

Brand Bundling as a New Product Introduction Strategy : A Conceptual Framework

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Abstract

Bundling can be defined as a combination of two or more products or services into a single offering sold at a single selling price. While introducing a new product in the market, the manufacturer can launch the product by its own or can promote through bundling with an existing product under a different brand name to leverage the brand equity of the strong brand. Prior research in bundling as a new product introduction strategy primarily focused upon the role of functional attributes on consumers' evaluation of the bundle. However, in the context of brand extension and co-branding literature, it was inferred that in addition to the functional benefits, brands also provide symbolic benefits to the consumers, and studying symbolic aspects of this strategy is very essential. Therefore, the objective of the paper was to develop and propose a model that studied the roles of symbolic (self-congruity) and functional (functional congruity) benefits on consumers' bundle purchase intention when bundling was used as a new-product introduction strategy. This study will help marketers to select their partners when they propose to use bundling as a new product introduction strategy.

Keywords : bundling, self-congruity, functional congruity, attitude, behavior, purchase intention

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With the diversification of consumer needs and competitive marketing environment, marketers adopted more efficient marketing activities in their functions to enhance their competitive capability in the marketplace (Docters, Schefers, Durman, & Gieskes, 2006 ; Rafiei, Rabbani, Razmi, & Jolai, 2013). Bundling is one of the effective marketing strategies used by the retailers to influence consumers' attitude and behavior and encourage them to purchase more products or services in both consumer and industrial markets (Mantovani, 2013 ; Suri & Monroe, 1995 ; Stremersch & Tellis, 2002). It is under the assumption that consumers' willingness to purchase the products will be more when they are offered in a bundle in comparison to separate products through “transfer of consumer surplus” (Harris & Blair, 2006a).

Bundling plays an important role in new product introduction (Sheng & Pan, 2009). The manufacturers can launch the product on their own or can promote through bundling with the existing product under a different brand name (Simonin & Ruth, 1995). When a new product is introduced in the market, it carries a lot of uncertainties, like quality and compatibility of the product, credibility and reliability of the vendors, etc. (Sarin, Sego, & Chanvarasuth, 2003). These uncertainties stimulate concern within the consumers' mind, which would result in hesitation to purchase the new product, delay in the purchase, or in more severe instances, consumers may leave the market in total. Reducing such perceptions, which create a risk, is one of the important challenges for the introduction and commercialization of the new product in the market (Harris, 1997). Advertisements are not just enough to push the new brand towards consumers, companies also require innovative strategies and techniques to

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launch a new brand successfully in the market (Ranjan, 2009). Sheng and Pan (2009) stated that bundling is one of the strategies through which marketers can launch the new product successfully by combining a new brand with an existing brand.

To ensure effectiveness of bundling as a new product introduction strategy, marketers need to know what drives bundle purchase. Few studies have been done in the area of bundling as a new product introduction strategy. Surprisingly, the current understanding of bundling in products and services primarily focuses on the role of experiential and functional attributes on consumers' evaluation of the bundle, and has generally ignored the effects of symbolic aspects, especially the symbolic benefits imparted by the bundled items on consumer perceptions and evaluations of new bundle components. For example, Harris and Blair (2006b) stated that the risk of functional incompatibility of technically advanced products is more among those consumers who have less product knowledge; hence, they will prefer bundles more positively compared to separate products. Sheng and Pan (2009) studied the role of functional benefits, in which the authors studied how bundling strategies as well as features of a bundle affected consumer evaluations of the individual brands in a bundle, particularly the evaluation of a new brand in a bundle. All these studies stated that customers' attitudes towards the existing brand and congruence between the brands in a bundle are critical drivers of bundling effectiveness.

In this context, research focusing on symbolic brand drivers which contributes to the success of bundling is necessary, as it has been stated that the influence of symbolic and functional attributes affects the consumer behavior in a different way (Mazodier & Merunka, 2014). Extant literature suggests that self-congruity is a crucial factor in symbolic consumption, as it facilitates the expression of the consumer's internal self (Mason, 1981; Tsai, 2005). Therefore, studying the role of self-congruity becomes increasingly important in this context. Also, it is very essential to consider the symbolic and functional aspects (functional congruity) together, since customers are likely to pay the premium cost, not only for the symbolic value, but also for the utilitarian value (e.g., high quality brand). It has also been stated in marketing literature that the consideration of both symbolic and functional aspects together plays a considerable importance, as together, they show a significant impact on customers' attitude and purchase behavior (Kang, Tang, Lee, & Bosselman, 2012). Jana and Chandra (2016) found that brand image directly affected the consumers' progressive loyalty and moderated the relationship between consumer's satisfaction and loyalty. Despite this stated importance of the role of symbolic and functional aspects in bundling, surprisingly, very little work has been done to understand the roles of these two aspects, such as symbolic and functional attributes attributed by the bundled items on the bundle purchases.

Literature Review on Product Bundling

Bundling can be defined as a combination of two or more products or services into a single offering sold at a single selling price (Kaicker, Bearden, & Manning, 1995). The marketing literature has defined bundling as narrowly as single-product combinations that are physically packaged together, and also, as broadly as products that were implicitly linked by complementary usage situations (e.g., Mulhern & Leone, 1991). According to Stremersch and Tellis (2002), product bundling is the integration and the sale of two or more separate products or services at any single price. This tendency is growing more among manufacturers as they bundle different products into one package and sell it for a single price. This policy is called "product tie-ins" or in more general term, it is also known as "multi-product bundling" (Gaeth, Levin, Chakraborty, & Levin, 1991). It's an alliance, in one purchase of two or more products that satisfy consumers' different needs. Examples of multi-product bundles range from a child's cereal with a small prize, or a bank that offers a toaster as a bonus when a customer opens a new account, to an auto dealer who offers a travel trailer "free" with the purchase of a luxury car.

Bundling usually takes one of the two forms: pure and mixed bundling (Adams & Yellen, 1976). Pure bundling refers to a strategy in which firms sell the product only in bundles, not separately. In other words, consumers have to purchase the products in a bundle and do not have the choice of purchasing the products separately. In mixed

bundling, the products are available both in a bundle as well as separately. Consumers have an option to purchase the products in a bundle or individually.

Several studies have been done to understand how bundling is advantageous for both marketers and customers. It provides various benefits to the customers, like reduction in cognitive complexity, reduces incompatibility among the bundle products, and increases the attraction of individual products in the bundle by enhancing their perceived quality (Harris & Blair, 2006a, 2006b ; Simonin & Ruth, 1995). For marketers, bundling offers numerous benefits, such as cost efficiency, enhancement of profits, increased sales by exploiting consumer surplus, and reduction in production and shipping costs (Eppen, Hanson, & Martin, 1991; Sharpe & Staelin, 2010).

Very few studies have been done to understand how marketers take advantage of bundling in launching new brand bundled with an existing brand that is high on image. Simonin and Ruth (1995) found that prior attitude towards the brand had a positive effect on the evaluation of the bundle and reservation prices for the bundle and its components including new products. It was also found that when a new product and the tie in product were highly complementary in usage, it had a more significant positive effect upon the evaluation of a bundle in comparison to when a new product and the tie in product in a bundle were less complementary.

Harris (1997) examined how promotional bundling of the new product with the existing recognized product influenced consumer evaluation of the new product that either was or was not a brand extension of a bundling partner. The result showed that the quality of the new product increased and perception of risk associated with the new product decreased when the new product in a bundle was not a brand extension. On the contrary, when the new product in a bundle was a brand extension, an opposite result was generated.

Sarin et al. (2003) reviewed various literatures and developed a theoretical framework which suggested that bundling could be used as one of the marketing strategies through which consumers' perceived risk related to the purchase of the new high tech products could be reduced by bundling it with an existing credible brand name. The existing brand acted as a signal to the consumers about the compatibility of the new technology and the availability of complementary products. Also, as consumers were unaware about the new product, an attitude towards the new brand formed only on the basis of their attitude towards the existing brand (Sheinin, 1998). Therefore, an existing brand helped in gaining consumer attention and provided quality assurance and other image based association on the basis of consumer familiarity and liking of the existing product (Aaker, 1991). The author also explored several other factors such as low level of innovation of a new product, bundling with a high complementary product, and discounts that had a positive influence on consumers' risk perception when a product bundle was available. It was also found that the consumers' perceived risk reduced when a new product was a tie-in rather than an anchor product.

Sheng and Pan (2009) found that the quality perception of the new brand would be higher when it was bundled with a strong brand than when it was bundled with a weak brand. It was also found that the perceived quality of the new brand increased when the complementarity between the bundled products was high. The result also showed that the quality perception of the new brand was high when a discount was given on the bundle as a whole in comparison to a new brand only. Similar results were obtained by Khandeparkar (2014) in the Indian context, where he found that the quality perception of the new brand was high when it was bundled with an existing strong brand image. It was also found that the quality perception of the new brand was high when the complementarity between the bundle products was high. The result also showed that the quality perception of the new brand enhanced greatly if the new brand was bundled with a strong brand of a higher price category than itself.

Theoretical Framework and Proposition Development

Self-congruity can be defined as the degree to which consumers' self-concept, such as actual self, ideal self, social self, and ideal social self matches with the product / brand image, store image, destination image, or user image of a given product/brand/service (Sirgy, Grewal, Mangleburg, Park, Chon, Claiborne, Johar, & Berkman, 1997 ; Sirgy,

Grewal, & Mangleburg, 2000 ; Sirgy & Su, 2000). Functional congruity can be defined as a match or mismatch between consumers' expectations of the product or brand attributes before purchase and their real estimation after purchase (Kang, Tang, & Lee, 2015 ; Sirgy et al., 2000).

Following the same logic from past literature (e.g., Kang et al., 2012; Sirgy, Johar, Samli, & Claiborne, 1991; Sirgy & Samli, 1985) and elaboration likelihood model (ELM) (Petty & Cacioppo, 1981,1986), here the study proposes a relationship between consumers' self-congruity and functional congruity in the bundling context. When bundling is used as a new product introduction strategy, for consumers, the new product is not a familiar one. Therefore, it becomes difficult for them to process the functional information because of the lack of motivation and ability to process information (Petty & Cacioppo, 1986). Under such conditions, their perceived congruency between self-concept and the product/brand image of the existing brand in a bundle act as peripheral cues which help in forming affective responses towards the product/brand through the peripheral route of persuasion by merely relating the brand-user image and their self-concept (Johar & Sirgy, 1991 ; Sirgy et al., 2000). Self-congruity as a form of affective response is produced either before purchasing or during the consumption process (Hung & Petrick, 2011 ; Kressmann, Sirgy, Herrmann, Huber, Huber, & Lee, 2006). Once consumers form an affective response towards the existing brand, it might influence their cognitive assessment of an existing brand's functional features, that is, the consumer might decide to process more functional information related to the brand through the central route of persuasion based on increased motivation and ability (Braverman, 2008; Kang et al., 2015). Consumers' affective responses usually take place before their cognitive assessment of product functional features (Phillips & Baumgartner, 2002). Thus, when consumers perceive a high degree of self-congruity, it is expected to bias their assessment of functional attributes (Han & Back, 2008 ; Sirgy et al., 2000). In this context, biasing effect means consumers are expected to assess a brand along its symbolic features first, followed by an assessment of the brand along its functional features (Kressmann et al., 2006). Therefore, the study argues that self-congruity with the existing brand in a bundle is likely to occur first as a result of peripheral route of persuasion by merely relating the brand user's image and consumer's self-image (e.g., attractiveness, friendliness, warmth, etc.), which leads to functional congruity that processes through the central route of persuasion by carefully scrutinizing the functional features (e.g., quality, reliability, credibility) of the existing brand in the bundle. Therefore, the study proposes that :

✦ **P₁: Consumers' self-congruity with the existing brand in a bundle positively impacts their functional congruity of the existing brand in a bundle.**

Self-congruity theory is commonly used to explain the effect of self-image congruence on consumer attitudes towards a brand (He & Mukherjee, 2007 ; Sirgy, 1982 ; Sirgy & Johar, 1999). According to the self-congruity theory, the behaviors of people are embedded on the perceived similarity between value expressive features of a given brand and their self-concept (e.g., actual self-image, ideal self-image, social self-image) (Graeff, 1996 ; Sirgy, 1982). Sirgy and Johar (1999) found that when the match between the brand image and consumer self-image would be more, it would be more likely that it would satisfy consumers' symbolic needs, and ,therefore, consumers would develop more favorable attitudes towards the brands (Kleijnen, de Ruyter, & Andreassen, 2005 ; Sirgy et al., 1991). Consumers form a strong and unique relation with the brand on the basis of symbolic brand benefit (Keller, 2003). These symbolic benefits act as a “value-expressive” function through which consumers express their self-image and develop a positive and favorable attitude towards a brand (Aaker, 1996). Attitude towards the brand is affected by consumer behavior, which is partly determined by self-brand congruity (Graeff, 1996). Kang et al. (2012) stated that when a consumer's self-congruity with the brand was high, it would lead to favorable attitude towards the brand. Similar results were found in the Indian context, as various studies have been done in the field of tourism, branded fashion apparels, and accessories, which showed that when a consumer's self-congruity with a brand was high, it would lead to favorable attitude towards the brand, which would result in high purchase

intention towards the brand (Das, 2015 ; Kumar & Nayak, 2014 ; Khan, 2010 ; Upadhyaya, 2012). Several studies in brand extensions and co-branding context found that when consumer self-image congruity towards the existing brand was high, it would lead to favorable and positive attitude towards the existing or parent brands (Helmig, Huber, & Leeflang, 2008 ; Simonin & Ruth, 1998). The present research extends the above mentioned arguments in a bundling context and proposes that :

↪ **P₂: Consumers' self-congruity with the existing brand in a bundle impacts positively on their attitude towards the existing brand in a bundle.**

Past literature stated that high congruence between consumers' utilitarian beliefs and the referent beliefs about the existing brand develops more positive attitudes towards the existing brand (e.g., Sirgy & Johar, 1999). This congruency in terms of utilitarian beliefs occurs throughout the consumption process or after the consumption, particularly at times when the difference between expectations and experiences are compared (Ryu, Han, & Kim, 2008). In line with the functional congruity literature, favorable attitude is initiated in consumers' mind when their evaluation of the functional attributes of the brand after purchase is equal to or higher than their expectations prior to the purchase (Kang et al., 2012 ; Kressmann et al., 2006 ; Ryu et al., 2008 ; Sirgy et al., 1991 ; Sirgy et al., 1997). Several studies in brand extension literature inferred that when consumer's functional expectation matches with actual experience towards the existing product, it would create a favorable attitude towards the existing brand (e.g., Aaker & Keller, 1990 ; Keller, 2003 ; Park, Milberg, & Lawson, 1991). In line with the above mentioned streams of literature, the study proposes that :

↪ **P₃: Consumers' functional congruity with the existing brand in bundle impacts positively on their attitude towards the existing brand in a bundle.**

Launching a new product with an existing renowned brand provides significant potential marketing benefits to the marketers (Sheng & Pan, 2009). When a bundle contains at least one existing renowned brand, it acts as a base for consumers to form favorable opinions, preferences, and attitudes towards the new brand (Simonin & Ruth, 1995). As consumers are unaware about the new product, an attitude towards the new brand would be formed only on the basis of their attitude towards the existing brand (Sheinin, 1998). Therefore, instead of launching a new product on their own, manufacturers could promote such a brand through bundling with the existing renowned brand, which would help the new product to get more consumer attention and would also provide a guarantee of quality and other image based associations (Aaker, 1991). To support the same, the proposed study uses the categorization theory (Sujan, 1985). According to the categorization theory (Sujan, 1985), people divide objects and events into categories based on certain similarities and resemblances. When an object or stimulus is grouped as a member of certain categories, then the affects related with the category could be transferred to a new object or stimulus (Cohen, 1982). Thus, consumers are expected to use the categorization based approach in examining the products or brands in a bundle (Bodenhausen & Lichtenstein, 1987). Sheng and Pan (2009) stated that the quality perception of the new brand would enhance when consumers perceived a high degree of similarity in relation to both functional and symbolic benefits between an existing brand and a new brand, and it was also found that consumers' favorable attitude towards the existing brand would be easily transferred towards the new brand. Therefore, the study proposes that:

↪ **P₄ : Consumers' favorable attitude towards the existing brand in a bundle impacts positively on their attitude towards the new brand in a bundle.**

Brand attitude acts as an important tool which influences purchase intentions towards a particular brand/product

(Goldsmith, Lafferty, & Newell, 2000 ; Lafferty, Goldsmith, & Newell, 2002). Ajzen and Fishbein (1980) developed “the theory of reasoned action” (TORA) which suggested that consumer attitude towards the product/brands played a significant role in predicting consumer purchase intention for that particular brand or product. Simonin and Ruth (1995) inferred that prior attitude towards the existing/parent (tie up) brand in a bundle had a significant positive effect on the attitude towards the new (extended) brand in a bundle. Vast literature in brand extensions and co-branding supports that attitude towards the parent brand or the alliance brand would lead to the formation of a positive attitude towards the extended brand or a new brand, which would further influence the purchase intention towards the extended brand or co - brand products (Helmig et al., 2008 ; Martinez & de Chernatony, 2004 ; Simonin & Ruth, 1998). Based on the arguments above, the study proposes that :

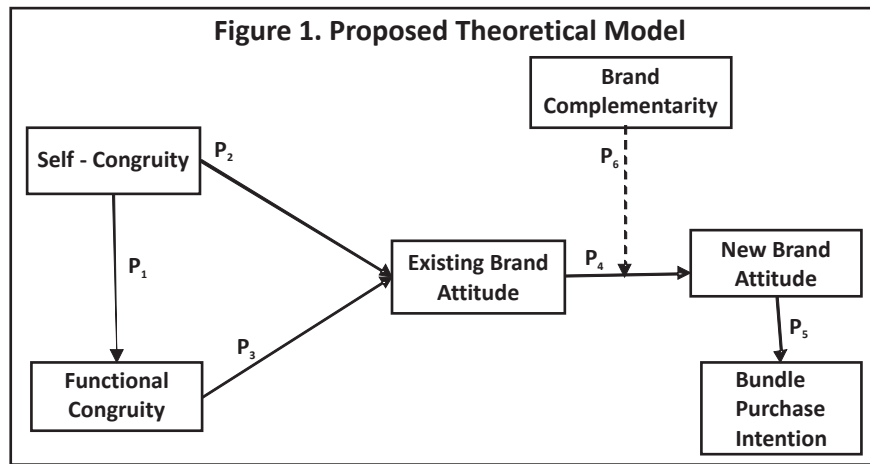
↳ **P₅: Consumers' attitude toward a new brand in a bundle impacts positively on their purchase intention towards the overall bundle.**

Most of the studies in the bundling context defined complementarity bundles as the combination of two or more individual components that were functionally related (Gaeth et al., 1991 ; Harris & Blair, 2006a ; Sheng, Parker, & Nakamoto, 2007 ; Simonin & Ruth, 1995). Research has showed that complementarity or similarity between the products or brands in a bundle has a favorable effect on consumer attitude (Sheng & Pan, 2009 ; Simonin & Ruth, 1995). Most of the studies in the bundling context showed that product or brands that were functionally related would have a positive influence on consumer evaluation (Gaeth et al., 1991; Harris & Blair, 2006a, 2006b ; Simonin & Ruth, 1995). Several studies have been done in the Indian context which showed that complementarity between the existing brand and the new brand or the brand extension had a favorable effect on consumers' attitude towards the new brand or the brand extension (Joji & Varghese, 2016 ; Khandeparkar, 2014 ; Patro & Jaiswal, 2003 ; Punyatoya, 2013; Ramanathan & Velayudhan, 2015). When bundling is used as a new product introduction strategy, the complementarity between the bundle products would determine whether the categorization effect would be transferred from the existing brand to a new brand in the evaluation process. When the complementarity between the existing brand and the new brand is high, consumers might observe a high degree of similarity between them and are likely to use the categorization approach for evaluating the new brand in a bundle (Simonin & Ruth, 1995). According to the categorization theory, in a bundle, when the existing brand is a strong brand, consumers are very likely to position the new brand into the category represented by the strong brand, that is, a “high quality” category by using the membership of the high quality category for evaluating the quality of the new brand. Therefore, the positive attitude towards the existing brand would be easily transferred to the new brand in the evaluation process and the perceived quality of the new brand would be enhanced by a strong brand in a bundle (Sheng & Pan, 2009). Based on the argument above, the study proposes that:

↳ **P₆: Brand complementarity moderates the relationship between existing brand attitude and new brand attitude, such that the higher the level of complementarity between the existing brand and the new brand, higher the purchase intention towards the bundle.**

Proposed Theoretical Model

A proposed theoretical model has been developed that examines the relationship between the constructs in the bundling context. The conceptual model is a diagrammatic representation of all propositions that have been developed to meet the objective of the study formed on the basis of the gaps identified by reviewing the past literature (please refer to Figure 1).



Expected Theoretical Implications

The proposed study has several implications. First, the proposed study will add value to the existing literature in bundling. For the first time, the impact of self-congruity and functional congruity can be empirically tested in the bundling context. Secondly, the proposed study will also provide more comprehensive, detailed, and integrated understanding of how consumers evaluate a new brand in a bundle when it is launched with the existing brand with high self-congruity and functional congruity.

Managerial Implications

In this study, we have proposed bundling as one of the risk-reduction marketing strategies that marketers can use for launching a new brand with an existing brand. It will help companies to craft different strategies by using this model, which will help to introduce a new brand successfully in the market. If the brand managers want to employ bundling as a strategy for launching their new products into the market, this research will help them in selecting appropriate bundle partners. It will also help managers in capitalizing the potential market and increase the sale of new products and also the bundles as a whole. Moreover, by bundling a new brand with the existing/and or complementary brand, marketers can reduce the perceived risk associated with the new brand by sending a signal or creating a context for the consumer about the compatibility of the new brand with the existing brand and also the availability of the complementarity brands. Finally, more effective strategies can be developed by managers by understanding these variables that influence consumers' perception about the acceptability of a new brand in the bundle.

Limitations of the Study and the Way Forward

The study has several limitations that can be used as an extension for future research. The propositions developed in this study can be empirically tested in future research. Using between subject experimental designs, respondents can be presented with different bundle conditions. Respondents can then be asked to rate different scenarios based on their perception towards the existing brand and intention to buy different bundles, the conditions of the same which would be presented to them.

In this study, we examined only one factor, that is complementarity, which would influence consumers' perceived attitudes towards the existing brand and the new brand associated with the purchase of a product bundle.

Future research may also include other factors such as prior experience, consumer innovativeness, risk averseness, product price, and product form which might have a different impact on the purchase intention of a bundle product. Future research might also explore different marketing strategies that managers can use to influence consumers' perception of bundle positioning (i.e. which brand to be an anchor or a tie-in brand). Finally, we expect that this study might help future research in the areas of bundling and new product introductions.

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