

Costless Creation of Strong Brands by User Communities: Implications for Producer-Owned Brands

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ABSTRACT

Proprietary brands are a major vehicle for producer profits: consumers have been shown willing to pay a considerable “brand premium” for a branded product over an otherwise identical unbranded product. Prior literature has implicitly assumed that only producers develop brands. In this paper, we report that *user communities* also can and do develop strong proprietary brands capable of commanding significant brand premiums. Communities, we find, create their brands at essentially no cost – a costless side effect of member participation in community activities and relationships.

In an empirical study of German and English-speaking outdoor communities, we find that most have created their own community “brands,” sometimes involving logos that are applied to products commonly used by community members, etc.. In a detailed study of one community, we find community brands can gain very powerful positive associations within community memberships, and that many members are willing to pay considerable premiums for products bearing the community brand. These findings suggest that producers face a previously-unexamined source of both competition and collaboration with respect to profiting from brands. One interesting possibility is that producer brands may lose significant market share to user community brands under some conditions. Another is that producers may sometimes find it profitable to co-brand with user communities: this form of co-branding created the highest brand premiums we observed in our study.

Keywords: *community, brand-premium, consumer-generated brands*

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1. Introduction and overview

Today, brands are one of the most important and valuable assets owned by many producer companies, especially in the consumer goods sector. For example, the value of the McDonalds brand has been calculated to be 71% of that firm's total value on the stock market. Similarly, the value of the Coca Cola brand has been calculated as 64% of the total market value of that firm (Keller 2008).

Relatively recently, producers have come to appreciate that they do not have total control over the way consumers perceive and value their brands. Thus a firm may introduce a brand or branded product, promoting it so as to establish a specific brand meaning and image in consumers' minds. Consumers, especially when acting together in "brand communities," will then often reshape and change the meaning of a brand as they interact with it (Muniz and O'Guinn 2001). For example, a manufacturer may promote a brand of automobile as "reliable and fun" – but if consumers find that autos of that brand are in fact not reliable or not fun when they use them, the attributes associated with that brand in consumers minds will change independent of the brand owner's wish.

Despite the evolving perception of the importance of consumers as "co-creators" of the meaning of brands, the strong, often implicit assumption in the brand and more general management and economic literature is that producers are the initial creators of and also the *owners* of commercially-significant brands and related profits. In this paper, we will propose and explore the idea that powerful proprietary brands are also being developed by user communities, and we report upon the first empirical study of a user community-created and community-owned brand.

Our empirical research was focused upon a 7-year old community of 8,300 German, Austrian and Swiss hiking enthusiasts named Outdoorseiten.Net (ODS). Brand creation began in the ODS community, we found, when members chose a name and a logo for themselves early in the history of their club. Members then shaped and strengthened meaning of the ODS brand in their minds *at no cost* to the club or club members simply by participating in self-rewarding club activities – in other words, by voluntarily doing what they joined the club to do. (In contrast, manufacturers seeking to build a proprietary brand typically expend many millions of dollars in advertising and other promotional expenses to make consumers aware of their brand and to impart what they hope will be its meaning to consumers.)

Via quantitative empirical research, we explored the strength and meaning of the ODS brand to community members. We found that the brand was “strong.” Thus, 34% of respondents in our study said that they would prefer to purchase a backpack labeled with the ODS logo rather than one of *equal price and quality* that carried the label of their *favorite* commercial backpack brand. This was a larger share of community preference than that garnered by any commercial brand. We also found that those preferring the ODS brand were on average willing to pay 15.4% more (29.16 €) than they customarily paid for a backpack before they would switch to their second choice – their favorite commercial brand. In other words, this community-developed brand commanded a significant brand premium among community members.

A very interesting implication of our findings is that even well-established and popular commercial brands of backpacks could face a realistic risk of losing significant market share to community-created brands. Consider first that, as in many fields today, even top backpack brands outsource everything from design to production to fulfillment services to suppliers. Indeed, more than 90% of the top-quality backpacks purchased by serious hikers and climbers under many well-regarded brand names are actually produced by the same few high-quality Chinese and Vietnamese production companies. These backpacks are differentiated mostly by minor design variations requested by each brand (Backpack-Experts 2008). For this reason, the stipulation in our brand preference analysis that an ODS-brand backpack would be of ‘equal quality’ would not be a difficult target for a user community brand to meet in the backpack field. Second, consider that an ODS-brand backpack of equal quality could actually be sold at a *significantly lower* price than equal-quality commercial backpacks because ODS, having built its brand at no cost, need not add a brand premium to the price it charges in the marketplace. The brand premium charged by commercial brand owners in the backpack field ranges today from 20% to 100%. Suppose, therefore, that ODS elects to reduce the price of an ODS-brand backpack 30% relative to equal-quality commercially-branded backpacks. Our simulations show that under these conditions 64.2% of ODS community members would choose the ODS brand over any commercial brand.

Of course, one might say, the ODS brand is strong for only a few thousand members of the ODS community, and a community brand of such small scope might well be considered trivial by most marketers. However, there are reasons to think that the impact on commercial brands could be significant nonetheless. First, consider that least 1/5 of buyers of hiking backpacks belong to some user community specializing in that field. Second, consider that expert user communities are likely to have influence well beyond their immediate

memberships. Nineteen percent (7-8 million in total) of German Internet users frequent online communities, discussion forums, and blogs, and the purchase decisions of many are influenced by what they find there (Adlwarth 2008). Finally, consider that, although the user community brand scene in hiking is quite fragmented and consists of many small clubs, other product categories such as software have some major user-developed brands, such as Apache and Linux, that are familiar to and well-regarded by very large number of users.

From the point of view of consumer benefit, the outcome just described is quite appealing: users get the identity and other benefits of a well-regarded brand at a lower cost. Clearly, however, it is less appealing to firms that gain a considerable return from their commercial brands. What options do these firms have? First, we find that jointly developed and *cobranded* products bearing both the ODS label *and* that of a user's favorite commercial brand are a very appealing combination for our study respondents: Fully 78% of study respondents reported that they preferred such a product over all other options. Via a study of the community and commercial "brand personalities," we explain this finding by showing that these two types of brands are complements in important respects. So – perhaps an agile commercial producer can specialize in co-branding with user communities. Alternatively, these firms can seek to capture profits by collaborating with the owners of valuable user-developed brands in other ways, perhaps by offering fulfillment services, or other services needed to support and strengthen community brands in the marketplace.

In the following sections of this paper we will first review related literature (section 2). Then we will describe our empirical research setting and methods (section 3). Then we will describe our findings (section 4). Finally, we will discuss the implications of widespread creation of powerful brands by user communities (section 5).

2 Literature review

The American Marketing Association (AMA), defines a brand as a 'name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition'. Technically this means that whenever a marketing manager creates a name, label, or symbol for a new product he or she creates a brand. In real-world marketing practice, however, a brand refers to a name or symbol that has created a certain amount of awareness, reputation, and prominence in the marketplace (Keller 2008).

User community creation of proprietary brands "from scratch" – the subject of this paper - has not been previously described in the literature as far as we have been able to

determine. However, marketing scholars and firms are very aware that users can modify and change the meaning of producer-created and owned brands (Brown et al. 2003; Cova and Cova 2002; Pitt et al. 2006; Thompson and Arsel 2004). In this section, we briefly outline the history of the evolution of scholars' and marketing practitioners' understanding of brands, ending at the point of current understanding that consumers often co-create the meanings of brands with producers and other stakeholders.

The modern practice of creating powerful proprietary brands began centuries ago, with product producers that uniquely identified their offerings to the consumer by "branding" them with proprietary trademarks. (Trademarks have long been legally protectable as a form of intellectual property.) National product brands originated in the nineteenth century with the advent of mass-produced consumer goods. Producers soon learned that products labeled with a trusted brand could be sold at a price premium – a "brand premium" - relative to otherwise identical, generic products (De Chernatony and McDonald 1992).

Around the 1940s, it was generally recognized that customers often developed powerful mental associations to some brands that extended far *beyond* attributes of specific products. Thus, a brand might come to represent fairly general, positively-valued attributes such as good taste, luxury, social responsibility and so on in consumers' minds. E.g., "Hermes means luxury; Caterpillar means power and reliability." And/or, of course, consumers might also learn to associate particular brands with negatively-valued attributes such as low quality. Brand owners responded by purposefully investing in creating and strengthening and extending *positively*-valued general associations to their brands via advertising and other methods.

Since the attributes or meanings associated with a given brand are often quite general, brand owners are in a position to label multiple types of products and services with their brand – and profit from licensing fees across that wider scope. For example, Wolfgang Joop, a famous German fashion designer, first applied his brand to fashions he created. Over time, he widened the scope of the brand considerably, licensing many types of fashion product, such as shoes, jewelry, eyeglasses and perfume.

Brand premiums are very significant sources of profit. For grocery products across 20 product categories (e.g. coffee, cereals, and soft drinks), national brands on average achieve a price premium of 35% compared to private label brands (Sethuraman and Cole 1999). In the luxury segment, top brands achieve price premiums between 20-200% over normal brands in the segment (Coyler 2005).

The valuation of the brand as a financial asset - the price at which it can be sold or a valuation of achievable licensing fees and royalties – is termed brand equity. Today, strong brands that can command significant brand premiums on the marketplace are one of the most important and valuable assets of many firms, especially in the consumer goods sector. For example, the value of the McDonalds brand has been calculated to be 71% of that firm's total value on the stock market. Similarly, the value of the Coca Cola brand has been calculated as 64% of the total market value of that firm (Keller 2008). Indeed, a brand or brands can sometimes be essentially the *only* asset of very successful firms. Such firms thrive by licensing the right to use their brand to other firms that actually design and produce and sell products bearing the brand. In 2001, in Germany alone, the market for licensed goods was € 24 billion (Sattler et al. 2003).

Given the major profit potential of a strong brand, firms have a major interest in understanding why and how consumers value brands, and how they can be influenced in these matters. In Keller's view (2003 p.8), building a strong brand involves "...creating mental structures and helping consumers organize their knowledge about products and services in a way that clarifies their decision making and, in the process, provides value to the firm". Firms use advertisements and other forms of communication to make people aware of an intended brand meaning within consumers' minds as in: "Fun people drink Pepsi." In the 20th century, mass communication media like TV, radio, or magazines were used extensively to create and shape consumer awareness. In the 21st century, more and more "guerilla marketing" activities are being applied to influence social networks, blogs and online communities in desired directions and "create a buzz" around the brand and its products (de Bruyn and Lilien 2004; Phelps et al. 2005).

Research indicates that brands support consumers in their creation of self-concept and social identity (Ahuvia 2005; Belk 1988; Fournier 1998). Muniz and O'Guinn (2001), Cova (2003), Kozinets (2002), and McAlexander, Schouten, and Koenig (2002a) also argue that brands allow consumers to regain a sense of affectionate community, and that shared interests, rituals and traditions related to a specific brand can serve to bring consumers together into "brand communities." According to Muniz and O'Guinn (2001 p.412), "A brand community is a specialized, non-geographically bound community, based on a structured set of social relations among admirers of a brand." It may seem quite remarkable to the uninitiated, but there are consumer-formed brand communities consisting of individuals who are passionately dedicated to admiration and discussion of branded products ranging from Saab automobiles to discontinued products like the Apple Newton.

Today, it is widely understood that consumers, especially members of brand communities, can and often do shape, appropriate, and co-create the meaning of a brand (Brown et al. 2003; Cova and Pace 2006; Kozinets et al. 2004; McAlexander et al. 2002b; Muniz and O'Guinn 2001; Muniz and Schau 2005; Murray 2002; Thompson and Arsel 2004; Thompson et al. 2006). Producers may develop and introduce the brand and related associations that they prefer to the marketplace, but consumers – or other stakeholders - then may modify its meaning in unexpected ways. Indeed, producer-intended brand meanings can sometimes be totally “hi-jacked” by a very visible subset of customers (Wipperfurth 2005). For example, the Lonsdale brand was intended by the producer to denote high-quality sports apparel for boxers and boxing enthusiasts, but was hi-jacked by skinheads and hooligans. Because of the NSDA letter combination in the middle of the Lo-NSDA-le name was an acronym for the former Hitler party - “Nationalsozialistische Deutsche Arbeiterpartei - Skinheads and hooligans used Lonsdale sweaters to demonstrate their right wing extremist views. This well-publicized activity by some caused a general change in the perception of the brand and a great decline in its value.

As was mentioned at the start of this section, in this paper we focus on an exploration of brands which *are created and owned* by user communities. We know of no earlier literature on this topic.

3. Context for empirical study and research methods used

3.1. Setting for empirical research

The setting for our empirical study of community-created consumer brands is a 7-year old community of 8,300 German, Austrian and Swiss hiking enthusiasts named Outdoorseiten.Net (ODS). Our selection of ODS began with a decision to focus on clubs emphasizing multiday hiking for our study of user brand creation and brand strength. We made this choice because the first author of this paper is himself a hiking enthusiast and familiar with such communities and their activities in Germany. To identify a sample of such clubs, we searched the web for German-speaking and English-speaking clubs only (the authors' two languages) by entering keywords such as outdoor hiking, trekking, mountaineering, and climbing into three search engines: Google, Yahoo, and Technorati. One hundred and twenty four outdoor hiking and mountain-climbing clubs were identified by this process.

All of the 124 outdoor clubs we identified that have a presence on the web also have what we think meets the criteria for a “brand.” At a minimum, each club has a club name by

which members refer to it. A selection of every 10th community (a total of 12) out of an alphabetically ordered sample of the 124 on-line communities we identified in this space shows that about 90% also have their club name incorporated into some form of graphical design – typically a member-designed logo that is posted on their website, and also used in club communications. About 25% of clubs offer club members logo-imprinted physical items like coffee cups and club “patches” that can be sewn to clothing and products as a signifier of club membership and identity (table 1 and figure 1).

TABLE 1
Community Logos and Applications

OUTDOOR COMMUNITIES	LOGO	Logo in form of identity products
www.7summits.com	YES	NO
www.adkforum.com	YES	NO
www.bahiker.com	YES	NO
www.epinions.com/msg/show_~cat/id_~Outdoor+Gear	NO	NA
www.forum.walkingbritain.co.uk	YES	NO
www.gipfeltreffen.at	YES	YES
www.kywilderness.com	YES	YES
www.mojozone.co.nz	YES	NO
www.nwhikers.net/	YES	NO
www.rockclimbing.com/forums/	YES	YES
www.thebackpacker.com/trailtalk/	YES	NO
www.viewsfromthetop.com	YES	NO
TOTAL	12 (92% yes)	3 (25% yes)

FIGURE 1

Examples of Hiking Community Logos and Applications



From the hiking and mountain-climbing clubs we identified via our web search, we elected to focus on ODS because it is the largest community on the web with a membership largely focused on multiday hikes. Both attributes were important to us. We wished to ask members of the community we selected about relatively specialized products – and many ODS members had interests in specialized backpacks especially suitable for multiday hikes. The online presence and multi-thousand membership size of ODS were also important to us: we planned to conduct our surveys on-line and wanted as large a sample size as possible. Neither author had any previous association with or special knowledge regarding ODS.

The ODS community is officially registered as a non-profit association in Germany. Eighty of the 8,300 members of the ODS community also belong to the ODS association, and a “forum” of 5 board members, 7 administrators, and 15 moderators actively manage it. Although this group is quite small, we are told by members that the community is managed in a very democratic way. Major decisions are widely discussed and the consensus view of the membership generally wins the day.

3.2 Research methods

Data sources, collection methods, and sample characteristics

Our research involved initial qualitative research into the nature of the ODS community followed by quantitative studies of the ODS brand. In our qualitative work, two data sources were key. First, we explored the ODS community archive of posts and discussions by community members. This archive, spanning the entire 2001-2008 history of the ODS community, contained 382,059 posts at the time of our study, and allowed us to follow the history of the creation and strengthening of the ODS logo and brand. Second, we conducted in-depth telephone interviews with 8 community members who were actively involved in the creation of the ODS logo and the development of the ODS community generally. Most had high visibility and involvement in the community as moderators or administrators.

Informed by our study of the ODS archives and our telephone interviews, we developed a survey to be administered online to ODS members. As far as possible, measurement items previously applied in brand and community research were used directly or slightly modified for this study. The online questionnaire was pilot-tested with five ODS members and was modified to incorporate important suggestions for improvement. Permission was sought and granted to post the survey on the Outdoorseiten.Net club website along with a message seeking participation by club members.

Data collection using the final, tested questionnaire was conducted during 3 weeks in May, 2008. The link to the online questionnaire was promoted via a prominent banner on the ODS homepage. Further, the head of the ODS club introduced the questionnaire by starting a thread in the “Laberforum” sub-section of the ODS community. In total 410 users accessed the questionnaire, and 216 completed it. This corresponds to a completion rate of 53%. Note that only ODS members who did visit the ODS website at least occasionally would have been in a position to see our survey and respond to it if they chose. It is impossible to determine how many ODS community members visit the website without posting. However, we do know that our respondents varied widely with respect to their level of posting activity. Six percent of respondents had contributed no posts to the community website during its eight-year history, 25% had contributed 20 or less posts, 51% had contributed less than 100, and 81% had contributed less than 600 posts. A few (2.59%) contributed more than 4000 posts each. To test possible none-response effects as described by Armstrong and Overton (1977), first, early and late respondents (first 3rd vs. last 3rd) were compared. No significant differences were found.

Table 2 provides an overview of the profile of respondents. Note that almost one third of the participants report that they had developed or modified a product used in their ODS activities, and 16% reported that they had developed their own personal outdoor logo.

TABLE 2
Respondents Profile

<i>Demographics (N=216)</i>	
Gender	
Male	89.4 %
Female	10.6 %
Age	
	29.79 years
SD	9.25 years
Member since	
	2.64 years
SD	1.58 years
Posts contributed²	
average per member	576 posts
SD	1188 posts
Hours spend on ODS per week	
	4.24 hours
SD	4.29 hours
Hours spend on outdoor activities per week	
	9.84 hours
SD	9.69 hours
Skill level¹	
	4.01
SD	1.19
<i>Consumer Product and Logo design activities</i>	
Have you ever modified or developed your own outdoor gear?	
Yes	32.7 %
No	67.3 %
Have you ever developed your own outdoor logo?	
Yes	16.0 %
No	84.0 %

¹ 1= low level – beginner; 6 = Expert level – Top 5% of community

² from date of respondent joining ODS to time of response to our survey

Measures and analytical methods used

To measure brand equity, we applied Kellers' (1993) customer-based brand equity CBBE model. Brand association (i.e. their type, favorability, and strength) was measured by applying a free association task letting consumers describe what the brand means to them and also by using some brand personality scales. Top of mind, frequency and ratings of associations were used to examine strength and favorability of associations. A brand's price premium – consumers' willingness to pay X % more for brand A than brand B – was determined by directly asking: how much more are you willing to pay to buy a identical product (apart from the brand logo) from Brand A instead of Brand B? (Aaker (1996a; 1996b). In addition, a conjoint trade-off analysis approach was taken to get more reliable results for the achievable price premium (Aaker 1996b).

Whenever possible, validated items and constructs were used for all measures. Three items from Keller (2001) were applied to measure brand attachment as well as attachment towards ODS in each case. Three items adopted from Tepper et al. (2001) were applied to measure ODS label as mean to express ones identity. Three items derived from Algesheimer et al. (2005) served to measure ODS label as a means to signal community belongingness. Similar to Lüthje et al. (2005), outdoor (use) experience and production expertise were measured with single items. Brand consciousness was measured with a single item suggested by (Donthu and Gilliland 1996).

For our brand personality scale we used three dimensions of Aaker's (1997) brand personality scale: competence, excitement, and sincerity, in the questionnaire.¹ Based on information obtained from our interviews with 8 ODS community members, three items for authenticity and extreme were also used. Other measures regarding community membership, behavior, and engagement in the development process of the ODS logo were also derived from our interviews with ODS members, and are supported by community literature (Kozinets 1999) and user innovation literature (Franke and Shah 2003). Finally, the backpack purchasing criteria included in our survey were derived from ODS community interviews and are consistent with marketing literature (e.g. Etzel et al. 2007; Jolibert et al. 2007). To avoid potential common method bias due to acquiescence, we applied both a discrete choice and a stated preference approach. Further, we used different item formats, different scale types as well as counterbalancing of items (Podsakoff et al. 2003). Due to the nature of our topic and the anonymity in our online survey, we expected no further biases due to social desirability or negative affectivity (Spector 2006).

4 Findings

4.1: Strength of the ODS brand

In this section we first explore the “strength” of the ODS brand in the minds of ODS community respondents. Our first test involved asking each respondent to identify his or her *favorite* commercial multiday backpack brand. Then we asked each to assume that they had the option to buy only one backpack from two on offer. Both options were stated to be identical in quality and price. They differed only with respect to the brand displayed: the logo of their favorite manufacturer or the logo of ODS. In this way, we sought to focus only on the

¹ “Sophistication” and “ruggedness,” two additional brand personality scales suggested by Aaker, have not been included. Our reasoning: with respect to sophistication, outdoor gear is not likely to be linked with associations like glamour, feminine and upper class; with respect to ruggedness, outdoor is automatically linked with outdoorsy and tough.

strength of the *brand* in the consumer’s mind, while controlling for the quality and design of the backpack.

Using a 7 point scale, users were first asked which backpack they would be more likely to purchase given that both were of equal price and quality. 48.3% responded that they were more likely to purchase the backpack displaying their favorite brand; 34.0% were more likely to purchase the backpack displaying the ODS brand; and 17.7 % said their purchase probability for the two brands was equal.

We next explored how much more respondents were willing to pay for their favorite brand (see table 3). We found that those preferring the ODS brand were on average willing to pay 15.4% more (29.16 €) than they customarily paid for a backpack before they would switch to their second choice – their favorite commercial brand. Those preferring the brand of their favorite commercial manufacturer stated they were willing to pay 19.8% more (43.31 €) before they would switch from their favorite brand to the ODS branded backpack.

TABLE 3
Willingness to Pay a Price Premium to obtain their top choice instead

	ODS	Favorite Brand	T-Value	P
Mean Backpack Spendings* ¹	190 €	250 €	3.616	***
Mean WTP	29.16 €	49.51 €	4,079	***
SD	20.50 €	31.17 €		
Relative Price Premium	15.35 %	19.80 %		
N	51	72		

¹ 3.3 ~ 190 Euro; 4.29 ~ 250 Euro
Two tailed T-test (lower T-values are shown)
* p < 0.05; ** p < 0.01; *** p < 0.001

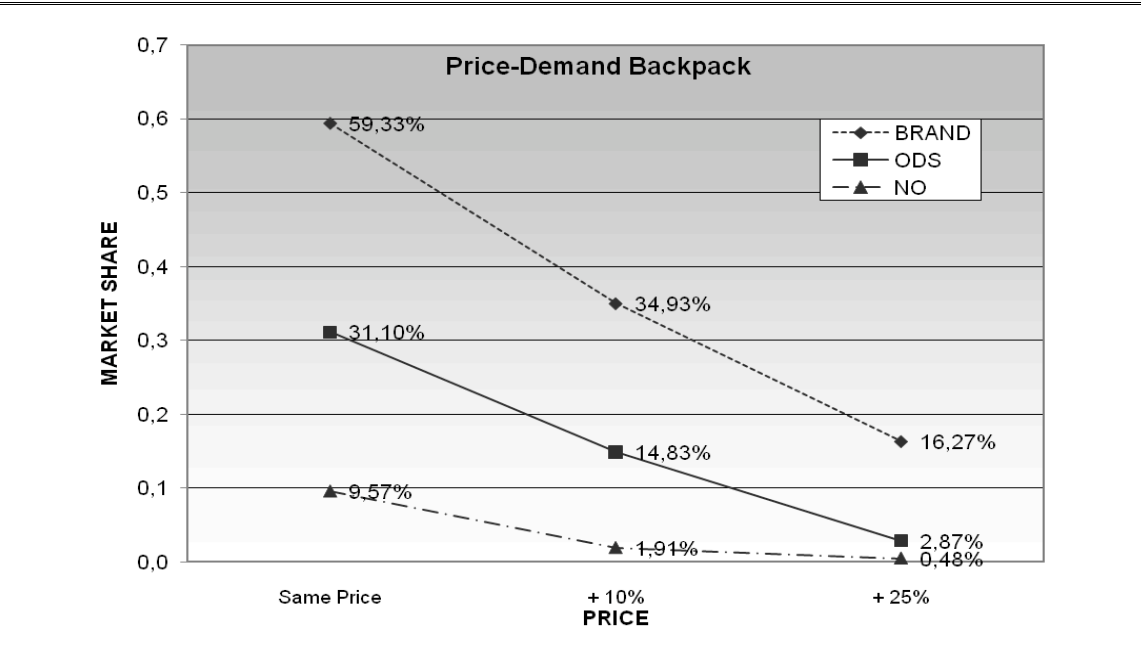
In our view, these are rather remarkable findings: For 51.7% of respondents, the ODS community brand – developed at no cost to the community, but rather simply a consequence of community members associating the ODS brand and logo with club activities that “they do because they want to” - is of equal or higher strength than their favorite backpack brand. This is indeed significant brand strength within the ODS community. In fact, if 34% of those preferring the ODS branded backpack plus half of those who were indifferent to whether they purchased the ODS brand or their favorite brand (17.7% fell into this category) purchased an ODS brand backpack, that would be approximately double the market share garnered by the Deuter brand backpack – the commercial brand most often favored by ODS club members.

These results were further confirmed by an additional virtual sales simulation, in which participants had to decide between three backpacks. For this simulation, we used an Internet-

based version of conjoint-based pricing and demand studies, such as those by (Johnson and Olberts 1991; Jones 1975; Pinnell and Olson 1996). Participants were told that each backpack was identical in quality and design, but that one displayed the ODS label; one the favorite brand label, and one displayed no label at all. The price-demand curves resulting from the conjoint study are shown in Figure 2.

FIGURE 2

Price Sensitivity Curves of Backpack Labels



Data from the conjoint study were then used to calculate price premiums via market simulation, assuming that all three backpack options offered achieve the same market share (Johnson and Olberts 1991; Pinnell and Olson 1996). As can be seen in table 4, respondents preferring the community brand were willing to pay a price premium of 67.86% to obtain a backpack displaying the ODS logo compared to the No Brand option. The price premium for respondents’ favorite brands was 72.68% compared to the No Brand option. Consistent with table 3, respondents’ favorite brands were able to gather a 15.01% higher price than the ODS option. Stated another way, for customers to be equally willing to purchase a backpack labeled with their favorite brand, the ODS brand, and the No Brand option, the favorite brand backpack can charge a price premium of 72.68% and the ODS backpack a premium of 67.86% over the No Brand option.

TABLE 4

Price premium of backpacks assuming the market to be indifferent between offered backpack choices

	Price Premium in %	Price Premium in Euro
Favorite Brand vs. No Brand	72.68 %	168.1
ODS vs. No Brand	67.86 %	133.4
Favorite Brand vs. ODS	15.01 %	34.7

* based on a 200 Euro backpack base price

4.2 Characteristics of those preferring the ODS brand

In our survey, we asked respondents a number of questions about themselves and about their relationship to the ODS community. In this section, we report upon the significant differences we found between two categories of respondent: those who preferred the ODS brand over their favorite commercial brand, and those who had the opposite preference. As can be seen in table 5, a few respondent characteristics significantly discriminate between these two categories, and these offer a picture that seems to us to make sense.

Respondents preferring the ODS brand are significantly more active in the ODS community and significantly more attached to it. They spend more time with ODS, are more actively engaged in ODS community work, and consider themselves to be well respected within the ODS community and to be community insiders. They are also significantly more likely to think that the ODS logo signifies community belongingness and expresses their own identity. Perhaps not surprisingly, these individuals are also significantly more likely to buy products incorporating the ODS logo from the ODS community website “shop.”

Respondents who prefer their favorite commercial backpack brand over the ODS brand are significantly more attached to their favorite commercial brand than are those preferring the ODS brand. They are also likely to buy well-known branded products in general. For them, aesthetic design, quality, and “having the right brand” are significantly more important. They also think that the supplier of their favorite backpack has significantly higher expertise with respect to both backpack use and backpack design and production than do those preferring the ODS brand backpack.

TABLE 5

DIFFERENCES BETWEEN THE ODS AND FAVORITE BRAND PREFERENCE GROUPS

	BACKPACK PREFERENCE		T-Value	P
	FAVORITE BRAND	ODS BRAND		
	Mean	Mean		
Your age? (in years)	30.12	28.13	1.58	
Your sex? (1=male; 2= female)	1.10	1.11	-0.14	
How many hours per week do you spend with outdoor activities?	10.47	8.72	1.16	
Where would you place yourself in terms of skill-level of your main outdoor activity? (1 = beginner; 6 = pro)	3.98	3.98	-0.01	
ODS membership				
For how long are you already a member of ODS? (in years)	2.56	2.77	-0.79	
How many hours do you approximately spend with ODS per week? (hours/ week)	3.70	5.40	-2.24	*
About how many posts did you already contribute to outdoorseiten.net?	492.97	736.68	-1.13	
I enjoy a high standing in the ODS community. ¹	3.93	3.54	2.26	*
I have strong influence on ODS.	4.39	3.94	2.64	**
I consider myself as ODS insider. ¹	4.23	3.87	1.77	(0.08)
I actively engage in community work and contribute to the identity creation of ODS. ¹	3.92	3.17	3.76	***
Have you ever purchased something from the ODS shop? ²	1.35	1.69	-2.10	*
Have you ever purchased a product which was tested and recommended by ODS? ²	3.13	3.45	-1.53	
Logo and development activities				
Do you possess an "Outdoorseiten.net" label? ³	1.81	2.22	-1.85	(0.07)
Did you ever place it on your outdoor products? (1=yes; 2= no)	1.83	1.78	0.75	
Do you think that people can still recognize the original brand of a product, even if the label is covered by the ODS logo? ⁴	2.14	2.05	0.67	
I actively contributed to the ODS logo development. ¹	4.83	4.78	0.36	
Have you ever developed your own outdoor-logo? (1=yes; 2= no)	1.77	1.94	-2.88	***
Have you ever developed your own outdoor gear? (1=yes; 2= no)	1.70	1.71	-0.26	
Purchasing behavior				
Overall, how satisfied are you with the existing product offerings of outdoor brands? ⁵	2.57	2.62	-0.32	
Do you usually buy products from well-known brands? ¹	1.80	2.30	-3.09	***
How important are the following purchasing criteria for you? ⁶ ... design/aesthetics	3.29	3.74	-2.47	**
... functionality	1.39	1.35	0.31	
... brand	4.15	4.56	-2.27	*
... price	3.30	2.97	1.69	0.09
... quality	1.39	1.60	-2.04	*
Functions of ODS Logo				
ODS Logo signals community belongingness ⁷	2.77	2.07	4.03	***
ODS Logo helps to express my identity ⁷	3.28	2.63	3.82	***

Attachment

Brand Attachment ⁷	2.24	2.48	3.82	*
ODS Community Attachment ⁷	2.70	2.13	2.01	***
Expertise				
Does ODS or the manufacturer of your favorite backpack have more outdoor experience and use expertise? ⁸	3.79	2.70	4.68	***
Does ODS or the manufacturer of your favorite backpack have more product development and production expertise? ⁸	6.02	5.23	4.57	***

¹ 1=strongly agree - 5=strongly disagree
² 1=no; 2=thought about it; 3=one product; 4 = two products; 5=three or more
³ 1=no; 2=thought about it; 3=one logo; 4=two logos; 5=three or more
⁴ 1=yes, definitely – 5=definitely not
⁵ 1=very satisfied – 5= not satisfied at all
⁶ 1 = very important – 5 not important at all
⁷ multi-item measure shown in appendix 2; 1=high – 5=low
⁸ 1= ODS – 7 =manufacturer of my favorite commercial backpack brand
Two tailed T-test (lower T-values are shown)
⁺ p < 0.1; * p < 0.05; ** p < 0.01; *** p < 0.001

When we conduct a multinomial logistic regression on this same data, we find a similar picture (table 6). Respondents reporting more attachment to the ODS community are significantly more likely to prefer the ODS brand. They also are significantly more likely to think that ODS community members have more field experience actually using backpacks than factory employees do. Respondents preferring their favorite commercial brand are significantly more likely to think that their favorite commercial manufacturer has significantly more product design and production expertise than do ODS community members. They also are significantly more likely to purchase well-known commercial brands in general. Taken together, the factors analyzed in table 6 explain between 17.8 % and 28.3 % of the variance in community member choice.

TABLE 6

Impact of attachment and expertise on backpack label preference

ODS vs. Favorite Brand	β	Std. Error	Wald	P
Brand Attachment	-.506*	.245	4.264	.039
ODS Community Attachment	.535*	.219	5.952	.015
Does ODS or the manufacturer of your favorite backpack have more outdoor experience and use expertise? ⁸	.321*	.134	5.719	.017
Does ODS or the manufacturer of your favorite backpack have more product development and production expertise? ⁸	.474**	.163	8.424	.004
R ² (Nagelkerkes)	.283			
R ² (Cox & Snell)	.205			
R ² (McFadden)	.178			

-2 log Likelihood = 188.503; $\chi^2 = 42.639$; df = 4; p=.000;
* p < 0.05; ** p < 0.01; *** p < 0.001
⁸ 1 = ODS – 7 = manufacturer of my favorite commercial backpack brand

4.3: Attributes of the ODS brand that importantly affect brand preference

To determine which brand “personality” dimensions impact community members’ backpack label choice we collected data on 5 brand personality dimensions. After running confirmatory factor analysis, 11 items remained in our analysis (see appendix 1). As the results show (table 7), the perception of the ODS brand as authentic, competent/reliable and exciting significantly affected respondents’ backpack choice and explained between 16.1% and 25.8% of the variance in their choices.

In our view, it makes sense that “authenticity” is an important dimension of the ODS brand personality. As we saw earlier, the ODS community is an important part of the personal identity of respondents preferring the ODS brand. Indeed, authenticity is probably an important personality component in the great majority of community brands for this same reason. In contrast, brand dimensions such as competence/reliability” and exciting are probably product and community-membership specific. Thus, reliability is an important dimension of backpacks subject to rough usage on the trail, and the “excitement” of the ODS brand (a view that it is cool and trendy) might be of special interest to the young adults who comprise most of the membership of the ODS community.

TABLE 7

Impact of brand personality on backpack label preference

ODS vs. Favorite Brand	B	Std. Error	Wald	P
Extreme	-.033	.125	.070	.792
Excitement	.523	.169	9.618	.002
Authentic	.726	.189	14.839	.000
Sincerity	-.066	.174	.143	.705
Competence/ Reliable	.389	.193	4.038	.044
R ² (Nagelkerkes)	.258			
R ² (Cox & Snell)	.187			
R ² (McFadden)	.161			

-2 log Likelihood = 204.197; $\chi^2 = 39.083$; df = 5; p=.000;

* p < 0.05; ** p < 0.01; *** p < 0.001

4.4: Community brands as valued complements to commercial brands

To this point we have focused on assessing the strength of community and commercial brands. We also discussed important differences as to how these two categories of brand are viewed by ODS community members. Now an important follow-on question arises: are community brands and commercial brands antagonists or complements? That is, if *both*

brands are displayed on the same product, will the result be an increase or decrease in purchase preference relative to purchase preferences when the individual brands are displayed alone?

To explore this question, we conducted another choice experiment – this one involving community purchase preferences for tents used by hikers. As in the backpack experiment described earlier, in our tent experiment we simulated a tent purchase. However, in this experiment we offered four alternatives – each respondent’s favorite tent brand, an ODS branded tent, a completely unbranded tent, *and* a tent co-developed and co-branded by ODS with the respondent’s favorite supplier. As in the backpack experiment, we specified that all of these tents were of the same design, quality, and price.

Under the conditions just described, 78.2 % of the respondents preferred the co-developed and co-branded tent. 15.0% preferred the tent carrying their favorite brand only, 4.9% picked the non-branded tent and 1.9% preferred the tent carrying only the ODS brand (table 8).

TABLE 8
ODS as a CO-BRAND for TENTS

	ODS		Favorite		No Brand		Co-Branded	
	n	%	n	%	n	%	n	%
TENT	4	1.9	31	15.0	10	4.9	161	78.2

Respondents’ strong preference for the co-branded tent suggests that the positive qualities attributed to each of the two brands are in some way complementary. Specifically, the community brand may contribute authenticity, community identity and high use expertise, while the favorite commercial brand contributes strong product development and production capabilities.

To further explore whether community brands complement commercial brands in their meanings, we collected data on respondents’ free associations - top of mind, frequency and ratings - towards both ODS and their favorite commercial backpack brand. The free ODS associations show participants link positive emotions to ODS such as fun and wanderlust. They also link community feelings to ODS such as friendship and ‘this is a group of like-minded people’. They consider ODS members to be interesting and free-thinking people who possess a lot of outdoor experience and interesting personalities such as ‘outdoor guru’, and ‘gadget freak’. In contrast, ODS members link their favorite commercial brands more to

attributes of the firm such as quality, product offerings, and testimonials, and to product attributes such as design and functionality.

5 Discussion

In this first exploratory study on the topic of proprietary brands created by user communities, we have shown by example that user communities can create strong, community-owned brands. We also find that they can do this at a very low cost relative to costs incurred by commercial brand owners. In our in-depth telephone interviews that we conducted with 8 community members during our grounded research, we learned that the communities spent essentially nothing on developing their brands, on shaping their meaning, or on strengthening the affiliation of their membership to them. In essence, the brand development process began with a community member saying – “Hey, let’s design a logo.” This was followed by some volunteered designs. One design was then selected by consensus among those posting on the community webpage. Contact with a maker of identity products like logos for production of simple cloth badges and cheap personal items such as coffee cups then followed. Time to do all these things was volunteered, and no money was paid out for these activities from community funds.

Shaping of brand meaning and strengthening community members’ affiliative feelings to it, and to the ODS logo, then simply follows as a costless side effect of participation in community activities that were designed and participated in for their own sake. The link between activity and message is always “authentic” from the perspective of the user. It’s “Let’s do a fun hike together next week” as opposed to: “We want to create an association between hiking and Brand X in consumers’ minds. Let’s hire some celebrity climbers to pose on a mountain top drinking cans of Brand X beverage and smiling. We can then take photos, and create an ad campaign to get the job done.”

In sharp contrast to community brand development, owners of commercial backpack brands spend a significant amount developing and promoting their brands. Interviews with backpack companies showed that, on average, backpack companies spent between 6-8% of revenue for marketing. This is a very significant expense. It represents about half the total operating margin of outdoor brands, which typically range between 10-15% (Backpack-Experts 2008)².

² This figures are based on 7 interviews conducted in July and August 2008 with managers from the leading German backpack companies such as Deuter, VauDe, Salewa, and Tatonka as well as the general secretary of the European Outdoor Group association and a journalist of SAZ, the leading leading German trade journal for

Community members build their brand and apply their community logos as they wish to. Some graphically demonstrate their preference for the ODS brand by using ODS patches to cover and conceal the commercial brand logos on their backpacks. Illustrative quotes from the ODS website logs:

At the moment, I do not have any better idea than probably replacing the big Mac Pac label [Mac Pac is a commercial backpack brand] with the [ODS] label. (Member S)

I had the same idea. Place them right on the Haglöfs Logo (another commercial backpack brand). I'm wondering if the size fits. (Member E)

I have just transformed my Haglöf backpack into an outdorrseiten.net one. [The ODS label] covers the Haglöf patches well. (Member E)

That would be something: "Outdoorseiten.net" as a new backpack brand (Member M)

Putting [ODS labels] directly on the company name is a good idea. They are most noticeable there. (Member B)

5.1 Practical implications

What are the practical implications of these findings for brand-owning firms? In a sense, branding by and for user communities is a more extreme form of private-label branding by retail stores. Store brands have partially displaced national brands because retailers owning these brands also own and control the site of distribution. Retailers can spend less on advertising, they can put the savings into lower prices, they can position their identical or similar store brand product right next to the national brand on the store shelf. Net result, they can take and have taken significant market share away from national brands (Quelch and Harding 1996). Now, for similar reasons, user-developed brands may be in a position to partially displace both manufacturer and store brands.

Recall that we saw in our case study that about 30% of members of a user community preferred to buy a community-branded product of a type over their favorite commercial brand when both products were equal in price and quality. We also saw that, when an identical-quality ODS-brand backpack was 30% cheaper, the proportion of ODS club members preferring to purchase the ODS-brand product over their favorite commercial brand rose to 64.2%. This is an impressive performance, as the impact on the preference share of Deuter-brand backpacks, the most generally-preferred commercial backpack in the ODS community,

sports and outdoor. Further, the figures have been compared with those from available annual reports of sports and outdoor companies such as North Face, Columbia, Lowe Alpine, Nike, and Amer Sports.

graphically demonstrates. In the absence of an ODS backpack, 25% of ODS members prefer the Deuter brand. With the availability of an identically-priced ODS backpack, this preference share shrinks to 13%. When ODS brand backpacks are offered at a 30% lower price, the Deuter market share shrinks further to approximately 8%. (Backpack brands that are more exotic and expensive than Deuter each have fewer adherents within the ODS community – but the adherents they do have tend to be more passionate about their preference. Our analysis shows that the availability of an ODS brand backpack reduces the market shares of these exotics less severely. The average loss for all “favorite brand mentioned by any survey respondent was 40% when an ODS backpack was offered for 30% less.)

A “30% cheaper” scenario is entirely realistic. As we mentioned earlier, more than 90% of the top-quality backpacks purchased by serious hikers and climbers like ODS community members – and purchased under a wide variety of well-regarded brand names - are actually produced for these brands by a few high-quality Chinese and Vietnamese production companies. The backpacks are differentiated mostly by minor design variations requested by each brand (Backpack-Experts 2008). Communities wanting to offer a community-branded backpack “of equal quality” can in principle order from the same producers. Communities can also find a way to purchase the fulfillment services that ordinarily go with a branded product, such as quality guarantees and return and repair services. (Many high-quality brands also buy such services from outside vendors.)

Once these conditions are in place, the purchase and ownership experience with an ODS-brand backpack can be in all ways - except for the brand logo - identical to the purchase and ownership experience offered by a commercial brand. Purchasers also gain all the benefits in terms of self and community identity that are associated in the literature with brands: The products they purchase are community-brand products rather than no-brand or generic. In addition, community members can save 30% or so over the cost of commercial brands because they do not have to pay a brand premium for the use of their own, costlessly-developed brand.

What are the implications for commercial brands of losing 2/3 of their sales to community-member users of their products? Clearly, it depends upon how salient community membership is among the users of products branded by a given firm. If it is significant, as is the case with the backpack products we studied, there could be a problem for commercial brand owners, because the cost of any firm’s brand promotion is allocated across the number of units sold. Given that advertising expenditures are often for broadcast media rather than efficiently-targeted narrowcast media (JackMyers.com 2008) expenditures become steadily

more burdensome as the market decreases in size (Keller 2008). To the extent that the brand support expenditures upon which brand premia depend can no longer be afforded, brand premium levels charged must drop – and, depending upon the elasticity of sales, the value of the commercial brand may enter a downward spiral under these conditions.

What about co-branding between commercial brands and community brands? Recall that in our case study example, the entire ODS community is only 8,300 members in size. Therefore, unless non-members also value the ODS brand, only a few thousand consumers will have a strong preference for a branded product bearing the community label. There are good reasons why a community brand may be attractive to non-community members. For example, if a community has a reputation for independence and high expertise, non-community members may appreciate product reviews, recommendations, or concrete offers from the community when considering a product purchase. Information from community members, including co-branding, may reduce search effort and also attach additional valued meanings to a reviewed or co-branded product. In Germany in 2007, a study by GfK finds that 25% of online purchases on the Internet were influenced by user community and opinion platforms (Adlwarth 2008). This possibility is supported by our ODS survey respondents. 90.3% think that ODS offers good product reviews and 93.0% stated that ODS helps them in finding the right equipment.

An anecdote from ODS experience also suggests that at least better-known user communities *can* have significant brand strength beyond their membership. In 2008 ODS members and Wechsel co-designed and co-branded a new tent design known as the Forum 42 tent. (The agreement between the manufacturer and ODS gives ODS a 2% royalty on sales.) According to a knowledgeable Wechsel manager, the tent quickly became a strong commercial success beyond the ODS community. *“At the beginning some of the orders came from the community. But, the tent is also appreciated by non-community members. We planned to sell 500 tents in the first year but got over 1000 orders. Especially, our retailers appreciated the tent. Normally, you get a new innovation listed in the program of about 30% of your retailers. With the community tent we got listed by 75%. This is extremely good in a market of this product density. Usually it takes more than two years till the market starts to accept a new product.”*

Of course, some community brands, similarly to some commercial brands such as Apple or Harley Davidson, may evoke resistance as well as affiliation. Thus, while members of a community, and some non-community members as well, may be proud to decorate their t-shirts with a community logo, members of other strong communities may refuse to do so.

Indeed, other communities may attack a rival community brand by creating “doppelgänger brands” (Thompson et al. 2006) or anti-brand websites (Lüdicke 2006).

5.2 Suggestions for further research

Once we recognize the phenomenon of user community brands, a host of interesting related questions come up. It will be important to ask where the impact on commercial brands will be most powerful, and what the effects will be in detail. Candidate markets for major impacts, it seems to us, are those markets where one or a few community brands have large market shares. This is the case today in many software markets, where community brands like Linux and Apache and PostgreSQL are quite prominent. Studies carried out in such markets can more clearly analyze the nature of ‘community brand effects’ – simply because those effects will be larger.

Of course, powerful examples also exist beyond software. Thus, the German Alpine Club (“Deutscher Alpenverein”) founded in 1869, is the biggest alpine club in the world, and has a membership focused primarily on mountain climbing. This club has consisting of more than 750,000 members organized in 354 legally independent sections. Under www.dav-shop.de you will find a whole section of DAV-branded products. Further, the DAV introduces latest equipment and test reports in their monthly member journal called “Panorama”. The DAV also uses its label for co-branding and to endorse products. In 2008, for example, DAV endorsed Toyota as mobility partner for their “Bergshau2008.de” annual event. The DAV states that Toyota’s Prius Hybrid model is an especially good match with the DAVs environmental goals (DAV 2008).

It will also be important to understand the evolution of the relative competitive positions of proprietary commercial and user community brands. It could well be that the effects of costless communications now accessible to all via the Internet will have the effect of making community brands progressively more powerful relative to commercial brands. After all, it has been the greater ability of commercial brands to pay for costly advertising and promotion that has lead to their present-day prominence, and to the ability of their owners to charge high brand premiums. Today, similar broad exposure can increasingly be obtained at low cost by both community brands and commercial brands. In addition, and very importantly, brands of all types are increasingly served today by the *same* producers of products and fulfillment services, and these firms often offer identical services to commercial and to community brands. Indeed, what is offered on the marketplace today often differs *only* in terms of brand.

It will also be very interesting to explore the subject of *personal* brands. Personal brands are often seen among hobbyists who devote a great deal of effort and creativity to significantly modify a product that is of great interest to them. For example, an auto enthusiast may modify a Ford car to the point where he decides that the design is more his than Ford's – and then remove the Ford badges and place his own personal “maker's badge” on the car instead. In our own ODS study, we found that 30 (16%) of our respondents had created a *personal* logo related to their outdoor activities. Although, the sample was quite small, significant differences between these respondents and others were found. These individuals spend more time with outdoor activities than the average respondent, and consider themselves to be among the more skilled members of ODS. They also were more likely to develop their own outdoor gear, and to rely more on their own opinion when purchasing new outdoor products. Research on this topic may show that personal brands are analogous in many ways to community brands – but focused on individualism personal identity instead of community identity.

Identity products show us one possible vision of a future built around community brands rather than commercial brands. Producers of identity products have traditionally supplied firms and other organizations with low-cost items such as t-shirts, coffee mugs and watches imprinted with any logo or message. Today, at least the customized t-shirt segment of this business seems to be entering a new, more main-stream phase. New firms have entered this segment, and are creating a great deal of interest. Spreadshirt, Threadless, Cafepress and Zazzle alone generate collective revenue of more than \$200 million per year and are highly profitable (Piller 2008). At spreadshirt.com, more than 300,000 communities ranging from soccer clubs to dog enthusiast associations have already opened their own “spreadshops” where they sell their customized T shirts to members as well as to the general public (Spreadshirt 2007). At this point, it is not clear whether the products created for community t-shirt brands are taking market share away from traditional brands like Hanes, and/or whether they are expanding the market.

When we understand community brands better, and the nature of their interactions with commercial brands, we can go on to consider strategies that commercial brand owners can take to compete with or cooperate with community brands – and vice-versa. What, if any, positions can effectively offset the authenticity and cost advantages of community brands? Why and when and how can co-branding work? Should commercial brand owners seek to buy or license community brands? Clearly, interesting times lie ahead.

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Appendix

Appendix 1

Confirmatory Factor Analysis of Brand Personality Facets

Factors/ Items	Mean	SD	FR	AVE	FLR
ODS in comparison to your favorite brand: with whom do you associate the following characteristics more strongly?					
Extreme			.89	.81	.21
... extreme	4.59	1.66			
... on the limit	4.62	1.52			
Excitement			.64	.48	.56
... trendy	4.19	1.44			
... cool	4.26	1.32			
Authentic¹			.77	.52	.81
... authentic	3.75	1.75			
... unique	3.39	1.69			
... original	3.75	1.37			
Sincerity			.86	.86	.23
... down to earth	4.37	1.49			
Competence/ Reliable			.64	.47	.89
... high quality	5.32	1.30			
... reliable	4.95	1.35			
... long-lasting	5.61	1.31			

$\chi^2=70.58$ with 36 df; $\chi^2/df=1.960$; CFI = 0.944; GFI = 0.946; AGFI = 0.902; RMSEA = 0.067

¹similar to wholesome personality facet

²single item measure; variance error set to .3;

Scale: from 1=ODS to 7=favorite brand

Appendix 2

Confirmatory Factor Analysis of Attachment and Logo Functions

Factors/ Items	Mean	SD	FR	AVE	FLR
ODS Attachment			.78	.55	.57
ODS offers a high benefit	1.55	.82			
I love ODS	2.77	1.19			
I am a big fan of ODS	2.30	1.03			
Favorite Brand Attachment			.73	.50	.34
...(my favorite brand) offers a high benefit	1.76	.81			
I love ...(my favorite brand)	2.14	1.03			
I am a big fan of ...(my favorite brand)	3.06	1.22			
Logo Function: Express Identity			.91	.77	.50
To what extent does the ODS label serve the following functions to you?					
... tells other people what kind of person I am	2.83	1.34			
... fits my identity	3.10	1.29			
... suits me	3.23	1.21			
Logo Function: Signal Community Belongingness			.81	.68	.57
... indicates that I am a member of the ODS community	2.27	1.29			
... helps me to feel connected to the ODS community and its members	2.79	1.33			

$\chi^2=56.464$ with 21 df; $\chi^2/df=2.689$; CFI = 0.956; GFI = 0.948; AGFI = 0.889; RMSEA = 0.089

¹similar to wholesome personality facet

²single item measure; variance error set to .3;

Scale: from 1=ODS to 7=favorite brand