**The Effect Chain From Corporate Reputation to Consumer Brand Equity Formation**

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This study explains the mechanism that leads corporate reputation to product brand equity. We achieve this by introducing a theoretical model based on signaling theory that tests (a) two mediating variables (corporate image and product brand value) and (b) three moderating variables (corporate brand visibility, trust, and distribution intensity).

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## EXTENDED ABSTRACT

Despite the proposition that corporate reputation has an effect on product brand equity has been voiced by Keller (1993) two decades ago, no hypothesis testing has been undertaken. We aim to close this research gap by introducing a theoretical model based on signaling theory that tests (a) two mediating variables (corporate image and product brand value) and (b) three moderating variables (corporate brand visibility, trust, and distribution intensity).

Collecting responses from 1176 consumers in China, we cover 36 consumer brands in three cities. Our survey focused on the brand affine population between 18 and 45 years of age. The model was analyzed with Mplus, employing structural equation modeling. The measurement model was rigorously tested for validity and reliability. We also undertook several tests to assess possible biases like a hierarchical data structure or effects from certain product groups that might be affected differently by already proposed moderators. Furthermore, the model shows excellent fit.

We were able to confirm the corporate reputation – product brand equity relationship and conclude that corporate reputation is used as a signal by consumers to add credibility to the product brand and reduce uncertainty concerning a product's brand equity. More importantly, our two mediators help to shed light into the black box of this connection, as full mediation could be established. To be more specific, we show that corporate brand image at least partially acts as a filter that makes the reputation, which is more longterm oriented and complex, easier accessible for the consumer. Brand value comprises the benefits of the brand for the consumer (e.g. functional and/or social signaling value) and therefore contains the sources of value creation. Uncertainty limits the value of the brand for the consumer, because she is doubtful to what extend her relevant choice criteria are met. The signal of corporate reputation and corporate brand image is able to decrease this uncertainty, which raises the benefit of the brand for the consumer and then culminates into brand equity, which is the assessment of the brand value.

As another important contribution of this research, we were able to establish three moderators, which were developed using signaling theory. So far, only few moderators for consumer related corporate reputation research could be established (Walsh, Bartikowski, and Beatty 2012). Our findings confirm the moderating effect of corporate brand visibility on the corporate reputation – brand equity relationship. Therefore, the physical presence of the corporate brand can increase the signaling effect. This is in line with the findings of Berens, van Riel, and van Bruggen (2005) who have demonstrated that a more visible corporate brand makes the construct of corporate association more accessible to the consumer than a less visible corporate brand. Our findings display an insignificant direct effect of corporate brand visibility on product brand equity. This result indicates that the corporate brand's presence does not automatically increase a product's brand equity. The enhancement of a product's brand equity facilitates only via the transfer of credibility by a sturdy corporate reputation. Therefore, a mere presence of a corporate brand next to a product brand only has an effect on the product's brand equity, if the company brand has already established a reputation in the consumer's eyes. This finding helps to explain two opposite results in the literature (Saunders and Guoqun 1997, Laforet 2011) and suggests that future studies investigating the role of parent brands should control for corporate reputation.

Furthermore, we were able to establish distribution intensity as a moderator. Distribution intensity can increase product brand value directly, as it simplifies the buying process. Additionally we argue that a dense distribution can raise the receiver's attention to the signal which may increase the perceptibility of the signal (Connelly et al. 2011). We suggest that a higher exposure to the brand through an intense distribution improves the consumers' brand recognition and recall ability. This in turn leads to a rise in consumer awareness and extra attention paid to signals for the product brand's quality.

Moreover, we have demonstrated the importance of trust for the effect chain. Trust in the brand not only stands for people's beliefs in the credibility and benevolence of a target of trust, but also signifies their willingness to use that knowledge as a basis for action (McAllister 1995). It has been demonstrated, that trust reduces consumers' uncertainty and perceived vulnerability (Moorman, Zaltman, and Deshpande 1992). Our results show that trust directly increases product brand equity and also has a moderating effect on the product brand value – product brand equity relationship. Trust into a brand increases the customer's confidence in the ability of the brand to perform its stated function (Chaudhuri and Holbrook 2001) and thus decreases the uncertainty about one's utility perception of the brand. Therefore brand value becomes a stronger predictor for brand equity.

We encourage further research in the corporate reputation – product brand equity relationship, especially in terms of different moderators that might be able to increase the perceptibility of the signal, for example advertising.

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