Brand Equity and Shadow Diffusion in the Music Industry: Implications of the Familiar

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Overall, these findings suggest that getting consumers exposed to the product fosters understanding and simultaneously facilitates perceiving change, thus potentially product advantage. This may be emphasized in this study where consumers where in a context of daily product usage and exposure. Interestingly, consumers acknowledge the fact that the product is new on both dimensions, hence both perceptually and cognitively, however it seems that the benefits/disadvantages of being new vanish. Consequently, it seems that although product newness is critical to determine innovation trial rates, it may not be an appropriate determinant for long-term success.

References

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Extended Abstract
Explicitly or implicitly, it is generally accepted that brand equity plays a role in the sales of entertainment products. For example, new novels by established authors such as John Irving or J.K. Rowling generally sell better than a first novel by an unknown author. In this research we recognize that consumers are subject to a number of influences when consuming entertainment. Two broad forces, one’s own prior consumption (personal consumption capital) and other consumers’ consumption (social consumption capital) constitute the brand equity effect that we consider. Of particular interest and note relative to prior diffusion models, we focus on how the sales of a current offering are complementary to the sales of prior offerings.

Record executives, book publishers, and film studios have increasingly focused on selling the products of established artists. While new bands, authors, and movies are breakouts on occasion, it is perceived that there is less risk to offering the known or familiar. Movie sequels and new books or albums by established names are generally believed to perform better in the market. The charts of top selling offerings (e.g., Billboard 200, New York Times Bestsellers) are primarily populated with established artists, providing ample support for this perception.

In many cases, preference is a function of one’s own past consumption and experience as well as the consumption of others (e.g., Becker 1996; Zajonc and Markus 1982). One area where this may hold is in entertainment goods. For example, Backstreet Boys albums are phenomenally successful with teenagers, but these consumers were not born with the inherent desire to buy Backstreet Boys albums. Instead, it is the consumption of these albums by their peers and their own consumption of prior Backstreet Boys album(s) that contributes heavily to their current preference and the album’s sales.

We contribute to the existing knowledge in this area by constructing an estimation model that explicitly captures the effect of consumption of a previous generation entertainment product, as well as the effect of peer consumption of the current generation. This model allows us to investigate differences in consumer purchase patterns for new and established artists. By estimating diffusion parameters for several generations of albums by numerous music groups, we are able to provide insight into the diffusion pattern for music purchases. This decomposition of sales provides knowledge that allows managers to more proactively manage new product introductions and better manage multiple generations of offerings.

The estimation model is a modified diffusion model (e.g., Bass 1969). While this model has generally been applied to product categories, it also fits many entertainment markets quite well. With many entertainment products there is a distinct consumption cycle for each product generation. Within a cycle, a population of potential consumers may buy based on an innovative influence or buy because of social influence, but few consumers will buy the product more than once.

While Norton and Bass (1987; 1992) investigated the situation where a latter generation cannibalizes, we investigate the converse, incorporating complementarity by expanding the basic diffusion model to include an across generation imitation influence in addition to the traditional within generation effects of innovation and imitation. This framework is consistent with Becker’s (1996) conception that prior consumption and social consumption (consumption by others) will affect an individual’s current consumption.
Our model allows us to empirically explore two areas of interest. First, we provide hypotheses about the across generation pattern of the coefficients of innovation and within- and across-generation imitation. This focuses on the patterns, systematic variation due to brand equity—personal influence, social influence, and innovation. Second, we use information of a past generation’s success to forecast the success of a new generation.

To specify the model we use the Billboard 200 data. Limiting the set to the Billboard 200 allowed us to focus on albums that received greater than marginal attention but was not too restrictive. Sales volume outside the top 200 was fairly inconsequential; usually well below 5,000 units per week nationally. Sales of the top three albums were around 200,000 with sales for the top album occasionally substantially above that figure.

Our findings show that an album’s sales over time are influenced by an innovative (or external to the social system) influence as well as both within- and across-generation imitative (or internal) influences. The first two influences, innovative and within-generation imitative are part of a traditional diffusion model. The last influence, across-generation imitative, is new and explicitly connects the diffusion pattern of the current generation with brand equity established prior to the launch of the current generation.

Turning attention to predicting future success for an album we focused on whether a follow-up album makes the charts and if it does, how success in the prior generation is related to success for the current generation offering. Our data show that if a prior album makes the charts, less than 30% of follow-up albums fail to make the charts. The data shows that this occurs when a prior album experiences relatively minimal success in the top 200. Another observation is that the contribution of brand capital may not grow with each successive offering. We did not observe growth in the importance of brand equity across latter generations of offerings and in fact observed a non-significant decline in the importance from 48% to 39%. We did observe a U shaped effect from the 2nd to third and fourth and beyond albums for albums subsequent releases not to even make the charts.

Clearly, brand equity and sales due to across generation effects are important. Our results and the fact that knowing a group’s prior album made the charts significantly elevates its chance of making the charts with its next album seems to justify the industry executive’s focus on the established and familiar.

Our approach has been to decompose the sales pattern and derive a separate estimate for sales due to across generation effects. This provided a better understanding of differences across generations of offerings and implications for a group’s next offering.

References
If I Don’t Understand It, It Must Be New: Processing Fluency and Perceived Product Innovativeness

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Extended Abstract

The meta-cognitive experience of the ease or difficulty with which new information is processed, referred to as ‘processing fluency’, has been shown to influence a wide range of human judgments including judgments of truth and preference (e.g., Lee and Labroo 2005; Reber and Schwarz 1999; Skurnik et al. 2005; Winkielman et al. 2003). In relation to preference, high fluency has typically been found to increase subjective liking of the judgment target due to the positive feelings elicited by the fluency experience (see Winkielman et al. 2003). However, what people conclude from their meta-cognitive experiences of processing fluency should be influenced by which naïve theory of information processing they bring to bear on their fluency experience (see Schwarz 2004). The present study addresses this possibility.

Study objectives and hypotheses

High processing fluency is hedonically marked and experienced as positive, which can be captured with psychophysiological measures (Winkielman and Cacioppo 2001). This positive affective response, in turn, results in more positive preference judgments. Suppose, however, that the initial judgment pertains to a specific product attribute (e.g., innovativeness). In this case, fluency may serve as input into a more specific judgment, provided that the task brings an applicable naïve theory of information processing to mind that can serve as an inference rule. We test one such naïve theory, namely the (usually correct) assumption that ‘new information is more difficult to process than familiar information’. This assumption may influence judgments of the novelty and innovativeness of a described product. Specifically, we predict that a given product is judged as more innovative when consumers have difficulty processing the product information. Once that judgment is made, it may feed into a later judgment of product preference, reversing the typically observed pattern of the fluency-liking link.

Whether consumers rely on their subjective experience of processing fluency in making specific attribute judgments, however, may depend on their willingness to engage in effortful cognitive processing (referred to as Need for Cognition; Cacioppo and Petty 1982). If a judgment of product innovativeness is seen as pertaining to an objective product characteristic, consumers high in NFC may draw on the details of the product description, whereas consumers low in NFC may rely on their processing experience. Hence, the expected influence of fluency on innovativeness judgments may be limited to low NFC consumers.

Finally, judgments of preference always pertain to one’s own subjective response to the product. Accordingly, high as well as low NFC consumers may, in principle, draw on their fluency experience in making preference judgments. But they may be more likely to do so if they have not already attributed this experience to a specific product characteristic. The reported experiment explores these possibilities.

Method

Following a 2 (Fluency: High vs. Low) x 2 (NFC: High vs. Low) between-subjects design, 95 undergraduates read a product review printed in either an easy-to-read font (10 point, black Arial font) or a difficult-to-read font (10 point, dark gray Agency font). Pretests confirmed that the text was differentially easy to read. The product was a multi-functional digital handset which can function as a phone, mp3 player, camera, video recorder, and e-maller. After reading the product review, participants were asked to indicate how innovative the product was and how much they liked it, each on a 7-point scale. At the end, participants were shown the same product review article (printed in Times New Roman font) where twenty-five key product attributes were underlined, and asked to circle those they thought were true, based on their memory of what they read before. This measure serves to capture participants’ substantive processing of the text. NFC was measured using an 18-item NFC scale (Cacioppo, Petty, and Kao 1984); a median split on this variable is used for data analysis.

Findings

Innovativeness. A 2 (Fluency) x 2 (NFC) ANOVA revealed the predicted fluency x NFC interaction on the product innovativeness judgment (F(1, 91)=4.264, p=.042). Contrasts confirmed that low NFC participants perceived the product as more innovative when the product information was printed in a difficult-to-read font rather than an easy-to-read font. This provides the first evidence that processing fluency can serve as an experiential basis for judgments of innovativeness. The innovativeness judgments of high NFC participants, in contrast, were not influenced by the fluency manipulation.

Preference. A significant fluency x NFC interaction was also obtained for participants’ preference judgments (F(1, 91)=6.454, p=.013). As predicted, low NFC participants, who just inferred from low processing fluency that the product is highly innovative, drew on this preceding judgment and tended to like the product more when its description was difficult to process. That is, we obtained a reversal of the commonly observed fluency-liking link. In contrast, high NFC participants liked the product more when its description was easy to process, replicating the standard finding in this area.

Memory. It is conceivable that our fluency manipulation affected participants’ attention to the presented product information. To address this possibility, we assessed their memory of what they had read. A 2 (Fluency) x 2 (NFC) ANOVA of the product attribute verification judgments measure revealed no difference in participants’ memory of the product attributes across the four conditions, putting this concern to rest.

Conclusions

This study extends our understanding of the role of processing fluency in consumer judgment as follows. First, it provides the first evidence that fluency can serve as a basis for judging the innovativeness of a product. Because familiar information is easier to process