

Modeling the brand extensions' influence on brand image[☆]

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Abstract

Brand-extension strategies enhance success chances of new products, even though they expose brand image to dilution risks. The present work analyzes how brand-extension evaluation can affect the current brand image and proposes a theoretical model formed by five main factors related to brand associations, extension congruency and extension attitude. The model estimation includes structural equation analysis using data from 699 surveys developed under market conditions. The results verify that extension attitude influences brand image, whereas initial brand associations and perceived fit between the new product and either the remaining products (category fit) or the brand image (image fit) are able to strengthen consumer attitude. The study also explains the role of consumer innovativeness as a moderating factor, suggesting that the characteristics of consumer personality could be more important than expected.

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1. Introduction

Today, firms invest substantial resources to develop names with a favorable image. Among other advantages, a positive image facilitates business expansion through brand extensions (Keller and Aaker, 1992). Thus, product introductions with the same brand name are able to leverage the brand image, brand awareness and, on the whole, brand equity obtained in the established markets (Milberg et al., 1997). Considering low costs and high success chances (Milewicz and Herbig, 1994; Keller, 2003), more than 80% of firms opt for brand extensions as a way of marketing goods and services (Keller, 2003).

Associating an existing brand to a new entity such as a geographical name, a person or, as in this case, a product may affect the existing brand's image associations. The effect can be positive, thus increasing the memory and strengths of such associations

(Morris, 1999; Aaker, 2002), although a dilution of current beliefs often occurs (Ries and Trout, 1993; John et al., 1998).

On the basis of psychology-based theories, several authors try to explain the extension-brand feedback effect through different theoretical approaches (Gürhan-Canli and Maheswaran, 1998; Loken and John, 1993). Others analyze the effect of several factors, such as consumer attitude to the extended product, on brand image (Alexander and Colgate, 2005; Chang, 2002). These studies, however, use a limited number of variables that narrow the scope of analysis and make generalization difficult.

With the aim of gaining insight into the process by which consumer attitude toward brand extensions transfers to brand image, the present paper extends previous research in several ways. First, the study analyzes the interrelation between the attitude toward the brand and the attitude toward the extension, trying to discover if potentially successful extensions can be damaging to the current associations. Second, the main contribution of the present study is the proposal and validation of a theoretical model that, starting from initial brand image, explains brand-extension attitude formation and the influence on brand image. Regarding previous research, mainly focused on either category fit or image congruency, the study also verifies whether the moderating role of consumer innovativeness in the extension evaluation process is different depending on the type of perceived fit.

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In satisfying the aforementioned goal, the study divides into five sections. Sections 2 and 3 contain a brief review of the literature to justify the theoretical model and the relations established in the hypotheses. The fourth section describes the method used to validate the model, reporting the results in the fifth section. Finally, the paper concludes with theoretical and managerial implications.

2. Influence of extensions on brand image

Extensions are a suitable strategy when they contribute to the improvement of the parent brand, reinforcing brand equity associations (Aaker, 2002) and, hence, improving brand positioning (Park et al., 1986). Nevertheless, extensions can also dilute brand-associated values, creating new associations or confusing the current ones (Tauber, 1988; John et al., 1998). Prestige brands that provide self-expression benefits run a high dilution risk, especially if they launch products in lower price-quality levels (Kim et al., 2001; Aaker, 2002). This negative effect can affect general brand associations (Martínez and de Chernatony, 2004) and the beliefs in specific attributes (Keller and Aaker, 1992; Loken and John, 1993), such as those related to the most representative product of the brand or flagship product (John et al., 1998; Chang, 2002). Diamantopoulos et al. (2005) find no evidence that extensions modify those perceptions related to brand personality.

The sign of brand image variation will depend on the reciprocal transfers between the new product associations and the extended brand beliefs. According to Czellar (2003), a transfer of affection or concrete knowledge, either related or not to the products, may occur. Several models and theories allow understanding of the extension-parent brand transfer process. These models often assign a specific role to new product-extended brand perceived fit, an extremely important concept in the field of brand extensions (Aaker and Keller, 1990; Völckner and Sattler, 2006).

According to the “associative network theory”, brand image is a mental scheme formed by a network of concepts (nodes) interconnected by linkages or associations (Anderson, 1983; Morrin, 1999). When the company launches an extension coherent with the pre-existing associations, the brand scheme will assimilate the new concept with no significant alterations. On the contrary, if the new example substantially differs from the scheme, the latter changes and adapts to the new associations (Park et al., 1993). Viswanathan (1997) explains that these adaptation or assimilation processes act as an “anchor” adjusting to the new information. The weight that consumers attach to the information will depend on its accessibility (Ahluwalia and Gürhan-Canli, 2000). In high accessibility conditions, any extension category might improve or dilute the brand scheme depending on the positivity or negativity of the information. On the contrary, in a low accessibility situation, positive information will mainly benefit far extensions, whereas negative information will be more damaging to the closest extensions to the brand and its products.

Researchers have proposed alternative theories to understand feedback effects of brand extensions. According to the “book-

keeping model”, consumer beliefs always change when faced with any kind of information, even in the case of extensions coherent with the parent brand (Weber and Crocker, 1983). On the contrary, the “typicality model” highlights the importance of the congruency of the information, in such a way that incongruent extensions would lead to “sub-types” with independent associations within the original category (Weber and Crocker, 1983; Gürhan-Canli and Maheswaran, 1998). Finally, the “conversion model” establishes that brand schemes only change in extremely atypical examples (Weber and Crocker, 1983; Gürhan-Canli and Maheswaran, 1998). Loken and John (1993) prove that two models seem to coexist in the field of extensions, a typicality one for low-fit extensions and a bookkeeping one for the rest. However, Gürhan-Canli and Maheswaran (1998) find that high-motivated individuals always change their beliefs according to the bookkeeping model; low-motivated individuals, however, act according to sub-typing models, being their evaluations more extreme when perceived fit is high.

3. Hypotheses

Brand stretching into new products or services can be a fast way to remove brand associations from the consumers’ mind. Most experiments on brand association dilution expose participants to information on low-fit or failure extensions (Loken and John 1993; Leong et al., 1997; John et al., 1998), although risk also arises when it comes to apparently successful extensions.

Keller and Sood (2003) state that parent brand dilution is more likely to occur when the experience with the new category is wider (“strength”), when consumers consider the extension as relevant for the brand (“diagnosis”) and when the experience is more incongruent with the brand image (“inconsistency”). The present work analyzes the extension consistency issue, or fit, which is the factor that all the cognitive models of brand-extension feedback consider as more relevant (Loken and John 1993; Park et al., 1993).

The literature reveals that the attitude to an extended brand directly depends on the fit degree with the extension (Grime et al., 2002). The expansion to far categories will involve losing brand differentiation and credibility, whereas extensions to related markets will avoid potential damage (Aaker, 2002). Authors like Milberg et al. (1997) demonstrate that far extensions generate negative feedback in terms of attributes or image. Similarly, Lee and Ulgado (1993) verify that fit has a positive effect on the image of service firms, whereas Martínez and de Chernatony (2004) verify the same for tangible product extensions.

According to the following hypotheses, low-fit extensions will exert a dilution effect on brand image not only when consumers hold an unfavorable attitude toward brand extensions but also when extension attitude is positive. Regardless of the extension evaluation, far extensions give rise to new associations and, hence will vary the brand schema (Park et al., 1993). On the contrary, launching close extensions to the parent brand can be a way of strengthening current associations. This positive influence probably appears when extension attitude is favorable, although unsuccessful extensions are only able to maintain the brand beliefs. In this case, the unfavorable judgment should inhibit the positive effect of communicating the brand associations

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