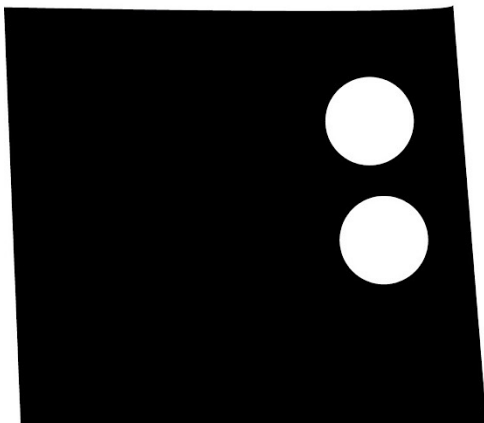
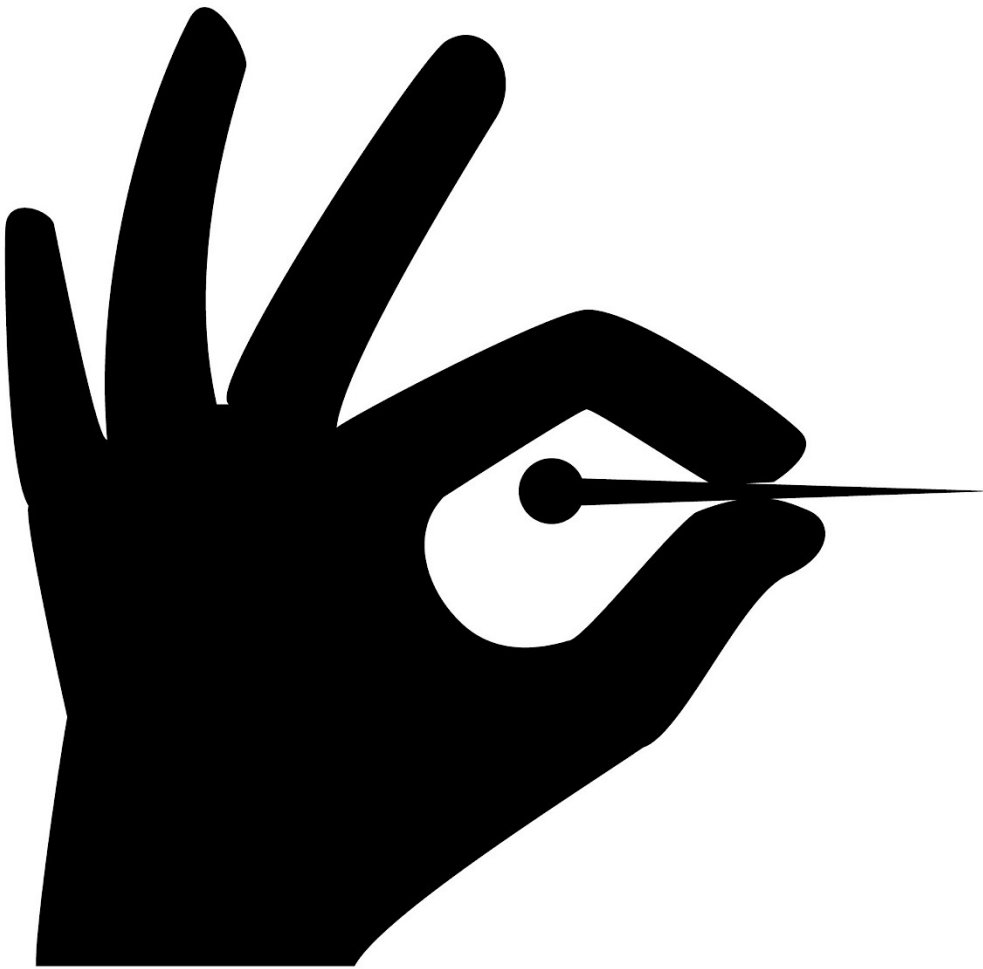


STOCKHOLM SCHOOL OF ECONOMICS

ANNA GROTH, 50414 & KRISTA GLÖDSTAF, 50408

MAY, 2019

TUTOR: MICAEL DAHLÉN



# **“THE STARTUP HYPE - JUST A BLUFF?”**

Is the startup hype justified by consumer behavior or just a media fad?

a quantitative study to examine consumer behavior and attitudes towards startups

## ABSTRACT

In the last few years increased media coverage on the successes of Swedish startups has led to a considerable hype and aura around new and innovative companies that aim to disrupt their respective markets. But is this hype also represented and justified by consumer behavior? We aim to examine this phenomenon by comparing consumer choices in two types of products to determine the scope in which a product developed by a startup will be preferred to the same product produced by a traditional company. To quantify the phenomenon of the “startup hype”, attributes such as innovation, newness, attitude, and impression are measured, as they are seen to be associated with the word “startup” and a plausible cause for positivity bias. In order to answer the research question, two hypotheses models with a number of sub-hypotheses were designed and tested with the help of Independent T-tests to secure statistical accuracy. The two hypotheses models aim to explore whether the level of a products’ innovation has an effect on consumer behavior when it comes to a number of parameters related to consumer behavior; or if the effect depends on whether the company is branded as a startup. In order to answer these hypotheses, various theoretical frameworks were examined in the field of brand equity and related fields. Furthermore, a quantitative experimental pilot study is conducted, in order to collect and analyze primary data. One of the main insights from the study is that the startup hype is not really justified by consumer behavior, as the study shows that customers in general, have a more positive bias towards well-established corporations than startups. This includes a higher perceived brand ability and employer attractiveness for corporations. In comparison, data shows that startups are more associated with innovation than well-established corporations and that highly innovative products are more likable in general, leading to managerial implications for corporations who have to work with innovation to stay competitive. It is believed that valuable insights for further research are notably within the area of brand equity and innovation; as the thesis will give insights to marketing opportunities for startups and development implications for larger corporations. The study is seen as an extension to the work of Nextopia (Dahlén, Thorbjørnsen & Sjödin, 2011) and Techtopia (Sjöstrand & Appelgren, 2016), hence recommendations for further research involves continuing exploring the area of positivity bias towards different attributes, preferably related to newness, innovation or technology.

**KEYWORDS:** *Startup, Innovation, Nextopia, Techtopia, Consumer Behavior, Brand Equity, Positivity Bias, Signaling Theory.*

## PREFACE

*We want to thank Micael Dahlén for giving us guidance throughout the thesis process. We hope and believe the thesis “The Startup Hype - Just a Bluff?” will bring valuable insights in the area of branding and consumer behavior, and thus inspire future research in regard to positivity bias and the effect of startups in society.*

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## 1.0 INTRODUCTION

The aim of the thesis is presented in order to provide an understanding of the overall purpose; what effect the experienced “startup hype” has on consumer behavior, as an indirect result of startups experienced brand equity. A *hype* or *hype cycle*, “characterizes the typical progression of emerging technology from overenthusiasm through a period of disillusionment to an eventual understanding of the technology's relevance and role in a market or domain” (Linden & Fenn, 2003). Similar to the “tech craze” phenomenon, which led to steep overvaluations of tech startups due to an excessive belief that tech is associated with success (Clark, Robert & Hampton, 2016), this study aims to prove a comparable positivity bias towards startups, fueled by disproportionate media coverage. By testing five variables related to consumer behavior and brand equity; perceived product quality, employer attractiveness, willingness to pay, brand ability, and word of mouth on two identical products, manipulating only the description of the company as a startup or a corporation, this effect can successfully be tested. However, due to a close connection between startups and innovation, the study also aims to test if innovation could be the explanatory factor instead and what effect innovation has on the same tested variables.

## 1.1 BACKGROUND

Ever since the severe financial crisis in 2010, Sweden has experienced steady growth in newly established companies (Bolagsverket) and has also managed to produce the most unicorn companies per capita, making the small city of Stockholm second only to Silicon Valley as the startup capital of the world (Davidson, 2015). With a record of 1.2bn in funding for startups in 2017 (Industrifonden, 2017) as well as a large number of incubators and co-working spaces opening up in Stockholm in the past few years, the Swedish capital, housing merely 1.5 million citizens, has become a mecca for entrepreneurship and innovation. Is this development here to stay or are we reaching a turning point? Is everything new and disruptive really better?

In the first four months of 2019, 189+ articles about startups have been written in some the largest printed and online newspapers in Sweden (Svenska Dagbladet 17, Dagens Nyheter 9, Di Digital 146, Aftonbladet 5, Expressen 12), with a vast majority of them including words such as “success”, “disruptor”, “billion” and “challenger” already in the headline, and only 10 of them speaking about an unsuccessful venture - interesting given the fact that approximately ‘9 out of 10 startups fail’ (Patel, 2015). Could this be a sign of a media hype or is this optimism also evident in consumer attitudes? In line with Gartner’s hype cycles, the theory states that “The first part of the hype curve is driven by vacuous hype — mainly by the media, which speculates on the technology's prospects. The second part of the hype curve primarily is driven by performance gains and adoption growth.” (Linden & Fenn, 2003). Given this notion, media and speculations have managed to drive up valuations for technology,

most recently in the shape of crypto currencies (Sigurdsson, Giaretta & Dragoni, 2020), and could well have managed to have the same effect on the concept “startup”.

Through conducting this study, the aim is to explore the difference between consumer attitudes and the width of their actual behavior when faced with a purchase decision to buy a product produced by a startup or a traditional corporation. Moreover, the aim is to construct an additional model which offers a different explanation, that the factor of innovation is what actually drives consumer preferences, a term often interchangeably used with a “startup”. To see whether consumer behavior is affected by “startup” branding or simply a products level of innovation, the effects of product innovativeness on consumer behavior is also tested by comparing products of “low” versus “high” innovation. What defines “low” and “high” levels of innovation, is defined based on the results from the pre-study, as respondents are asked to rate products based on their perceived level of innovation. To clarify, “innovation” in this thesis refers to product innovativeness rather than a brands’ or companies’ level of innovation.

Based on the theory of Nextopia (Dahlén, Thorbjørnsen & Sjödin, 2011), implying that consumers have a strong and consistent positive bias for future products, as well as the findings in the master thesis Techtopia (Sjöstrand & Appelgren, 2016); that consumers evaluate products with tech additives more favorably even though they are completely unrelated to the actual product, we want to see if the same holds true for the startup hype or if consumers’ bias is merely towards product innovation. Thus, we want to explore whether there is a consumer bias between products launched by startups and traditional corporations, given the premise that everything else is kept constant. In other words, the thesis aims to explore whether consumers prefer startups over traditional companies and in which product groups in regards to innovation this idea applies.

By investigating a widely accepted framework of brand equity including measures of leadership, loyalty, awareness, perceived quality, and organizational associations, this paper digs deep into branding theory while providing insights into a recent phenomenon. The paper also generates valuable information for both academia and business, interested in the effects of consumer preference related to products produced by startups. Nevertheless, the insights should be considered beneficial for managers of corporations and startups alike, in decisions facing product innovativeness, brand extension, and branding. The question is current, as several industries are facing threats in the form of new companies that aim to change the marketplace, by providing groundbreaking solutions and disruptive business models. This leads to questions regarding brand management: should a company launch a product innovation under the same brand name or use a new sub-brand in order to launch a credible innovation? Should startups focus on a certain level of innovativeness for its products in order to maximize the probability of consumer adoption or will the branding of being a “startup” generate enough positive

associations in itself? Or is startup branding actually just a bluff, as consumer attitudes are truly a result of product innovativeness rather than branding?

Our contributions are not only limited to the extension of the theories presented in Nextopia (Dahlén, Thorbjørnsen & Sjödin, 2011) and Techtopia (Sjöstrand & Appelgren, 2016) but go beyond present studies concerning consumer behavior and attitudes towards risk purchases, focusing on a new segment of companies deficient of vast research and theory. Consequently, the objective is to break new ground - not only by new insights but also by initiating research in the unexplored area of consumer attitudes in regards to the perceptions of startups. “Is the startup hype justified by consumer behavior or just a media fad? “will be explored through means of an explorative pilot study and a thorough main study comparing willingness to pay, perceived product quality, employer attractiveness, brand ability and word of mouth in two separate experiments.

## **1.2 PROBLEM AREA**

According to Patel (Patel, 2016) “entrepreneurs may even want to write their failure post-mortem before they launch their business”, as statistics show that nine out of ten startups will fail. It is implied that the most prominent reason for failure is the lack of market need for startups’ products (Griffith, 2014). At the same time, traditional companies need to learn how to defend themselves against newcomers, disrupting not only the perception of products and services but also the way customers think and behave. Therefore, the area of interest is important to examine, as it illustrates two areas of concern: startups’ low survival rate, as well as traditional corporations’ precarious positions within today's marketplace.

“Life’s too short to build something nobody wants” (Maurya, 2017). In order to not only survive but to also scale quickly (“*blitz scale*”) and become 1 of 10 to succeed, startups need to focus on not only doing things right, but also doing the right things. Blitz scaling is about prioritizing speed over efficiency in an environment of uncertainty, in order to capture the market (Hoffman & Yeh, 2018) with a product or service. According to Hoffman, it is first when you can prove, not only to yourself but to others, that there’s an interesting category and a big market opportunity - that you can attract competition. Hence, focus and speed are key assets to succeed - focus as in a durable product and speed in the form of momentum. In accordance to Hoffman there is always a risk involved when scaling an organization, but by the use of software developments, costs of serving a larger size are close to non-existence (Sullivan, 2016). Hence, the possibility for start-ups to succeed has never been as prominent, as technology allows for a quick scaling and data gathering for incubation of the right product. Nonetheless, the low survival rate among startups is certainly a red flag, but should not be confused with the idea that it is impossible for startups to prosper and scale. Therefore, startups low survival rate is an important area of concern, as it involves many misconceptions, and since new insights regarding

customer behavior and branding have the potential to influence the perception of startups; how they grow and potentially, succeed.

This second area of concern regards traditional brands' ability to cope and defend themselves with newcomers within the segment and challenges how products, services or ideas are perceived by customers. "All the banking people knew the rules. That prevented them from trying anything that looked remotely like PayPal" (Hoffman & Yeh, 2018). Consequently, traditional corporations need to learn how to adapt on a large-scale, in order to speed and reach the same momentum as more agile competitors. With that said, many well-established corporations are facing threat by newcomers who are able to satisfy consumer needs better, faster and with more agility, naming companies such as Klarna and iZettle, who have changed the online payment industry and set new standards for market leaders to follow. New services such as crowdfunding, initiated by startups such as Kickstarter and Fundedbyme have also posed rivalry to the traditional finance options (Hollas, 2013), making the topic of study of high interest to multiple stakeholders on the market. Hence, it is important to understand the issue of brand equity - whether traditional corporations should launch new products under new names or existing ones in order to protect oneself against disruptive startups; able to blitz scale and become a menace fast.

### **1.3 PROBLEM DEFINITION AND PURPOSE**

The aim of this study is to examine the research question ("RQ"): *"what effect does the startup hype have on consumer behavior, as an indirect result of startups experienced brand equity"*, through a main hypothesis model with a set of sub-hypotheses, as well as an additional hypotheses model related to innovation. A hype can be defined in many ways as Vasterman elaborates on in his paper "Media-Hype: Self-Reinforcing News Waves, Journalistic Standards and the Construction of Social Problems": "As a verb 'to hype (up)' not only stands for: 'to stimulate'; 'to build up'; 'to enliven,' but also for: 'to publicize or promote, especially by extravagant, inflated, or misleading claims'. As noun 'a hype' refers to 'promotional publicity of an extravagant or contrived kind', or 'a blatant or sensational promotion'. It can also refer to sudden crazes in different areas, varying from culture or science to public opinion, where, without warning, everyone is under the spell of something new. "(Vasterman, 2005). Much like the evolution of certain news stories that Vasterman discusses in the paper, "hype" has also a long-standing position in the valuation of tech firms, which has led to extremely high valuations of firms which have ultimately failed to monetize their business models. To test the prevalence of such a hype for startup products, two identical products are tested on a set of five behavioral metrics related to brand equity and compared between a startup and a corporation. The same concept is explored by mediating the effect of innovation on two products by testing perceived product quality, employer attractiveness, willingness to pay, brand ability, and word of mouth. By conducting a pilot study followed by a main



study; both of quantitative nature, the purpose of the study is to break ground within the area of brand equity and consumer behavior, by exploring a hypothetical positivity bias towards startups, as well as the effect of innovation.

## **2.0 THEORY**

This section starts with a short introduction to theory followed by an exposition of previous research on startup theory. Subsequently, hypotheses are listed along with related theoretical frameworks. Lastly, summing up the assumptions leading up to the research question, the Models of Hypotheses are presented.

### **2.1 THE THEORETICAL THEME**

The theoretical theme is based upon previous research, mainly (but not limited to) Nextopia (Dahlén, Thorbjørnsen & Sjödin, 2011) and Techtopia (Sjöstrand & Appelgren, 2016). In addition to the named studies which explore different types of customer bias and its effects on consumer behavior, multiple secondary research studies were used as research basis. Main areas of secondary research in addition to Nextopia and Techtopia are as follows: startup theory, optimism bias, consumer behavior theory, as well as theoretical research in regard to signaling effects and brand equity. The listed areas of research are described in the coming sections as they shape the hypotheses, together forming a model of hypotheses with each assumption carefully explained and connected. The published research was chosen due to its close affiliation with theories investigating consumers' fascination with aspects of "newness", "technology" or "innovation" bias. Furthermore, the quantitative study was designed inspired by the experimental structure of Techtopia (Sjöstrand & Appelgren, 2016).

### **2.2 PREVIOUS RESEARCH ON STARTUP THEORY**

In order to provide a solid background into the research provided on startup theory today and to offer an understanding of the possible implications it has for the research question, this section discusses the prevalent theory available on startups today.

Despite new companies being an ever-present aspect in the business environment, not much research has been published on the terminology 'startup theory' and how these would compete with more well-established companies. Most accurately a paper by Tripathi et al (2019) discusses the existence of 'startup ecosystems' in a multidisciplinary way and offers several definitions into how a startup has been defined in recent years and what distinguishes it from a regular company. Other closely related topics of interest to understand the consumer in relation to products or services offered by relatively new or unknown companies includes high-risk purchases, signaling effects and regular consumer behavior theory related to brand equity. Pursuing the aim of the thesis to prove a "startup hype" which

leads to an optimism bias fueled by vast media attention, dimensions of positivity bias and innovation also have to be taken into consideration.

Looking closer at the initial term startup, Blank defines it as “a temporary organization in search of a scalable, repeatable, profitable business model” (Tripathi, Seppänen, Boominathan, Oivo, & Liukkunen, 2019), which relates to Hoffman's idea about Blitzscaling - that all startups inevitably aim to scale. On the other hand, Erik Ries claims it is a “human institution designed to create a new product or service under conditions of extreme uncertainty”, undermining the risks involved with launching a new idea or service under unknown or unstable conditions. In a similar manner, Crowne stresses that startups are companies shaped by limited experience, inadequate resources, multiple sources of influence and the use of dynamic product technologies (Tripathi, Seppänen, Boominathan, Oivo, & Liukkunen, 2019). What the authors all have in common, is the idea that a startup is something new, fostering in an uncertain environment. Often, seen as an organization in the first stage of the product life cycle, prior to the “stabilization”, “growth”, and “development” stage.

### **2.2.1 OPTIMISM BIAS TOWARDS STARTUPS**

Derived as one of the most consistent and prevalent phenomenon in biology, the optimism bias, a concept which describes an almost irrational human bias when it comes to predicting future events (Sharot, 2011), constitutes the backbone for the research question. Humans’ capability to overestimate and anticipate what’s going to happen them in the future, how successful they will be and how good something is going to be has shown to have an impact on their evaluations of products as well. This ‘(mis-)forecasting’ of future products was most prominently examined in the paper Nextopia (Dahlén, Thorbjørnsen & Sjödin, 2011) which undermines consumers’ optimism bias, thinking that new products will automatically be better than old ones. The concept of optimism bias was further explored in Techtopia (Sjöstrand & Appelgren, 2016), with the alteration of testing consumer bias towards technical attributes rather than newness.

Given the synonymously of “newness”, “tech” and startups, coupled with consistent media coverage and Sweden’s branding as a producer of numerous extremely successful startups, it is believed that this optimism bias can be transferable for products produced by startups as well. To better understand the hype and its effect on consumer behavior, several related concepts had to be investigated too. Focusing on traditional consumer choice models related to product preference, the concept of brand equity was used, frequently cited in the literature as a deciding factor why consumers prefer certain companies over others.

### 2.2.2 BRAND EQUITY

Much like optimism bias, brand equity is one of the most researched and accepted concepts in marketing literature, originating sometime in the 1980s and receiving considerable attention since then. A common framework used to describe the brand equity concept stems from David Aaker, called the ‘Aaker model’ (Aaker, 1991) and includes four dimensions: loyalty, awareness, perceived quality, associations, explaining the brand value of a brand. This concept is most often used to explain why companies can add

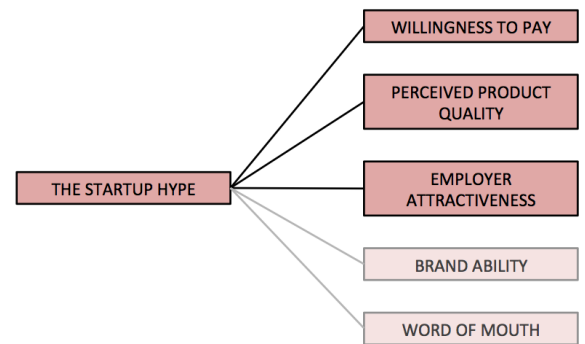


Figure 1: Hypotheses Model 1 Effects of Brand Equity

price-premiums onto their products and why customers prefer a branded offering compared to an identical unbranded offer (Aaker, 1996). However, in recent years a more multifaceted view has emerged, focusing on the perspective of the customer. This consumer-based brand equity model often cited (Keller, 1993) looks at what value the consumer experiences in purchasing brands and adds a new dimension to what is often considered an added financial value to the firm. Based on this, could the term “startup” have an added brand equity in itself? Does this company characteristic in similar manner as “a name, symbol, design, or mark”, enhance value of the product beyond its functional value (Farquhar, 1989), and automatically add to a positive bias?

From the consumer’s perspective, brand equity is easily put an added liking to a product and can be measured in many different ways. Yoo and Donthu (2001) try to construct a precise measurement tool to capture this perspective and decided to use the Aaker model and it’s four dimensions as a starting point. The use of this model can be very useful as it includes loyalty measures, leadership, and quality measures as well as organizational associations. Throughout the years' different ways of measuring these variables have been constructed but ultimately all sum up to the same model.

According to Aaker’s Brand Equity Ten Model (Aaker, 1996), derived from the original Aaker Model, loyalty can be measured through price premiums. The original models also investigate satisfaction but due to fictional company names, this was not concluded to be relevant for this study. Concluding from the research topic and the first hypothesis that consumers ought to have a positive bias towards startups, the loyalty measure of price premiums should also be more positively biased towards newer companies. Thus, consumers’ willingness to pay for startups’ products should be higher, leading to the following hypothesis.

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**H1.1.** *Consumers have a higher willingness to pay towards products produced by startups than corporations*

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‘Following the same construct, the remaining dimensions should also add up to the consumer-based brand equity. However, since brand equity is often an intangible asset which only well-known companies can tap into due to the restriction that it is based on a previous connection with the customer, some of the measures, such as market behavior and satisfaction as mentioned above, are only feasible to decipher through real market data (Market share, Price and Distribution Index, experience with the product). Nevertheless, ensuring the idea that terminology or branding of a company as a “startup”, can have a positive impact on the evaluation of the company and its products, leadership measures and organizational associations should also be influenced. Hence, perceived quality and employer attractiveness could possibly be positively biased correspondingly to the previous hypothesis.

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**H1.2.** *Consumers believe products produced by startups are of higher quality than those of corporations*

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**H1.3.** *Consumers rate startups higher on employer attractiveness than corporations*

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### 2.2.3 SIGNALING THEORY

Although brand equity is such a widely discussed framework to explain the value of a brand and the underlying reason that explains consumers’ attachment to brands and purchasing behavior, it is also an object to much debate. Especially in situations where certain attributes of the product or company are unknown to the customer. This calls for other theories and established models that explain other aspects of consumer preference.

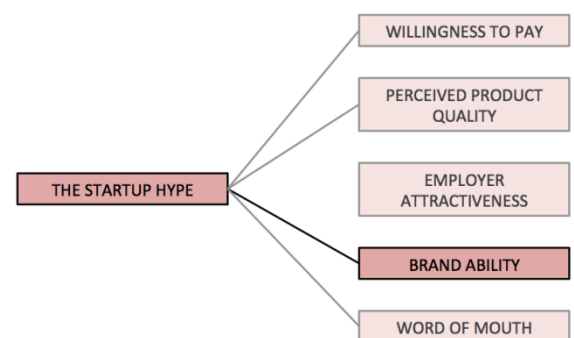


Figure 2: Hypotheses Model 1 Effects of Signaling Theory

A commonly used approach, especially in entrepreneurship, is signaling theory. Signaling theory is used to describe the behavior when two parties, commonly a customer and the company, have access to different information. This information could, for example, be the quality or exclusivity of a product. In that case, the company tries to communicate (or signal) this attribute so that the receiver (customer) accepts this. (Connelly Certo, Ireland, & Reutzel, 2011). Managerial implications of the signaling theory also include how to name a new product, how to price it, how it should be advertised, along with further aspects, providing useful insights to the scope of this study (Kirmani & Rao, 2000).

Given the implication that startups are often considered to be less known and struggle more with information asymmetry in regards to their products, insights in if the wording “startup” in itself signals quality and produces interest in the product are extremely valuable. A closely related variable to quality is brand-ability, how highly a customer thinks of a brand’s capabilities and products. Examples of how to do this are many in the present literature, for one, Connelly et al (2011) mention “Leaders of a young firm in an initial public offering (IPO) stack their board with a diverse group of prestigious directors to send a message to potential investors about the firm’s legitimacy” or the use of a Hummer to signal an exclusive environment.

Assuming that customers agree with the terminology “disruptors” or “groundbreaking”, often used in media while describing startups, also spills over to consumers’ associations with these companies, then in this study, the assumption that startups are considered to have a higher brand ability can be assessed. This leads to the following hypothesis:

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**H1.4.** *Consumers believe startups have higher brand ability than corporations*

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## 2.2.4 WORD OF MOUTH

Lastly, the final consumer behavior dimension which could potentially be affected by consumers’ positive bias towards startups is also the willingness to talk about the products. Word of mouth (WOM) has long been one of the most interesting aspects of consumer behavior in relation to new products as it is supposed to influence social networks and in turn, sales, boosting company revenue (Kempe, Kleinberg & Tardos, 2003). Furthermore, studies have shown that word of mouth is a factor which is affected by people’s want “to seem interesting”

(Berger & Schwartz, 2011), implying that people will want to talk about interesting products since it makes them seem interesting. This, as well as another aspect of WOM, expression, and self-enhancement, as researched by Wojnicki and Godes (2008), go well in hand with the assumption that the described startup hype fueled by media attention, make startups and their products generally more “interesting” and “cool”. According to Wojnicki and Godes (2008), this means that “consumers’ propensities to generate word of mouth (WOM) is affected by their motivation to self-enhance, that is, to seek experiences that bolster the self-concept”, and bearing this in mind, it is also of interest to study whether this holds for products produced by startups as well.

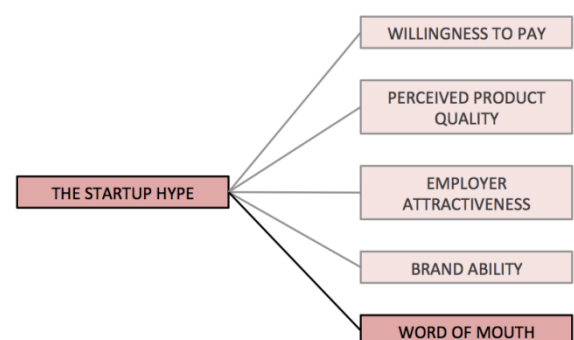


Figure 3: Hypotheses Model 1 Effects of WOM

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**H1.5.** *Consumers show a higher willingness to talk about products produced by startups than products produced by corporations*

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## **2.3 INNOVATION THEORY**

Although the concepts described until this point are touching on many different plausible explanations, another possible factor for consumer interest which could lead to this “startup hype”, is believed to be “innovation”, as the words are seen to be closely related. Hence, it is of interest to see whether the “startup hype” and “innovation” have similar effects on consumer behavior. Maybe it is people's interest in innovativeness rather than startup branding that affects behavioral attributes. In order to explore this, the relationship between innovation and brand ability, willingness to pay, perceived product quality, word of mouth, and employer attractiveness will be examined. The concept of innovation is tested by comparing the effects of products of low and high innovation on consumer behavior. What defines “low” and “high” levels of innovation is defined based on the results from the pre-study, as respondents are asked to rate products based on their perceived level of innovation. To clarify, “innovation” in this thesis refers to product innovativeness rather than a brands’ or companies’ level of innovation. The model describes the effects of low versus high product innovation and the four dimensions described.

Connecting to this, Hoyer and MacInnis (2010, p. 415) describe a startup as a company with “an offering that is perceived as new by consumers within a market segment and that has an effect on existing consumption patterns”, and innovations as “products, services, attributes, packages, and ideas that are perceived as being new by consumers whether or not they are new”. Thus, according to the author, the idea of innovation and the nature of startups are closely linked. This idea is explored in the pre-study by examining whether the word “innovation” is more associated with startups than market leaders. Based on Freeman and Engels’ research (2007), which describes how models of innovation differ between startups and mature corporations, the initial assumption is that there is a stronger association between startups and innovation than well-established corporations.

Looking at innovation as a concept, it may be divided into four types; functional, hedonic, aesthetic or symbolic innovation, whereas functional innovation is defined as: “innovations that offer functional performance benefits better than those provided by existing alternatives” (Hoyer & MacInnis, 2010, p. 418). Furthermore, innovations can be seen as continuous, dynamic continuous or discontinuous. Dynamic continuous innovations are innovations with a pronounced effect on consumer practices which often involves a new technology (Hoyer & MacInnis, 2010, p. 417). By that, the thesis will focus on

functional innovations of dynamic continuous nature, as startups often aim to offer products or services with functional performance benefits, usually by the use of technological advancements.

Using the same model to test the effect of innovation as used for the effect of the startup hype, is not only interesting for comparability reasons, but it is also rooted in theory as both concepts are seen to have similar effects on the tested behavior variables.

### 2.3.1 OPTIMISM BIAS TOWARDS INNOVATION

According to Tali Sharot, the implications of the Optimism Bias towards innovation are that you often end up with innovations that research brilliantly well, but fall at the first hurdle when they get to market. Sharot claims this is because people have an inherent trait to underestimate risk, and due to the fact that people do not seem to learn from past behavior. Hence, there is a gap between the perceived success of innovation and reality due to this positivity bias, explaining why 80 % of people are optimistic about the future, disregarding the fact that 70% of all innovations fail within 2 years of launching.

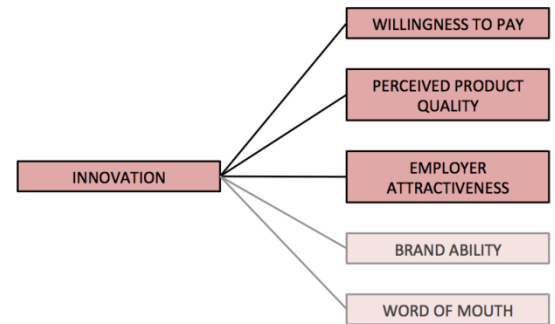


Figure 4: Hypotheses Model 2 Effects of Optimism Bias

Naturally, a positivity bias towards innovation may evoke effects onto certain customer behavioral attributes. Based on Francisco Javier Lloréns Montes research (Greenway, 2015) of the relationship between quality and perceived innovation in financial firms, results show for example that “quality relates to innovation both directly and indirectly, in the latter case through employees’ satisfaction”. Therefore, customers positive bias towards innovation is believed to be related to perceived product quality, as well as believed higher employer satisfaction, as in the case of the first hypothesis model. This leads to H3:1 and H3:2.

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**H2.1.** *Consumers believe products produced by companies of higher product innovation are of higher quality than those of lower product innovation.*

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**H2.2.** *Consumers rate companies of higher product innovation higher on employer attractiveness than companies of lower product innovation.*

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In pursuit of exploring the relationship between positivity bias towards innovation and customer preference, the research of Hofstetter et al. (2013) was examined, as the authors discuss the effects of

consumer characteristics on the bias of willingness to pay for innovative products. One of two potential factors affecting hypothetical bias was recognized as customer ability to assess new product utility and an interested in purchasing new products (Hofstetter, Miller & Krohmer, 2013). The research concludes that “consumers who perceive the new product to be highly innovative are relatively more biased and should be interpreted with caution”, thus, consumers with an interest in innovative products should have a higher willingness to pay towards companies of higher product innovation. This theory is in accordance to Aaker, who means that “innovation is seen as the way to create differentiation, thereby shielding firms from price erosion” (Aaker, 2007), implying that companies of high product innovation may have an easier time protecting higher price ranges. Aforementioned results in H2.3:

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**H2.3.** *Customers have a higher willingness to pay towards companies of higher product innovation than companies of lower product innovation.*

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### 2.3.2 SIGNALING THEORY

As consumers’ willingness to pay can be seen as an expression of brands signaling effects, Aaker’s article “Brand it or lose it” (2007), was further examined in order to distinguish other factors influenced by the presence of innovation. Aaker means that “brand strategy can be critical to the success of an innovation, particularly in the long-term” (Aaker, 2007), and in particular, that branded innovations can have an effect on business in three different

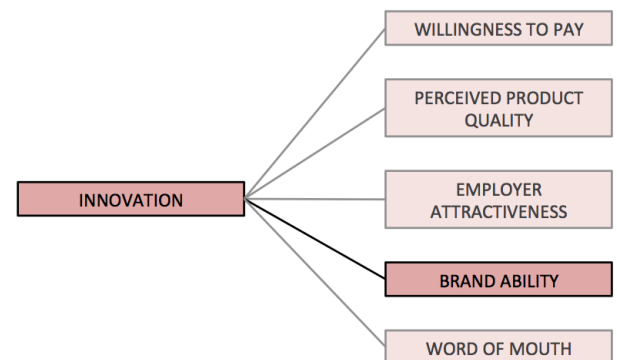


Figure 5: Hypotheses Model 2 Effects of Signaling Theory

ways. Firstly, by creating or improving the offering, making it more differentiated and more attractive. Secondly, by creating new subcategories to change what customers are buying and lastly, by affecting perceptions of the brand in regard to innovativeness, to make it respected, give it energy, and to make its new product offerings more credible. Accordingly, a brand can act as a signal as it “allows ownership of the innovation, adds credibility and legitimacy, enhances visibility and helps communicate facts” (Aaker, 2007). Consequently, “the ability of the innovation to achieve its potential impact will be enhanced if it is branded, assuming that the innovation merits branding” (Aaker, 2007, implying that innovation when successfully branded has a positive impact upon customers perceived brand-ability. This leads into H2.4, in accordance with H1.4.



**H2.4.** *Customers think companies with higher product innovation have higher brand ability than companies with lower product innovation.*

### 2.3.3 WORD OF MOUTH

As offerings improve, sub-brands evolve and the brand becomes more respected, credible and energetic, word of mouth is presumed to increase, and in accordance with theories that consumers tend to talk more about upcoming and interesting products, or products featuring technical attributes, it leads to a natural belief that the same will hold true for products of higher innovation; thus, that the level of a company's product innovativeness has an effect on word of mouth. The theories explained in relation to self-enhancement (Wojnicki, Godes, 2008) and self-identity (Berger, Schwartz, 2011) are applicable for innovative products as well; consumers are believed to be more prone to speak of innovative products since it will make them seem more interesting or innovative themselves, and leads to H2.5.

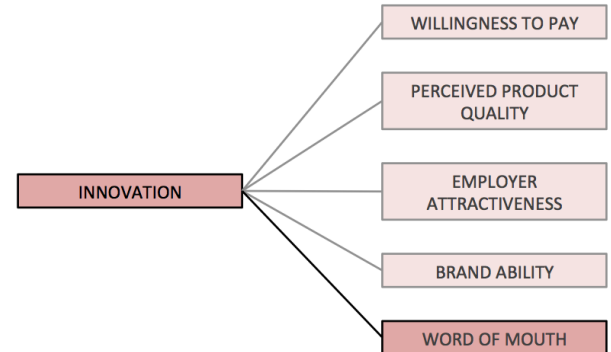


Figure 6: Hypotheses Model 2 Effects of WOM

**H2.5.** *Customers have a higher tendency of word of mouth in regard to companies with higher product innovation compared to companies with lower product innovation.*

## 2.4 SUMMARY OF HYPOTHESES

Presented below are two separate Models of Hypotheses; demonstrating how the hypotheses related to the Startup Hype as well as Innovation connects to one another.

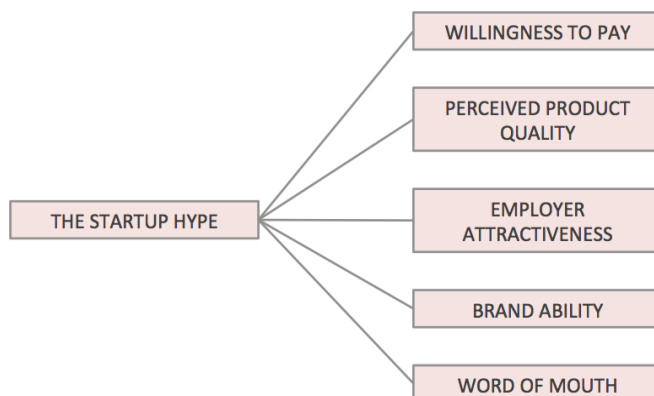


Figure 7: The Model of Hypotheses 1 “The Startup Hype”

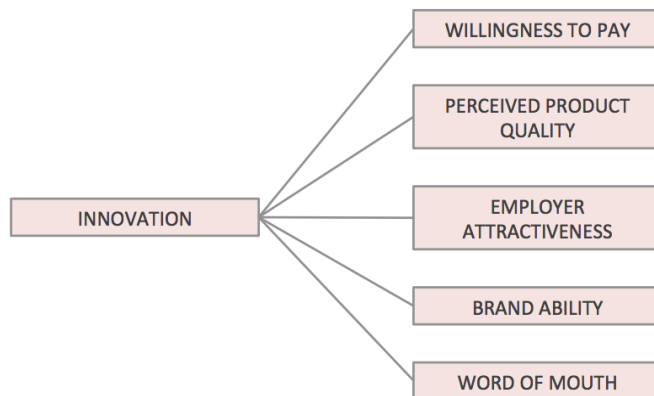


Figure 8: the Model of Hypotheses 2 “Innovation”

### 3.0 METHODOLOGY

This section introduces the scientific methods with which the study was conducted as well as the initial results from the pre-study as they were imperative to prove before conducting further studies. First, the choice of thesis subject, products, brands, and stimuli are presented, followed by research method, including preparations and design of questionnaires. Next, the variables of choice are listed, subsequent to a summary of statistical analyses used when scrutinizing the collected data. The section concludes with a discussion on the study’s reliability and validity.

As a first step, searching was conducted for anything relatable to the Startup Hype, in a wide range of research forums, journals, libraries, and databases - for any prior secondary research conducted within the area of interest. Scopus, the SSE library, as well as Google Scholar were seen as primary sources of secondary, scientific literature. Since little research was found in regard to consumers’ bias on startups and the effect of startup branding on consumer behavior, it was decided to conduct primary research in the form of quantitative data to answer hypothesis H1 and H2 and related sub-hypotheses (H1.1-H1.5 and H2.1-H2.5). The quantitative data was collected by the use of a pre-study followed by the main study, both of experimental character through the use of questionnaires distributed online.

### 3.1 THE SETTING OF THE EXPERIMENT

#### 3.1.1 CHOICE OF SUBJECT

The research aims to see if the two dimensions, startup branding, and innovation, as derived from theory as well as the quantified effect of newly established companies coupled with frequent media coverage, have an effect on consumer behavior and preference. The study subjects are also closely connected to the idea of “newness” and “technology bias” as researched by Dahlén et al. (2011) and Sjöstrand and

Appelgren (2015). Startups today, are often associated with bringing new and groundbreaking products or services to the market, more often than not, with the help of technology, allowing them to scale efficiently and to offer something unique. By combining both aspects in one subject, the focus on startups and innovation presented itself as evident.

### **3.1.2 CHOICE OF PRODUCTS**

In the pre-study a selected group of products was presented, ranging in simplicity as well as innovation, to help determine which products that are perceived as most basic and which ones that are associated with the highest and lowest level of innovation. This was essential to seclude possible external effects besides the stimuli tested and to provide products for the main study. Accordingly, based on the results from the pilot study, the products perceived as most basic were chosen, namely “water glass” and “eyeglasses”. The product range consisted of alternatives such as a water glass, TV, iPhone, car, drone, and refrigerator, and will be discussed in closer detail in section 3.4.2 Results from the Pre-Study.

By testing the most basic products, the effects of previous startup or innovation associations to a product group are minimized and allow the main study to test the importance of innovation and startup branding on a justified scale.

### **3.1.3 CHOICE OF BRANDS**

Initial ideas included using real brand names in the main study and to choose which, based on the results from the pre-study. However, this thought was quickly dismissed as it potentially would infer unwanted biases and associations. Therefore, already in the pilot study fictitious company names, two startups, and two corporations were presented in a set of 20 real companies such as Google, Kry, Airbnb, and Bzzt, with an even distribution between the two company identifications (startup/well-established corporation) to see if respondents would classify them accordingly. The fabricated companies were named “Glassify”, “Startify”, “Vision AB” and “Glassware AB”, mimicking typical names of different company types, assuming that a company ending with an “-ify” or “AB” would intuitively be organized into the right group based on brand name as a form of signaling mechanism.

### **3.1.4 CHOICE OF STIMULI**

In the same manner, as the choice of product, choice of stimuli was first examined in the pre-study to assure an accurate description of a basic and an innovative product feature. Here, a set of functional attributes were displayed to the respondents to determine attributes associated with innovation. Examples such as “handmade”, “climate positive” and “artificial intelligence”, among others, were presented as response alternatives, derived from informal discussions with peers and friends on how they would categorize attributes in terms of innovation.

Furthermore, additional stimuli to support the startup effect were added to ensure clear differences between the survey groups. For the startup survey, the notional brand used for the basic water glass was “Startify”, and it was described as a startup located at A-house, a startup-hub in Stockholm, with currently 8 employees. The second brand portraying the startup hype was “Glassify”, a startup also located at A-house with similar characteristics, providing eyeglasses with special AI features. The organizational attributes communicated in both cases are all believed to be associated with startups, as they involve a low number of employees, a startup hub location and a recent launch-date as well as vast media attention to play on this factor as well. Glassware AB and Vision AB, in turn, were described in a similar manner, describing a listed company with head offices located in several cities and with a great number of employees. These characteristics or signaling effects are seen as distinctive traits of multinational corporations, and necessary in order to give an extreme alternative to attributes characterizing the startup companies. In summary, in the main study respondents were randomly exposed to one of four experimental scenarios, two featuring the fictitious startups and two well-known corporations in order to construct control groups for comparisons.

## **3.2 RESEARCH METHOD**

### **3.2.1 SAMPLING FOR QUANTITATIVE RESEARCH**

Choosing a study sample is important, as it is “rarely practical, efficient or ethical to study whole populations” (Marshall, 1996). Quantitative sampling methods aim to conduct a set of samples that represent the entire population and cover a wide range of (gender), educational experience and work sectors (Bryman & Bell, 2015, s. 12). Since it was difficult to conduct a random sampling method, given the data gathering method of choice (online distribution), a non-probability quantitative sampling method was preferential for both studies. Understandably, there are limitations associated with this sampling method, as a skewed percentage of respondents will origin from school or other social or professional settings. Moreover, a relatively large share of the sample were students from the Stockholm School of Economics in their early-mid twenties. This stems from the approach that both surveys were uploaded on social media forums, such as Facebook and LinkedIn. As an incentive to answer the main survey, 2 Swedish Krona per answer were collected to the organization “Hand in Hand”, which aims to fight poverty by entrepreneurship.

“The larger the sample size, the smaller the chance of a random sampling error, but since the sampling error is inversely proportional to the square root of the sample size, there is usually little to be gained from studying very large samples” (Marshall, 1996). Quantitative researchers often fail to understand the usefulness of studying small samples. This is related to the misapprehension that generalizability is the ultimate goal of all good research and is the principal reason for some otherwise sound published

qualitative studies containing inappropriate sampling techniques” (Marshall, 1996). Therefore, the minimum goal of the data collection was set to secure enough data to verify the results by establishing  $n < 30$ , hence a “normal distribution according to the Central Limit Theorem”. However, to minimize the chance of random sampling error with a larger the sample size, 391 answers were collected in the main study which, aggregated to approximately 96 per experiment before the screening, and 50 in the pre-study. Both studies will be discussed in more detail later on.

### **3.2.2 CHOICE OF SCIENTIFIC METHOD**

The aim of the quantitative approach is to test for-determined hypotheses and produce generalizable results. Since the research question is in the form of a “what” question, designed as: *“what effect the startup hype has on consumer behavior, as an indirect result of startups experienced brand equity”*, a quantitative research method seemed suitable, in accordance to prevailing literature about research sampling method (Marshall, 1996). The research question was also applicable for a quantitative research method, as it involved “two (or more) groups that are examined at the same time to find out whether they are similar or not” (Aidley, 2018). Lastly, since the study is refining previous research, by conducting a study similar to Techtopia (Sjöstrand & Appelgren, 2016) and Nextopia (Dahlén, Thorbjørnsen & Sjödin, 2011), it can be seen as a form of replication study.

### **3.3 MAIN STUDY PREPARATIONS**

According to prevalent literature on suitable methodology, to collect relevant information for the design of the main-study, and to verify our assumptions on consumer knowledge and attitudes, a quantitative experimental pre-study was conducted. Furthermore, the pilot study was conducted in order to gather primary data, in addition to secondary research. Although a pilot study implies more effort, it also enables a higher degree of internal control (Aidley, 2018). The pre-study attempts first and foremost to validate the adjectives used in the main study and to examine variables related to the concepts of startups and innovation.

The theory supports this decision and claims that it is of great importance to carry out a pre-study, as “we are blind to our own assumptions and biases and relying on our own judgment and objectivity would be ill-advised” (Aidley, 2018). Hence, a pilot study can also tell whether a participant understood the instructions, if the questions are clear or if there is need to rephrase or change them. It is important to test hypotheses, ideas, and phrasing on a limited number of respondents, before presenting the study to a larger audience (Aidley, 2018). Accordingly, the pre-study acts as a set of control questions, to see whether the sample has the same ideas and associations to the themes of interest, and to eliminate further control questions in the main study. In addition to the clarity of instructions, the pre-study was conducted to attain an overall view of the distribution of answers, shape and type of data collected,

validity and reliability of procedure as well as timing; if the survey was experienced as short or extensive. This, to act as a reference when deciding the length of the main study. Another aspect of the pilot study is that is allowed to test for the consistency in overall responses (Aidley, 2018).

### **3.3.1 THE DESIGN OF THE PRE-STUDY**

The pilot study aimed to identify which companies are considered to be startups and consequently, well-established brands, as well as which attributes and products that are seen to be associated with innovation.

The questionnaire consisted of six questions; firstly, two multiple choice questions followed by four questions of interval nature. According to Bryman and Bell (2011), variables of interval ratio type are “variables where the distances between the categories are identical across the range” (Bryman & Bell, 2011, s. 333). Interval questions were chosen in order to facilitate comparisons of means by statistical parametric tests such as paired t-tests, as well as to allow symmetry or distribution analysis of responses. In the test, there were no overlapping responses, in order to create validity. All questions had the forced answering function activated, which prohibited respondents from skipping questions.

The two first multiple choice questions were aimed to give an understanding of the respondents’ ideas of startups as well as well-known corporations in order to validate the use of the vocabulary in the main study. In order to obtain intuitive responses, a selection of random brands from different branches, in different stages of development were used. As previously mentioned, two fictitious startup and well-established brand names were also included, to test whether respondents associate startups or well-established brands with name-attributes as simple as “X AB” or “X-ify” at the end, in order to validate the use of “Startify”, “Glassify”, “Glassware AB” and “Vision AB” in the main study.

Following, two questions aimed to test how respondents rank startups and well-established brands on a set of attributes in the form of antonyms, words like “conservative - innovative” were posted in order to explore initial bias. In the following part of the survey, respondents were asked to rank a number of products and attributes based on their level of innovation in order to select subjects to the main questionnaire. Finally, the survey ends with a number of demographic questions, asking about the respondents' age, city of residence and main occupation, in order to ensure a somewhat even spread in the distribution of respondents.

### **3.3.2 RESULTS FROM THE PRE-STUDY**

The pre-study was conducted on 50 respondents, allowing to assume normal distribution according to the Central Limit Theorem. The study group consisted of 59% of women, 37% men and 4% who

preferred not to disclose after deleting duplicates and answers which could not be seen as valid due to either the stress test (a response time of less than 30 seconds) or because they were seen as straight-liners (respondents answering all questions the same, extreme outliers or neutral answers). A vast majority of our respondents were students (57%) or employed (39%), predominantly living in Stockholm with only a few exceptions (3). The age range stretched from 19 to 55 years old, with a great distribution in the ages between 21-25 (76%).

In regard to the first question about brand knowledge, the respondents had varying answers, perhaps due to the initial term “market leader” which was used to describe what was supposed to be expressed as a well-established corporation. The term might have affected the answers of some respondents, concluding that a startup could also be considered a market leader if it were to be considered unique within its field of business (e.g. Voi, Kry). The results from the control question indicated that fictitious brand names are preferred over real, as real brand names may be subject to misapprehension. The term “market leader” was also changed to “well-established corporations” as an implication of the results. Nevertheless, the vast majority of the population showed a clear understanding of the vocabulary “startup” and “established corporation/market leader” as presented below.

Company	Considered Startup	Considered Corporation
AirBnB	6	36
Amazon	1	47
Bzzt	38	0
Glassify	15	0
Glassware AB	4	2
Google	0	46
H&M	0	50
ICA	0	49
IKEA	0	48
Klarna	4	36
Kry	26	10
Natural Cycles	22	3
Sellpy	34	3
Spotify	4	40
Startify	16	0
Tipser	19	2
Uber	5	36
Voi	43	1
Vision AB	6	4

*Table 1: Company count of brand names “considered startups” versus “considered corporation”*

In the next step, an overall examination on consumer preferences comparing the same antonym pairs for startups versus market leaders was constructed. To test the overall attitude towards startups and established corporations, six dimensions were measured in two different questions: excitement, success, innovation, credibility, fame, and quality, with respective antonyms (boring, unsuccessful, conservative, unreliable, unknown, low quality).

The mean scores for “startup” are higher than “market leaders” for the adjectives “exciting” and “innovative”, proving to be in line with the theory derived from Nextopia (Dahlén, Thorbjørnsen & Sjödin, 2011) and Techtopia (Sjöstrand & Appelgren, 2016) that there is a positivity bias towards newness. However, for the rest of the adjectives: “successful”, “credible”, “well-known” and “high quality”, market leaders had higher means. All differences in means between the antonym pairs were significant ( $p < 0,05$ ). This indicates that there was a significant difference in each attribute between the respondents' associations to startups compared to established corporations but here in favor of corporations. The largest difference between means was seen between unknown and known ( $-2.920$ ),  $t = -10.782$  and  $p = 0.000 < 0,05$ ). Hence, market leaders were, not surprisingly, seen to be more “well-known” than startups.

In the next step, the pre-study offered a selection of products (water glass, car, TV, Iphone, eyeglasses, drone, and refrigerator) expected to have various levels of innovation associated with them. Based on the outcome, a water glass was noticed as the least innovative product (mean = 1,96) and a drone (mean = 5,78) to be the most innovative product. With a slightly higher mean, Artificial Intelligence (mean = 6,74) was seen as the most innovative attribute, and “handmade” (mean = 2,88), as the least innovative attribute, and thus chosen to be used in the main study. The other options presented as functional attributes were: 3D-printing, organic, climate positive, augmented reality, and mass produced. The pre-study acts as an explorative study as well as a control mechanism, and thus, further research in form of the main study was determined to be necessary, covering a wider dimension of bias and brand equity, especially when testing for innovation.

### **3.4 MAIN STUDY**

#### **3.4.1 STUDY DESIGN**

The design of the main study was constructed according to the “Brand Equity Ten”- Model proposed by Aaker, David A (1996) measuring the four dimensions of Brand Equity, and based upon findings from the pilot study. Consequently, the main study could not be designed or carried out until all responses from the pre-study had been conducted and analyzed. It was, similar to the pre-study, of quantitative nature, executed online by the use of Qualtrics. All parts of the survey were selected and designed carefully, as these in their entirety demonstrate the effects of brand equity on consumer behavior.

#### **3.4.2 DESIGN OF THE QUESTIONNAIRE**

The main study was split into four uniform surveys, which differ merely by company name, description, and product. The scenarios aimed to test how respondents' associations and attitudes differ between startups and traditional brands, depending on whether an innovative or basic product was presented. This means that in total two experiments were carried out (a basic water glass produced by a startup or



a corporation and AI eyeglasses produced by a startup or a corporation) by the use of four questionnaires, answered by two groups of respondents each.

All four questionnaires were designed in the same way, starting with one of four unique introductory scenarios presenting the product and company of interest, followed by nine exactly equal consumer behavioral questions and four demographic questions prior to a short wind-up note.

In the four scenarios, respondents are asked to imagine a setting where they are about to buy a product, either a water glass or eyeglasses, produced by either a startup or by a well-established corporation. The water glass was described as basic and handmade, with “no special features” and the glasses as innovative, since they feature AI technology which allows them to communicate with the user. The products, as well as the company names, were selected as a result of the findings from the pre-study.

After reading the scenario, respondents were asked to answer a number of questions with the description in mind. The following questions were designed according to prevalent studies and the earlier mentioned framework of “Brand Equity Ten” (Aaker, 1996), allowing to measure brand equity by the following dimensions, all described in theory; loyalty measures, perceived quality and leadership measures, as well as organizational associations. The following variables: perceived product quality, brand ability, word of mouth, employer attractiveness, and willingness to pay, were noticed as relatable to Aaker's model and therefore tested as indicators of brand equity. All questions but “willingness to pay” were measured on a 7-point scale with bipolar extremes at each end ranging from “do not agree”, “agree completely” and “very little” to “very much”. This allows a satisfying range of options, consistency throughout the survey, as well as the option to stay neutral (Söderlund & Öhman, 2005).

As mentioned above, the results from the pilot study verified respondents' perception in terms of company characteristics of startups and well-established corporations, reducing the need for further control questions.

The questions used to examine brand equity through various dimensions in both hypotheses models are presented below:

### **3.4.3 RESEARCH VARIABLES**

#### **Perceived Product Quality** (Cronbach's alpha: 0,907)

According to Snoj, et al. (2004), perceived quality is defined as the consumers' judgment about an entity's services containing overall excellence or superiority. It can also be determined by measuring leadership measures and is one of the most important measures of brand equity as it can be associated

with financial metrics such as price premiums, price elasticities, brand usage, and even stock return (Aaker, 1996).

A questionnaire using a 7-point “Likert scale” with extremes ranging from (1) to (7) can minimize inconsistencies in the results according to Marakanon and Panjakajornsak (2017). Therefore, when testing *perceived product quality*, a similar ranking question was used - “what is your overall opinion of company X?”, with axis in the form of antonyms: “negative” (1) to “positive” (7), “Not appealing” - “Appealing” and “Bad” - “Good”.

#### **Employer Attractiveness** (Cronbach’s alpha: 0,866)

In this paper, the variable “employer attractiveness” ascribes to the definition of Berthon et al. (2005): “the envisioned benefits that a potential employee sees in working for a specific organization”. According to Merk and Rahmel (2016), employer attractiveness involves “factors that influence an organization’s attractiveness, reputation, and image”, such as employer branding. Along these lines, employer attractiveness has an indirect effect on brand equity and vice versa, as employees help build employer brands. Consumer’s associations to a brand as an organization are also considered valuable in determining the dimension of brand associations according to the Brand Equity Ten- Model (Aaker, 1996), and were aggregated as an index of investigating four questions assessing employer attractiveness. The statements were: “offering good development opportunities”, “good place to work at”, “the salary is higher than average”, and “is an attractive employer”.

#### **Willingness to Pay**

To measure *willingness to pay*, an open question was used in accordance with Ajzen and Driver among others (1992). In order to enable respondents’ freedom and to minimize the risks of values of zero or other non-realistic amounts, the questions phrased to ask “what is the maximum price that you would be willing to pay for this product?”. By testing this variable, potential brand price premiums, an important signal of brand equity (Aaker, 1996), could also be investigated by comparing means to real product prices.

#### **Brand Ability** (Cronbach’s alpha: 0,864)

Brand ability: Refers in this thesis to an individual's perceptions of the firm’s credibility, professionalism and ability to solve customers’ problems (Söderlund & Runius, 2018). Existing research related to this theoretical frame argues that firms can signal brand ability in several ways when using their communication tools, for example by increasing perceived effort in terms of creativity (Dahlén, Thorbjørnsen & Sjödin, 2011). Brand ability is also closely connected to brand personality which is an association measure and focuses on brand-as-person (Aaker, 1996).

The question designed to examine brand ability was “how well do these statements correspond to your impression of company X?” with response scope of “do not agree” to “agree completely”. The variables measured included “credible”, “good at solving customer problems”, “smart”, and “professional in their way of working”.

#### **Word of Mouth** (Cronbach’s alpha: 0,847)

In accordance to Brown and Reingen (1987) “one of the most widely accepted notions in consumer behavior is that word of mouth communication plays an important role in shaping consumers ‘attitudes and behaviors’”. Godes et al. means that “because it is a form of communication initiated by independent actors, WOM is perceived as more reliable and trustworthy, therefore generally agreed as a strong influence on decision making and brand advocacy” (Nejati & Nejati, 2011). Therefore, it has been widely studied, notably by Brown and Reingen “as a mechanism through which consumers convey both informational and normative influences in product evaluation” (Schöfer, 2001). However, Trusov et al., claims that “WOM is a complex concept, difficult to measure and understand” (Nejati & Nejati, 2011). Despite the complexity of the variable, the potential insights derived from investigating this, especially in connection to the hypothesis of an existing “startup hype”, were regarded as very interesting. According to traditional manner, WOM was posed as a question “How likely is it that you would...” “...Share information regarding the product on social media/talk to your friends about the product/recommend others to check out the product?”.

#### **3.4.4 QUANTITATIVE DATA SAMPLING**

The main study was also distributed in a similar manner to the pilot study. Allowing respondents to answer to the survey online, a control mechanism was enabled through the software Qualtrics, assuring that the respondents were divided into experimental and control groups with different stimuli based on a random basis (Söderlund, 2010). Through the randomizer tool in the software Qualtrics, each respondent, based on their IP address, received only one of the four questionnaires.

The data collected was analyzed in IBM SPSS Statistics Software (version 25), which is a commonly used statistical tool for data analysis, in addition to excel. The main study included 211 valid responses in total in the end with a fairly even distribution between the questionnaires, only differing with a few respondents between the groups due to some unfinished answers which needed to be excluded. All groups consisted of more than 30 respondents, with a maximum of 57, allowing to assume normal distribution according to the Central Limit Theorem, much like in the pilot study.

The distribution is as follows 60% women, 39 % men and 1 % who preferred not to disclose with a vast majority of respondents being students (52,4 %) and employed (38,2 %). The majority of our respondents were located in Stockholm, Sweden, but in order to increase the number of possible

respondents in our network, the survey was conducted in English. Due to similar vocabulary in Swedish and English in terms of terms such as “startup”, as well as a distribution of respondents between the ages 17-62, the risk of linguistic misunderstandings was determined as minimal. The questionnaire was also kept short and clear to avoid misunderstandings or respondent fatigue (Söderlund, 2010).

### **3.5 DATA QUALITY**

#### **3.5.1 RELIABILITY**

Reliability is concerned with issues of consistency of measures (Bryman & Bell, 2015, p.168), reducing error terms, and increasing statistical power. This is important in order to rule out alternative explanations and to justify greater confidence in the conclusions generated by the analyses of research data (Becker, 2005). Thus, a set of precautions were taken into account to minimize issues related to this. As a first step to secure reliability, the described pre-study was conducted prior to the main study assuring the understanding of vocabulary as well as the aim of the thesis. This exploratory pilot study also improved reliability by testing the initial hypotheses of the differences between attitudes to startups and corporations as well as the level of innovativeness of the products used in the main study. By doing so, internal assumptions and bias were validated or excluded while improving the scientific accuracy that the experiment could be reproduced multiple times with similar results.

Another measure to maximize consistency according to Söderlund and Öhman (2005), is to use multi-item scaled variables and to test internal reliability in the multiple indicator measures. This approach was used in the survey and Cronbach’s Alpha values were extracted from each question battery and analyzed; all measuring above 0.7 in accordance with Bryman & Bell (2015, p. 169). The measurement willingness to pay was naturally not analyzed with Cronbach’s alpha due to the nature of the question. Below is a compilation of the values extracted by grouping the multiple Likert scale questions into indexes examining one of the aspects of brand equity:

**Perceived Product Quality** (Cronbach’s alpha: 0,907)

**Employer Attractiveness** (Cronbach alpha: 0,866)

**Willingness to Pay** (No Cronbach alpha value due to the nature of the question)

**Brand Ability** (Cronbach alpha: 0,864)

**Word of Mouth** (Cronbach alpha: 0,847)

#### **3.5.2 VALIDITY**

Since merely ensuring reliability is not enough, measures improving validity were also taken into account. Validity is concerned with “whether or not a measure of concept really measures that concept” (Bryman & Bell 2015, p. 170), and is most often secured by means of reliability and face validity. This

was also the case in this study, where the authors made sure to include measures connected to Brand Equity from acknowledged and published research and by discussing the question batteries with the supervisor Micael Dahlén, a recognized expert in the field. Thereby, all questions used in the question batteries were convincingly reflecting the content of the concept in question (Bryman & Bell, 2015, p. 170).

## **4.0 RESULTS AND ANALYSIS**

In total, 391 responses were collected and exported from Qualtrics to Excel. Once in Excel, the collected data were screened manually in order to eliminate responses who did not respond in a reliable matter, or who did not understand the questionnaire. After the initial screening, 214 of the responses could be used as the remaining responses were only partly completed or unfinished. According to Bryman and Bell (2011, p. 338) “missing data arise when respondents fail to reply to a question - either by accident or because they do not want to answer the question”. As a result, 177 missing responses were identified. The reason behind the missing values is believed to be that respondents opened the survey, but exited before even entering the actual questionnaire. This can be determined since all answers were forced, once past the introduction of the survey.

Out of the 214, 3 straight-liners were identified and eliminated. Responses were considered as straight-liners if they had a standard deviation equal to zero. Out of the 211 responses of an acceptable standard, the distribution between the four questionnaires was as followed: 43 responses for Glassify, 55 for Glassware AB (water glasses), 56 for Startify and 57 for Vision AB (AI eyeglasses). No outliers were found in the initial analysis conducted in Excel. Other actions performed in Excel, prior to exporting the data into SPSS, were re-naming some of the variables in order to facilitate identification of questions, as well as editing misspellings in responses. When checking answers to the question “where do you currently live”, geographical areas located in Stockholm, such as “Södermalm”, were renamed into Stockholm, in order to analyze the geographical distribution of the sample based on the same criteria; namely, larger cities.

As a first step before analyzing the data with further statistical methods, introductory variations in the respondents and potential segments were analyzed to examine whether an explanation in the outcome could be derived from different age groups. Initially, 5 different age groups were formed with approximately 10 years of range (17-25, 26-35, 36-45, 46-55, 56+), but due to the uneven age distribution mentioned earlier, with a sizeable portion in the younger age group, as well as the requirement to have each scenario multiple times in one age group, the decision was made to merely compare a ‘younger’ (17-35) group to an ‘older’ group (36-65+). Undoubtedly this would lead to less specific results but was deemed appropriate in order to superficially explore if the difference in means

was consistent and a plausible factor for an explanation. One steady element overall was a greater interest for the AI eyeglasses compared to a water glass for both age groups in terms of product quality, word of mouth, and willingness to pay. However, examining variation between startups and corporations, differences in brand ability and employer attractiveness were found where the older age group had a more positive attitude towards startups than corporations, opposing the findings in the younger age group which had higher means for traditional corporations. Overall, however, both age groups were biased towards corporations when examining all variables. Despite this, the specific age range that showed the highest values for word of mouth and willingness to pay were respondents aged 26-35. Summarizing the results, no cohesive differences between the age groups were found, signaling that this should not be an explanatory factor. However, due to a small sample, this aspect might be interesting to examine in future studies with more respondents in each age group.

Before analyzing the data more thoroughly, distinctions between the genders were also investigated. By comparing the genders male and female to each other, a clear preference towards the AI eyeglasses was identified, where men evaluated each variable higher and were willing to pay almost twice as much as women for both AI glasses, regardless of company characteristic. Women on the other had evaluated the basic water glass more positively than men and had a higher willingness to pay which ranged up to 33%. However, distinguishing between company type, both genders in a similar manner as the age groups, were in favor of corporations when it comes to all variables. Only when looking at women and their attitude between different product types a slightly higher average in means for word of mouth in regard to startups was found.

In summary, the population as a whole homogeneously favors products of corporations in terms of brand equity, with only minor tendencies for either gender or age in factors of willingness to pay and word of mouth. With this in mind, the data should be analyzed as a whole distinguishing only between the scenarios in order to find significant differences between the two company characteristics. Moreover, an independent t-test was performed in SPSS to test whether the differences between the genders were of significant nature and thus crucial to take into consideration throughout the analysis. As no significant differences in means were observed, the population was considered more appropriate to analyze as a whole.

#### **4.1 RESULTS HYPOTHESIS MODELS 1 AND 2**

Below, an explicit description of the results from the tested hypotheses from the hypothesis models will be presented. Out of 10 initial sub-hypotheses, 7 proved to be significant. Interestingly, all of the hypotheses tested in the first hypothesis model showed opposite findings to our hypotheses of startup bias, with a clear preference for well-established corporations, but in line with the findings in the pilot

study. In the second hypotheses model, the significant findings were in line with the assumption of an innovation bias. Find a more detailed outline here and please note that the hypothesis models and sub-hypotheses will be discussed in order, aside from the variable “willingness to pay”, which will be discussed as a final result after both models due to the nature of the variable.

#### 4.1.1 HYPOTHESES MODEL 1

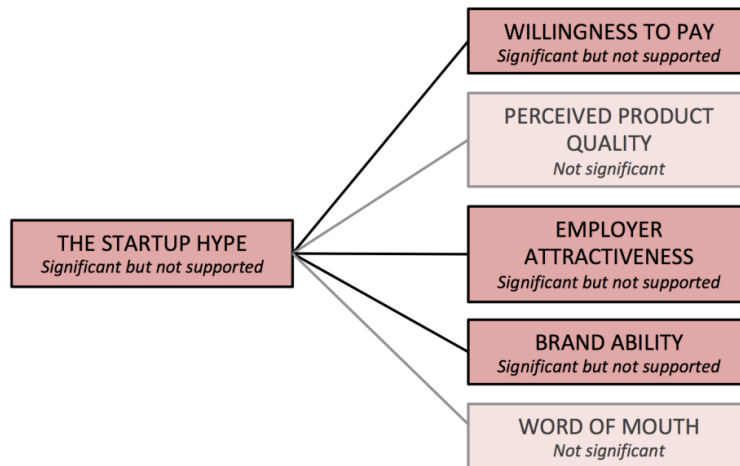


Figure 9: Results Hypotheses Model 1 (Dark pink implies significant result on a 95% confidence level, light pink signifies non-significant results)

Variables	Mean Startups	Mean Corporations	Sig.
Perceived Product Quality	4.9663	5.1190	0.384
Employer Attractiveness	3.9722	4.4085	0.006
Brand Ability	4.4268	5.1295	0.000
Word of Mouth	3.3737	3.5804	0.363

N(Startups) = 99; N(Corporations) = 112

\*p<0.05

Table 2: Results of Hypotheses Model 1

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**H1.2.** *Consumers believe startups to have a higher perceived product quality than corporations*

---

**H1.2. Perceived Product Quality:** *Not significant (sig. = 0.303, p = 0.384) and not supported.*

Despite the idea that the independent factor of company characteristic could have an effect on the perceived quality of the product, no significant result was found and no conclusions whether this factor has an effect on the perceived quality of the product could be concluded.

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### **H1.3. Consumers rate startups higher on employer attractiveness than corporations**

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#### **H1.3. Employer attractiveness:** *Significant (sig. 0.014, $p = 0.006$ ) but not supported*

The organizational association, employer attractiveness, on the other hand, showed a significant difference in means ( $m_c = 4,4085$ ,  $m_s = 3,9722$ ), but in reverse to the expected effect. It was suspected that consumers would rate startups higher on employer attractiveness, however, the results were in favor of corporations suggesting consumers think that corporations provide better employee development opportunities and would be a better place to work at.

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### **H1.4. Consumers believe startups to have a higher brand ability than corporations**

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#### **H1.4. Brand Ability:** *Significant (sig. = 0.083, $p = 0.000$ ) but not supported: corporations have significantly higher mean than startups in regards to the brand ability*

The difference in means between startups and corporations was significant (sig. 0.083  $p = 0.000$ ), but also contradictory to the hypothesis. Corporations showed a significantly higher mean ( $m_c = 5,1295$ ;  $m_s = 4,4268$ ), suggesting corporations are considered to have a higher brand ability. Therefore, H1.4 could not be supported, corporations are believed to have higher brand ability than startups.

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### **H1.5. Consumers are willing to speak more about products produced by startups than products produced by corporations**

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#### **H1.5. Word of Mouth:** *Not significant (sig = 0,491, $p = 0,363$ ) and not supported: corporations have significantly higher mean than startups when measuring word of mouth.*

Interestingly the variable word of mouth which was believed to be spurred by consumers' willingness to for self-enhancement was not affected by company characteristics leading to the conclusion that this aspect could not be proven to have or not have an effect on the willingness to speak about the product, although respondents scored corporations a slightly higher mean than startups on this question ( $m_c = 3,5804$ ,  $m_s = 3,3737$ ).



#### 4.1.2 RESULTS FROM HYPOTHESIS MODEL 2

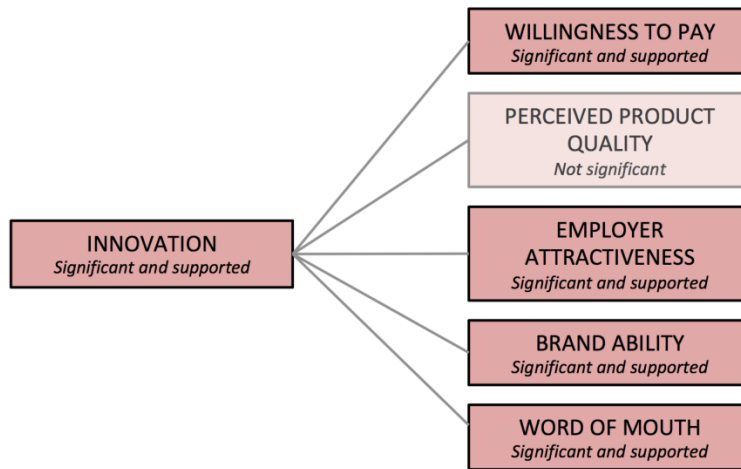


Figure 10: Results of Hypotheses Model 2 (Dark pink implies significant result on a 95 % confidence level, light pink signifies non-significant results)

Variables	Mean Low Product Innovation	Mean High Product Innovation	Sig.
Perceived Product Quality	4.9489	5.1567	0.232
Employer Attractiveness	3.9730	4.4600	0.002
Brand Ability	4.5518	5.0750	0.001
Word of Mouth	2.9009	4.1300	0.000

N(Startups) = 99; N(Corporation) = 112

\*p<0.05

Table 3: Results of Hypotheses Model 2

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**H2.1.** Consumers believe products produced by companies of higher product innovation are of higher quality than those of lower product innovation.

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**H2.1. Perceived Product Quality:** Not significant (sig. = 0.990,  $p = 0.232$ ) and not supported

When comparing products of high and low innovation, the results were not significant between the groups (sig. = 0.990,  $p = 0.232 > 0.005$ ). This indicates that any difference in means between product groups can be disregarded, the level of innovation is not proven to be a factor affecting the perceived quality.

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**H2.2** Consumers rate companies of higher product innovation higher on employer attractiveness than companies of lower product innovation.

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## **H2.2. Employer attractiveness:** *Significant (sig.825, $p = 0.002$ ) and supported*

Level of innovation had a significant difference in means, since the p-level was below 0,05 ( $p = 0,002 < 0,05$ ), affirming the hypothesis that people will believe that companies producing more innovative products will also be more attractive employers and provide better benefits ( $m_{HI} = 4,4600$  vs  $m_{LI} = 3,9730$ ). This was one of the variables which had significant results in both hypothesis models, and interestingly it was the combination of a corporation producing more innovative products which also scored highest overall in the ratings (Vision AB mean = 4,690).

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**H2.4.** *Customers think companies with higher product innovation have higher brand ability than companies with lower product innovation.*

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## **H2.4. Brand Ability:** *Significant (sig. = 0.171, $p = 0.001$ ) and supported*

The dimension brand ability between product groups with high and low level of innovation showed a significant difference in means. Testing on 5% significance level, the difference between the product groups of innovative products (AI eyeglasses) and basic water glasses, resulted in sig = 0,171 and  $p = 0.001$ , implying that a more innovative product signals higher brand ability ( $m_{HI} = 5.0750$ ;  $m_{LI} = 4.5518$ ). This variable was also a factor which was affected in both hypothesis models.

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**H2.5.** *Customers have a higher tendency of word of mouth in regard to companies with higher product innovation compared to companies with lower product innovation.*

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## **H2.5. Word of Mouth:** *significant (0.981, $p = 0,000$ ) and supported*

Although the results in regards to word of mouth were not significant between the two company constructs, the factor of innovation did turn out to have an effect on consumers' willingness to recommend the product to their friends or to share information about the product ( $p = 0,000 < 0,05$ ,  $M_{HI} = 4,1300$ ,  $m_{LI} = 2,9009$ ). This implies that consumers are more willing to speak about innovative products, as this is most likely seen as a self-enhancing action.

After performing Independent T-tests on all Indexes produced from the survey in both hypothesis models, the final variable, willingness to pay was examined in order to find potential price premiums. An Independent T-Test was performed between the startup and the corporation with the same product and level of innovation. Testing price premiums between high and low innovation, was not performed

due to the fact that the products are of significantly different price range. Naturally AI eye glasses are considered to be more expensive than a water glass. As such, statistical tests were performed between Startify and Glassware AB, as well as Glassify and Vision AB.

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**H1.1.** *Consumers have a higher willingness to pay towards products produced by startups than corporations*

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**H2.3.** *Customers have a higher willingness to pay towards companies of higher product innovation than companies of lower product innovation.*

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#### H1.1 & H2.3. Willingness to Pay:

Variables	Mean Startify Low Product Innovation	Mean Glassware AB Low Product Innovation	Sig.
Willingness to Pay (SEK)	74.46	91.45	0.195

N(Startify) = 56; N(Glassware AB) = 55

\*p<0.05

Table 4: Results willingness to pay water glass (low innovation) between startup and corporation

Variables	Mean Glassify High Product Innovation	Mean Vision AB High Product Innovation	Sig.
Willingness to Pay (SEK)	2593.03	2904.44	0.437

N(Glassify) = 36; N(Vision AB) = 50

\*p<0.05

Table 5: Results willingness to pay AI eyeglasses (high innovation) between startup and corporation

Due to the nature of the numeric variable ‘willingness to pay’ (respondents were asked in an open response question to state the “maximum amount that you would be willing to pay for this product”), only the means between the two dimensions: company, and innovation were compared.

As Table 4 shows, a water glass produced by a corporation ( $m_{CLI} = 91,45$ ), compared to a startup ( $m_{SLI} = 74,46$ ), resulted in a higher willingness to pay. However, the difference was not proven to be significant ( $p = 0,195 > 0,05$ ) and the same holds true for the AI eyeglasses, where Vision AB ( $m_{CHI} = 2904,44$ ), as a corporation, had a higher mean than Glassify ( $m_{SHI} = 2593.03$ ). In a similar manner this difference in means was also not proven to be significant ( $p = 0,437 > 0,05$ ).

Nonetheless, an interesting finding was that respondents apparently had a very varying opinion about what a water glass usually costs. In comparison, the water glass used for the study is from IKEA and costs in reality 25 SEK (Ikea.se IVRIG glass). According to this study, customers would be willing to pay 3,6 times that price, signaling a significant price premium. The same, but in reverse was evident in the case of the AI glasses, which were priced at approximately the same price level as regular eyeglasses (399 SEK - 3400+ SEK at synsam.se), without any special features or special lenses. The glasses used in the survey were Google glasses (Explorer edition), originally priced at under 1,600\$, but now available at between 530\$ - 670\$ on Ebay. These results suggest clearly that respondents might have bad price knowledge in general, especially when it comes to highly innovative products, or simply no interest for them.

## **5.0 DISCUSSION**

### **5.1 THE STARTUP HYPE - JUST A BLUFF?**

Despite previous studies showing an optimism bias towards new products and technical attributes, both aspects closely related to the common attributes of startups, the same findings could not be supported in this research. The finding that all hypotheses related to the Startup Hype showed opposite results, clearly testifies the prevalence of a preference towards corporations. Although this effect contradicts the theory providing the basis for the thesis, further secondary research does show support for the findings.

For example, a thoroughly investigated concept coined “lovemarks”, first explained by Kevin Roberts (2004), CEO of Saatchi & Saatchi, supports the concept of consumers’ emotional and mental attachment towards traditional corporations. A “lovemark”, is simplified an emotional bond between a brand and its consumers. The theory states that consumers’ attachment to brands is a result of preliminary emotions, and naturally, building an emotional attachment or creating a “lovemark” takes time, as it touches upon many different senses; *commitment*, *empathy*, and *passion* (Pawle & Cooper, 2006). Based on these findings, the respondents may base responses on emotional attachments towards traditional brands in general, of which they have relationships with. In contrary, startups may feel more distant, as they are associated with newness and therefore have not had the time or opportunity yet to attach to customers on a deeper level.

#### **5.1.1 BRAND EQUITY AS AN EXPLANATORY FACTOR**

Although used in wide extent as a basis for the research, brand equity theory also touches upon a reasonable explanation of the phenomena. Initially the concept of brand equity as “a name, symbol, design, or mark that enhances value of a product beyond its functional value (Farquhar, 1989), was

interpreted to be transferable to the branding “startup”, but other dimensions of brand equity focus on longer and existing relationships with the brand, therefore explaining why traditional corporations may be perceived as having a higher brand ability and employer attractiveness, as well as higher prices. For example, Nike can be considered to have higher brand equity than an unknown brand because consumers have a relationship to it, and therefore are willing to pay extra for the brand name. This preference most often stems from a perception of higher quality, brand leadership, and positive associations, which in turn are easier to reach for an established company which has already proven its existence by scaling and surviving for many years.

### **5.1.2 RISK AS AN EXPLANATORY FACTOR**

Finally, perceived risk is also an aspect which potentially supports the findings of the Startup Hypothesis Model. Purchasing products from a newly established company with few employees can be considered to be associated with risk, and importantly, “[...]trust is a prerequisite for successful commerce because consumers are hesitant to make purchases unless they trust the seller” (Kim, Ferrin & Rao, 2008).

Risk can be explained in various ways, but an often-cited study by Jacoby (1972), puts seven factors into focus: financial, performance, physical, psychological, social, time, and opportunity cost risk. All need to be considered in various extent in both scenarios; startup and corporation, due to the situation that a consumer is faced with an unfamiliar brand, but most likely the word “startup” in itself includes a higher risk than “well-established corporation”, which signals that this company has proven itself on the market for several years already. Concluding, the outcome that respondents prefer corporations on factors such as brand ability and employer attractiveness, may also just be a result of perceived risk, not necessarily preference, as all four brands were unfamiliar to the respondents. Interestingly though, aspects such as perceived product quality, willingness to pay, and word of mouth, which should naturally also be affected by performance and social risk factors, were not proven to be significant in either direction.

## **5.2 OPTIMISM BIAS TOWARDS INNOVATION**

Conforming to results, innovation showed tendencies as an influence of consumer bias, when it comes to all listed dimensions except for perceived product quality. The optimism bias towards innovative products is believed to be related to people's self-image in relation to purchasing decisions, as well as signaling effects such as better brand ability and higher employer attractiveness.

### **5.2.1 SELF-IMAGE AS AN EXPLANATORY FACTOR**

In conformance with Techtopia, “the reason why products or services with tech additives receive more WOM, is not only because of the added high-tech associations per se, but due to the mediating effect stemming from how people perceive users of those products or services” (Sjöstrand & Appelgren, 2016); the same is believed to hold true for innovative attributes. On that account, consumers are believed to be more prone to speak of innovative products since it makes them seem more interesting or innovative themselves. As people reconcile their own image of themselves with brands, optimism bias towards disruptive companies increase, as purchasing their products signal certain associations about the consumers, such as being interested in “newness” and as being more technologically advanced.

Consequently, after investigating the linkage between innovation bias and self image as an explanatory factor, facing product extension decisions, having one or more innovation products can be seen as beneficial, as they tend to start a chain of unofficial transmitted information, spreading positive associations to all aspects of the brand rather than just the product of interest as people want to speak about purchasing decisions that, in a positive manner, reflects them as human beings.

### **5.2.2 SIGNALING EFFECTS AS AN EXPLANATORY FACTOR**

As previously discussed, innovation can be seen as a signal of high brand ability as well as employer attractiveness, eventually affecting customers’ bias.

Companies with more innovative products are seen to have higher brand ability than the contrary. Thus, having a few highly disruptive products can potentially have spillover effects on overall perceived brand ability, which inevitably creates associations and affects the perception of the entire brand. It can also be perceived as a signal of high employer attractiveness, as many of the most disruptive brands; such as LinkedIn (no. 6), Google (no. 8), and Facebook (no. 7) are highly innovative - and on the top list when listing “the best places to work” based on employees’ choice (Glassdoor, 2019). This indicates that people associate companies with innovative product portfolios as fun or exciting to work at. If this holds true or not can be further discussed, whether this perceived employer branding is just a “hype” as well, or if brands presenting innovative products actually are more satisfactory to work at than the contrary.

As a product’s level of innovation increases, consumers’ willingness to pay tends to rise as well - initiating a discussion in whether companies benefit from launching disruptive products over basic ones, even though it entails higher costs, especially in regard to R&D. As willingness to pay essentially depends on two key aspects in conformance to theory: ability to assess a new product’s utility and motivation in purchasing the new product (Hofstetter, Miller & Krohmer, 2013), it conforms with the rest of results, showing that willingness to pay is an overall sign of consumer interest. People who are

willing to talk about products, who perceive companies highly in terms of brand ability and employer attractiveness, are also more likely to purchase products for higher price points. Thus, it can be discussed whether willingness to pay can be seen as a result of other aspects: if companies performing well on other dimensions have the right to take higher prices, or if price actually acts as an indicator and of higher brand ability, employer attractiveness and word of mouth - creating associations which make the customer perceive the brand as better than it actually is. Regardless of which, launching one or more highly innovative products is favorable as it increases customers bias towards willingness to pay.

## 6.0 CONCLUSION

The initial idea of the thesis was to explore whether the so-called “Startup Hype” has an effect on consumer behavior as an indirect result of brand equity. As stated, the preliminary idea, based on prevailing theory regarding optimism bias, brand equity theory, and signaling effects, was that startups would have a greater positive breakthrough in terms of positivity bias and that this experienced optimism associated with the term “startup”, would have spillover effects on behavioral attitudes and actions. To the authors’ surprise, the insights were rather a paradox, as results indicate that consumers have a stronger bias towards corporations, which implies that the Startup Hype actually is *just a hype*. However, in hindsight, given the choice of brand equity as a measurement model, the findings are not all too surprising since brand equity as a model is often based on consumers’ long time relationship to the company, which obviously is difficult for a startup to have in its initial phases.

Nonetheless, people are seen to have a bias towards “innovativeness”; one of the attributes that startups are associated with. Concluding this - the potential optimism bias towards startups can be seen as a bluff, implying that companies do not benefit from using “startup branding” since valuable measures such as willingness to pay and brand attitude are higher for a well-established brand. Product extension in regard to innovation on the other hand, is seen as favorable.

## 7.0 MANAGERIAL IMPLICATIONS

As a result of the findings, managerial implications notably appertain to the field of product innovativeness, branding, and product portfolio. Both managers of smaller firms as well as larger corporations can benefit from realizing the value of being ‘established on the market’ as this leads to a higher attitude towards the product and the company. Interestingly though, willingness to pay did not differ significantly between companies of different nature, despite showing higher means for corporations in both product groups. For large corporations, brand extension can actually benefit from being associated to the mother company, and smaller companies may want to seem more established than they are - meaning they should not profile them as a startup in the eyes of the consumer. However, what seems more important is the level of innovativeness, most notably in the eyes of male consumers.

Innovative products significantly enhance the preference for a company, and a company producing highly technologically innovative products similar to AI eyeglasses, may according to our results want to adjust marketing efforts towards male customers who show a much higher willingness to pay for these products on average. Notwithstanding, as startups are considered to be more closely associated with innovation, corporate-startup collaboration may well be an interesting option to explore when extending the product portfolio. Other interesting insights, although not statistically proven, and therefore implemented with caution can give guidance for managers as well. In this study the older age group (36-65+) showed slightly higher values in terms of brand ability and employer attractiveness towards startups, whereas the younger (17-35) group preferred working for traditional corporations, raising implications in terms of employer branding. Additionally, managers of startups might want to look closer at their female customer base and see if they can be recruited as ambassadors, as according to the results, a tendency is shown that women are more inclined than men to engage in word of mouth when encountered with products produced by startups. Lastly the results suggest clearly that consumers in general have very bad price knowledge, even when confronted with an online offer, (the survey was distributed online) where they could easily open a tab and perform price checks on the products tested.

## **8.0 CRITICAL COMMENTARY AND LIMITATIONS**

Throughout the study, areas of limitation and suspected issues have been highlighted to give the reader a chance to critically review the findings and conclusions. Nonetheless, the most notable matters have been summarized here once again.

A central limitation touches upon the design of the questionnaire, including the composition of scenarios as well as selection and range of representative products. Firstly, by only comparing two different products, potential individual preferences may have shaped the answers in a manner that leads to alternative explanations to certain answers. Water glasses cannot be proven to be representable for all products of low innovation levels, and conversely, the same limitation applies to AI eyeglasses in regards to highly innovative products. Respondents with different interests might simply not be interested in the product or the specific company and thus answer overly positive or negative on the questions provided. Moreover, some respondents stated that it was difficult for them to answer the survey since they had no previous experience with the specific company, but since this was a central decision in order to avoid company specific associations, it should be acknowledged, but not a primary focus.

The criticism section also encompasses the choice of a non-probability sampling method as discussed in the early stages of the paper. The sample cannot be proved to be a perfectly representative sample of the entire population of Stockholm and there was not enough geographical spread between Stockholm



and other cities to ensure that the phenomenon is only specific to Stockholm as a startup hub. Advantageously, the respondents should have had an equal chance of being selected, by using a probability sampling method instead. Nonetheless, the sample consisted of a representative sample which according to our theories would show a more positive bias towards startups.

Lastly, in accordance with Bryman & Bell (2011, p. 179), quantitative research fails to distinguish people in a social institution from “the world of nature”. The reliance on instruments and procedures is believed to hinder the connection between research and everyday life. This questions how to establish the importance of the questions asked to the respondents. As stated, respondents might not be interested in the field of study. Furthermore, fixed choice answers are often criticized since the measurement process possesses an artificial and spurious sense of precision and accuracy and hence, that people may not interpret key terms similarly (Bryman & Bell, 2011). Also, Bryman and Bell pose that the analysis of relationships between variables creates a static view of social life that is independent of people’s lives, and thus, not a realistic view of everyday life. To reduce this implication, qualitative research could have been conducted to gain a deeper insight into the thought processes of respondents.

## **9.0 FUTURE RESEARCH RECOMMENDATIONS**

Because this paper represents a preliminary starting point into the investigation of branding and brand equity in relation to startups and optimism bias, it possesses several opportunities for further research.

Overall, the recommendation is to conduct further research within the area of positivity bias, towards an attribute differing from but related to newness, technology, and innovation; hence, another “replication” study which elaborates upon the research of Nextopia, Techtopia and essentially, “The Startup Hype - *Just a Bluff?*”.

More in detail, attributes in consideration for future research are 1) testing if the same results hold true for other products group within the range innovative - basic, 2) if the same ideas apply for other company structures; beyond startups and well-established corporations, 3) whether additional attributes should be tested to see whether the “startup” hype has an effect on alternative attributes besides the five listed. How attributes interact is also relevant to examine further, in order to identify whether there is a moderating factor among them or if all of them act as independent influences.

For further research, it would be interesting to see if similar consumer preferences are seen in other geographical locations around the world, including startup hubs as well as places with less startup presence, as well as testing differences between different demographic groups such as age, occupation, and gender more in-depth.

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