (36 people in congruent, 36 people in moderate incongruent, and 32 people in extreme incongruent condition) and participated in the experiment. All subjects were randomly assigned to a different version of questionnaire. Each questionnaire contained one of the three rebranded new brand name, which varied in the incongruity level of brand name change (congruent vs. moderate incongruent vs. extreme incongruent). Before starting the experiment, subjects read an instruction that the survey intended to research consumers’ response towards a new brand. And they read a scenario which explained that a following brand was actually planning to change its brand name. Subjects were exposed to the three levels of incongruity of the newly rebranded brand name. After reading a scenario and stimuli of existing and new brand name, subjects completed a series of questions concerning a new brand name evaluation, recognition and attitude of the existing brand, perceived similarity, and need for cognition.

### 3.2.3 Measurement of Variables

Incongruity level has been defined as the degree to which a stimulus is different from an individual's schema (Mandler 1982). Based on this definition, we define brand name incongruity as the degree of perceived difference between the rebranded brand name (the stimulus) and the current schema (ideas, beliefs) on the existing brand name. Brand name incongruity was measured using three items (Cronbach's  $\alpha = .75$ ): "I think this new brand name is similar to existing brand name," "I think this new brand name is congruent to existing brand name," and "I think this new brand name is related to existing brand name (Chaudhuri and Aboulnasr 2010; Jhang, Grant, and Campbell 2012; Srivastava and Sharma 2012).

Need for cognition (Cronbach's  $\alpha = .81$ ) was measured by Cacioppo and Petty's (1984) need for cognition scale (18 questions). These measures were used with a 7-point Likert scale (1 = strongly disagree, 7 = strongly agree).

A dependent variable used in this study (attitude towards a new brand name) was the consumer's overall feeling (Han and Sung 2007) toward a specific brand name and the degree of favorable or unfavorable attitude towards the brand name in this study. This study used three items (Cronbach's  $\alpha = .88$ ): "I think this brand name is good," "I think this brand name positive," and "I like this brand name,"

based on the existing research (Aaker and Keller, 1990; Schmitt, Pan, and Tavassoli 1994; Yeo & Park 2006).

## 3.3 Results

### 3.3.1 Manipulation Check

The manipulation of brand name incongruity level is as followed. Based on three levels: congruent, moderate congruent, and extreme congruent, the level of incongruity between the existing brand name and a new brand was examined using post-hoc test. As a result, congruity ( $M_c = 6.12$ ), moderate incongruity ( $M_{mi} = 4.08$ ), and extreme incongruity ( $M_i = 1.59$ ) showed statistically significant differences ( $F(2,100) = 129.24, P = .000$ ) and the incongruity level between a new brand name and the existing brand name was successfully manipulated.

### 3.3.2 Hypotheses Testing

This experiment proposes that the effect of incongruity level between an existing brand name and a new brand name on attitude towards a new brand name will differ depending on differences in need for cognition. To verify this, ANCOVA analysis, trend analysis and planned contrast were used. For planned contrast to compare cell means of each group, mean value of a new brand name attitude are presented in <Table 1>. <Table 2> exhibits at-

<Table 1> Descriptive Statistics

Dependent Variable: Attitude toward a New Brand Name

Incongruity Level	NFC	Mean	SD	N
Congruity	Low	4.2632	1.37697	19
	High	3.1176	1.30672	17
	Total	3.7222	1.44640	36
Moderate Incongruity	Low	3.3137	1.42142	17
	High	4.1402	1.06753	19
	Total	3.7499	1.29800	36
Extreme Incongruity	Low	2.9167	1.23228	16
	High	3.1042	.93269	16
	Total	3.0104	1.07924	32
Total	Low	3.5385	1.44342	52
	High	3.4871	1.20173	52
	Total	3.5128	1.32188	104

<Table 2> ANCOVA Analysis Results

Dependent Variable: Attitude toward a New Brand Name

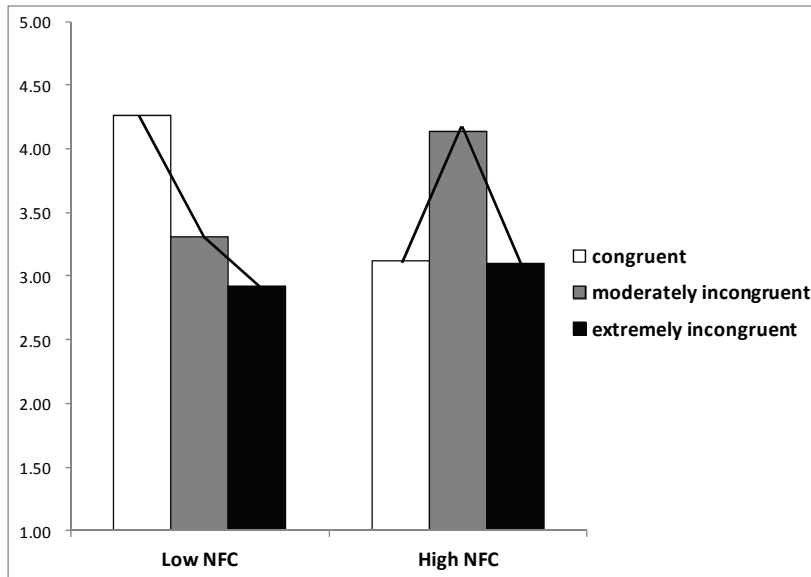
Source	sum of squares	d.f.	MS	F-value	p-value
Adjusted Model	36.168 <sup>a</sup>	6	6.028	4.066	.001
Constants	34.018	1	34.018	22.945	.000
Attitude toward an Existing Brand	6.306	1	6.306	4.254	.042
Level of Incongruity	9.241	2	4.620	3.116	.049
Need for Cognition	.044	1	.044	.030	.863
Level of Incongruity x NFC	13.894	2	6.947	4.686	.011
Error	143.809	97	1.483		

titudes toward a new brand name by incongruity level and need for cognition (high, low). Attitude toward an existing brand appeared to have had a significant influence in the attitude toward a new brand name ( $F(1, 97) = 4.254, p = .042$ ). Therefore we included the attitude towards the existing brand as covariate and

conducted an ANCOVA analysis.

To examine H1a, trend analysis and planned contrast were employed. First, to examine the hypothesized patterns (H1a), trends in the observed data were computed, which revealed the following significant results. Individuals with high need for cognition: linear trend ( $F(1, 97)$

<Figure 1> ANCOVA Analysis Result



=.000 ,  $p = .97$ ,  $\eta^2 = .000$ ), quadratic trend ( $F(1, 97) = 5.53$ ,  $p = .02$ ,  $\eta^2 = .023$ ). These results clearly indicate a predominantly quadratic trend ( $\eta^2 = .023$  for quadratic vs.  $\eta^2 = .000$  for linear) for Individuals with high need for cognition. Thus a significant inverted-U-shape relationship between brand name incongruity and consumer evaluation was observed for individuals with high need for cognition. These results provide strong support for H1a.

Next, to examine the relationship pattern in details, we conducted planned contrast. Planned contrast indicated that consumers in high need for cognition had more favorable attitude toward a new brand name with moderate incongruity ( $M=4.14$ ) than congruity ( $M=3.12$ ) ( $F(1, 97)=6.327$ ,  $p=0.014$ ,  $\eta^2 = 0.065$ ) and they showed more favorable attitude toward a

new brand name with moderate incongruity ( $M=4.14$ ) than extreme incongruity ( $M=3.10$ ) ( $F(1, 97)=6.286$ ,  $p=0.014$ ,  $\eta^2 = 0.065$ ). These results support H1a.

To examine H1b, trend analysis and planned contrast was also employed. First, to examine the hypothesized patterns (H1b), trends in the observed data were computed, which revealed the following significant results. Individuals with low need for cognition: linear trend ( $F(1, 97) = 19.83$ ;  $p < .000$ ,  $\eta^2 = .053$ ), quadratic trend ( $F(1, 97) = .73$ ;  $p = .39$ ;  $\eta^2 = .003$ ). A predominantly linear trend ( $\eta^2 = .053$  for linear vs.  $\eta^2 = .003$  for quadratic) for Individuals with low need for cognition. These results provide strong support for H1b.

Next, to examine the relationship pattern in details, we conducted planned contrast. Planned



contrast revealed that consumers with low need for cognition had a more favorable attitude toward a new brand name with congruity ( $M=4.26$ ) than moderate incongruity ( $M=3.31$ ) ( $F(1, 97)=4.51, p=.036, \eta^2=.047$ ). And they showed a more favorable attitude toward a new brand name with moderate incongruity ( $M=3.31$ ) than extreme congruity ( $M=2.91$ ) ( $F(1, 97)=3.24, p=.075, \eta^2=.033$ ). These results support H1b.

In experiment, when consumers encountered a new brand name changed from existing brand name, the relationship between brand name incongruity and the new brand name attitude was different depending on their need for cognition, which is a well-established and important personality trait (Cacioppo et al. 1996).

## IV. Conclusions and Implications

### 4.1 Conclusions

This paper integrates two streams of research on incongruity evaluation by specifying how 'perceived fit/congruity' (categorization theory) and 'moderate incongruity effect' (schema incongruity theory) work to affect consumer evaluation towards a new brand name. We demonstrate that when consumer is expected to have low need for cognition, there is a negative linear pattern as incongruity level increases.

When consumers are expected to have high need for cognition, moderate incongruity effect produces an inverted U-shape pattern when incongruity level increases.

The specific results of this study are as follows.

First, when consumers with a high need for cognition encountered the new rebranded name, they tried to search for relevant information in order to understand brand name incongruity and were motivated to elaborate on the rationale for the rebranding. When the existing brand was rebranded moderately incongruently, which could be resolved within the existing cognitive structure of consumers, consumers with a high need for cognition were more likely to identify with moderately incongruent information, find it intriguing and engage in the cognitive effort necessary to resolve brand name incongruity. In such a process, cognitive elaboration increased. This increased cognitive elaboration induced successful resolution of moderate incongruity and led to a positive consumer response (pleasure, fun, worth, satisfaction). Consequently, this means consumers with a high need for cognition showed a better new brand attitude when the brand name was rebranded moderately incongruent, compared to congruent or extremely incongruent. Thus, in case of a high need for cognition, it was found that there is the inverse U-shape relationship between brand name incongruity and a new brand evaluation.

On the contrary, when consumers with a low need for cognition encounter an incongruently

rebranded new brand, they may ignore or discount any incongruent information. As such, they will be not likely to undertake the cognitive effort necessary to resolve incongruity. So due to a drive for cognitive economy, they compare a newly rebranded brand name to its original brand name, and use this comparison to guide their perceptions of a new brand. Accordingly, a new brand possessing similarity considered to be consistent with a consumer's schema on exiting brand name will produce good evaluation, whereas a new brand possessing dissimilarity considered to be inconsistent with a consumer's schema on exiting brand will not produce good evaluation. As a result, when the new brand name is incongruent with the existing brand (moderately incongruent and extremely incongruent), the incongruently rebranded brand name will not stimulate the consumer cognitive elaboration necessary to process the brand name incongruity. When this process is discouraged, the moderately incongruent brand name no longer has an advantage under the low need for cognition condition. That is, under incongruent conditions (moderate incongruity and extreme incongruity), brand name incongruity cannot be successfully resolved and thus does not lead to a positive consumer response. In other words, consumers in a low need for cognition show the better new brand name attitude when the brand name was rebranded congruently compared to incongruent conditions (moderate incongruity and extreme

incongruity. Thus, in case of a low need for cognition, it was found that there is a negative linear relationship between brand name incongruity and attitude towards a new brand name.

## 4.2 Academic and Managerial Implications

This study contributes to the literature on rebranding in several ways.

First, this study showed the attitude toward a new brand can be changed depending on the interaction of the degree of brand name incongruity and consumers' need for cognition (NFC). Though this issue is important in brand management, the existing rebranding research has not addressed this. Especially, research on consumer evaluation and behaviors in rebranding is very rare. In this study, we empirically examine how the rebranding affects consumer's brand attitude. Accordingly, this study has significance in opening up a new horizon in rebranding research and expanding brand management research. Thus the value of this study can be found here.

Second, prior studies suggest that it is needed to link rebranding to brand equity as brand equity is the ultimate goal of brand management (e.g., Boyle 2002; Causon 2004; Daly and Moloney 2004; and Kaikati 2003). From this perspective, the research on brand name which plays important role in brand equity is necessary. In other words, the academic and

managerial contribution of this study about consumer evaluation on renaming can be significant.

Third, this paper integrates two alternative views of research on incongruity evaluation into one framework by demonstrating that need for cognition moderate the relationship between brand name incongruity and consumer evaluation. This present study provides a conceptual basis for understanding of consumer evaluation towards a new brand name.

Fourth, the need for cognition has been deemed central to consumer research, and it is considered as an important personal trait. Hence, this study has significance in being the first to examine the need for cognition in the context of rebranding.

The results also offer implications for marketers.

First, though there are many cases of rebranding and its numbers are growing, there is no guideline on how to change brand name. The findings of this research can suggest which degree of change is optimal when rebranding in order to utilize and strengthen existing brand equity. More specifically, when our target customer has high need for cognition, moderately incongruent rebranding can be optimal, whereas for those with low need for cognition, rebranding in accordance with existing brand name will be optimal.

Second, the results of this study suggest that when a company makes rebranding strategy, it might consider product category types which it belongs to. For durable goods, as consumers

have relatively high involvement, they might make efforts to resolve brand name incongruity. Therefore, a company in dealing with durable goods had better change brand name moderately incongruently. But for non-durable goods, as consumers have relatively low involvement, they might not be engaged in processing brand name incongruity. So, for a company in dealing with non-durable goods, it is predicted that there might be a better new brand attitude when the brand name was rebranded congruently compared to moderately incongruent or extremely incongruent. Therefore, product category types also might lead to the differential effect of brand name incongruity.

In conclusion, this study contributes to the literature on rebranding by increasing the understanding of consumer evaluation on brand name incongruity and it can provide useful guidelines to marketers when planning a rebranding strategy.

### 4.3 Limitations and Future Directions

The limitations of this study suggest potential research opportunities.

First, firms change their products, services, retailer brands or brand names for various reasons such as the need or desire to improve their brand image, shift it strategically, etc. Especially these days, there are many cases where not only the brand name changes but also the logo or symbol changes with the brand

name. This study only performed research restricted to changes in brand name but later on, it will be necessary to systematically examine each change in brand name, logo, symbol, etc. and to consider changing all of them in unison in a rebranding situation.

In this article, we selected a single brand (Young Poong Books) for experiment stimulus. Young Poong Books is a long-run brand and it has outdated brand image. So there might be some limits in extending the results of this study to some brands such as newborn brands which have relatively less associated images and lower familiarity. Nevertheless, the results of this paper can be more valuable considering recent economic downturn. In these situations, consumers tend to prefer familiar and proven old products over new ones, namely they may prefer long-run brand. Long-run brand has big competitive advantage in this regard, but at the same time it has the old and outdated brand image as it has been in the market for long. To address this, some firms seek to add newness and youth to old and outdated brand image through rebranding. So our results will be useful for firms to have outdated old brands.

In the present paper, the degree of brand name incongruity was manipulated at three levels: congruent, moderately incongruent, and extremely incongruent. Future research need to manipulate incongruity degree at more than three levels to gain better understanding about the non-linear relationship between brand name

incongruity and new brand evaluation.

Also, for a firm to successfully rebrand, it must consider both the positive and negative effects the rebranding of the existing brand name will have on consumer evaluation. For example, a customer with a high level of brand loyalty may have a higher repulsion toward adopting the new brand name than a customer with low level of brand loyalty. In the future, there will be a need for research on the effect of rebranding on consumer evaluation according to brand loyalty.

Moreover, consumer evaluation can also appear to change according to the level of fit between the existing brand and new brand name in terms of brand name image (symbolic vs. functional). For example, in cases where a functional brand name was rebranded into a symbolic brand name or vice versa, each case may lead to a different consumer response. Research into a consumer's evaluation according to the consistency or inconsistency in the change of the brand name types (e.g., symbolic  $\rightarrow$  symbolic vs. symbolic  $\rightarrow$  functional) is most likely necessary.

This study examined an individual characteristic -need for cognition- as the moderating variable of the effect of brand name incongruity on consumer evaluation. Need for cognition has been found to be positively related to need for novelty (Wood and Swait 2002), and inversely related to dogmatism (Cacioppo and Petty 1982). Therefore the individual variables

such as need for novelty and dogmatism can also moderate the effect of rebranding incongruity on consumer evaluation. Various individual characteristic related to need for cognition is in need of investigation.

Next, besides individual personality variables, there might be some variables, such as mood, time pressure, and cognitive resource-related variables, that can encourage consumers to process the brand name incongruity. Future studies should investigate these various variables to obtain a more comprehensive view of rebranding.

The objective of this present paper was to incorporate two important incongruity research streams under a framework in an attempt to better understand cognitive process underlying rebranding evaluation and predict consumer evaluation towards a new brand name. It is hoped that this effort will encourage further investigation on critical potential moderators of the brand name incongruity-evaluation relationship.

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