Brand Experience Impact on the new Service Performance: a Study on Portuguese Wine and Tourism Sector

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Abstract:

Innovative Companies recognize that the success of a new product/service starts long before the actual design process (New Services Development) and they have started to look upstream to consumer research to improve the odds of developing a marketplace winner. Technologic challenges in the Wine and Tourism sectors demands that managers and users must be active innovators.

The front end-of-innovation management (New Concept Development) and the “lead users” research explains the wide consensus of using an established brand in order to provide a good framework for developing New Projects, when winemaking companies branch out into new areas - continuous to discontinuous innovation.

By using ANOVA and Logistic Regression this research was structured: (1) some pre-tests to identify new Tourism Services - interviews with products/services innovation managers; (2) a survey to managers of the Idea-to-Launch system and customers of Wine Companies.

ANOVA shows both are significant individual/interaction effects from new service innovativeness (to brand/market) and marketing research along the New Project Development. Results of logistic regression, also, show the power of strategic brand extension to discern best-high from marginal success of new services. They both reveal how “brand extension” could diminish the gap between new project customer expectations and perceptions.

The efficiency assessment of the nature of these behaviours has been widely applied in many European countries but this is still an emerging reality in Portugal.

Keywords: Brand Extension; Innovativeness; Wine Marketing; Tourism Marketing; Region of Origin Equity.

1. Introduction

Innovative Companies recognize that the success of a new service starts long before the actual design process and they have started to look upstream to consumer research to improve the odds of developing a marketplace winner.

As the services have been participating increasingly in the industrialized economies, a special attention has been given over the last fifteen years to understand its success conditions and mechanisms. So, forecasting new projects' future performance became a critical challenge the project managers have to face. However, new products' success models have not given a global vision of internal/external environments, which shape best new services' success. Practises and academics consider successful services' innovation and technology strategy, portfolio management, formal idea-to-launch process and innovative climate (Cooper, 2005) as a sustainable source for differentiation, superior value and closeness to customers.

The tourism and wine marketing literature (Erdu, 2004; Perrouty, D'Hauteville and Lockshin, 2005) supports that new service should not be regarded as generic and easily imitated. Fulfilling this goal will demand the adoption of a continual process that will bring about, in a superior and original way, new and existing needs/ problems clearly differentiating the experience of the service.

A company must continue to innovate to maintain brand equity through the strategic development of products/services that provide experiences to its customers by responding to unmet needs. These wine products must fit into a unique interconnected suite of services that are monitored at a corporate strategic level.

Brand extension as an innovative strategy could use consumer's understanding to dissect trends and develop actionable insights to produce new products, services and acquisitions. In fact, every brand extension brings meaningful perceived value to the consumers they target (Cegarra & Merunka, 1993; Speed, 1998,Turpin, 2005).

From a company point of view, this brand strategy is justified against the high costs for creation, knowledge generation and giving an identity to a new brand. An existing name takes less time to educate the market, so the company benefits from the transfer of consumer attitudes, preferences and knowledge from the original product to the new product termed by Speed (1998) "transfer" and "reciprocity".

Addicionaly, the use of the extension strategy is not free from risks, taking into account the fact that its inadequate use may:

1. Not benefit, and inclusively, damage the success of the innovativeness degree of the new product (Dimitriadis, 1993);
2. Have a negative effect on the original brand and, as a result, on the value of company's asset.
3. Cannibalisation effect, when new product sales are made at the expense of original portfolio sales (eg. line extensions).

Research about the strategic and environmental factors that determine the success or failure of new services and, especially explain different levels of positive performance are still scarce, exploratory and sector based (Van Riel, Lemmink, and Ouwersloot, 2001).

From a methodological stance, the evolution of a limited focus on identification of the determinants and reasons for success or failure of new services is now apparent. Recently, the analyses widened to include the identification of factors that explain different degrees of return, i.e., discriminate between new projects of average and high success.

The proliferation of new services in the market demands a more selective allocation of resources, supported by more accurate forecasts of the new projects' performance. Value-based competition on results is a positive –sum competition in which all systems can benefit: wine and tourism brands and customers (Mark, Mitchell and Orwig, 2002).

The literature about extending product brands and innovation (Keller & Aaker, 1997) shows that offering information (i.e. specific product/service associations) characterizing a firm as innovative, could influence corporate credibility and, thus, consumers' evaluations of brand extensions introduced under the firm's name. This idea is reflected in the power of innovative corporate image associations.

In the following sections we describe the research design of our study, followed by the empirical results concerning the three research issues stated.

2. Conceptual Framework and Hypothesis

According to the conceptual and empirical results out of the new products/services marketing and brand extension literature, this study assumes that:

1. New product/services' success is predictable and manageable, particularly in wine and tourism markets;
2. The new products/services' performance factors set (project, process, company and environment describers) could change according to diffferent strategic innovation focus. Capture the impact of financial/non-financial measures is one of our main objectives;
3. Success company's innovation strategies are those who meet the conscious and unconscious needs of its customers (Cooper & Edget, 2008). The ability to modify services and fit them with the emerging needs of consumer experience support building the brand equity.

So, the core of brand extension strategy is the relationship created by a company's ability to anticipate and develop product and service experiences (Vogel, Boatywright & Cagan, 2005).
The synergy from which a brand may or may not benefit when it extends to new products/services will depend on the degree of cohesiveness between two types of relationships: product-level fit and image-level fit. Despite new wines are to much similar, Thode and Maskulka (1998) highlight that product unique atributes and image are still usefull for its positioning.
Therefore, we predict the following:

> H1. A well-known brand name should benefit from the launch of a new product/service if brand users perceived both links between products/services (new and original) and belief's congruence (brand-and-new-product-image uniqueness);

The success/failure innovation literature also points that the significant reduction in the new projects – "time to break-even" – is only obtainable if the company enjoys a strong "corporate image" and the project is sufficiently familiar to both, the company and the market. Furthermore, the company/clients relationship is strongly enhanced by new projects which development and launch benefits from "management synergies", "marketing research" and significant "innovativeness to brand/market".

Yet, low "innovativeness to brand" seems to be a good platform to "market development". The consumer behaviour literature found that if consumers perceive nominal differences between competing product/services brands they have difficult to choose between competing brands (Andreassen & Lindestad, 1998).

Additionally, recent empirical research shows that: (a) The variables' set with relevant impact on the performance of new services describes the new project and technology strategy, its idea-to-launch process, the organization climate and the environmental conditions (Wright,1990; Easingwood & Storey, 1991; Brentani & Cooper,1992; Cooper, 2005; PDMA, 2004); (b) The group of critical factors to the performance of the new product/services change, in their relative composition and weights, in terms of the financial/non-financial nature of their indicators (Cooper & Kleinschmidt, 1987; Cooper, Easingwood, Edgett, Kleinschmidt & Storey, 1994); (c) The innovativeness degree of the new project should fit the product/services and technology innovation strategy - brand extension decisions.

Therefore, we predict the following:

> H2. The new project successful / failure discriminators' set should be different when different smart metrics are used to capture its performance;
>
> H3. Different global innovation strategies determine different new project performance smart metrics sets.

3. Research Design

3.1. Sample and Data Collection

This research was structured in two consecutive studies:

Study 1:

Carrying out three pre-tests in order (a) to identify wine brand extensions (tourism services); (b) to evaluate the fit between the new services and the original category (no link - high uniqueness; feature - low uniqueness; concept based - average uniqueness); (c) to test the level of congruence between the specific beliefs of Douro Valley brand wine image and the one of the new services.

The data gathering method were: (1) two exploratory focus group; (2) a survey administered to 120 graduate business students at the University of Porto; age between 25 up to 40;

randomly assigned to one of the two groups: a “control group” and an “experimental group. The experiment was conducted by twenty-four different self-administered questionnaires - 6 conditions: 3 experimental and 3 controls. Sample size was considered sufficient for the quasi-experimental nature of this study.

Study 2:

Based on (a) the pre-tests information, (b) exploratory interviews with innovation managers and (c) service marketing/innovation literature, a group of 71 variables were selected by: 45 New Project’ Describers: “perceived quality”, “marketing research”, “innovativeness to brand/to market”, “relative advantage” and “development process”; 14 Company and Environment Describers: “brand extension strategy”, “corporate brand image”, market competitiveness, forecast/regulation; 8 Performance Indicators and 4 Market, Company and Services classification factors.

A survey structured into three groups of 1-7 scale (strongly disagree to strongly agree) was submitted, after being tested, to managers of the idea-to-Launch system of 330 winemaking Portuguese companies from 10 wine regions. In spite of the 30% (99 companies) of answers, only 74% was considered valid, i.e., 146 new projects (76 failures and 70 successful).

3.2. Data Processing

In order to test H1 and H2 we performed an inter-subject factorial design (ANOVA): 3 (no link vs. feature vs. concept based link) x 2 (congruent brand image vs. incongruent). To test the H3 a multi-varied analytical sequence was adopted in 4 phases:

1st. to identify the project, company and environment describers that best differentiate the new services previously classified as commercial successes and failures; the variables were submitted to an exploratory Principal Components Analysis (PCA) to examine its eventual underlying relationships;

2nd. based on the dimensions derived from this PCA (independent variables) and on the previous success/failure classification (dependent variables), data was submitted to a binary logistic regression analysis, to identify the dimensions of the environment, company and new project that best discriminates between success/failure;

3rd. to check if the factors which discriminate positive/negative performance are, also, able to explain high success levels on each of the four individual performance indicators (financial performance; relationship enhancement; market development and time to break-even) was tested by a sequence of binary logistic regressions;

(4ª) finally, to observe the direction of eventual interaction effects, the data were subject to successive ANOVAs.

4. Results

4.1. Global Evaluation of the Brand Extensions

ANOVA results about the "extensions global performance" (dependent variable) support H1. The main effect of congruence between the products/services ($F=4.20$, $p<.05$) shows that the new services (Enotourism; Ecotourism; Wine Therapy Spa) that share concept based links with the original category (wine) have performance significantly higher than those in condition no link (5.07 vs. 4.7, $p<.05$) (see Table 1).

On the other hand, our results corroborate the expected relation that extensions significantly congruent with the core beliefs of the wine brand image (Douro Valley image) have higher performance than those that were incongruent (5.31 vs. 4.48, $p<.05$).

Table 1: Extensions Global Performance

Factors	Extensions global performances by each level of the factors		
Link between Products Services	None = high innovativeness to market 4.74*	Concept-based = average innovativeness to market 5.07*	Feature-based = low innovativeness to market 4.87
Douro Valley Wine Brand Image	Congruent = low innovativeness to brand 5.31*	Incongruent = high innovativeness to brand 4.48	

* p<.05; **p<.001

4.2. New Project, Firm, Environment and Performance Dimensions

Despite a moderate correlation between the new service, the organization and the environment describers (r between 0.26 and 0.64), the Principal Components Analysis (Varimax rotation) shows an independent factors set (10) consistent with the original proposed structure, explaining 62% of the variance in the original variables. Nevertheless, only 7 of those 10 original describers can discriminate between new service global success/failure performances – "global quality"; "marketing research"; "brand extension strategy"; "innovativeness (to market)"; "new service development process"; "management synergies" and "new project relative advantage" (see Table 2).

In spite of the reliability of the financial/non-financial performance measures set (α=0.86), the impact of each of the discriminators on the individuals indicators was also tested. The results show that the expected variability of the impact of new services success factors, through the different return indicators, obtained full confirmation (H2).

The group of factors that discriminate between new services of marginal/high success is, however, slightly different and less than those that just separate successes from failures (see Table 3.).

Instead that a global successful new service benefits from positive "global quality"; "marketing research"; "brand extension strategy"; "innovativeness (to market)"; "new services development process"; "management synergies" and "new project relative advantage" (see Table 2), a more detailed analysis of the individual scales of "financial and non-financial" returns shows that the company performance focus correlate with different strategic options (see Table 3.) (H3).

In regards to the interaction effects, the results observed are consistent with previous indications from empirical literature: both "strategic window" as well as "relationship enhancement" show statistically significant mean differences resulting from the interaction between Brand Extension Strategy [F=2.427, p=0.055] and Marketing Research [F=3.939 (4), p=0.006].

Table 2: Strategic Brand Extension, Firm and Environment Dimensions Effect on New Service Global Success/Failure

Factors	Coefficient	St/. error	p
Global Quality (α= .64)	2,2423	, 6305	)004
Marketing Research (α= .65)	2,3894	, 5876	)000
Brand Extension Strategy (α= .60)	1, 6638	, 6199	)012
Innovativeness (to brand) (α= .82)	, 6725	, 4555	l399
Innovativeness (to market) (α=.73)	1, 3120	, 4762	)059
Forecast/Regulation (α= .52)	-, 6698	, 4483	l352
NSD Process (α= .87)	1,5842	, 4958	)014
Management Synergies (α= .87)	1,4319	, 4996	)042
Market competitiveness (1 item)	-, 0166	, 4271	)690
Relative Advantage (α= .79)	1,7236	, 5228	)010
Number of observations	124		
-2 Log Likelihood	48,505		
Goodness of fit	108,948		
Cox & Snell – R^2	, 597		
Nagelkerke – R^2	, 797		

Table 3: Strategy, Project, Firm and Environment Dimensions Impacts on New Service Performances

Performance / Factors	A (α= .79) (high/average)	B (α= .52) (high/average)	C (α= .77) (high/average)	D (1 item) (short/average)
Global Quality	1,0870	, 7102	2,3404 **	-1,3907
Marketing Research	1,7434 **	1,7295 *	1,2692 *	-, 6693
Brand Extension Strategy	1,0560	1,2544 *	1,5793 *	1,7900 *
Innovativeness (to brand)	-, 3341	-, 5217	1,2864 *	1,5410 *
Innovativeness (to market)	1,3887 *	1,9270 **	, 1546	1,7849 *
Forecast/Regulation	-, 0884	-, 2969	1,1451 *	-, 7494
NSD Process	, 7184	1,1228	-, 6805	-1,0363
Management Synergies	1,1388	2,1789 *	, 5074	, 3774
Market competitiveness	-, 3355	-, 3288	-, 1645	-, 1980
Relative Advantage	1,8501 **	, 9418	, 7428	-, 8954
Nº. of observations	70	70	70	70
-2 Log Likelihood	50,240	48,044	45,553	44,275
Goodness of fit	47,659	40,910	44,319	44,435
Cox & Snell – R^2	, 355	, 381	, 392	, 423
Nagelkerke – R^2	, 473	, 508	, 528	, 565

A: Financial; B: Relationship Enhancement; C: Market Development; D: Time to break-even
*p < .05; ** p < .01; *** p < .001

5. Conclusions and Managerial Implications

Brand extension strategy provides a good framework for developing new products/services when winemaking companies branch out into new areas - continuous to discontinuous innovation (Sttruton, Lumpkin & Vitell, 1994; Renquist, 2007). In the wine sector the attractiveness of brand extensions is correlated with the frequent use of monolithic branding strategy which has built considerable goodwill for the region's wine brand (Free, 1996; Perrouty et al, 2005).

However, in a service context there is a paucity of research analyzing the effects of brand extensions in diminishing the unfamiliar context of new project image.

In wine industries the risk of damage the parent Region image due to brand extensions is low, especialy when a specific geographical origin signals superior intrinsic quality wine features (Thode and Maskulka, 1998). Perceived quality is affected both by the fit between the extension and the parent brand and by the perceived level of brand expertise. Turpin shows (2005) that brand extensions in areas where firms have not demonstrated their clear expertise can confuse the consumers. In line with Speed (1998), since the original brand (Douro Wine Appellation) has little or no brand equity (medium quality), the new extension tested in this research (Enotourism; Ecotourism; Wine Therapy Spa) significantly enhanced original brand image coherence and reputation (Douro Valley) through their higher quality positioning.

Creating sub-brands could be an alternative. Nevertheless, if the value proposition of the brand extension is truly valuable and genuinely meaningful to customers, brand extensions opportunities are likely to be unlimited.

Wine marketing activity related to innovation management - match customer's need with organization's resources (Spawton, 1991) - could provide the most valuable enhancements on region of origin brand extension equity. Specifically, it led to the most favourable perceptions of wine region expertise and to inferences that the wine brand extension would also be innovative and increase both the perceived quality and purchase likelihood ratings for the extension.

By applying the memory model as a network of associations ("brand schema"), it becomes apparent that certain wine brand beliefs may be more important than others in determining the position occupied by the brand in consumers mind (Aaker & Keller, 1990; Broniarczyk & Alba, 1994).

Nevertheless, Keller & Aaker (1997) argue that by building trust behind the region of origin brand consumers' perceived risk is reduced and confidence grows in valuable services brands. The observed significant link between the four performance dimensions of new services with "brand extension strategy", "marketing research," and "innovativeness to market" suggests the winemaking organizations operating in Portugal must reinforce their market orientation. Generally, the Portuguese wine industry profile is still production-based and is difficult to adjust to huge competitive marketplace. In fact, the Portuguese wine industry is more sales than marketing oriented - the market data are less important then production and sales ones (Serra & Carvalho Vieira, 2008).

Relationship between the wine company and its clients is enhanced strongly by new services of greater value than those existent, when their development and launch process benefits from strong "management synergies", high "innovativeness to market", significant "marketing research" and an effective brand extension strategy.

The launch of new services opens new opportunities for the organization (projects/markets) when they are linking to strong investments in "global quality", "marketing research", "forecast/regulation" and "brand extension strategy", as well as the experience that an organization has in development, production and commercialization.

The efficiency assessment of these behaviors has been widely applied in many European countries but this is still an emerging reality in Portugal. Therefore, a serious and impartial evaluation of wine and hospitality "service" gaps is important to assess customer satisfaction against their expectations.

The results of this project contribute to model the conditions in what innovation management can:

(a) Diminish the gap between new project customer expectations and perceptions;
(b) Support high innovative project success development and launch;
(c) Benchmark high innovative wine companies and region of origin

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