



SPANISH JOURNAL OF MARKETING - ESIC

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ARTICLE

Trademark dilution and its practical effect on purchase decision

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Received 22 January 2016; accepted 23 December 2016

KEYWORDS

Trademark dilution;
Blurring;
Brand equity;
Purchase decision;
Well-known
trademarks

Abstract This work aims to analyze the effect of unauthorized use of trademarks on its consumer-based brand equity and on the consumer purchase decision, through a mediation model with structural equations. An experiment was carried out with 618 participants, who were exposed to advertising of famous brand products or senior brands, and fictitious products with the same brands or junior brands. Participants were then asked to make some purchases with a real budget of US\$5. The results show that exposure to junior brands reduces senior brand equity, i.e. results in trademark dilution, mediating a reduction in the purchase of senior brand products. In addition, similarity between junior and senior brands alleviates brand equity dilution, while consumer involvement with the product category of the famous brand has no moderating effect. The study aims to contribute to our understanding of trademark dilution, including the effect on purchase decision – a subject so far unexplored in the empirical literature. Moreover, the study pursues to highlight the importance of protecting well-known trademarks in order to avoid damage occurring not only in consumer perceptions, but also in firm's sales and brand financial value.

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PALABRAS CLAVE

Dilución de marcas;
Empañamiento;
Capital de marca;
Decisión de compra;
Marcas renombradas
y famosas

Dilución de marcas registradas y su efecto práctico sobre la decisión de compra

Resumen Este trabajo analiza el efecto del uso no autorizado de marcas registradas sobre su capital de marca y la decisión de compra de sus consumidores, mediante un modelo de ecuaciones estructurales. Se diseñó un experimento en donde 618 participantes fueron expuestos a publicidad de productos de marcas famosas (marcas *senior*) o de productos ficticios con las mismas marcas (marcas *junior*), y luego realizaron compras con un presupuesto real de US\$ 5. Los resultados muestran que la exposición a las marcas *junior* reduce el capital de marca de las

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<http://dx.doi.org/10.1016/j.sjme.2016.12.003>

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marcas *senior* (dilución), funcionando como efecto mediador en la reducción de la compra de sus productos. Se encontró que a mayor similitud entre la marca *junior* y la *senior*, se reduce la dilución del capital de marca de esta última, mientras que el nivel de involucramiento con la categoría de producto de las marcas *senior* no tuvo un efecto moderador. El estudio contribuye al conocimiento de la dilución de marcas registradas, llegando hasta el efecto -aún no estudiado- sobre la decisión de compra, y pone de manifiesto la importancia de la protección de las marcas famosas o renombradas, con el objeto de evitar daños no sólo en las percepciones del consumidor, sino también en las ventas y el valor financiero de la marca.

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Introduction

The unauthorized use of a famous brand's distinctive elements, such as its brand name, slogan, logo, package design, etc., could negatively impact the brand that is imitated (senior brand), through cognitive, affective, or behavioral effects on its consumers (Loken & John, 2010). This phenomenon is called trademark dilution and is defined, in a general sense, as a reduction in brand equity due to the emergence of an imitator or unauthorized user (junior brand) (Simonson, 1993). From a consumer perspective, the brand equity construct cited by Simonson is defined as the perceived added value with which a given brand endows a product, beyond its functional benefits (Aaker, 1991; Farquhar, 1989; Keller, 1993). Simonson (1993) agrees with marketing scholars' opinion in the sense that brand associations in consumers' minds are "key building blocks" (p. 151) of brand equity and he explains that, through either weakening or modification of associations, junior brands may dilute senior brands' equity.

Brand equity literature suggests that consumer-based brand equity becomes economic value for the firm through transactions in the marketplace (purchase behavior), recommendations to others, positive word-of-mouth (Keller & Lehmann, 2006) or willingness to pay price premiums (Buil, Martínez, & de Chernatony, 2013). The lack of empirical analysis of brand equity and real purchase decisions in previous studies is considered an important weakness (Magid, Cox, & Cox, 2006; Steckel, Klein, & Schussheim, 2006; Tushnet, 2008); evidence is not provided to ascertain whether there is economic harm for trademark holders. Tushnet (2008), in particular, doubts whether negative effects at the consumer mind level, which include beliefs, attitudes and purchase intentions, are strong enough to reduce purchasing of senior brands. In order to address these gaps in the trademark dilution literature, the main purpose of this study is to analyze the effect that the emergence of junior brands has on real purchase decisions relating to senior brands, mediated by brand equity.

A second purpose is to test whether consumer involvement with the senior brand's product category, known as product involvement, moderates the effect of junior brands on senior brands' equity and purchase decision. Product involvement is the perceived relevance of a product category for a consumer (Coulter, Price, & Feick, 2003), in accordance with the consumer's needs, goals, and values (Nkwocha, Bao, Johnson, & Brotspies, 2005). In consonance

with the Elaboration Likelihood Model (ELM) (Petty, Cacioppo, & Schumann, 1983; Petty & Cacioppo, 1984), consumers process the information related to products in different ways, depending on their degree of involvement. Thus, product involvement is a frequently used moderator in a broad number of topics in marketing, e.g. brand loyalty (Bennett, Hartel, & McColl-Kennedy, 2005), brand country of origin recognition (Martín & Cerviño, 2011), consumer behavior (Celsi & Olson, 1988; Cooke & Sheeran, 2004) and brand extensions (Dens & De Pelsmacker, 2010; Nkwocha et al., 2005). Given that brand extensions and trademark dilution literature have common theoretical elements, we argue that involvement could condition the effect of junior brands on brand equity.

Finally, this study analyzes how perceived similarity between the junior and senior brands moderate dilution of brand equity, since this variable has shown significant moderator effects in previous studies about trademark dilution. The next section summarizes the theoretical background for the study and develops its hypotheses.

Conceptual framework and hypotheses

Brand equity and consumer behavior

From a consumer perspective, several authors (Aaker, 1991; Farquhar, 1989; Keller, 1993) define brand equity (BE) as the differential perceived value that a branded product offers, when compared to the same unbranded product whose value is only functional. Yoo, Donthu, and Lee (2000) add that brand equity is expressed as the difference in consumer preference between these two products. However, Keller (1993) and Aaker (1991) state the brand equity construct is based on associations between the brand and product attributes, sensations or consumption experiences. The Associative Network Model (ANM) (Anderson, 1983; Teichert & Schöntag, 2010) posits that information in consumer memory is stored in networks consisting of nodes: brand, attributes, sensations, experiences interconnected by links. In the context of brand-related networks, these links are known as brand associations, which can vary in strength. Retrieving of information from memory depends on the activation of one node and how strong it is connected to other nodes. For example, when buying a soft drink, a consumer may think about Coca Cola because of a strong association between the brand and the product category. Other

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