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The “Indie” Premium: How Independent Firms Create Product Value across Cultures

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Manuscript ID	IMR-04-2021-0157.R3
Manuscript Type:	Original Article
Keywords:	Independent firms, authenticity, warmth, individualism, Collectivism

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10 **The “Indie” Premium:**11 **How Independent Firms Create Product Value across Cultures**12
13 **Structured Abstract**14
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Purpose: Although firm growth through the acquisition of independent players is at record high, market reports reveal a parallel increase in independent firms that enjoy noticeable consumer support across industries and threaten MNC-owned brands in several countries. Despite this evident contrast, no research has investigated how independent firms stack up against their non-independent counterparts from a consumer perspective. We examine this standoff and propose that independent firms outperform their non-independent contenders in fostering perceptions of product craftsmanship and warmth in specific product categories and cultures.

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Design/methodology/approach: We conduct three experimental studies across five countries (Study 1: N=360; USA and China – Study 2: N=487; UK and India – Study 3: N=323; Italy). Data were analysed with experimental techniques (Analysis of Variance) and conditional process analyses (Moderated Mediation) using PROCESS.

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Findings: The findings suggest that (1) firm independence fosters perceptions of product craftsmanship and warmth in individualistic cultures, (2) consumers view products sold by independent firms as warmer and more authentic than products sold by non-independent firms in hedonic but not in utilitarian product categories, (3) the positive effects of firm independence on product craftsmanship and warmth are neutralized for vertically collectivist cultures (India) and reversed in horizontally collectivist cultures (China), (4) loss of firm independence leads to higher drops in perceived craftsmanship and product preference when it is caused by a takeover from a foreign multinational (compared to a domestic corporation).

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Originality/value: Our research provides a first account of how perceptions of firm independence drive assessments of product craftsmanship and authenticity, elicit feelings of warmth and build product preference. Our findings inform decisions of multinational corporations regarding (1) how to communicate the acquisition of independent firms in local markets, (2) how to balance an international brand portfolio in culturally diverging markets and different product industries, (3) how to optimize brand architecture through the relative exposure of the corporate brand image vis-à-vis the image of standalone brands owned by the corporation, and (4) offer smaller independent players an alternative positioning strategy to differentiate from global competitors enjoying the resources or support of bigger corporations.

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Keywords: independent firms, authenticity, warmth, individualism, collectivism

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Type: Research paper

1. Introduction

Globalization has created a marketplace of complex realities. On the one hand, small, independent firms have become acquisition targets of big corporations as means toward the end of international firm growth. Despite fading prospects for globalization (Witt, 2019), this trajectory has not reversed as shown by the record number of global mergers and acquisitions exceeding 3 trillion USD in 2017, up 40% to decade (Financial Times, 2018a). Although much is known about the benefits corporations enjoy by buying out smaller players within or outside national borders (e.g., access to foreign markets, acquisition of proprietary knowledge, synergies, diversification – DePamphilis, 2010), disproportionately less is known regarding a parallel increase in demand for products sold by firms that strategically position themselves as “independent” and openly reject multinationals’ acquisition calls.

Data from the UK retailing sector indicate that over the last years there has been a significant increase in independent retail stores at a time when big international and national chains face declining numbers (British Independent Retailers Association, 2017). The growing appeal of independent stores is also evidenced by the increased use of hashtags like #shopindie, #supportindie, #buyindie, #indiebrands in the Twittersphere and by the emergence of online platforms (www.indieretail.uk) and events (e.g., Independents’ Day, annual best small shop competitions) promoting indie retailers. In the hospitality industry, the revenue premiums of chain-affiliated hotels over independent hotels have declined by over 50% between 2000 and 2015 (Hollenbeck, 2018). In the FMCG sector, multinationals face increasing pressure by independent market players that threaten their growth potential (Financial Times, 2018b). Recent data suggest that the pandemic’s blow was less severe for independent businesses than for big chains not only because of the formers’ strategic agility and decreased cost base but also because of consumers’ shift towards local, independent, and ethical alternatives (Financial Times, 2020). Managerial reports from the beauty industry

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3 suggest that revived demand for independent products “*which continue to drive innovation in*
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5 *the market*” represents one of the most important trends that the industry “*has rightly been*
6
7 *focused on understanding*” (Nielsen, 2018: p. 10-11). Market research reports suggest that (1)
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9 65% of consumers try to help small businesses, (2) support for independently owned
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11 businesses exceeds 70% in the US, New Zealand, and Australia, (3) the share of consumers
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13 that *actively* look for independently owned businesses reaches unprecedented numbers
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15 around the world with Spain (64%), Australia (55%), and US (50%) leading in indie demand,
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17 while (4) 37% of consumers that have shopped with an independently owned business since
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19 the start of the pandemic say that they are likely to do so more often in the future (Global
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21 Data, 2021; Shopify, 2021). From service industries, such as bookstores and cafés, to tangible
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23 products such as clothing and hardware equipment, and from born-global fashion
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25 microbrands promoted through social media to traditional brick and mortar shops, several
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27 firms use their independence from big market players as the cornerstone of their path-to-
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29 market strategy and sense of identity (Bloomberg, 2018).

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35 Despite these compelling signs, academic research has been scarce about how *consumers*
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37 evaluate independent firms and their products in comparison to firms owned and controlled
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39 by bigger corporations. Although prior research has speculated that consumer perceptions of
40
41 previously independent firms following their takeover by an acquirer is critical in explaining
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43 acquisition failure (Heinberg *et al.*, 2016; Homburg and Bucerius, 2005), there is a dearth of
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45 empirical studies focusing on the demand-side consequences of brand independence. An
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47 overview of related work (see Table 1) reveals that the majority of contributions in this area
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49 focus on the impact of mergers and acquisitions on the brand images of acquired and acquirer
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51 firms. Most of these studies investigate the topic through a country-of-origin (COO)
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53 perspective and pivot around how consumers react to changes in a brand’s ownership status
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55 following its takeover by a corporation with a superior or inferior COO image (Herz and
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3 Diamantopoulos, 2017; Johansson *et al.*, 2018; Lee *et al.*, 2011; Lee *et al.*, 2014; Zhang *et*
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5 *al.*, 2019). Others focus on the ethical implications of takeovers and their impact on the
6
7 acquired firm's social responsibility (Chun, 2016; McEachern, 2015). Although a few
8
9 qualitative studies hint at a brand's loss of independence as an authenticity threat (Cova *et al.*,
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11 2015; Garavaglia and Swinnen, 2017), there has been no empirical test of these claims nor
12
13 efforts to approach a firm's independence as a central concept explaining these findings.
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16 Insert Table 1 here
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19 Investigating why consumers turn to independent products is a question of high
20 relevance for international marketing scholarship and practice. First, independent firms
21 represent strong competitive threats for global brands (Global Data 2021; Nielsen 2018;
22 Shopify 2021); thus, understanding the "indie" phenomenon and the psychological
23 mechanisms that underly it is a trend that international marketers cannot afford to ignore.
24
25 Second, until recently, independent firms have been usual acquisition targets of MNCs due to
26 their inability to find viable strategies to deal with global competitive pressure because of
27 limited mass market appeal and the dominance of global brands (Steenkamp *et al.*, 2003). As
28 demand for indie products increases, MNCs' investments in acquisitions of independent
29 brands becomes riskier as it leads to unintended consequences such as losses in customer
30 satisfaction (Umashankar *et al.*, 2022). Third, indie firms often build their identity around
31 local associations, which regain relevance due to fading globalization prospects and
32 consumers' shift towards authenticity seeking (Cleveland and McCutcheon, 2022; Bartsch *et*
33
34 *al.*, 2021; Witt, 2019).
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37 Against this background, the present research investigates how independent firms are
38 perceived vis-à-vis their non-independent (i.e., controlled, owned, or assisted by another
39 market player) counterparts. We argue that consumers' preference for firms positioned as
40 independent is explained by beliefs that the products marketed by these firms are more
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3 authentic (in the sense of quality standards and craftsmanship) and warmer (in terms of
4 perceived caring and affection) compared to products marketed by firms owned by bigger
5 corporations. Moreover, we propose that preference for independent vs. non-independent
6 firms' products is moderated by the product type and country culture. We test our predictions
7 in three experimental studies ($N_{total} = 1170$) across five countries of varying levels of
8 individualism/collectivism (USA, UK, Italy, China, India) and five product categories (i.e.,
9 cosmetics, apparel, sweet snacks, detergents, appliances) that differ in terms of
10 utilitarian/hedonic character. The results support the hypotheses and paint a complex pattern
11 of independent vs. non-independent firm preference which is (1) determined by the interplay
12 between firm independence, culture, and product type and (2) threatened more by indie firms'
13 takeovers from multinationals than by domestic corporations.
14

15 From a theoretical standpoint, our findings contribute to an emerging field of
16 international branding research focused on cross-cultural consumer responses to marketplace
17 power structures manifested in the competition between smaller firms and resourceful major
18 players. Additionally, we shed some light to the recent success of independent firms
19 competing against established market players and the contingencies of this phenomenon.
20 From a managerial perspective, our findings show that the consequences of pursuing an
21 "independence" positioning are beneficial for hedonic product categories and individualistic
22 cultures but neutralize – and even backfire – in collectivist cultures and utilitarian categories.
23 Finally, our findings assist decisions related to (1) competitive strategy for firms facing
24 pressures from big market players, (2) brand architecture of multinational corporations that
25 internationalize through local brand acquisitions, and (3) positioning and communication
26 strategies for independent firms, domestic acquirers, and foreign multinationals.
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2. Conceptual Background and Research Hypotheses

2.1. Defining independence

The concept of independence has relevance in several contexts, with its meaning varying slightly in different domains. The formal definition of *independent* is somebody who is not subject to control by others or affiliated with a larger unit; someone not relying on others for care or livelihood; or one showing a desire for freedom (Merriam Webster Dictionary 2021). Although the former seems to be the most suitable in business context, non-reliance to others and longing for freedom often partake in perceptions of independent firms. Despite their shared challenges (e.g., limited access to finance, unfair competitive pressures from big players, difficulty in attracting human talent), independent companies enjoy the upsides of financial self-reliance, creative freedom, and managerial autonomy (ILSR, 2019).

In light of the above, we define an independent firm as one which is not owned by, controlled from, or assisted with the resources of another business entity. By extension, we define a non-independent firm as one which does not have full control over its financial decisions, managerial processes, or corporate policies as a consequence of being formally owned by, financially reliant on or operationally managed by another firm. Examples of independent firms include Hotel Chocolat, a British company in the confectionary sector, or Patek Philippe, a highly-respected watch manufacturer which has remained fully independent despite the proliferation of multinationals and in the global luxury watch industry. In contrast, Cadbury (currently fully owned by the Mondelez group) or Cartier (which falls under the ownership of the Richemont group) represent cases of non-independent brands.

Although literature on how independent firms are perceived by consumers is not abundant in marketing context, the notion of independence is prominent in entertainment industries with a dedicated genre of music and film-making being labelled as “indie”.

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3 Relevant literature in this area associates “indie” entities with qualities such as autonomy,
4 artistic integrity, unconventional creativity, political protest against the mainstream, challenge
5 of the status quo and demonization of aesthetic compromise for profit-seeking (Corciolani,
6 2014; Hesmondhalgh, 1999; Newman, 2009). Although these perceptions apply to artistic
7 creations, it is unclear if they are also credited to brands outside the cultural domain.
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17 *2.2. Consumer perceptions of independent vs. non-independent firms' products*

18 *2.2.1. Firm independence and perceived product authenticity*

19 The modern consumer society, especially in the post-WWII era, focused on mass production
20 and consumption. Nowadays, consumers consider uniqueness as a key element when making
21 purchase decisions (Bartsch *et al.*, 2021). Consumers prefer products and brands that appear
22 autonomous (Warren and Campbell, 2014) and able to convey such distinctiveness through
23 their brand identity and personality (Aaker, 1997). Autonomy is especially valued by
24 consumers when it is perceived to be an authentic reflection of the values on which the
25 company was established (Biraglia and Brakus, 2015) or a genuine commitment to maintain
26 the quality of the products by not compromising production methods or ingredients in favour
27 of a cheaper, mass-produced orientation (Napoli *et al.*, 2014). When it comes to production
28 standards, consumers are very sensitive in their authenticity judgements. Even minimal
29 changes such as knowing that a product is not manufactured in the original factory, may
30 make consumers rate it as inauthentic and pay less for it (Newman and Dhar, 2014).
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49 Additionally, when a product is perceived to be mass-marketed, consumers doubt the
50 capability of the firm to maintain high quality standards (Beverland, 2006). For example,
51 consumers respond negatively to the machine production of goods traditionally made by hand
52 (Fuchs *et al.*, 2015) or, more generally, see mass production as inauthentic due to the
53 adulteration of the quality standards (Silver *et al.*, 2021). These negative judgements are
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3 exacerbated when consumers know – or think – that a company is not independent (Frake,
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5 2017), as not being in control may signal carelessness and lack of quality commitment.
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8 Research on brand community reactions to a brand's loss of independence following a
9 takeover by another corporation corroborate the link between independence and authenticity.
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11 For British consumers, Cadbury's authenticity was hurt following its takeover by Kraft
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13 (McEachern 2015). In the craft beer industry, acquisitions of independent craft beer brands
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15 by multinationals are perceived by craft beer enthusiasts as punishable departures from
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17 brands' authentic origins (Garavaglia and Swinnen, 2017). The Alfistis (i.e., the community
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19 of loyal Alfa Romeo fans who engaged with the brand as coproducers of brand initiatives)
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21 considered the loss of the brand's independence to its acquirer (Fiat) a blow to the brand's
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23 true spirit and genuineness (Cova *et al.*, 2015).
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28 Thus, we expect that products marketed by firms not abiding by an external controller's
29 motives in an effort to exploit market trends should be seen as more authentic in the sense of
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31 being committed to their artisanship and exhibiting passion for craft, manufacturing
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33 excellence and aversion to mass industrialization (Beverland, 2005).
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37 38 39 2.2.2. *Firm independence and perceived product warmth*

40 Another mechanism through which independent firms are expected to increase product value
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42 is the warmth pathway. The notion of warmth in relation to products has been conceptualized
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44 in different ways in marketing research. One approach draws from stereotype theory and
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46 proposes warmth as one of the two central dimensions along which individuals construct
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48 social stereotypes about human (Fiske *et al.*, 2002) or non-human entities such as brands
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50 (Halkias and Diamantopoulos, 2020). According to this approach, warmth is defined as the
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52 perceived favourability of an entity's intentions, such that an entity with positive intentions is
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54 perceived as warm, while one with negative intentions as cold. The second approach is more
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3 common in consumer-brand relationships literature and focuses on the feelings of caring,
4 intimacy, love and affection associated with consumers' identification with particular brands
5 or material possessions (Fournier, 1998; MacInnis *et al.*, 2014). Although we use the latter
6 approach in this research, both approaches connect warmth to positive brand outcomes.
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10 We expect that independent firms' products are perceived as warmer than non-
11 independent firms' products. Independent businesses are seen as more committed to product
12 quality and less profit-hungry than companies controlled by other corporations. Oftentimes
13 independent companies comprise small medium enterprises or family businesses which are
14 not motivated by the willingness to accumulate wealth (i.e., the purpose many non-
15 independent companies serve for the corporations controlling them) but rather by the need to
16 make a living or a passion for their craftsmanship (e.g., coffee-making, beer-brewing,
17 bookbinding). Psychological research shows that people hold negative beliefs about profit,
18 and, consequently, negative attitudes for profit-seeking entities (Bhattacharjee *et al.*, 2017).
19 Individuals follow intention heuristics which associate profit with greed, excessive self-
20 interest, and immorality. For instance, Chun (2016) reports that loyal Body Shop consumers
21 associated the brand's takeover from L'Oréal with drops in the brand's moral standards and
22 social responsibility. Similarly, commitment to craftsmanship is associated with warm
23 emotions. For instance, handmade products – a typical case of products sold by independent
24 firms – are preferred because they are seen as made with love (Fuchs *et al.*, 2015).
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27 Second, non-independent firms are seen as holding (sometimes unfairly) higher market
28 power than independent firms. Such power concentration can be used by these firms to the
29 disadvantage of smaller independent companies (e.g., use of competitive tactics such as
30 short-term below-cost pricing that a less resourceful contender would be unable to cope
31 with). 40% of independent business owners report that increasing market concentration and
32 excessive mergers/acquisitions in their industry "are creating an unfair playing field" and
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3 threatening their survival (ISLR, 2019; p.12). Market concentration ultimately comes at the
4 expense of consumers themselves as it restricts choice and leads to monopolistic conditions.
5
6 In their effort to restore marketplace fairness, consumers politicize their product purchases
7 and turn to “underdog” brands who are disadvantaged in terms of size or resources, yet
8 passionate and determined (Paharia *et al.*, 2010; Paharia *et al.*, 2014). Essentially, consumers
9 perceive the intentions of independent firms as aligned with their own and see their success
10 as some sort of vested interest. Seen as means of satisfying this self-interest, products of
11 independent firms are perceived as carriers of warmer feelings.
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14 Finally, independent firms usually build their value around community support and
15 nostalgic fulfilment. Independent firms are perceived by consumers of a particular region as
16 carriers of a special (oftentimes spatially defined) identity which is reinforced through
17 product purchase. Especially for independent firms transcending several generations, their
18 products evoke nostalgic feelings because of their participation in autobiographical memories
19 and cross-generational experiences (Stockburger-Sauer *et al.*, 2012). These product meanings
20 minimize the psychological distance between the product and the self (Heinberg *et al.*, 2020),
21 ultimately making the possessor-possession association warmer and more affectionate.
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24 As both perceived product authenticity (Napoli *et al.*, 2014) and warmth (Davvetas and
25 Halkias 2018) are well known to affect product preference, we hypothesize:
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28 H1. Perceptions of (a) product authenticity and (b) product warmth mediate the positive
29 effects of firm independence on purchase intentions.
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32 2.3. *Independent vs. non-independent firms in utilitarian vs. hedonic product categories*

33 Firms aim to establish to establish a clear positioning to differentiate themselves from
34 competitors. In doing so, companies highlight the core benefits of their products around a set
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of emotional and hedonic attributes (i.e., how consumers gain pleasure or happiness through product use) or around practical and functional attributes (i.e., how consumers may gain practical value through product use – Park *et al.*, 1986). As hedonic products and services fulfil purposes related to the experiential aspect of consumers' lives, they also tend to be used by individuals as elements to express their identities (Okada, 2005). For example, consumers may share the pictures from the latest concert they attended or the images of a scrumptious dish in a sophisticated restaurant to show others part of their selves (Moulard *et al.*, 2016). Conversely, consumers may not embrace utilitarian product and services in their identities since these fulfil attributes related to functionality rather than self-expression. Individuals rarely define themselves by showing their hoover or the tinned food they eat to save time. In hedonic domains, therefore, being independent may constitute a powerful identity benefit. As independence denotes the capacity of maintaining control on production standards, brands can leverage on independence and passion as strong signals of the firm's commitment to maintain its quality standards unaltered (Beverland, 2009). While the commitment to quality and high standards is important in all product categories, research has shown that consumers tend to care more about the vocation a company has towards craftsmanship and quality in categories where the primary benefit is affective or sensory pleasure (Nunes *et al.*, 2021). Thus, a firm producing hedonic goods may be seen as more genuinely intentioned to express such quality commitments through being independent than a firm producing utilitarian goods.

Similarly, products with hedonic characteristics better capture consumers' affective experience than products with utilitarian ones (Mano and Oliver 1993). Hedonic products leverage consumers' emotional components and trigger more emotive responses (Kempf, 1999). Prior research suggests that consumers respond more positively to marketing cues when these are congruent with the utilitarian or hedonic benefits associated with the product class. For instance, COO research shows that a country's perceived warmth plays a stronger

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3 role in product evaluations for hedonic than for utilitarian products (Chattalas *et al.*, 2008).
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6 Similarly, Chandon *et al.* (2000) find that the effectiveness of non-monetary (i.e., hedonic)
7 sales promotions is higher for products intended to provide hedonic benefits such as
8 exploration and value expression. In our context, firm independence represents a product
9 attribute which is more strongly associated with hedonic benefits (e.g., self-expression) than
10 with utilitarian ones (e.g., convenience). Thus, we hypothesize:
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19 H2. Product category moderates the indirect effect of firm independence on purchase
20 intentions though perceived product authenticity and warmth. Firm independence has a
21 positive effect on purchase intentions through (a) perceived product authenticity and (b)
22 perceived product warmth in hedonic product categories but not in utilitarian ones.
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31 *2.4. Independent vs. non-independent firms in collectivist vs. individualistic cultures*

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33 We expect that consumers differ in their responses to independent and non-independent
34 firms' products on the basis of cultural variables. One such variable is the degree of a
35 culture's individualism vs. collectivism (Hofstede, 2001). Individualistic cultures value self-
36 reliance, independence, individual achievement and accept social behaviour driven by one's
37 personal goals while collectivist societies value relationships with others, interdependence,
38 cooperation and prescribe social behaviour aligned with social norms (Triandis *et al.*, 1988).
39 Typical individualistic cultures include Western countries (e.g., USA, Western Europe),
40 whereas typical collectivist cultures include Middle Eastern and Asian countries (e.g., China).
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43 Authenticity inferences consumers make for products made by independent firms are
44 expected to differ between individualistic and collectivist cultures. First, individualistic
45 countries ascribe importance to being true to one's self, appreciate each individual's unique
46 wants and needs, and respect the individual's ability to express their personal opinion (Fiske
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et al., 1998). Uniqueness, originality, and unconstrained self-expression are qualities central to the assessment of authenticity, thus making organizations uncontrolled by others more strongly associated with authenticity in individualistic compared to collectivist cultures.

Second, independent firms differ from non-independent ones in the level of external control they have to abide by and the constraints such control imposes to original expression, craftsmanship and product originality. From a psychological perspective, control is seen in different ways across cultures. Individualistic cultures perceive control in a negative way because it restricts individual expression while collectivist cultures perceive control as a force for good and a manifestation of caring and in-group protection. Control has been found to come at the cost of decreased creativity (Nemeth and Staw, 1989), while research in group creativity has shown that individualistic groups perform better in creative tasks than collectivist groups (Goncalo and Staw, 2006). From a managerial perspective, parent corporations often put constraints in non-independent firms and limit their authenticity in order to shape a more mass-appealing product. This is particularly the case for independent firms taken over by multinationals where pressure for cost-saving standardization and maximization of global market appeal often hurt product authenticity (Özsomer, 2012).

Finally, non-independent firms have to conform to rules imposed by the firms that control them. However, how consumers respond to conformity is also culturally dependent (Bond and Smith, 1996). In individualistic cultures, non-conformity to rules is positively perceived as an act of uniqueness while adherence to norms as oppression; inversely, in collectivist cultures conformity is seen as social harmony while non-conformity is usually negatively viewed as deviance (Kim and Markus, 1999). Consequently, consumers from individualistic cultures are expected to perceive a firm's control by a third entity as a stronger threat to product authenticity compared to consumers from collectivist cultural backgrounds.

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3 Beyond authenticity, culture should affect the warmth associated with independent and
4 non-independent products. Collectivist cultures are more receptive to subordinating personal
5 goals to collective ones. This is the case not only for groups based on personal ties (e.g.,
6 family, tribe) but also for professional groups (e.g., workplace) (Triandis *et al.*, 1988).
7 Consequently, for collectivist cultures, ownership by a bigger organization would not
8 necessarily be seen in a negative manner or result in malevolent and exploitative inferences.
9 Moreover, collectivist cultures assign more importance to vertical relationships (e.g., father-
10 son, supervisor-supervisee) than to horizontal relationships (e.g., relationships between
11 siblings or co-workers) compared to individualistic cultures (Mills and Clark, 1982). The
12 control of a firm by another organization represents a vertical relationship, which should be
13 more socially accepted (and, thus, evoke less negative emotion) in collectivist countries.
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16 Especially in vertical collectivist cultures (i.e., traditionalist cultures valuing cohesion
17 and respect for authority) as compared to horizontal collectivist cultures (i.e., cooperative
18 cultures emphasizing empathy and sociability), concepts such as respect for a higher
19 authority, strict adherence to rules, and acceptance of power norms are highly valued
20 (Triandis and Suh, 2002). Hence, consumers from these cultures should rely less on negative
21 intention heuristics or activistic behaviour against non-independent firm products as means of
22 restoring marketplace unfairness, because their tolerance to vertical power structures is
23 embedded in their cultural genome. Thus, we hypothesize:
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26 H3. Culture moderates the indirect effect of firm independence on purchase intentions through
27 perceived product authenticity and warmth. Firm independence has a positive effect on
28 purchase intentions through (a) perceived product authenticity and (b) perceived product
29 warmth in individualistic cultures but not in collectivist ones.
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3. Study 1

Study 1 tests the conceptual model in two countries which are prototypical examples of individualistic (USA) and collectivist (China) cultures.

3.1. Research design

We conducted a 2 (firm type: independent vs. non independent) \times 2 (product type: utilitarian vs. hedonic) \times 2 (culture: collectivist vs. individualistic) between-subjects experiment. We recruited 159 respondents from China (61.6% females, $M_{age}=23.3$, $SD=3.24$) and 201 respondents from the USA (50.2% females, $M_{age}=39.8$, $SD=11.44$) ($N_{total}=360$). Through the use of an online platform, we presented our respondents a fictitious firm called V&K. Respondents within each country sample were randomly allocated to one of four experimental conditions. Depending on their allocation, respondents read that the firm “*was controlled by a major corporation*” (non-independent condition) or not (independent condition) and that it manufactures and sells cosmetics (hedonic condition) or house detergents (utilitarian condition) (see Appendix).

Following the manipulation, we recorded responses on a 3-item measure adapted from Napoli and colleagues (2014) to assess perceived product authenticity. Participants also assessed their perceived product warmth by completing two items. Participants then filled a two-item measure of purchase intention. Subsequently, participants completed the manipulation check items: two items checked for the independence or non-independence of the company (“V&K is an independent firm”, “V&K is controlled by a big corporation” – reverse coded; $r = .87$), one attention check testing whether respondents correctly understood the product the company manufactures, and two items (adapted from Berger and Heath, 2007) capturing whether the product categories were indeed perceived as hedonic or utilitarian following a given definition of both concepts (“Hedonic means that you can active

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3 enjoy and feel happiness through it.”, “Utilitarian means that you can active practical benefits
4 through it.”). All items were translated and back-translated in Chinese for the China sample.

5
6 Finally, respondents were thanked for their participation in the study and debriefed. An
7
8 overview of scales and their psychometric properties across studies is shown in Table 2.

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11 Insert Table 2 here
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17 *3.2. Analysis and results*

18 *3.2.1. Manipulation checks*

19 We tested the success of the independence manipulation using a composite of the two
20 manipulation check items. Respondents exposed to the independent condition reported a
21 significantly higher mean than respondents in the non-independent condition
22
23 ($M_{independent}=6.58$, $SD=.94$ vs. $M_{non-independent}=2.02$, $SD=1.52$; $t(358)=33.71$, $p<.001$). Within
24 country sample tests show that the manipulation was successful for both Chinese and US
25 samples. Additional checks using a difference measure of the two items capturing utilitarian
26 and hedonic product benefits (higher numbers indicate prominence of utilitarian benefits)
27 reveal that respondents perceived detergents as a more utilitarian product category than
28 cosmetics ($M_{detergent}=2.44$, $SD=2.53$ vs. $M_{cosmetics}=-.20$, $SD=2.41$; $t(358)=10.15$, $p<.001$).
29
30 Results are consistent across country samples. Thus, all manipulations were successful.

31 *3.2.2. Construct measurement and invariance testing*

32 We conducted a Confirmatory Factor Analysis (CFA) to assess the psychometric
33 properties of our multi-item scales. The results show satisfactory model fit ($\chi^2=31.96$, $df=11$,
34 $p=.001$, $RMSEA=.073$, $CFI=.987$, $SRMR=.046$). All loadings are significant and within
35 acceptable thresholds. Cronbach's alphas (α), Composite Reliabilities (CR) and Average
36 Variances Extracted (AVE) are also satisfactory and exceed conventional thresholds. Within-
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country analyses indicate the stability of the measurement model and satisfactory psychometric properties across separate country samples. We also tested for discriminant validity across all construct pairs by comparing the fit of models which pooled the items under a single latent factor and models that allocated items to their (freely correlated) prespecified latent factors. In all instances, the latter models showed significantly better fit to the data, establishing discriminant validity. Finally, we tested for measurement invariance of the multi-item scales by constraining factor loadings to equality between country samples and comparing the corresponding fit statistics with those of the unconstrained model (Steenkamp and Baumgartner, 1998). The results indicate partial invariance due to the non-invariant items AUTH3 and WARM2. However, allowing these items to be freely estimated across countries leads to non-significant differences between the constrained and the unconstrained models, implying that the remaining scale items are invariant (Table 2).

3.2.3. Experimental Analysis

A 3-way ANOVA on perceived product authenticity with firm type (independent vs. non-independent), product category (detergents vs. cosmetics), country (USA vs. China) and all the corresponding interactions as independent variables reveals a non-significant main effect of firm type. In the pooled country sample, independent firm products are perceived as more authentic than non-independent ones however this difference is not statistically significant. ($M_{independent}=4.92$, $SD=1.19$ vs. $M_{non-independent}=4.76$, $SD=1.30$; $F(1;352)=.400$, $p=.528$). On the contrary, all three two-way interactions between any pair of the manipulated conditions were significant (product category \times firm type: $F(1;352)=3.59$, $p<.05$; country \times firm type: $F(1;352)=15.37$, $p<.001$; country \times product category: $F(1;352)=5.789$, $p<.05$).

Breaking down the firm type by product category interaction using planned contrasts shows that in the hedonic product category (cosmetics), independent firm products are

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3 perceived as more authentic than non-independent ones ($M_{independent}=4.97$, $SD=1.19$ vs. M_{non-
4
5 independent}=4.62, $SD=1.19$; $t(182)=1.94$, $p=.054$). In the utilitarian category (detergents), no
6
7 significant differences in authenticity were found ($M_{independent}=4.87$, $SD=1.19$ vs. M_{non-
8 independent}=4.91, $SD=1.39$; $t(174)=-.22$, $p=.828$). Breaking down the firm type by country
9
10 interaction using planned contrasts shows that Chinese (collectivist) respondents perceived
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12 independent firm products as less authentic than non-independent ones ($M_{independent}=4.64$,
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14 $SD=1.11$ vs. $M_{non-independent}=5.04$, $SD=1.21$; $t(157)=-2.13$, $p=.034$), while the opposite is
15
16 observed for US (individualistic) respondents ($M_{independent}=5.17$, $SD=1.21$ vs. M_{non-
17 independent}=4.58, $SD=1.32$; $t(199)=3.29$, $p=.001$). The 3-way interaction was not significant.
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Turning to warmth, a 3-way ANOVA on perceived warmth reveals a significant main effect of firm type. In the pooled country sample, independent firm products are perceived as significantly warmer than non-independent ones ($M_{independent}=5.07$, $SD=1.23$ vs. M_{non-
independent}=4.73, $SD=1.31$; $F(1;352)=9.583$, $p=.002$). The firm \times product category interaction is also significant ($F(1;352)=8.775$, $p=.003$). Planned contrasts indicate that in the hedonic product category (cosmetics), independent firm products are perceived as warmer than non-independent ones ($M_{independent}=5.15$, $SD=1.11$ vs. $M_{non-independent}=4.48$, $SD=1.29$; $t(182)=3.80$, $p<.001$). However, in the utilitarian product category (detergents), no significant differences in warmth were observed ($M_{independent}=4.99$, $SD=1.33$ vs. $M_{non-independent}=5.01$, $SD=1.28$; $t(174)=-.08$, $p=.933$). Notably, within the non-independent condition, those exposed to the utilitarian category perceived the product as significantly warmer than those exposed to the hedonic product category ($M_{hedonic}=5.01$, $SD=1.28$ vs. $M_{utilitarian}=4.48$, $SD=1.29$, $t(166)=2.67$, $p=.008$). The firm \times culture interaction is not significant ($F(1;352)=.001$, $p=.973$); both Chinese and US respondents perceived independent firm products as significantly warmer than non-independent ones (Chinese sample: $M_{independent}=4.63$, $SD=1.14$ vs. M_{non-

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3 independent=4.20, SD=1.24; t(157)=2.23, p=.027 – USA sample: M_{independent}=5.48, SD=1.16 vs.
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5 M_{non-independent}=5.08, SD=1.24; t(199)=2.34, p=.02). The 3-way interaction was not significant.
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10 3.2.4. *Moderated mediation analysis*

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12 To formally test our hypotheses, we conducted two moderated mediation analyses
13 (PROCESS Model 7; Hayes, 2013; 5000 resamples) to assess the downstream effects of firm
14 type on purchase intention through perceived product authenticity and warmth across
15 categories and cultures. The results provide support for the moderating effect of product
16 category on product warmth but not on authenticity ($\beta_{AUTH_interaction}=-.384$, ns, Moderated
17 mediation index [MMI]: 95%CI=[-.4177; +.0424]; $\beta_{WARM_interaction}=-.689$, p<.01, MMI:
18 95%CI=[-.3751; -.0363]), and the moderating effect of culture on product authenticity but not
19 warmth ($\beta_{AUTH_interaction}=.984$, p<.001, MMI: 95%CI=[+.1984; +.6664]; $\beta_{WARM_interaction}=-.028$,
20 ns, MMI: 95%CI=[-.1399; +.1155]). In the hedonic product category, an independent
21 (compared to a non-independent) firm image has a positive effect on purchase intentions
22 mediated through both authenticity (95%CI=[+.0052; +.3148]) and warmth (95%CI=[+.0597;
23 +.3209]). However, the mediating effects collapse in the utilitarian category (Authenticity:
24 95%CI=[-.1919; +.1390]; Warmth: 95%CI=[-.1093; +.0896]).
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27 Regarding culture, for individualist cultures (USA), an independent (compared to a non-
28 independent) firm image has a positive effect on purchase intentions mediated through both
29 authenticity (95%CI=[+.1047; +.4234]) and warmth (95%CI=[+.0205; +.2197]). However,
30 the authenticity effect is reversed for the collectivist sample (China) where a conflicting
31 mediation is observed (Zhao *et al.*, 2010). Specifically, an independent (compared to a non-
32 independent) firm image has a positive indirect effect on purchase intentions mediated
33 through warmth (95%CI=[+.0155; +.4448]) in parallel with a negative indirect effect
34 mediated through authenticity (95%CI=[-.3365; -.0153]). A formal z-test comparing the
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3 strength of the two effects in the Chinese sample ($z_{diff} = .319$, $p = .750$) indicates that they are
4 of statistically equal size (i.e., they cancel each other out), leading to a null total effect of
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6 independence on purchase intention. Conditional indirect effects are presented in Table 3.¹
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15 3.3. Discussion 16

17 Study 1 finds that products sold by independent firms are perceived as warmer for both
18 individualistic (US) and collectivist (Chinese) consumers. Independent firm products have an
19 advantage in product categories which satisfy hedonic needs but not in categories where
20 functionality is the primary consumer benefit. Importantly, the beneficial perceptions
21 consumers ascribe to independent firm products in terms of authenticity and craftsmanship in
22 individualist countries is reversed for collectivist consumers who are found to perceive non-
23 independence as a stronger authenticity assurance.
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35 4. Study 2 36

37 The objective of Study 2 is to (1) assess the replicability of Study 1 findings in a new pair of
38 individualistic-collectivist country cultures and a new set of utilitarian-hedonic product
39 categories, (2) test the robustness of the effects using additional construct operationalizations
40 and (3) rule out alternative explanations.
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43 In Study 2, we use samples from the United Kingdom (individualistic culture) and India
44 (collectivist culture). The selection of these countries was based on the following criteria.
45 First, we opted for countries whose cultural profile resembled the US-China pair used in
46 Study 1 to rule out other cultural values to which results could be attributed. An overview of
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59 ¹ We also tested our model by estimating the effects of the two moderators simultaneously using PROCESS
60 Model 9 (Hayes, 2013). The results remain consistent (available upon request).

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3 these countries' cultural profiles shows that UK and India are very similar in terms of the five
4 Hofstede's dimensions to the US and China respectively (see: <https://www.hofstede-insights.com>). Second, we opted for countries that resembled those used in Study 1 in terms
5
6 of economic development. Both USA and UK represent typical examples of developed
7 markets while China and India are typical examples of developing markets. Finally, we
8 selected India as the collectivist culture in this study to capture the distinction between
9 horizontal and vertical collectivism. Horizontal collectivist cultures (e.g., China) tend to
10 emphasize values stemming from beliefs of equality among members of the collective such
11 as empathy, sociability, and cooperation while vertically collectivist cultures (e.g., India) tend
12 to apprehend "harder" values such as strict adherence to norms, authority, and hierarchical
13 directives (Triandis and Gelfand, 1998). This distinction should influence how independence
14 is perceived among countries which display these different nuances of collectivism.

30 31 32 33 4.1. Research design 34

35 We conducted a 2 (firm type: independent vs. non independent) \times 2 (product type: utilitarian
36 vs. hedonic) \times 2 (culture: collectivist vs. individualistic) between-subjects experiment. We
37 recruited 252 respondents from India (31% females, $M_{age}=31.60$, $SD=7.61$) and 235 from the
38 United Kingdom (73.2% females, $M_{age}=35.94$, $SD=13.04$) for a total of $N=487$ respondents.
39 Through the use of an online platform, we presented our respondents the same fictitious firm
40 called V&K used in Study 1. Respondents within each country sample were randomly
41 allocated to one of four experimental conditions. Depending on their allocation, respondents
42 read that the firm "*was controlled by a major corporation*" (non-independent condition) or
43 not (independent condition). Respondents also read that the company operates in the apparel
44 sector (hedonic condition) or in the appliances sector (utilitarian condition) (see Appendix).
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Following the manipulations, we recorded responses on the same 3-item authenticity measure adapted from Napoli and colleagues (2014), the 2-item measure of product warmth, as well as the 3-item measure of purchase intention indicating their likelihood to buy the product. Subsequently, participants completed the three manipulation check items (“V&K is an independent firm”, “V&K is controlled by a big corporation” – reverse coded; “V&K relies on the resources of another corporation” – reverse coded; $\alpha=.84$), some attention checks, and the two items capturing hedonic/utilitarian product benefits. Furthermore, we asked participants to fill out some measures that we aimed to use in robustness checks analyses. First, respondents filled the sincerity and tradition dimensions of the brand authenticity scale by Napoli and colleagues (2014). Second, we presented them with two alternative measures to capture warmth: one adapted from Stokburger-Sauer et al. (2012) focusing on emotional response to V&K products (“The products made by V&K create warm feelings among their users”, “The products made by V&K are very loveable”, “The products made by V&K are rather emotional”; $\alpha=.88$) and a 4-item measure drawn from Davvetas and Halkias (2018) to capture warmth based on the Stereotype Content Model (“V&K is a *warm/kind/friendly/well-intentioned firm*”; $\alpha=.87$). Third, we asked respondents to fill a scale to measure how global they perceived V&K to be (“I think V&K is a global firm”, “I think consumers around the world buy the products of V&K”, “I think that the products of V&K are sold around the world”; Steenkamp et al., 2003; $\alpha=.92$) and a scale to measure the extent to which they perceive it as a domestic firm (“V&K is a British/Indian firm”, “V&K comes from the UK/India”, “The origin of this firm is British/Indian”; Davvetas and Halkias, 2018; $\alpha=.95$). Finally, respondents were thanked and debriefed.

4.2. Analysis and results

4.2.1. Manipulation checks

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3 Respondents exposed to the independent firm condition reported higher values in the
4 composite of the three manipulation check items capturing firm independence than those
5 exposed to the non-independent condition ($M_{independent}=5.74$, $SD=1.53$ vs. $M_{non-independent}=2.89$,
6 $SD=1.38$; $t(485)=21.62$, $p<.001$). Separate within country tests show that independence
7 manipulation was successful for both samples. Regarding product categories, participants
8 exposed to the apparel condition perceived that V&K products satisfied predominantly
9 hedonic (vs. utilitarian) needs compared to those exposed to the appliances condition
10 ($M_{appliances}=.79$, $SD=1.68$ vs. $M_{apparel}=.08$, $SD=1.55$; $t(485)=4.90$, $p<.001$).
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4.2.2. Construct measurement and invariance testing

A CFA testing the psychometric properties of the multi-item scales shows very good model fit ($\chi^2=50.56$, $df=17$, $p<.001$, $RMSEA=.064$, $CFI=.986$, $SRMR=.022$). All loadings and psychometric properties (α , CRs, AVEs) are well within acceptable ranges. Discriminant validity tests show that constructs are found discriminant. Invariance tests show that all scales were invariant across the UK and India samples (Table 2).

4.2.3. Experimental analysis

A 3-way ANOVA on perceived product authenticity with company type, product category, country culture and all corresponding interactions as independent variables reveals a main effect of product type ($F(1;479)=16.18$, $p<.001$). In the pooled country sample, independent firm products were perceived as significantly more authentic than non-independent ones ($M_{independent}=5.40$, $SD=.96$ vs. $M_{non-independent}=5.03$, $SD=1.16$).

Regarding the hypothesized interaction effects, both the firm type \times category interaction ($F(1;479)=3.823$, $p=.05$) and the firm type \times country interaction ($F(1;479)=8.516$, $p<.01$) were statistically significant. Planned contrasts show that in the hedonic product category

(apparel), respondents exposed to the independent firm description perceived the products as significantly more authentic compared to respondents exposed to the non-independent firm condition ($M_{independent}=5.48$, $SD=.91$ vs. $M_{non-independent}=4.95$, $SD=1.22$; $t(483)=3.94$, $p<.001$).

As expected – and similar to Study 1 – in the utilitarian product category (appliances) no differences were found ($M_{independent}=5.32$, $SD=1.00$ vs. $M_{non-independent}=5.12$, $SD=1.09$; $t(483)=1.42$, $p=.160$).

Regarding the firm type \times culture interaction, planned contrasts indicate that UK respondents perceived the independent firm products as significantly more authentic ($M_{independent}=5.12$, $SD=1.07$ vs. $M_{non-independent}=4.50$, $SD=1.12$; $t(483)=4.79$, $p<.001$) while Indian consumers perceived no significant differences in authenticity across conditions ($M_{independent}=5.65$, $SD=.77$ vs. $M_{non-independent}=5.55$, $SD=.96$; $t(483)=.875$ $p=.382$). The 3-way interaction was not significant.

Regarding warmth, a 3-way ANOVA reveals a significant main effect of firm type. In the pooled country sample, products sold by independent firms were perceived as significantly warmer than products sold by non-independent firms ($M_{independent}=4.83$, $SD=1.47$ vs. $M_{non-independent}=4.52$, $SD=1.58$; $F(1;479)=5.941$, $p<.05$).

Regarding interaction effects, neither the firm type \times category ($F(1;479)=.002$, $p=.969$) nor the firm type \times culture interaction ($F(1;479)=2.324$, $p = .128$) were found significant. In terms of product categories, planned contrasts reveal that in the utilitarian category (appliances), independent and non-independent firm products were perceived as equally warm ($M_{independent}=4.87$, $SD=1.42$ vs. $M_{non-independent}=4.58$, $SD=1.46$; $t(483)=1.486$, $p=.138$). In the hedonic product category (apparel), respondents perceived independent firm products as warmer than non-independent ones, however, this difference is significant only at $\alpha=10\%$ ($M_{independent}=4.78$, $SD=1.52$ vs. $M_{non-independent}=4.46$, $SD=1.68$; $t(483)=1.667$ $p=.096$). In terms of culture, UK respondents perceived independent firm products as significantly warmer than

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3 non-independent ones ($M_{independent}=4.01$, $SD=1.51$ vs. $M_{non-independent}=3.55$, $SD=1.40$;
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5 $t(483)=2.845$, $p=.005$). In contrast, Indian consumers did not perceive any statistically
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7 significant differences in warmth by firm type ($M_{independent}=5.56$, $SD=.96$ vs. M_{non-
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9 $independent}=5.46$, $SD=1.10$; $t(483)=.671$, $p=.502$). The 3-way interaction was not significant.
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15 *4.2.4. Moderated mediation analysis*

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17 Two moderated mediation analyses tested the effects of the independent (vs. non-
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19 independent) firm manipulation on purchase intentions through authenticity and warmth
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21 across product categories and countries. Starting from the product category, the results
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23 suggest that the utilitarian or hedonic nature of the product category moderates the indirect
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25 effect of the independence manipulation on purchase intent through authenticity (at $\alpha=10\%$)
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27 but not through warmth ($\beta_{AUTH_interaction}=-.336$, $p=.082$, [MMI]: 90%CI=[-.2921; -.0096];
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29 $\beta_{WARM_interaction}=-.027$, ns, MMI: 95%CI=[-.1447; +.1224]). In the hedonic category, firm
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31 independence has a positive effect on purchase intent mediated through both perceived
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33 authenticity (90%CI=[+.1232; +.3482]) and warmth (90%CI=[+.0012; +.2113]). In contrast,
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35 in the utilitarian product category, firm independence has no effect on purchase intent as a
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37 consequence of null indirect effects through authenticity (90%CI=[-.0102; +.1833]) and
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39 warmth (90%CI=[-.0016; +.1887]).
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43 With reference to culture, the results show that culture moderates the indirect effects of
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45 firm independence on purchase intent through authenticity but not the indirect effect through
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47 warmth ($\beta_{AUTH_interaction}=.506$, $p=.005$, [MMI]: 95%CI=[+.0677; +.3837];
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49 $\beta_{WARM_interaction}=.360$, ns, MMI: 95%CI=[-.0290; +.2581]). In the UK (individualistic) sample,
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51 independence has a significant effect in purchase intent mediated by both authenticity
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53 (95%CI=[+.1435; +.4110]) and warmth (95%CI=[+.0274; +.2705]). On the contrary, in the
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55 Indian sample, neither authenticity (95%CI=[-.0359; +.1486]) nor warmth (95%CI=[-.0409;
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3 +.1173]) mediate any effects of firm independence on purchase intent (the overall effect
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5 being non-significant), as expected.²
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8 Finally, we conducted a series of robustness checks testing alternative construct
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10 operationalizations and adding further controls; results remained robust (see Appendix).
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15 *4.3. Discussion*

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17 Study 2 replicated the effects of firm independence on authenticity, warmth, and purchase
18 intent as well as the moderating role of product category and culture. Importantly, this study
19 reveals that the effects mostly replicate in a new set of countries. Although the effects in the
20 UK appear strikingly similar with those in the US (Study 1), there seems to be some
21 discrepancy between the two collectivist cultures. While Chinese consumers found the
22 independent firm's products warmer but less authentic than those of the non-independent
23 firm, Indian consumers perceived both independent and non-independent firms' products
24 similarly in terms of authenticity and warmth. This contrast implies that the type of
25 collectivism (horizontal vs. vertical) is critical in assessing the potential of independent
26 businesses when competing in specific countries.
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28

29 Table 3 provides an overview of conditional indirect effects across studies and how these
30 contrast with our theoretical predictions. Additionally, Table 4 presents authenticity-,
31 warmth-, and purchase-premiums calculated as the percentile increase in the corresponding
32 scales between independent and non-independent conditions. These percentages indicate the
33 perceptual advantages indie products enjoy in relation to their non-indie counterparts as well
34 as the product categories and cultures where these advantages are stronger/weaker.
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5. Study 3

Study 3 builds on the previous studies through four differentiations. First, it tests the effect of firm independence by manipulating of a firm's loss of independence due to its takeover from another corporation. In this study, we test the prediction that when an indie firm is taken over by another corporation, its products will suffer drops in perceived authenticity, warmth and, ultimately, purchase intent. Second, to strengthen the international marketing implications of our findings, we explicitly test whether the ownership (domestic vs. foreign multinational) of the acquirer affects consumers' post-acquisition perceptions of the acquired firm. Third, instead of using a fictitious brand name, we use a real brand in the confectionary (i.e., hedonic) industry to achieve external validity. Fourth, in light of inconsistent findings regarding the moderating role of individualism/collectivism in the previous studies, we draw a single country sample (Italy) and measure respondents' level of individualism/collectivism. The previous studies tested the effect of individualism/collectivism by comparing pairs of countries, which, however, differed in several dimensions (e.g., economic development, other cultural dimensions), thus creating potential for confounds. By focusing in one country and psychometrically capturing variance in individualism/collectivism at the consumer level, we can more safely attribute of our effects to the focal cultural dimension.

5.1. Research design

We conducted a between-subjects experiment using three experimental conditions (independent firm vs. acquired by a domestic company vs. acquired by a foreign MNC). We recruited N=323 Italian respondents (39.9% females, $M_{age}=26.4$, $SD=7.70$) from Prolific Academic. We chose Italy because its score on the individualism dimension (76) is between those of the US (91)/the UK (89) and China (20)/India (48) (www.hofstede-insights.com), thus allowing us to obtain sufficient variance on the measure of individualism/collectivism.

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3 Respondents first completed a 3-item measure of collectivism adapted from Yoo *et al.*,
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5 2011 (“*Individuals should sacrifice self-interest for the group*”, “*Individuals should only*
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7 *pursue their goals after considering the welfare of the group*”, “*Group loyalty should be*
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9 *encouraged even if individual goals suffer*” – 5-point agreement scale).³ We then presented
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11 our respondents with a real Italian confectionery brand, Matilde Vicenzi, producing different
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13 lines of baking and chocolate products. Respondents were randomly allocated to one of three
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15 experimental conditions. In the condition where the target brand was acquired by a local
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17 company, participants read that recently Matilde Vicenzi was acquired by Venchi, an Italian
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19 company operating in the confectionery sector. In the condition where the target brand was
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21 acquired by a foreign MNC, participants read that Matilde Vicenzi was acquired by Lindt, a
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23 multinational company operating in the confectionery sector. In both the acquired conditions,
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25 participants read that the acquirer has now full control of the Matilde Vicenzi brand. In the
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27 independent condition, participants were not presented with information about any acquirer,
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29 and they read that the brand is totally independent and in full control of corporate decisions
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31 and policies (see Appendix).

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33 Next, participants completed manipulation check items (“Matilde Vicenzi is an
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35 independent firm”, “Matilde Vicenzi is controlled by another corporation” (reversed item),
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37 “Matilde Vicenzi relies on the resources of another corporation” (reversed item)).
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39 Subsequently, participants completed measures of authenticity and warmth as in previous
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41 studies. Additionally, we assessed the level of familiarity respondents had with the Matilde
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43 Vicenzi brands as well as the two acquirer brands (Venchi and Lindt) on a 7-point Likert
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45 scale (1=not all familiar to 7=very familiar). All manipulations and items were translated and
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47 back translated in Italian. Finally, respondents were thanked and debriefed.
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60 ³ The measure’s distribution indicates sufficient variance to allow the detection of hypothesized effects (M=3.04, SD=.857, Min=1.0, Max=5.0, Skewness=-.124, Kurtosis=-.227, Q25=2.3, Q50=3.0, Q75=3.7).

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3 *5.2. Analysis and results*
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5 *5.2.1. Manipulation checks*
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8 Respondents exposed to the independent firm condition reported significantly higher scores
9 on the 3-item perceived independence scale than respondents exposed to the domestic and/or
10 the foreign MNC takeover conditions ($F(2; 320)=787.87, p<.001$; $M_{\text{indie}}=6.57, SD=.97$ vs.
11 $M_{\text{domestic}}=2.06, SD=1.07$ vs. $M_{\text{foreign}}=1.87, SD=.89$). As intended, the difference in perceived
12 independence between domestic vs. foreign takeover conditions was not significant ($p=.136$).
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14 Respondents perceived Matilde Vicenzi's category (sweet snacks) as rather hedonic ($M=4.53$,
15 $SD=1.42, t(322)=6.645, p<.001$). Finally, respondents exposed to the "Venchi takeover"
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17 condition perceived the acquirer as more focused on the domestic (Italian) than the global
18 market ($M_{\text{domestic}}=5.26, SD=1.44$ vs. $M_{\text{global}}=4.28, SD=1.58, t(107)=5.10, p<.001$), while
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20 respondents exposed to the "Lindt takeover" condition perceived the acquirer as more
21
22 focused in the global than the domestic market ($M_{\text{domestic}}=4.89, SD=1.58$ vs. $M_{\text{global}}=6.34$,
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24 $SD=.84, t(109)=-8.91, p<.001$). Thus, all manipulations were successful.
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5.2.2. *Construct measurement*

A CFA testing the psychometric properties of the multi-item scales generates very good model fit ($\chi^2=52.14, df=38, p<.001$, RMSEA=.034, CFI=.992, SRMR=.033). All loadings and psychometric properties (α , CRs, AVEs) obtain satisfactory values. Validity and reliability metrics indicate sound measurement for the 3-item collectivism/individualism scale ($\lambda_s>.666$; $\alpha=.757$; CR=.759; AVE=.513). Discriminant validity checks show that, for all construct pairs, shared variance is lower than the minimum of each construct's AVE.

5.2.3. *Moderated mediation analysis*

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3 Two moderated mediation models test the effects of loss of independence following an indie
4 firm's takeover. In the first model, we use as independent variable a dummy after collapsing
5 domestic and foreign multinational takeover conditions and contrast them with the
6 independent condition (0=Indie, 1=Takeover). We use perceived craftsmanship and warmth as
7 mediators, purchase intent as dependent variable, collectivism as a moderator and familiarity
8 of both the acquirer and the independent brand as covariates to rule out brand strength/prior
9 knowledge confounds (PROCESS Model 7; 5000 resamples).
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12 The results reveal a significant negative effect of the takeover dummy on perceived
13 authenticity ($\beta=-.952$, $SE=.438$, $t=-2.175$, $p=.030$) but no effect on perceived warmth ($\beta=-$
14 $.034$, $SE=.569$, $t=-.059$, $p=.953$). We find a positive and significant interaction effect of the
15 takeover condition with collectivism ($\beta_{takeover \times collectivism}=.292$, $SE=.139$, $t=2.100$, $p=.037$) such
16 that for consumers scoring higher on collectivism the negative effect of takeover on
17 perceived authenticity is attenuated – as H3a predicts. We do not find a significant interaction
18 effect of the takeover \times collectivism interaction on warmth ($\beta_{takeover \times collectivism}=.004$, $SE=.181$,
19 $t=.024$, $p=.981$), thus lending no support to H3b. Both perceived authenticity ($\beta=.204$,
20 $SE=.060$, $t=3.430$, $p<.001$) and warmth ($\beta=.358$, $SE=.046$, $t=7.742$, $p<.001$) have significant
21 positive effects on purchase intent. Overall, authenticity mediates the negative effects of
22 independence loss on purchase intent ([MMI]: 95%CI=[+.0020, +.1480]) but warmth does
23 not ([MMI]: 95%CI=[-.1252, +.1517]). Floodlight analysis indicates that for respondents
24 scoring below 2.00 on the collectivism scale, the effect of takeover on authenticity is negative
25 and significant, leading to a significant negative indirect effect on purchase intent. For
26 collectivism values above 2.00, the effect turns insignificant. Thus, H3a is supported. We do
27 not, however, observe a similar pattern for warmth.
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30 To test the role of the acquirer type (domestic corporation vs. foreign MNC) and whether
31 one of the two leads to stronger losses of perceived independence, we conduct a multi-
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3 categorical moderated mediation analysis with the multi-categorical condition (0=indie,
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5 1=domestic acquirer, 3=foreign MNC acquirer) as the independent variable. The results show
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7 that only takeovers of independent firms by foreign MNCs lead to drops in authenticity ($\beta=-$
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9 1.091, SE=.514, $t=-2.124$, $p=.034$), while takeovers by domestic acquirers do not ($\beta=-.815$,
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11 SE=.511, $t=-1.560$, $p=.112$). Importantly, this effect is moderated by collectivism; for
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13 collectivist consumers, the negative effect of foreign MNC takeover on authenticity is
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15 significantly attenuated ($\beta_{\text{foreign_multinational} \times \text{collectivism}}=.342$, SE=.163, $t=2.100$, $p=.037$), implying
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17 that only individualists react negatively to indie firms' takeovers by foreign MNCs. No
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19 moderation is observed for the effect of domestic takeovers ($\beta_{\text{foreign_multinational} \times \text{collectivism}}=.243$,
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21 SE=.162, $t=1.495$, $p=.136$). Finally, consistent with the previous analysis, no effects (main or
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23 moderated) of acquirer type on perceived warmth are identified ($\beta_{\text{foreign_multinational}}=-.676$,
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25 SE=.664, $t=-1.019$, $p=.309$; $\beta_{\text{domestic_acquirer}}=.595$, SE=.660, $t=.902$, $p=.368$).
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5.3. Discussion

35 Study 3 finds that losses of independence following independent firms' takeovers lead to
36 significant drops in independent products' perceived authenticity and, therefore, in
37 consumers' willingness to purchase them following the takeover. This effect, though, is
38 observed only for individualistic consumers. Although individualism was measured at the
39 individual level in this study (thus causal attribution of effects cannot be attempted for
40 country-level individualism/collectivism), it corroborates the findings of Studies 1 and 2. The
41 findings suggest that to whom a firm hand its independence in matters for consumers; being
42 acquired by a foreign multinational represents a stronger threat to authenticity than being
43 acquired by a domestic corporation. Finally, no effects of warmth have been identified in this
44 study (possibly because both acquirer brands used as stimuli score very high on Italian
45 consumers' sentiment).
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6. General discussion

This research investigates consumer responses to independent firms and their products in contrast with firms owned, controlled, and assisted by bigger organizational entities. Our findings suggest that, *ceteris paribus*, consumers use a firm's (in)dependence status to form product authenticity and warmth judgments. Although products sold by independent firms are generally perceived as warmer and more authentic than products sold by non-independent firms, warmth judgments depend on the product category and authenticity judgments depend on culture. Consumers make positive warmth inferences for independent products when these products provide hedonic value but not when they serve utilitarian needs. Moreover, consumers of individualistic and horizontally collectivist cultures perceive independent products as warmer than non-independent ones, but such perceptions do not hold in vertically collectivist cultures. Consistent effects are observed when an independent firm is bought out, ultimately suffering significant perceptual craftsmanship damage. However, the negative effects of independence loss are observed only when the acquirer is a foreign multinational and not when the acquirer is a domestic corporation, implying differences in different acquirers' capacity to maintain a craftsmanship image for the products of an independent firm after buying it out.

6.1. Theoretical contributions

To the best of our knowledge, this research is the first to investigate the recent increase in consumer preference for products sold by independent firms. Although managerial reports have recently evidenced this trend in several industries (e.g., FMCGs, fashion, technology, hospitality; Shopify, 2021; Global Data, 2021), limited research has focused on the processes explaining this preference and the conditions that regulate it. Our findings contribute by establishing that consumers use a firm's independence as an attribute which informs their

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2
3 inferences about product craftsmanship and warmth. Additionally, our findings show that
4 these inferences are not universal but dependent on the hedonic/utilitarian nature of the
5 product category and the culture of the target consumer base.
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9 We further contribute by offering the first investigation of the effect of culture in forming
10 perceptions of product and company authenticity. While many studies in the past looked at
11 the important consequences that company size, tradition (Beverland, 2005; Napoli *et al.*,
12 2014), or heritage (Grayson and Martinec, 2004) have on perceived authenticity, scholars
13 have overlooked cultural dimensions as important determinants of this process. Our findings
14 demonstrate how the perceptions of what makes things (in this case, products) authentic
15 depends on consumers' cultural orientation. This factor not only contributes to extending
16 theories of brand authenticity, but also opens promising avenues for research in other
17 disciplines (e.g., psychology) to test whether authenticity, as a fundamental concept, is
18 shaped by cultural elements. In this context, our findings suggest that individualistic and
19 collectivist cultures perceive authenticity differently based on their culturally prescribed
20 attitudes to the notions of control and hierarchy. While in individualistic cultures – for which
21 dependence has negative connotations – authenticity is hurt by firm control, in collectivist
22 cultures – for which dependence associates with positive beliefs – authenticity is unaffected
23 or even boosted by non-independence.
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26 Our research is among the first to test the interplay between firm independence and the
27 benefit a company's products offer. While past research (Dhar and Wertenbroch, 2000;
28 Leclerc *et al.*, 1994) has looked at factors making consumers prefer particular types of
29 products in one category over another, in this research, we demonstrate how independence
30 can boost the perceived warmth of a hedonic product, thus generating consumer goodwill.
31 Essentially, firm independence operates as a symbol of positive intentionality which appears
32 particularly relevant when consumers seek hedonic benefits. This possibly explains the
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3 prevalence of “indie”-related research in cultural studies and the popularity of “indie” labels
4 in cultural industries (Corciolani, 2014; Hesmondhalgh, 1999; Newman, 2009).
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7 Finally, our research provides theoretical insight on how consumers stand towards
8 expansive corporate actions and their ensuing power hierarchies. Although many of these
9 actions are strategically motivated on supply-side grounds (e.g., firm growth, market control,
10 segment penetration), they often have unintended demand-side consequences (Umashankar *et*
11 *al.*, 2022). Our findings contribute to studies investigating consumer reactions to brand
12 takeovers (Leet *et al.*, 2011; Lee *et al.*, 2014; Zhang *et al.*, 2018) by showing that consumers
13 actively judge the structure of power dependencies caused by these practices and punish
14 firms that impose marketplace mandates at the expense of independent players. These
15 negative consumer reactions appear much more severe for multinational corporations
16 growing through buying out independent firms, but subside for domestic takeovers which are
17 perceived as less damaging for acquired firms’ craftsmanship. In this sense, our work
18 provides an explanation for consumers’ increasing anticorporatist attitudes (Thompson and
19 Arsel, 2004), contributes to the emerging debate on the antecedents and consequences of anti-
20 globalization for consumers, firms, and brands (Samiee, 2019; Steenkamp, 2019), and relates
21 to recent findings in international marketing literature that paint concerning picture for global
22 brands’ prospects (Cleveland and McCutcheon, 2022; Mandler *et al.*, 2020).
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25 6.2. Managerial implications 26

27 Our findings have implications for brand architecture decisions, international brand portfolio
28 management and brand positioning (Figure 2).
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3 Firms often respond to competitive threats with development of flanker brands to
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5 confront rivals in the upper or lower ends of the market and/or the acquisition of independent
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7 firms to get ownership of their tangible and intangible assets. However, it is not always clear
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9 whether the acquired brands/firms should highlight or downplay their association with their
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11 acquirer as both strategic options have advantages and disadvantages (Aaker and
12
13 Joachimsthaler, 2000). Our findings suggest that retaining an independent firm image can
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15 have positive effects on the firm's products with regards to how warm and authentic
16
17 consumers perceive these products to be. Thus, when consumers actively seek for
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19 craftsmanship or when the development and/or retention of consumer-brand relationships is a
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21 key objective of the acquired brand, retaining an independent image through downplaying the
22
23 parent firm takeover would be advisable. This is particularly the case for hedonic categories
24
25 and matters less for utilitarian products where the firm's lack of independence does not
26
27 threaten brand warmth. An interesting example of a "third-way" to respond to the above
28
29 dilemma is the strategy of Innocent. Despite being formally owned by Coca-Cola and
30
31 publicly open about it, Innocent stresses its independence when it comes to sustainable
32
33 processes and ethical standards in order to safeguard its image from being associated with
34
35 negative perceptions linked to an archetypical multinational.
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42 Similar advice is issued for international marketers who need to navigate a diverse brand
43 portfolio consisting of both purely global and acquired local brands on an international scale.
44
45 A key challenge for these firms is to strike the right balance between promoting a global
46
47 image that offers a distinctive appeal and retaining the authenticity associated with a local
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49 character (Steenkamp *et al.*, 2003). This balance is difficult to achieve as international brand
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51 portfolio decisions are quite complex (Douglas *et al.*, 2001) and often lead to brand
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53 authenticity losses (Özsomer, 2012). The findings of this research suggest that this decision
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55 should depend on the culture of the country where the acquired brand is sold. In
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3 individualistic countries, it is important to retain an independent firm image because a clear
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5 association with a bigger global corporation might lead to perceived authenticity damage.
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7 The inverse is advised in collectivist countries, where ownership by a large corporation does
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9 not seem to damage product perceptions or, in some cases, it may even operate as
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11 authenticity guarantee rather than authenticity risk. This finding is particularly relevant for
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13 multinationals following “house of brands” practices such as Unilever (Aaker and
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15 Joachimsthaler, 2000). These firms have to pinpoint the optimal exposure level of their
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17 corporate brand vis-à-vis their separately marketed owned brands. Our findings imply that
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19 this level should be lower in individualist cultures (where stressing the corporate brand might
20
21 lead to unfavourable dependency associations) and higher in collectivist cultures (where a
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23 strong corporate brand represents an authenticity credential) and should be used to assess
24
25 culturally dependent differences in the effectiveness of global corporate image campaigns
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27 (e.g., P&G’s “Thank you Mom” campaign).

32
33 These directives depend on the origin of the companies that grow through independent
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35 firm takeovers. Our findings suggest that consumers are disillusioned by independent brands
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37 taken over by multinationals, but they do not feel the same for domestic corporations that
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39 grow through takeovers within their domestic market. Domestic corporations enjoy higher
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41 consumer tolerance for expansive growth strategies that come at the expense of independent
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43 brands but only as long as these remain limited within their country boarders.

46
47 Finally, the observed worldwide growth of independent firms suggests a new positioning
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49 alternative, which our findings find credible and effective under specific conditions. Such an
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51 “independence” positioning could be useful for smaller firms such as SMEs, fashion start-
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53 ups, local retail shops, born-global organizations, social media microbrands, etc. Building an
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55 independence narrative as the cornerstone of brand image can shape an authentic and warm
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57 brand personality which may prove effective when competing against big market players.

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3 *6.3. Limitations and future research*
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6 Focused on establishing the internal validity of the findings, our investigation relies on
7 experimental methodology. Market based surveys and industry-level secondary data (with
8 performance metrics of established independent and non-independent firms) would
9 complement the experimental findings obtained herein by providing an ecologically valid
10 investigation of the phenomenon.
11
12

13 Second, although this research used prototypical examples of individualistic and
14 collectivist cultures, replication of the findings across more country samples would be useful
15 for generalizability purposes. Future research should not only investigate differences in
16 consumer responses to independent and non-independent firms between individualistic and
17 collectivistic cultures but also between cultures that differ in more nuanced aspects.
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19

20 Admittedly, culture is an elusive construct whose effects cannot be easily and fully captured
21 through a country manipulation as attempted in our studies (de Mooij 2015). Although our
22 selection of countries in Studies 1 and 2 was carefully justified based on secondary data and
23 despite testing the effects of individualism at the consumers' level in Study 3 using a
24 complementary approach, we acknowledge that alternative operationalizations of culture
25 (e.g., combining both country-level data with individual-level scales, matched samples across
26 countries with pronounced cultural differences) could explain more variance and allow a
27 safer causal attribution of the effects of firm independence on consumer responses.
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30 Third, although our manipulation checks established the differences in utilitarian/hedonic
31 value as a relevant variable, product categories differ in multiple dimensions which might be
32 diagnostic in this context. Future investigations of consumers' preference for independent
33 firms should extend to more product categories and identify additional product category
34 characteristics that might moderate the investigated relationship (e.g., consumption visibility,
35 category signalling value – Davvetas and Diamantopoulos, 2016).
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3 Fourth, although we operationalized a firm's independence through a binary variable
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5 (independent vs. non-independent firm), we acknowledge that independence could represent
6
7 a continuous variable with many grey areas falling between the two extremes (e.g., partial
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9 independence such as the case of Innocent). Further research focusing on these grey areas
10
11 would be managerially relevant.
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14
15 Finally, as losses of independence caused by multinational takeovers are more
16
17 threatening than takeovers by domestic corporations, the management of independent firms
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19 by domestic corporations may be perceived as respecting local culture, tradition, and norms
20
21 while ownership by multinationals comes at the cost of global standardization. Testing this
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23 expectation would improve our understanding on how consumers judge the growth strategies
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25 of multinationals and whether managing acquired independent brands using multi-local
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27 adaptation or global standardization strategies leads to higher demand-side gains.
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Table 1: Overview of selected studies on consumers' reactions to independent brand takeovers/acquisitions

Article	Main research objective	Brand independence focus	Theoretical focus	Methodological focus	Related findings
Chun (2016)	Factors determining ethical consumers' loyalty to CSR-brands	Peripheral (takeover impact)	Corporate Social Responsibility / Business Ethics	Quantitative (surveys)	"The findings provide a useful explanation for the drop in The Body Shop's ethical rating and for the negative consumer reaction since the takeover by L'Oréal. The ethical image level may have been affected by consumers' feelings of detachment from The Body Shop since the takeover" (p. 542)
Cova et al. (2015)	Collaborative marketing and the role of consumers as workers	Peripheral (takeover impact)	Brand communities	Qualitative (ethnography)	"while Alfisti adore the Alfa Romeo brand, many do not like Fiat, which is perceived as the company that stole the true spirit of the Alfa Romeo brand. To some Alfisti, only Alfa Romeo cars produced prior to the Fiat takeover of Alfa Romeo in 1984 count as genuine" (p. 691)
Fang and Wang (2018)	Investigation of the effect of cross-border acquisitions on brand image of the acquirer brand	Peripheral (acquirer brand image)	Country of origin	Quantitative (experiments)	"Engaging in cross-border acquisitions significantly enhances the brand image of the acquirer brand" (p. 1727)
Garavaglia and Swinnen (2017)	Drivers of craft beer brand growth	Peripheral (takeover impact)	NA (Managerial report)	Quantitative (descriptive)	"Acquisitions have been criticized quite heavily by remaining craft brewers and consumers, who often consider such acquisitions to be a departure from craft origins. Consumer backlash may be one of the largest threats to the takeover spree" (p. 6)
Heinberg et al. (2016)	Determinants of consumer loyalty toward acquired brands	Peripheral (takeover impact)	Country of origin Global branding	Quantitative (surveys)	"From a customer's perspective acquiring a local brand is not an advisable strategy for foreign brand conglomerates, because such an international takeover may decrease consumer loyalty" (p. 586)
Herz and Diamantopoulos (2017)	Consumers' country of origin cue usual denial	Peripheral (COO change)	Country of origin	Quantitative (experiments)	"COO is a salient driver of brand equity after mergers and acquisitions when the takeover and the acquired brand have different COOs" (p. 55)
Johansson et al. (2018)	Consequences of country of ownership change for brand image	Peripheral (COO change)	Country of origin	Qualitative (community data)	"When country of ownership (COOW) for brands changes consumers are disoriented as to which cue to apply when evaluating the brand. They also see that brand values, and how these are communicated, are in conflict, as are sustainability images" (p. 871)

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46
Lee at al. (2011)	Effects of acquirer and acquired brand image on brand equity after M&As	Peripheral (brand image transfer)	Brand equity	Quantitative (experiments)	"The greater the perceived differences between acquirers and acquired brands, the more the brand equity of the acquirer will increase" (p. 1091)																																								
Lee at al. (2014)	Effects of country-of-origin image and brand name redeployment strategies on acquirers' brand equity after a merger and acquisition	Peripheral (acquirer brand image)	Country of origin	Quantitative (experiment)	"COO image fundamentally affects brand equity after M&A, which is a major challenge for companies from a developing country. The effect of low country image is more harmful on a weak image brand than a strong image brand" (p. 202)																																								
Liu et al. (2018)	Brand management strategy development for internationalizing emerging market brand through acquisitions in developed markets	Peripheral (internationalization strategy)	Country of origin International business	Qualitative (case study)	"Three mechanisms for brand management in the post-acquisition integration of emerging market companies – namely, transferring, dynamically redeploying and categorizing –underpin the interconnection and combined influence of country-of-origin image at the national level, corporate brand at the organizational level and brand portfolio at the product level" (p. 710)																																								
McEachern (2015)	Consumers' awareness and moral responses to corporate citizenship activities	Peripheral (ethical takeover impact)	Corporate Social Responsibility / Business Ethics	Qualitative (interviews)	There appeared to be a significant 'national' attachment to Cadbury's citizenship activities among participants. However, such activities were perceived as being virtuous only up until their takeover by Kraft. For example, 'Cadbury had a good image because they were a successful British firm but I think the takeover by Kraft has damaged them'; 'people in the past have associated Cadbury as being part of our National heritage, but now that they've sold it, you just think of them as another company that's gone somewhere else and I don't really look at them in the same way anymore, and it's a shame' (p. 441)																																								
Zhang et al. (2018)	Effect of takeover knowledge on acquired and acquirer brand images	Peripheral (takeover impact)	Food marketing	Quantitative (neuromarketing)	"The Shuang-Smithfield acquisition boosted consumers' acceptance for the Chinese brand. Moreover, consumers' neural preference for Oscar Mayer increased after learning about the acquisition suggesting consumers may be more likely to purchase Oscar Mayer after the acquisition. This result implies that, in contrast to the findings in the Chinese market that the Shuanghui-Smithfield had a negative spillover effect to the US brands" (p. 79)																																								

Table 2. Construct measurement

Construct	Study 1	Study 2	Study 3
Perceived Product Authenticity (Napoli <i>et al.</i>, 2014) (1 = <i>Totally disagree</i> , 7 = <i>Totally agree</i>)	$\alpha = .816$, CR = .845, AVE = .653 $\lambda = .901^a$	$\alpha = .794$, CR = .802, AVE = .575 $\lambda = .817^a$	$\alpha = .838$, CR = .866, AVE = .689 $\lambda = .930^a$
AUTH1: The products of [brand] are made to the most exacting standards, where everything the firm does is aimed at improving quality.			
AUTH2: The products of [brand] are manufactured to the most stringent quality standards.	$\lambda = .895^{***}$	$\lambda = .718^{***}$	$\lambda = .907^{***}$
AUTH3: It feels like artisan skills and customized manufacturing processes have been retained in the production of [brand] products.	$\lambda = .588^{***}$	$\lambda = .737^{***}$	$\lambda = .615^{***}$
Perceived Product Warmth (Agrawal, 2009; Holak and Havlena, 1998) (1 = <i>Not at all</i> , 7 = <i>Very much</i>)	$\alpha = .856$, CR = .861, AVE = .756 $\lambda = .929^a$	$\alpha = .823$, CR = .826, AVE = .704 $\lambda = .856^a$	$\alpha = .723$, CR = .742, AVE = .591 $\lambda = .832^a$
WARM1: How much do you feel [brand] products could provide you a sense of calm and peacefulness?			
WARM2: How sentimental, warm-hearted or affectionate [brand] products make you feel?	$\lambda = .806^{***}$	$\lambda = .822^{***}$	$\lambda = .700^{***}$
Purchase Intentions (Putrevu and Lord, 1994) (1 = <i>Very low</i> , 7 = <i>Very high</i>)	$\alpha = .925$, CR = .925, AVE = .860 $\lambda = .913^a$	$\alpha = .907$, CR = .909, AVE = .769 $\lambda = .900^a$	$\alpha = .927$, CR = .928, AVE = .812 $\lambda = .889^a$
PINT1: The probability that I would consider buying [brand] products is...			
PINT2: The likelihood that I would purchase products of this firm is...	$\lambda = .942^{***}$	$\lambda = .816^{***}$	$\lambda = .849^{***}$
PINT2: If I were going to a product like the one advertised, the probability of buying products from this company is...	N/A	$\lambda = .912^{***}$	$\lambda = .961^{***}$
Invariance testing			
Unconstrained model	$\chi^2 = 36.27$, df = 22, p = .028, RMSEA = .043, CFI = .992, SRMR = .049	$\chi^2 = 82.06$, df = 34, p < .001, RMSEA = .054, CFI = .977, SRMR = .041	NA
Constrained model (measurement weights) ^b	$\chi^2 = 36.90$, df = 24, p = .045, RMSEA = .039, CFI = .992, SRMR = .049	$\chi^2 = 86.98$, df = 39, p < .001, RMSEA = .050, CFI = .977, SRMR = .045	NA
Model fit comparison	$\Delta(\chi^2) = .63$, $\Delta(df) = 2$, p = .729	$\Delta(\chi^2) = 4.92$, $\Delta(df) = 5$, p = .426	NA

^a Scaling indicator; ^b For Study 1, the constrained model allows for free estimation of loadings for the non-invariant items AUTH3 and WARM2; NA: Not applicable

Table 3. Conditional indirect effects of independent (vs. non-independent) firm image across categories and countries (Study 1 and 2)

Study 1	Condition	Estimate	Finding	Prediction	Result
<i>Moderator: Product category</i>					
Indie→Authenticity→Purchase intent	Hedonic (cosmetics)	[+.0052, +.3148]	+	+	H1a, H2a supported
Indie→Warmth→Purchase intent	Hedonic (cosmetics)	[+.0597, +.3209]	+	+	H1b, H2b supported
Indie→Authenticity→Purchase intent	Utilitarian (detergents)	[-.1919, +.1390]	null	null	H2a supported
Indie→Warmth→Purchase intent	Utilitarian (detergents)	[-.1093, +.0869]	null	null	H2b supported
<i>Moderator: Culture</i>					
Indie→Authenticity→Purchase intent	Individualistic (USA)	[+.1074, +.4243]	+	+	H1a, H3a supported
Indie→Warmth→Purchase intent	Individualistic (USA)	[+.0205, +.2197]	+	+	H1b, H3b supported
Indie→Authenticity→Purchase intent	Collectivist (China)	[-.3365, -.0153]	-	null	H3a partially supported
Indie→Warmth→Purchase intent	Collectivist (China)	[+.0155, +.4448]	+	null	H3b not supported
Study 2	Condition	Estimate	Finding	Prediction	Result
<i>Moderator: Product category</i>					
Indie→Authenticity→Purchase intent	Hedonic (apparel)	[+.1232, +.3482]	+	+	H1a, H2a supported
Indie→Warmth→Purchase intent	Hedonic (apparel)	[+.0205, +.2197]	+	+	H1b, H2b supported
Indie→Authenticity→Purchase intent	Utilitarian (appliances)	[-.0102, +.1833]	null	null	H2a supported
Indie→Warmth→Purchase intent	Utilitarian (appliances)	[-.0016, +.1887]	null	null	H2b supported
<i>Moderator: Culture</i>					
Indie→Authenticity→Purchase intent	Individualistic (UK)	[+.1435, +.4110]	+	+	H1a, H3a supported
Indie→Warmth→Purchase intent	Individualistic (UK)	[+.0274, +.2705]	+	+	H1b, H3b supported
Indie→Authenticity→Purchase intent	Collectivist (India)	[-.0359, +.1486]	null	null	H3a supported
Indie→Warmth→Purchase intent	Collectivist (India)	[-.0409, +.1173]	null	null	H3b supported

Notes: Column entries refer to bootstrap confidence intervals [lower, upper] estimated using 5000 resamples. Bold cells indicate confidence intervals that do not include 0 (i.e., significant effects)

Table 4. Authenticity-, warmth- and purchase-premiums of independent firms across product categories and countries (Study 1 and 2)

	Total Sample	Product category				Culture				
		Utilitarian		Hedonic		Individualistic		Collectivist		
		Study 1	Study 2	Detergents	Appliances	Cosmetics	Apparel	USA	UK	
Authenticity	Indie +3.4% (ns)	Indie +7.4% (<i>p</i> < .05)	Non-Indie +0.4% (ns)	Indie +3.9% (ns)	Indie +7.6% (<i>p</i> < .05)	Indie +10.7% (<i>p</i> < .05)	Indie +12.9% (<i>p</i> < .05)	Indie +13.8% (<i>p</i> < .05)	Non-Indie +8.6% (<i>p</i> < .05)	Indie +1.8% (ns)
Warmth	Indie +7.2% (<i>p</i> < .05)	Indie +6.9% (<i>p</i> < .05)	Non-Indie +0.2% (ns)	Indie +6.3% (ns)	Indie +15.0% (<i>p</i> < .05)	Indie +7.4% (<i>p</i> < .10)	Indie +7.9% (<i>p</i> < .05)	Indie +13.0% (<i>p</i> < .05)	Indie +10.2% (<i>p</i> < .05)	Indie +1.8% (ns)
Purchase intent	Indie +4.1% (ns)	Indie +6.0% (<i>p</i> < .05)	Non-Indie +2.6% (ns)	Indie +0.9% (ns)	Indie +10.6% (<i>p</i> < .05)	Indie +11.0% (<i>p</i> < .05)	Indie +6.6% (<i>p</i> < .05)	Indie +8.5% (<i>p</i> < .05)	Non-Indie +0.2% (ns)	Indie +3.3% (ns)

Note: Cell entries with "Indie" ("Non-Indie") indicate higher (lower) scores for the independent (vs. non-independent) manipulation in the corresponding dependent variable. Significant differences are presented in highlighted cells. Percentages indicate percentile changes in the corresponding scales between "indie" and "non-indie" manipulations.

Figure 1. Conceptual framework

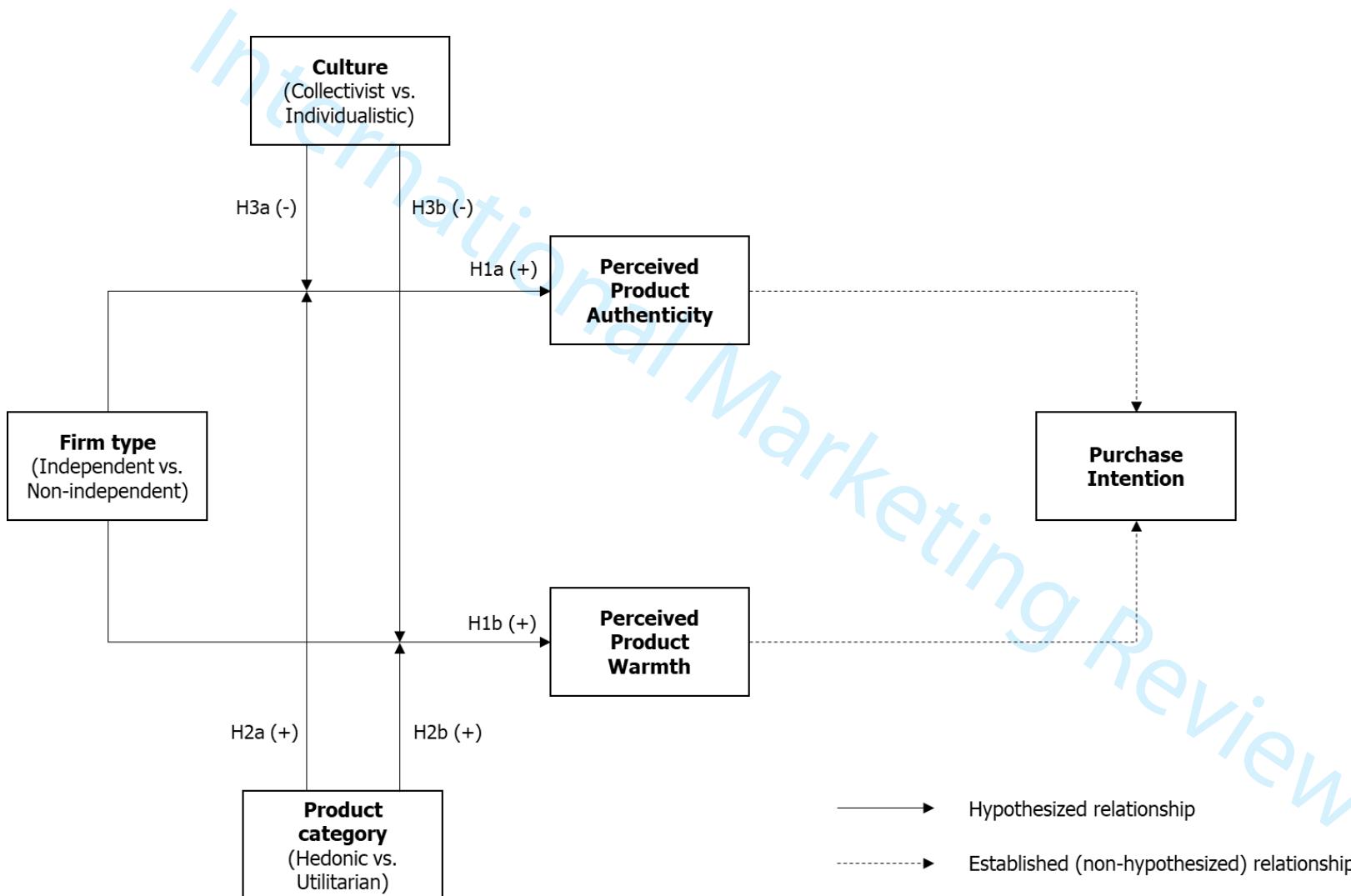


Figure 2. Managerial implications

PRODUCT CATEGORY	CULTURE	
	Individualistic	Collectivist
Utilitarian	<p>Acquirers</p> <p><i>Takeover Strategy:</i> Downplay local brand takeovers and acquisitions of formerly independent firms.</p> <p><i>Brand Architecture:</i> Structure international brand portfolios using "umbrella-branding" strategies or consider hybrid brand architecture alternatives.</p> <p><i>Communication Strategy:</i> Focus on the brand identity of the formerly independent firm; downplay corporate brand image.</p> <p>Independents</p> <p><i>Positioning Strategy:</i> Position around firm independence and its authenticity and warmth benefits to consumers.</p>	<p>Acquirers</p> <p><i>Takeover Strategy:</i> Communicate local brand takeovers and acquisitions of formerly independent firms under the corporate brand especially in vertical collectivist countries.</p> <p><i>Brand Architecture:</i> Structure international brand portfolios using "branded-house" strategies.</p> <p><i>Communication Strategy:</i> Highlight the corporate brand image and communicate the benefits of corporate brand ownership.</p> <p>Independents</p> <p><i>Positioning Strategy:</i> Position around non-independence attributes such as quality, value for money, etc.</p>
	<p>Acquirers</p> <p><i>Takeover Strategy:</i> Multinationals should downplay local brand takeovers and acquisitions of formerly independent firms. Domestic corporations may be more open about it.</p> <p><i>Brand Architecture:</i> Structure international brand portfolios using "umbrella-branding" strategies. Manage brand images independently.</p> <p><i>Communication Strategy:</i> Focus on the brand identity of the formerly independent firm and avoid associations with the corporate brand image (unless you are a highly localized corporation).</p> <p>Independents</p> <p><i>Positioning Strategy:</i> Position around firm independence and its authenticity and warmth benefits to consumers.</p>	<p>Acquirers</p> <p><i>Takeover Strategy:</i> Downplay local brand takeovers and acquisitions of formerly independent firms (especially in horizontal collectivist cultures).</p> <p><i>Brand Architecture:</i> Structure international brand portfolios using "branded-house" strategies or consider hybrid brand architecture alternatives.</p> <p><i>Communication Strategy:</i> Focus on the brand identity of the formerly independent firm; downplay the corporate brand image.</p> <p>Independents</p> <p><i>Positioning Strategy:</i> Position around firm independence and its warmth benefits to consumers.</p>
Hedonic		

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"The "Indie" Premium: How Independent Firms Create Product Value across Cultures"

APPENDIX

A. Indicative experimental manipulations (Studies 1 and 2)

Independent firm [*product category manipulation in italics*]

V&K is an independent *[apparel] / [home appliances]* firm founded in 1994. V&K is not managed by any major corporation. The financial, research and development, and all other business operations are controlled by the firm itself. V&K currently sells a comprehensive line of *[clothes and accessories targeted to both women and men] / [including microwave ovens, fridges and washing machines]*. V&K products are available in different *[designs, colors and sizes] / [designs, technical specifications, and sizes]*.

Non-independent firm [*product category manipulation in italics*]

V&K is an *[apparel] / [home appliances]* firm founded in 1994. V&K is owned and managed by another major corporation that holds a significant share of the *[apparel] / [home appliances]* market. V&K's business operations are controlled by this corporation which provides the necessary resources for V&K's financial, research and development, and other business operations. V&K currently sells a comprehensive line of *[clothes and accessories targeted to both women and men] / [including microwave ovens, fridges and washing machines]*. V&K products are available in different *[designs, colors and sizes] / [designs, technical specifications, and sizes]*.

B. Experimental manipulations (Study 3)

Independent brand

Matilde Vicenzi is an Italian company operating in the confectionery sector. The company produces various baked goods including biscuits, chocolate snacks (such as Grisbi snacks) and snacks. Over the years the company has developed a solid reputation and has a consolidated turnover. Currently, the brand is not financially dependent on any other company, it is totally independent and in control of corporate decisions and policies.



Acquired by a local company

Matilde Vicenzi is an Italian company operating in the confectionery sector. The company produces various baked goods including biscuits, chocolate snacks (such as Grisbi snacks) and snacks. Over the years the company has developed a solid reputation and has a consolidated turnover. Recently, the company was acquired by the Venchi brand, an Italian company operating in the confectionery and chocolate sector. From the moment of the acquisition, the brand depends financially on Venchi, which has absorbed the entire product portfolio of Matilde Vicenzi and controls its decisions and company policies.



Venchi

Acquired by an MNC

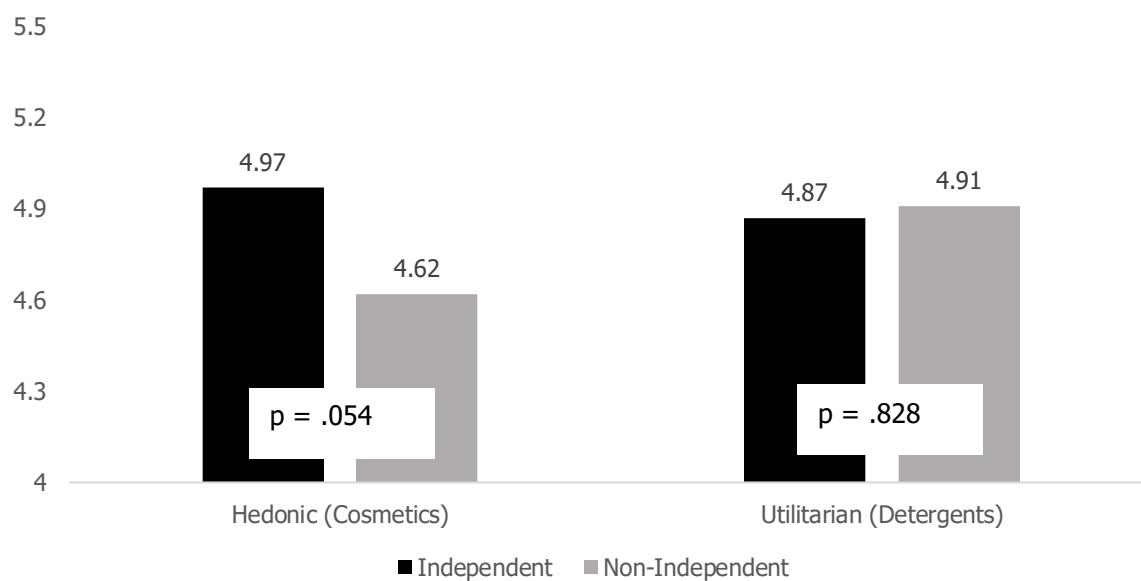
Matilde Vicenzi is an Italian company operating in the confectionery sector. The company produces various baked goods including biscuits, chocolate snacks (such as Grisbi snacks) and snacks. Over the years the company has developed a solid reputation and has a consolidated turnover. Recently, the company was acquired by the Lindt brand, a multinational company operating in the confectionery and chocolate sector. Since the acquisition, the brand has been financially dependent on Lindt, which has absorbed the entire product portfolio of Matilde Vicenzi and has control of the company's decisions and policies.



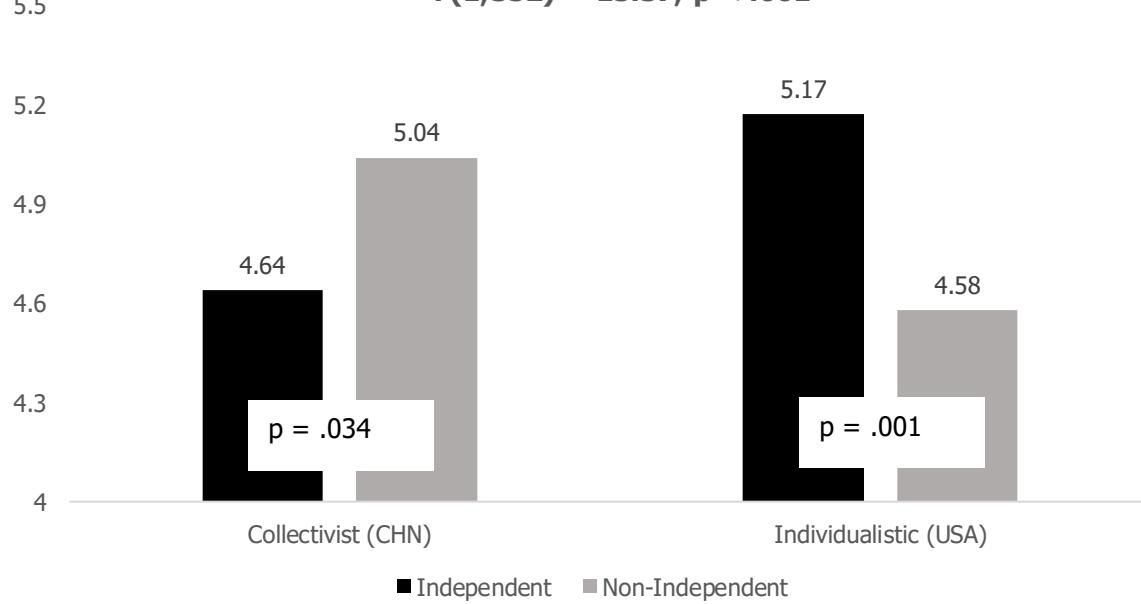
Lindt The Lindt logo consists of the brand name 'Lindt' in a large, gold-colored, serif font. To the right of the text is a small, detailed gold-colored emblem of a mythical creature, possibly a griffin or a dragon, with its wings spread and a small crown on its head.

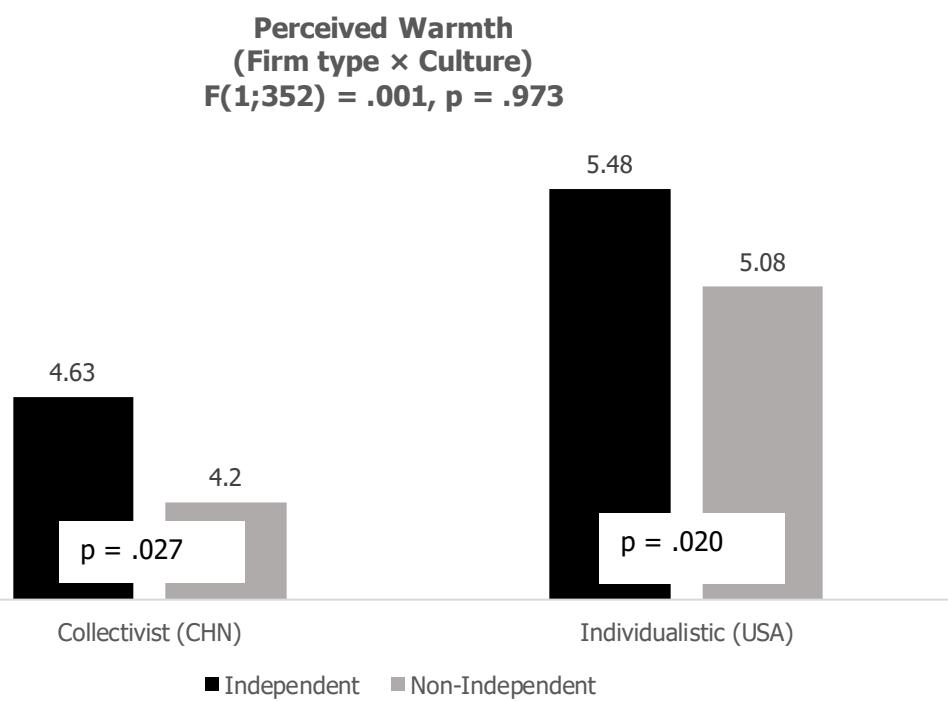
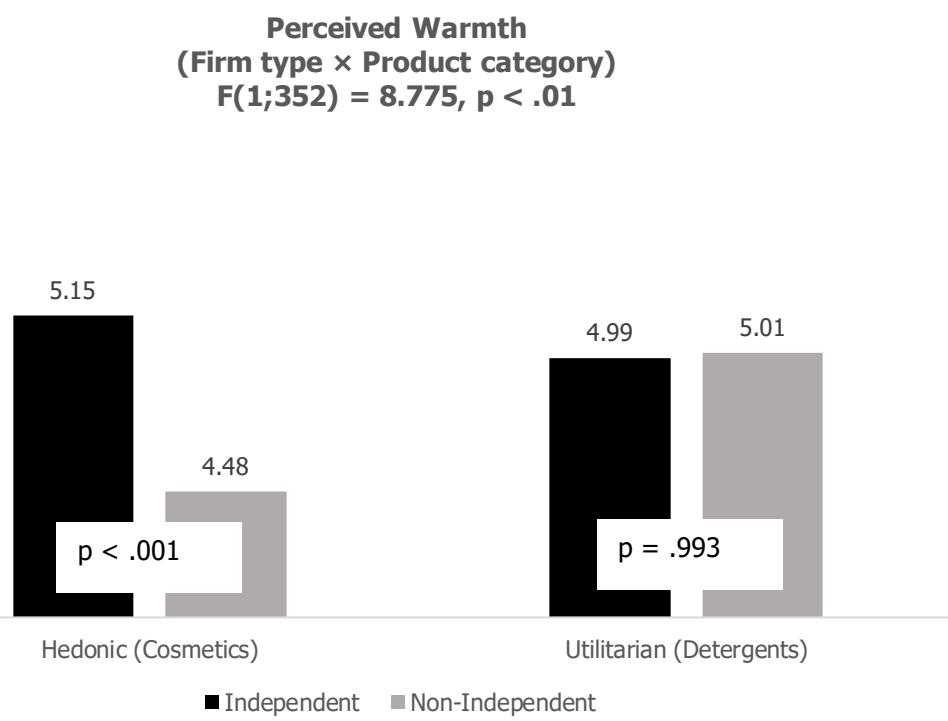
C. Mean Comparisons (Study 1)

Perceived Authenticity
(Firm type \times Product category)
 $F(1;352) = 3.59, p < .05$



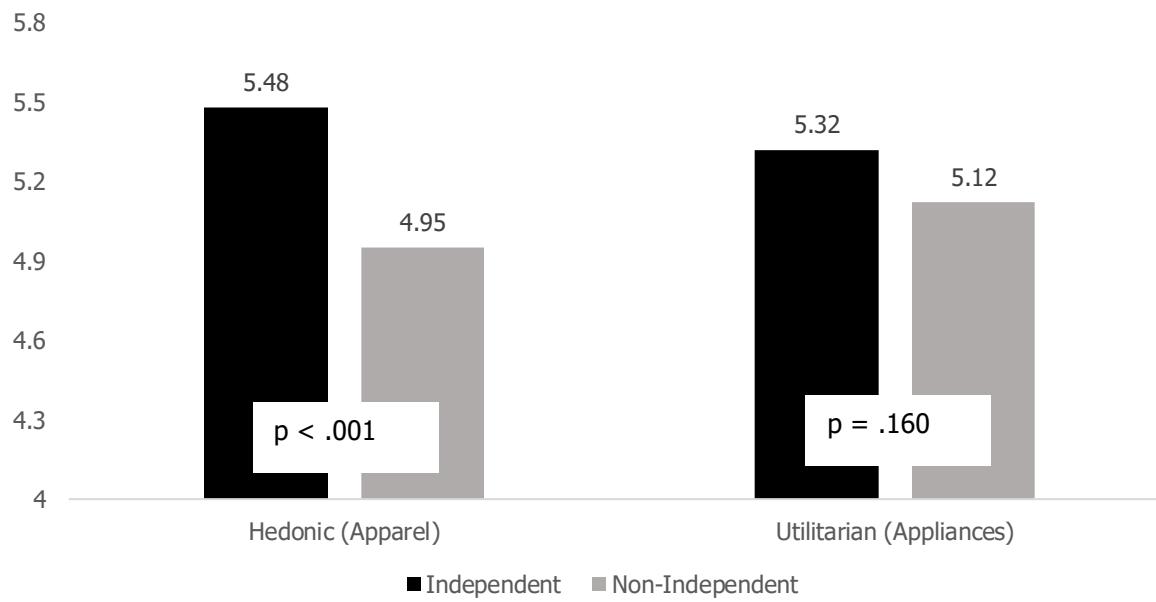
Perceived Authenticity
(Firm type \times Culture)
 $F(1;352) = 15.37, p < .001$



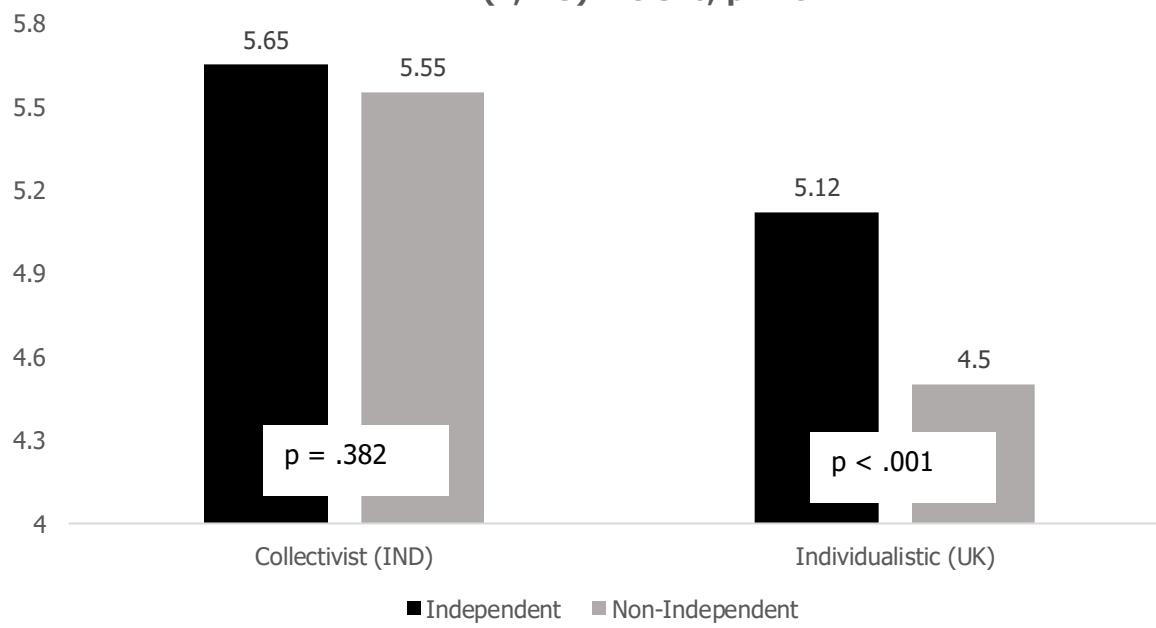


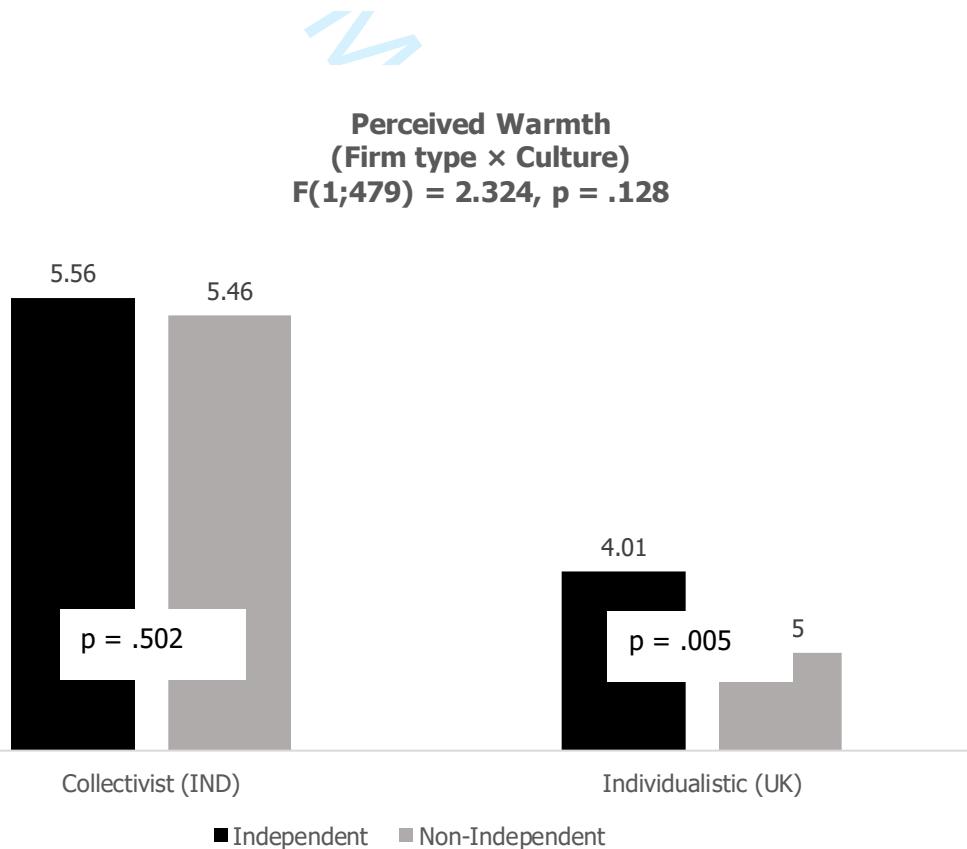
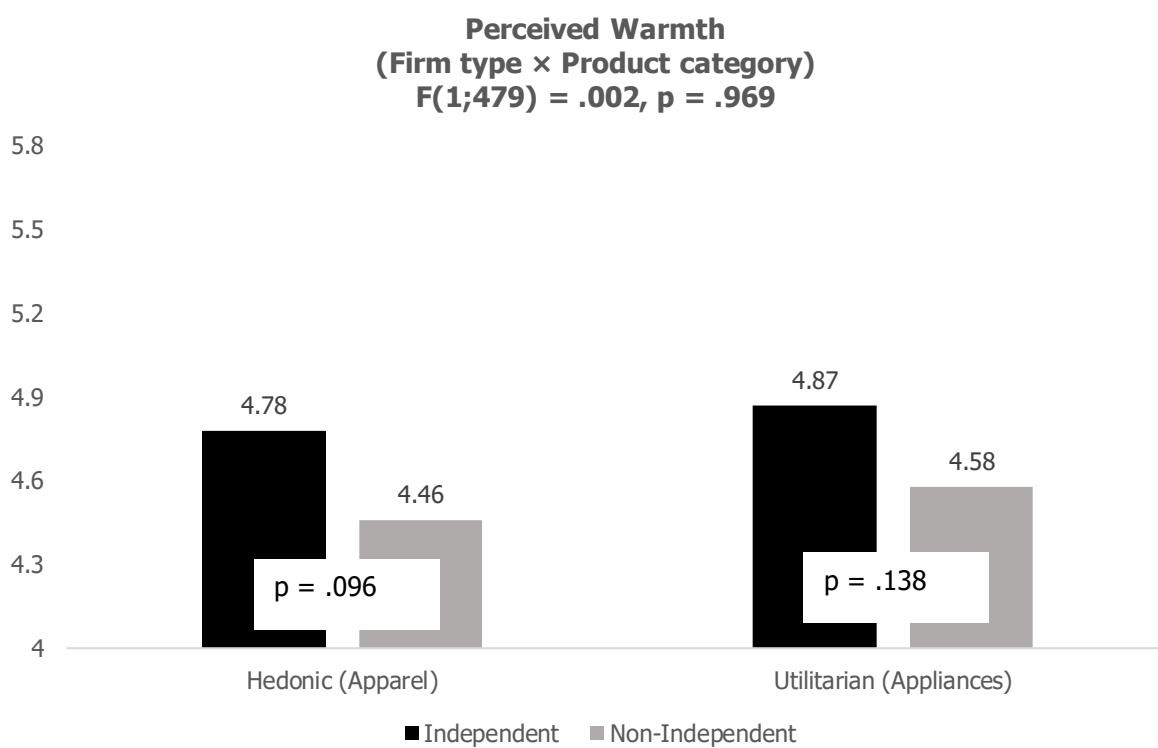
D. Mean Comparisons (Study 2)

Perceived Authenticity
(Firm type \times Product category)
 $F(1;479) = 3.823, p = .05$



Perceived Authenticity
(Firm type \times Culture)
 $F(1;479) = 8.516, p < .01$





E. Robustness checks (Study 2)

In order to test the robustness of our findings, we conducted a series of additional analyses with two objectives. The first objective was to test the replicability of the effects using alternative operationalisations of the dependent variables. To achieve so, we conducted all three-way ANOVAs with the use of the sincerity dimension of the Napoli et al.'s (2014) authenticity scale as well as with two scales which have been used in prior literature to measure product/brand warmth: one from Stokburger-Sauer et al. (2012) and one from Davvetas and Halkias (2019) to capture the notion of warmth as originally conceptualized by the Stereotype Content Model (Fiske et al. 2002). The results support the stability of our effects as both the ANOVA results and the planned contrasts reveal the exact same effect structure obtained with the scales used in the original analysis. Thus, firm independence seems to influence authenticity and warmth in the hypothesized direction regardless of the operational instrument used to capture these concepts.

The second objective was to rule out two alternative explanations for the observed effects. One could argue that our manipulations of firm independence might also trigger perceptions of product globalness or foreign/domestic firm origin which could, in turn, represent rival explanations for our effects. The first rival explanation would suggest that non-independent firms are more likely to be perceived as global and thus all recorded consumer responses are attributed to product globalness instead of firm independence. Indeed, this appears to be a valid concern given the global presence of most multinationals and their acquired brands. The second (related, yet distinct) rival explanation refers to the role of firm origin and suggests that respondents might have perceived the independent firm as a domestic firm because most of the independent companies tend to start as regional or local players. To rule out these alternative explanations, we conducted all analyses (ANOVAs and

1
2
3 moderated mediation analyses) using the measures of perceived firm globalness and
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5 perceived domestic firm origin as covariates on the dependent variables. Across the board,
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7 the results show that the inclusion of these measures (1) does not render the effect of firm
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9 type on authenticity, warmth and purchase intent insignificant, (2) does not affect the results
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11 of planned contrasts testing the moderating effects of product category and culture, and (3) in
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13 some cases, it even leads to stronger effect size estimates for the firm independence
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15 manipulation. As a result, these additional analyses provide evidence to suggest that firm
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17 independence has distinct effects on product responses from firm globalness or domesticity
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19 (which is also supported by the fact that typical examples of “indie” firms include born-
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21 global companies or firms which take pride in their foreign origin). Although we do not
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23 report the exact figures of the robustness check analyses in text due to space constraints, they
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25 are available upon request from the authors.
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3 **F. Descriptive statistics and correlations across studies**
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6 **Study 1**
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Construct	Mean (SD)	1	2	3	4
1. Perceived Firm Independence	4.45 (2.60)	1			
2. Product Authenticity	4.84 (1.24)	.099 (p=.060)	1		
3. Product Warmth	4.91 (1.27)	.218 (p=.000)	.625 (p=.000)	1	
4. Purchase Intention	5.02 (1.30)	.160 (p=.002)	.546 (p=.000)	.486 (p=.000)	1

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23 **Study 2**
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Construct	Mean (SD)	1	2	3	4
1. Perceived Firm Independence	4.35 (2.04)	1			
2. Product Authenticity	5.22 (1.08)	.170 (p=.000)	1		
3. Product Warmth	4.68 (1.53)	.059 (p=.196)	.648 (p=.000)	1	
4. Purchase Intention	5.31 (1.18)	.122 (p=.007)	.638 (p=.000)	.638 (p=.000)	1

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41 **Study 3**
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Construct	Mean (SD)	1	2	3	4
1. Perceived Firm Independence	5.32 (1.63)	1			
2. Product Authenticity	4.92 (1.12)	.176 (p=.009)	1		
3. Product Warmth	4.23 (1.38)	.069 (p=.310)	.378 (p=.000)	1	
4. Purchase Intention	4.79 (1.38)	.021 (p=.757)	.432 (p=.000)	.515 (p=.000)	1