The impact of customer-company identification on consumer reactions to new corporate initiatives

The case of brand extensions

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Abstract

Purpose – Customer-company identification (CCI) refers to a social relationship between a company and its customers. Prior research highlights the positive consequences of CCI but does not study the process by which CCI shapes both positive and negative consumer reactions to new company initiatives. This study aims to elaborate this process by modelling the mediating consequences of CCI (commitment to the company and feeling of belonging to an in-group) on consumers' responses to brand extensions.

Design/methodology/approach – Data were collected from 291 respondents, spanning two companies and four brand extension scenarios. The model parameters were estimated through partial least squares path modelling.

Findings – CCI leads to commitment to the company and to a related group, through identification processes. Both forms of commitment influence consumer reactions to new corporate initiatives. The effect of company commitment is stable; in-group commitment is more influential in forming consumer responses but varies depending on the severity of the situation.

Originality/value – This research elaborates the mechanisms of identity-based commitment and its effect on consumer responses to new company initiatives. The two-tiered, identification-based commitment model highlights how identified customers relate to both the company and in-groups of consumers, as a result of CCI. It explains both positive and negative consumer reactions, an insight missing from prior studies.

Keywords Customer-company identification, Commitment, In-group formation, Brand extensions, Consumers

Paper type Research paper

The increasing importance of relational marketing has prompted researchers to explore how consumers build relationships with entities in the marketplace, such as brands (Fournier, 1998; He and Li, 2011; Veloutsou, 2007), other consumers (e.g. Goulding *et al.*, 2012; McAlexander *et al.*, 2002; Muniz and O'Guinn, 2001; Veloutsou and Moutinho, 2009), or companies themselves (e.g. Bhattacharya and Sen, 2003; Homburg *et al.*, 2009; Marin and Ruiz de Maya, 2012). Since the publication of Bhattacharya and Sen's (2003) seminal work on customer-company identification (CCI), increasing attention has centered on delineating consumer relationships with companies. For example, Bhattacharya *et al.* (2009) propose that stakeholders develop four kinds of relationships with companies, among which identification is the strongest category. Organizational identification literature, which provides the basis for CCI, demonstrates strong positive outcomes for organizations when formal members, such as employees and alumni, identify with them (Ashforth and

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Mael, 1989; Dutton *et al.*, 1994; Edwards and Peccei, 2010; Hughes and Ahearne, 2010; Mael and Ashforth, 1992; Marique and Stinglhamber, 2011; Smith *et al.*, 2012).

CCI indicates a strong social relationship between a customer and a company, such that customers feel a sense of oneness with it (Bhattacharya and Sen, 2003; Einwiller *et al.*, 2006; Homburg *et al.*, 2009; Marin and Ruiz de Maya, 2012). Prior research also confirms the positive benefits of customer identification for companies, such as increased product use (Ahearne *et al.*, 2005), satisfaction, customer loyalty, willingness to pay more (He and Li, 2011; Homburg *et al.*, 2009), positive brand attitudes, higher purchase intentions (Currás-Pérez *et al.*, 2009; Wang *et al.*, 2012), commitment, and positive word of mouth (Brown *et al.*, 2005). But when companies make tactical errors, it might disrupt customers' identification, such as when consumers continued to support the Apple Newton (Muniz and Schau, 2005) and Classic Coke even after Apple and Coca-Cola halted their production. These consumers identified with the focal product, expressing their collective commitment to the brand even in the face of adverse corporate decisions. Similarly, when companies launch new products, they rarely receive systematic support from all their existing customers. Even though 82 percent of new products launched are brand extensions, more than 80 percent of them fail (*Marketing* (UK), 2003; Simms, 2003).

Although CCI thus can have well-established benefits or damages, prior research has not established the mechanisms that determine whether consumers react positively or negatively to new corporate initiatives. To consider this question, the study adopts a social identification framework and investigates how CCI influences consumer reactions to a specific corporate initiative, namely, brand extensions, which are highly relevant to consumers and have been studied in prior research (e.g. Berens *et al.*, 2005; Brown and Dacin, 1997; Gurhan-Canli and Batra, 2004). Our two-tiered, identification-based commitment model aims to explain how consumer reactions to corporate initiatives develop through identification with a company. In this model, even CCI that generally leads to positive benefits could, in certain circumstances, produce unfavorable consequences for companies.

We begin by discussing social identity and CCI to establish the theoretical framework for our study. Next, we develop hypotheses regarding how identification might lead to two types of consumer commitment – to the company and to an in-group of consumers – that have unique impacts on brand extension evaluations. The methodology section includes details about the data collection, measures, modeling techniques, and results. Finally, we conclude with a discussion of the results and their implications.

1. Conceptual background

Social identity theory deals with the part of the self-concept that people develop by associating themselves with other social categories, such as nation, gender, and so on (Tajfel and Turner, 1985). The concept of social identity initially emerged from management research that described organizational identification, which required a formal membership context (e.g. Dutton *et al.*, 1994; Edwards and Peccei, 2010; Hughes and Ahearne, 2010; Mael and Ashforth, 1992; Marique and Stinglhamber, 2011; Smith *et al.*, 2012). That is, members develop self-concepts by identifying with an organization and sharing a sense of oneness with it, which occurs through the congruence of their values, characteristics, and goals (Ashforth and Mael, 1989; Dutton *et al.*, 1994; Hughes and Ahearne, 2010). Organizational identification enables members to enhance their self-esteem by associating with the positive image of the focal organization.

In extending this concept to consumer behavior, Bhattacharya and Sen (2003) define CCI as a customer's self-categorization into organizationally defined categories

(Bergami and Bagozzi, 2000). Consumers tend to identify with companies to achieve opportunities to fulfill their self-definitional needs. By identifying with socially attractive companies, they build their own attractive identities, supported by company resources (e.g. associations, images, values) and company-based social resources (e.g. community, assurance) (He and Li, 2011; Lii and Lee, 2012). They do not necessarily identify with the entire knowledge structure of the company but instead with central, enduring, distinctive associations that help them develop their own social identities. There is thus a fundamental difference between organizational identification and CCI: in formal membership scenarios, the member's bond with the organization prevents any flexibility of nonidentification by default or dis-identification by choice (e.g. Dutton *et al.*, 1994). In contrast, customers are totally free of such bonds to a company and independent in their relational choices. Therefore by nature, CCI is active, selective, and volitional (Bhattacharya and Sen, 2003; He and Li, 2011). In turn, we must ask: why, without any formal bonds, does CCI endure over time and provide a motivation for customers to engage in company-directed supportive or adverse behavior?

We propose that commitment is the underlying mechanism that ensures a long-term orientation in consumers' identity relationships with the company and support for new initiatives, such as brand extensions. No extant literature reveals how social identity groups form as a result of CCI or why customers might commit to such groups, even independent of the company. Using the concept of relational commitment, we propose a conceptual model (Figure 1) that distinguishes company-directed commitment from in-group-directed commitment and notes their distinctive influences on consumers' behavioral responses. This study also demonstrates that the benefits of identity-based commitment are not unlimited but rather dictated by adherence to relational norms; deviations represent boundary conditions and even might lead to negative consumer responses.

2. Model and hypotheses

2.1 CCI and commitment

Identification and commitment are topics of considerable interest, as well as confusion, for organizational identification researchers (Edwards, 2005; Meyer *et al.*, 2006; Van Knippenberg and Sleebos, 2006). Organizational behaviorists often define identification as synonymous with commitment, though recent research suggests that they differ, in that commitment cannot encapsulate self-definition or a sense of psychological oneness (Edwards, 2005; Meyer *et al.*, 2006; Homburg *et al.*, 2009; Hughes and Ahearne, 2010).

Bhattacharya and Sen (2003) propose that consumers exhibit identity-based commitment as a reflection of their long-term relational orientation and mutually enduring relationships. In the context of organizational identification, there is strong

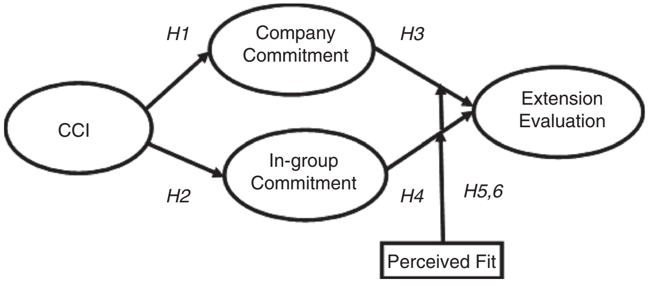

Figure 1.
H5, H6 Conceptual model

support for an identification-commitment link (Bedeian, 2007; DeConinck, 2011a, b). In line with Moorman *et al.*'s (1992) definition of commitment, we define a customer's commitment to a company as his or her enduring desire to maintain a valued, long-term relationship with it. Commitment is an essential ingredient of long-term relationships that fosters consistent behavior, in contrast with consumers' tendency to make discrete choices. Brown *et al.* (2005) find that identification leads to consumer commitment to the focal organization, which then encourages positive word of mouth. In studies conducted among football clubs and favored brands, researchers also find strong support for an identification-commitment relationship (Donavan *et al.*, 2006; Tuškej *et al.*, 2013). Similarly, CCI should lead to consumer commitment to the company, which then binds the company and the customer in a mutually enduring relationship. Therefore:

H1. CCI relates positively to company commitment.

According to social identity theory, self-concepts consist of personal and social identities (Tajfel and Turner, 1985). A personal identity reflects a person's unique characteristics, whereas social identity emerges when people cognitively categorize themselves with human aggregates, such as gender, race, or nationality. When people identify with human aggregates, they start to feel a link to similar others (i.e. the in-group) and simultaneously differentiate themselves from dissimilar others (i.e. the out-group). This link enables members to develop a collective self-construal (we and us) rather than an individual one (I and me) (Hogg, 2006). Belonging to an in-group fosters in-group supportive behaviors, such as cohesion, favoritism, and cooperation (Ashforth and Mael, 1989), as well as competition with out-group members (Dutton *et al.*, 1994; Van Dick, 2004).

In an organizational identification scenario, the organization provides a platform for members to form a group, such that membership status differentiates an organizational in-group from an out-group. It is intuitive to think about groups formed around organizations in a formal membership context, but the social nature of marketable entities indicates that even loosely knit, geographically dispersed customers group themselves into communities and tribes (Goulding *et al.*, 2012; McAlexander *et al.*, 2002; Muniz and O'Guinn, 2001; Veloutsou and Moutinho, 2009). Such communal groups influence consumer behavior toward the marketing entity (e.g. loyalty, attachment to products) and other group members (e.g. enhanced relationships, helping others) (Algesheimer *et al.*, 2005; Casalo *et al.*, 2013; McAlexander *et al.*, 2002). Formal membership scenarios clearly distinguish identification-based behaviors toward the organization (e.g. job satisfaction, low member turnover) from those directed toward in-group members (e.g. courtesy toward and cooperation with fellow members, sportsmanship; Bergami and Bagozzi, 2000; Lavelle *et al.*, 2007; Olkkonen and Lipponen, 2006). Yet prior research fails to acknowledge the simultaneous, multifocal consequences of company-directed vs group-directed behavior, as linked to the customer's identification process. For example, a company's provision of a platform for unifying people into human aggregates has received vast attention in identification studies, but no research models the underlying groups of people or the social dimension of identity as separate from the company itself. Brown *et al.* (2005) and Tuškej *et al.* (2013) study the link between identification and commitment toward the brand but ignore the importance of commitment to the underlying social group, which forms through this identification. Thus, we lack a comprehensive view of how customer identification processes shape consumer responses to corporate actions.

Finally, companies with socially attractive reputations (e.g. Apple, The Body Shop, Virgin Atlantic, Google) give consumers a channel to connect with others they deem similar and thereby develop a sense of belonging to a group, as a consequence of their identification with the focal company. It is through their common identification with the company that customers opt to be part of the in-group of people associated with that company. Continuing with the assumption that company- and group-directed consequences diverge, we propose that CCI leads to in-group commitment, beyond the effect of company commitment that enables customers to maintain long-term, stable relationships with in-group members and ensure the continuity of their social selves:

H2. CCI relates positively to in-group commitment.

2.2 Commitment and brand extension evaluations

Brand extensions, defined as the introduction of a new product under an existing brand name in a new category (Aaker and Keller, 1990), are key strategies for new product launches. This strategy encourages the transfer of positive parent brand attitudes to the new extension, though brand extensions remain a risky endeavor (Aaker and Keller, 1990; Sattler *et al.*, 2010).

We posit that identification-based commitment encourages customers to support company initiatives, such as brand extensions (Bhattacharya and Sen, 2003). Through identification, consumers personally experience the company's successes and failures, and the fate of their company-based social identity is inextricably linked to company performance (Ashforth and Mael, 1989). Therefore, identification-based commitment ensures that customers exhibit stable, long-term, and favorable company-directed behaviors. By supporting company initiatives over time, consumers also increase the likelihood of the company's success and may experience a sense of personal achievement. For example, identification-based commitment encourages consumers to propagate positive word of mouth, because it provides them with opportunities to express themselves in a positive light (Brown *et al.*, 2005; Tuškej *et al.*, 2013). Similar findings in prior studies establish customers' identification-based supportive behavior toward the focal company by highlighting repatronage behavior, such as purchase intentions (Currás-Pérez *et al.*, 2009; Karaosmanoglu *et al.*, 2011), brand loyalty (He and Li, 2011), in- and out-role behavior (Lii and Lee, 2012), greater product utilization (Ahearne *et al.*, 2005), and willingness to pay more (Homburg *et al.*, 2009).

Brand extensions represent new initiatives by the company. Customers who identify with the company and are committed to it then should respond to these initiatives by transferring their positive attitudes to the new extension and exhibiting greater receptivity to it, compared with customers who do not identify with the company. Support for brand extensions helps ensure company success and simultaneously validates customers' commitment. Therefore:

H3. Company commitment positively mediates the relationship between CCI and brand extension evaluations.

Whereas identity-based company commitment is dictated solely by personal desires for corporate success, in-group commitment also depends on group norms. Groups develop norms (Turner, 1991), largely according to the identity-consistent behavior of core in-group members (Hogg, 2006). Members who identify with the group engage in normative behaviors to demonstrate their personal commitment to being an active part of it. Thus group norms motivate members to exert efforts to achieve group goals, especially identity-defining goals (Fielding and Hogg, 2000). Such efforts contribute to group survival and simultaneously increase group self-esteem (Blader and Tyler, 2009). Group members are motivated to support new company initiatives, because they personally experience the company's overall success. A failure of a new initiative instead would damage their company-based social identity and group esteem.

Research on consumer communities and tribes confirms that consumers indulge in normative behavior to remain committed to their community. Customers with strong senses of identification adhere to communal norms that reflect goal, norm, and value congruence between the community and customers (Algesheimer *et al.*, 2005; Fock *et al.*, 2011). Their willful, long-term commitment does not entail an obligation or forced compliance but rather naturalistic adherence to communal norms. Consumers who are committed to a group conform to its norms to retain or improve their group membership status. Greater identity-based in-group commitment implies that a member is more interested in adhering to group norms. Therefore:

H4. In-group commitment positively mediates the relationship between CCI and brand extension evaluations.

2.3 Moderation of perceived fit

The identification-based supportive behavior of customers is not unlimited, and situational intensities might cap its positive influence. Bhattacharya and Sen (2003) posit that identified customers tend to tolerate negative information about the company, unless the intensity of that negative information exceeds a threshold that becomes identity threatening and creates a sense of betrayal among identified consumers. In moderately negative situations, highly identified customers may be tolerant; in extremely negative situations, their tolerance evaporates, leaving little difference in the attitude changes displayed by weakly and highly identified customers (Einwiller *et al.*, 2006; Liu *et al.*, 2010). That is, higher levels of CCI do not imply higher retribution than weaker levels in extremely negative, identity-threatening situations, though this finding contradicts social identity theory (e.g. Bouchikhi and Kimberly, 2003; Eilam and Shamir, 2005). Perhaps these results arise because prior studies address only the consequences related to the focal entity, not the in-group-related consequences. Identification-based in-group commitment may explain identified customers' extreme negative responses better than identification-based company commitment, because group dynamics facilitate extreme reactions in unfavorable situations, such as boycotts (Farah and Newman, 2010; Klein *et al.*, 2004), lobbying (Bhattacharya and Sen, 2003), protests (Holt, 2002; Ingram *et al.*, 2010), and grassroots social movements (Veloutsou and Moutinho, 2009).

To explore the limitations of identification-based commitment, it is possible to manipulate situational intensity, using the perceived fit between the company and the proposed brand extension. Perceived fit refers to the degree of similarity between the parent brand and the extension, and it encompasses different levels, such as product category similarity (e.g. Ahluwalia, 2008; Monga and John, 2010), benefits (e.g. Broniarczyk and Alba, 1994), or manufacturing capability (Aaker and Keller, 1990). For consumers, brand extensions represent a deviation from expectations (Meyers-Levy *et al.*, 1994). Higher levels of similarity between the parent brand and the extension represent reconcilable deviations and therefore a low risk of consumer rejection. If similarity is very low, and customers do not perceive any fit, the distant extension instead represents a high degree of deviation from expectations and thus a higher risk of consumer rejection.

Expectations also relate to relationships (Huber *et al.*, 2010), including identity-based commitment, which creates mutual understanding among parties. Through commitment to a relationship, parties develop mutual social norms and shared expectations (Gundlach *et al.*, 1995). If any party indulges in actions contrary to these norms, the other parties feel less obliged to adhere to the mutually defined norms. Therefore, if company actions confirm relationship norms, customers support them. If actions diverge considerably, committed customers are less likely to support them and even may retaliate.

High perceived fit between the brand and the extension implies that the company's actions meet the expectations of highly identified customers and do not threaten their company-based identity. In this case, identity-based commitment should enhance extension evaluations. However, if brand extensions offer low perceived fit, they represent nonconformance with norms and an increased risk of identity threat, which is less worthy of support from committed customers. Thus:

H5. Perceived fit positively moderates the relationship of (a) company commitment and (b) in-group commitment with extension evaluations.

3. Methodology

3.1 Measures

We adapted the study scales from prior literature (see Appendix). For the measure of CCI, we used items related to consumers' self-categorization (Einwiller *et al.*, 2006). The company commitment items – proud to feel belonging, care about long-term success, and loyal to the company – come from the commitment scale of Garbarino and Johnson (1999). To measure in-group commitment, we relied on the three-item group commitment scale by Ellemers *et al.* (1997): associated, glad to belong, and feel strong ties to people linked with the company (i.e. other customers and employees). The extension evaluation measure included three items from Park *et al.* (1991): how good (bad) and likable the extension is and how pleased the new extension makes the person feel. Another item from Aaker and Keller (1990) indicated the likelihood of purchase, assuming the respondent was considering a product purchase in this category. Finally, for perceived fit, we used the three-item scale from Volckner and Sattler (2006), which indicates the similarity of the brand extension to the company, skill, and thoughts.

3.2 Data collection

Two well-known real-life companies served as the focal firms for our data collection. These famous, familiar companies are likely to engender CCI, because people benefit from a positive social image and reputational value through their identification with them. However, company identities generally receive less marketing communication exposure than brand information. A limited amount of knowledge about the company can hamper identification, by reducing identity coherence and making core characteristics less prominent (Bhattacharya and Sen, 2003). To avoid these possible confounds, we gave respondents a one-page flyer about the company, its identity, and its core characteristics, reflecting information obtained from the companies' web sites and news items. The respondents were asked to read the flyer carefully before responding to the questionnaire.

To attain high external validity, we tested our model across four brand extensions (two for each company), selected from a pretest of eight hypothetical extensions (four for each company). Ultimately, the study featured cooking oil and a fruit juice machine extensions for Company 1, and an iLook lens and iLight lamp as extensions for

Company 2 (see Table I. In the main study, each respondent received a company description and an extension evaluation scenario, which they were to read before responding to the questions in the survey. The data were collected from student samples in four universities in Islamabad (Pakistan). Of the 291 study participants, 269 provided usable responses, and 28 percent were women. Students have weak self-definitions and self-perceptions, so they tend to be receptive to external cues for identity construction (Sears, 1986). This trait makes them appropriate respondents for studies in which external cues, such as corporate identity, provide identity construction opportunities.

4. Results

For the test of the theoretical model, we used partial least squares (PLS) path modeling, which supports model estimation for small sample sizes and metric interaction terms (Chin *et al.*, 2003; Hair *et al.*, 2011). With PLS, we estimated two models: a measurement model that relates the measurement items to the corresponding latent variables and a structural model that relates the latent variables and interaction terms to other latent variables. This procedure simultaneously indicated the validity of the measurements used and the path coefficient estimates for the full model. The measurement and structural models were estimated for three data sets: an aggregate pooled set (two companies, four brand extensions), as well as separate sets for each company to identify any company-specific effects.

4.1 Measurement model

The reliability, convergent validity, and discriminant validity analyses confirmed that all measurement scales met the general criteria for adequate scale measurements. With respect to reliability, the Jöreskog's ρ's were >0.80, and Cronbach's α's were >0.70 for all constructs. The convergent validity tests showed that the loading of each measurement item was significant at $p<0.01$; each latent variable also shared more than 50 percent of its variance with the measurement items (i.e. average variance extracted (AVE) >50 percent). Regarding discriminant validity, the squared correlation between two constructs always remained less than the AVE (i.e. square root of AVE $>$ correlations between constructs) (Fornell and Larcker, 1981). The detailed results of the reliability and convergent and discriminant validity tests appear in Appendix and Table II.

It is important to establish that the commitment items do not represent a composite unidimensional scale but instead measure the relevant dimensions of company and in-group commitment separately. Therefore, we conducted a confirmatory factor analysis with one factor that represents commitment as a composite scale of all six items, then with two factors to represent company commitment (three items) and in-group commitment (three items). The goodness-of-fit (GoF) indexes for both these models appear in Table III. The item-to-construct correlations were statistically significant ($p<0.01$) for both the one- and two-factor models, but the one-factor model fit the data poorly, whereas the two-factor

Extension	n	Mean (perceived fit)	SD
Cooking oil	64	4.8	1.09
Juice machine	67	4.4	1.39
iLook lens	63	4.2	1.20
iLight lamps	75	4.4	1.24

Table I.
Extension scenarios

Table II. Average variance extracted

	CCI	Company commitment	In-group commitment	Perceived fit	Extension evaluation	AVE
CCI	***0.91*** *(0.93, 0.88)*					**0.82** (0.87, 0.77)
Company commitment	**0.23** (0.24, 0.24)	***0.87*** *(0.87, 0.88)*				**0.76** (0.75, 0.77)
In-group commitment	**0.24** (0.22, 0.28)	**0.34** (0.26, 0.43)	***0.89*** *(0.89, 0.89)*			**0.79** (0.78, 0.79)
Perceived fit	**0.12** (0.24, 0.03)	**0.12** (0.18, 0.07)	**0.14** (0.19, 0.09)	***0.78*** *(0.79, 0.76)*		**0.61** (0.63, 0.58)
Extension evaluation	**0.07** (0.18, 0.01)	**0.08** (0.21, 0.02)	**0.06** (0.14, 0.01)	**0.4** (0.43, 0.37)	***0.82*** *(0.82, 0.83)*	**0.68** (0.67, 0.69)

Notes: The bold values indicate the AVE of aggregate data; the values inside parentheses are the AVEs of Company 1 and Company 2, respectively. The italicized values on the diagonal are the square root of AVE

Table III.
Model fit indexes

	One factor	Two factor
χ^2	196.36*	27.27*
GFI	0.78	0.97
AGFI	0.49	0.92
NFI	0.78	0.97
CFI	0.79	0.98
RMSEA	0.279	0.095

Notes: GFI, goodness-of-fit index; AGFI, adjusted goodness-of-fit index; NFI, normed fit index; CFI, confirmatory fit index; RMSEA, root mean square error of approximation; degrees of freedom for one-factor model = 9, for two-factor model = 8; $^*p < 0.01$

model produced satisfactory fit indexes. Because the two commitment dimensions thus are measured appropriately, we can dismiss the threat of a unidimensional commitment scale.

To ensure that the measures were not affected by common method bias, we also performed Harman's single-factor diagnostic test (Podsakoff *et al.*, 2003). The results indicated a five-factor solution, in which the first factor accounted for 35.1 percent of the total variance. Thus, common method bias was not a significant threat.

4.2 Model fit

Tenenhaus *et al.* (2005) suggest using a global GoF criterion for PLS path modeling, because it provides an index for validating the PLS model globally. Wetzels *et al.* (2009) establish GoF baseline values to validate PLS models and designate a large effect size as equal to at least 0.36. The GoFs obtained from the data sets for the aggregate model, Company 1, and Company 2 were 0.40, 0.45, and 0.38, respectively. Therefore, the model fit the data well.

4.3 Path analysis

With *H1* and *H2*, we proposed that CCI influences company and in-group commitment, respectively. The results showed that CCI is a significant predictor of company commitment (aggregate $\beta = 0.48$, $p < 0.01$; Company 1 $\beta = 0.49$, $p < 0.01$; Company 2 $\beta = 0.47$, $p < 0.01$) and explains a significant proportion of variance (aggregate $R^2 = 0.23$, $p < 0.01$; Company 1 $R^2 = 0.24$, $p < 0.01$; Company 2 $R^2 = 0.23$, $p < 0.01$), in strong support of *H1*. Equally strong support emerged for *H2*, because CCI is a significant predictor of in-group commitment (aggregate $\beta = 0.49$, $p < 0.01$; Company 1 $\beta = 0.46$, $p < 0.01$; Company 2 $\beta = 0.53$, $p < 0.01$) and explains a significant proportion of the variance (aggregate $R^2 = 0.24$, $p < 0.01$; Company 1 $R^2 = 0.22$, $p < 0.01$; Company 2 $R^2 = 0.28$, $p < 0.01$). Therefore, CCI offered a significant predictor of both company commitment and in-group commitment. This evidence affirms the notion that a customer's identification with a company leads to consequences for not only the company but also the in-group, formed as a result of identification processes.

We also predicted that identity-based company and in-group commitment would mediate the relationship between CCI and extension evaluations. To test for mediation, we must establish the direct effect of the mediating variables on the dependent variable (Baron and Kenny, 1986). Company commitment significantly predicted extension evaluations (aggregate $\beta = 0.23$, $p < 0.01$; Company 1 $\beta = 0.36$, $p < 0.01$; Company 2 $\beta = 0.11$, $p > 0.1$), but in-group commitment did not (aggregate $\beta = 0.11$, $p > 0.1$; Company 1 $\beta = 0.19$, $p < 0.05$; Company 2 $\beta = 0.07$, $p > 0.1$). Because the results for company and in-group commitment did not coincide, the mediating mechanism for each form of commitment must differ, in support of our fundamental premise, namely, that the identification consequences of company commitment and in-group commitment function differently. However, in multiple mediation models, it is not appropriate to test the mediators separately because of the correlations between them (Preacher and Hayes, 2008). Therefore, we conducted the moderation tests (*H5*) to establish whether the in-group commitment mediation was moderated by the values of perceived fit before performing any further mediation analyses.

To test *H5a* and *H5b*, we applied a product indicator approach from PLS path analysis (Chin *et al.*, 2003). Product indicators can be calculated as in traditional regression analysis, though in PLS, they also account for measurement errors in the latent variables. Perceived fit did not moderate the relationship between company commitment and extension evaluations (aggregate $\beta = -0.03$, $p > 0.1$; Company 1 $\beta = -0.17$, $p < 0.01$; Company 2 $\beta = -0.11$, $p > 0.1$), so *H5a* did not receive support. Perceived fit instead significantly moderated the relationship between in-group commitment and extension evaluations (aggregate $\beta = 0.12$, $p < 0.05$; Company 1 $\beta = 0.14$, $p < 0.05$; Company 2 $\beta = 0.18$, $p < 0.1$), in support of *H5b*. In a high fit situation, there was a positive relationship between in-group commitment and extension evaluations; in low fit situations, the effect reversed and became negative (see Figure 2). This moderation caused the in-group effects of high vs low perceived fit to cancel out and yield an insignificant composite relationship. Thus company commitment exerts a simple mediation effect on extension evaluations, and the mediation of in-group commitment is moderated by the fit between the brand and the extension.

To test multiple mediations simultaneously, in a moderated mediation scenario, we divided the data set at the median of perceived fit. For this analysis, only the aggregate-level data are used, because the sample sizes for the two individual companies would be insufficient after a median split. Preacher and Hayes's (2008) bootstrapping macro for SPSS estimates parameters in the mediation analysis, and this procedure is suitable for testing models with multiple mediators, because it addresses

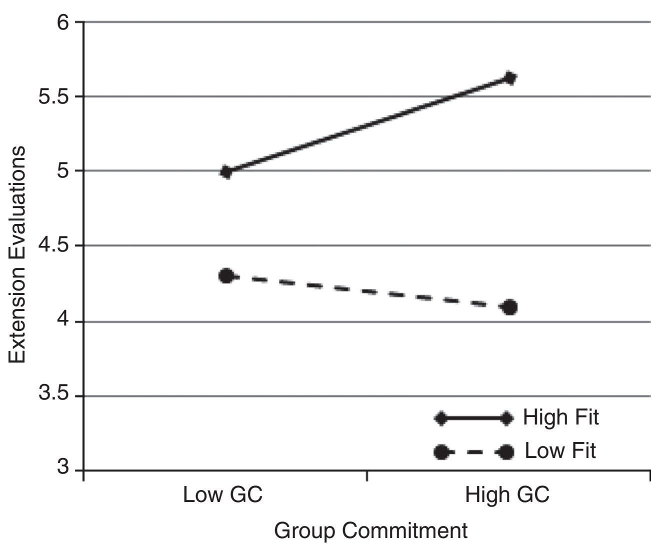

Figure 2.
Perceived fit: moderation of in-group commitment and extension evaluation

concerns about correlations between mediators. In our data, in-group commitment consistently mediated the relationship between CCI and extension evaluation (Table IV). In high perceived fit situations ($M = 5.4$, $SD = 0.68$), in-group commitment was the sole mediator (boot estimate $(BE)_{in\text{-}group} = 0.05$, $p < 0.1$; $BE_{company} = 0.01$, $p > 0.1$), but in low perceived fit situations ($M = 3.5$, $SD = 0.73$), both in-group and company commitment mediated the relationship between CCI and extension evaluations ($BE_{in\text{-}group} = -0.11$, $p < 0.01$; $BE_{company} = 0.05$, $p < 0.1$). In-group commitment offered a stronger mediation path estimate. In the low perceived fit scenario, only the mediation path through in-group commitment exhibited negative valence; the mediation path through company commitment remained positive. The finding was significant because the in-group mediation path changed from positive to negative as the negativity of the situational intensity increased. Therefore, the mediation paths from company commitment and in-group commitment clearly functioned differently.

5. Discussion

This study proposes that CCI leads to commitment to the company and to the in-group of people associated with that company. The results consistently support the hypotheses that CCI influences commitment toward both the company and the underlying in-group. For socially attractive companies such as Company 2, The Body Shop, and Virgin Atlantic, consumers reciprocate the provision of social identity with a bond to the focal company and supportive behavior toward similar others who are linked to the company in some way. The results thus highlight the importance of differentiating the company itself from the in-group of people who form around it, as a consequence of identification processes.

Furthermore, we find that identity-based commitment offers customer support for company initiatives (i.e. brand extensions). Company-based commitment enhances the evaluation of extensions; it is a relatively more stable determinant of support than in-group commitment. In-group commitment instead represents a more complex situation with a significant moderation of situational intensity (i.e. perceived fit). Therefore, this form of commitment is sensitive to perceived fit: When perceived fit is high, in-group commitment has a positive influence on extension evaluations, but when perceived fit is low, in-group commitment support transforms into retaliation and negatively influences extension evaluations. In-groups define the identity expectations that members use to judge the company's actions. Deviations from these expectations threaten social identities and prompt negative responses. Moreover, groups can mobilize their resources to ensure that their demands are met. Bhattacharya and Sen (2003) propose that consumers can connect and lobby to pressure the company to restore its status quo. Similarly, consumers' general willingness to make a change is an

Table IV. Multiple mediator analysis

	High perceived fit			Low perceived fit		
Main data	BE	SE	Z	BE	SE	Z
Company commitment	0.005	0.030	0.17	0.046	0.027	1.67**
In-group commitment	0.045	0.027	1.67**	−0.107	0.045	−2.38*
Total	0.051	0.031	1.65**	−0.064	0.038	−1.68**

Notes: BE, boot estimate; SE, standard error; Z, Z score; $^{*}p < 0.01$; $^{**}p < 0.1$

important predictor of consumer motivations to boycott (Klein *et al.*, 2004). When consumers believe that they belong to a group, they may be more likely to criticize nonconformance by the firm, because they have the support of their in-group. Apparently consumers believe that "united we stand, divided we fall." These findings provide an interesting preliminary explanation for social mobilization by consumers against company actions, in line with social identity theory.

This study also demonstrates that identification-based company commitment and in-group commitment function differently. These findings highlight the importance of social groups in the identification process and demonstrate that an explicit treatment of this phenomenon can account for negative consumer reactions by highly identified consumers, as proposed in the social identity framework. This confirmation has been missing in previous studies (e.g. Einwiller *et al.*, 2006; Liu *et al.*, 2010). For example, Bhattacharya and Sen (2003) propose that when company actions contrast with customers' expectations, they have a propensity to retaliate. When strongly identified customers receive very negative information about the company, they react more strongly and permanently than unidentified customers (e.g. boycotts, negative word of mouth). In contrast, Einwiller *et al.* (2006) and Liu *et al.* (2010) argue that strongly identified customers exhibit attitudes and behaviors similar to those of weakly identified customers in such cases. These contrasting findings might reflect the type of identity-based commitment studied. Bhattacharya and Sen (2003) rely on literature related to social and organizational identification (with an explicit presence of an in-group), whereas Einwiller *et al.* (2006) and Liu *et al.* (2010) use scenarios in which social identification might be difficult to trigger, with an implicit absence of in-groups.

The two types of identity-based commitment also represent an interesting topic for further research. Studies might focus on how sources of identity-based commitment shape consumer responses to different company initiatives. This study has focussed on brand extensions; other investigations should address different corporate initiatives, such as entering new markets and industries, mergers and acquisitions, major manufacturing decisions, social orientations, or attitudes toward employees, to gain more insights and increase the external validity of the CCI mechanism.

This study also offers a key managerial contribution: it identifies the limitations of customer support and potential sources of customer retaliation in CCI scenarios. Encouraging customers to integrate the company (or its brand) in their social identities may offer a profitable marketing strategy for companies. However, managers should be equally conscious that customers' identification with their company does not mean they can count on customer support for all corporate actions. The more central a marketplace relation, such as CCI, becomes for consumers' identity, the greater the customer's personal stakes in the company, its actions, and the resulting consequences. Therefore, CCI also tends to have a dark side that must be managed carefully. Corporate actions or initiatives that contrast with the expectations of consumers will trigger a retaliatory response from strongly identified customers, rather than the support that the firm might have expected. Marketing managers should consider this point as they develop long-term, identity-based relationships; they are looking for strong supporters of their products and brands, even in situations in which the company mildly or moderately deviates from customer expectations. However, with this support, they lose the flexibility to make decisions that create substantial deviations from customer expectations. Another important managerial implication deals with the distinction of the two types of identity-based commitment. Company-directed commitment encourages stable relationships with the company, unaffected by situational circumstances. However, when customers participate in some social phenomenon, such as in-groups (communities, tribes), they tend to behave more egoistically. Managers should decide which kind of commitment they want to encourage or inhibit, once they understand the differences and consequences of each.

The current study also has some limitations. First, the hypothetical brand extensions did not represent a wide range of variation in their perceived fit levels. A wider range might offer deeper insights into the functioning of commitment types, especially in extremely low fit situations. Second, we collected the study data in Pakistan, a country with a very different profile from the nations in which most marketing research is undertaken. Therefore, replications of these results in developed or western countries would increase confidence in the findings. Third, this study used a convenience sample of students, which limits the generalizability of the findings to other segments of the society. Additional research should include a wider, more representative consumer sample to improve the external validity of the study findings.

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Appendix

Constructs	Items	Aggregate* α, ρ	Firm 1* α, ρ	Firm 2* α, ρ
CCI		0.79, 0.90	0.85, 0.93	0.72, 0.88
	I am somewhat associated with Company X			
	I have a sense of connection with Company X			
	I personally relate to Company X			
Company commitment		0.84, 0.90	0.83, 0.90	0.85, 0.91
	I am proud to feel belonging with Company X			
	I care about the long-term success of Company X			
	I am a loyal supporter of Company X			
In-group commitment		0.86, 0.92	0.86, 0.92	0.87, 0.92
	I am proud to be associated with the group of people (employee, customers, suppliers) related to Company X			
	I am glad to belong to the group of people related to Company X			
	I feel strong ties with the group of people related to Company X			
Perceived fit		0.68, 0.83	0.71, 0.84	0.66, 0.82
	How similar is Company X to the new product being introduced?			
	Would the people, facilities, and skills used in making the original products of Company X be helpful to make the new product?			
	How relevant are your thoughts about Company X to the new Extension Y?			
Extension evaluation		0.84, 0.89	0.83, 0.89	0.85, 0.90
	How good an idea is this new product by Company X?			
	How likable is the new product?			
	How pleased would you be with the introduction of this product?			
	If you were in market to buy (product), how likely is it that you would buy Company X's Extension Y?			

Note: The values in the aggregate and company columns are Cronbach's α and Jöreskog ρ, in order

Table AI.
Measurement scales