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Brand extension feedback: The role of advertising ☆

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ABSTRACT

Firms often use brand extensions as a way of introducing their new products, although they also risk diluting their brand image. In order to understand how consumers assess extensions and extended brands, the present work proposes and estimates a theoretical model, using the structural equation methodology. The results of the estimation indicate that the attitude towards the extension influences brand image and that this attitude is a consequence of the initial brand beliefs and the coherence of the new product. A multisample analysis also reveals that favoring the introduction of extensions through adequate advertising constitutes an efficient way of protecting brand image.

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1. Introduction

Launching new products is a business activity with high risks and costs. As success rates are usually below 50% (Taylor and Bearden, 2003), firms often resort to brand extension strategies, in an attempt to make their new offers more attractive for consumers and distributors.

Brand extensions involve using the name of an existing brand to introduce new product categories (Aaker and Keller, 1990) and leveraging the brand equity developed in traditional markets (Balachander and Ghose, 2003; Farquhar, 1989). As well as stimulating demand, equity transfer from the original brand to the extension avoids the high costs of developing and communicating a new brand name (Aaker and Keller, 1990; Milewicz and Herbig, 1994). These and other advantages may explain why extensions are one of the commonest strategies among marketing managers (Völckner and Sattler, 2006).

Analyzing the transfer of associations between the brand and the new extension is essential when considering the success or failure of an extension strategy. The consumer mentally interchanges his knowledge and affection for the brand and the extended category (Czellar, 2003; Keller, 2003) generating changes in the brand image and its positioning (Martínez and de Chernatony, 2004; Park et al., 1986). Most researchers have focused on the "forward effect" or transference of associations from the parent brand to the extension (Aaker and Keller, 1990; Balachander and Ghose, 2003; Czellar, 2003). However, the "feedback" or "backward effect" from the new category to the extended brand equally deserves the attention of researchers (Balachander and Ghose, 2003), since it can cause the dilution of established brand associations (Desai and Hoyer, 1993).

To avoid undesired results, firms can use various marketing actions, such as advertising campaigns, which can improve consumer assessment of the new product (Reddy et al., 1994; Taylor and Bearden, 2003) and, therefore, of the brand (Balachander and Ghose, 2003; Sheinin, 1998).

For all the reasons above, it is of great interest to analyze the reciprocal transfer of associations between product brands and brand extensions. The present research proposes and estimates a theoretical model which explains the assessment of extensions and the subsequent effects on brand image, considering the moderating role of advertising. Previous research analyzes the effects of brand equity leveraging and feedback as independent phenomena. This study proposes a comprehensive model that considers the process as a whole. Moreover, it extends previous findings by showing how commercial ads are able to attract consumers' attention to the initial brand image in order to evaluate the new product.

Having outlined the motivation behind this article, the following sections contain a brief review of the literature to justify the hypotheses that shape a theoretical model. The next part describes

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the methodology and the results regarding the model estimation. Then, the paper ends with the conclusions and implications for researchers and practitioners alike.

2. Brand extensions and advertising

Researchers have widely studied brand extension strategy since the pioneering work of Boush et al. (1987). Most of the prior research has studied how consumers evaluate brand extensions (e.g., Aaker and Keller, 1990; van Riel et al. 2001; Völckner and Sattler, 2006) and, more recently, the feedback effects on the extended brand (e.g., John et al., 1998; Martínez and de Chernatony, 2004). In order to predict both brand extension acceptance and feedback effects, academics mainly rely on categorization theory and theories of schema-triggered effects (Loken and John, 1993 Park et al. 1993 Thorbjørnsen, 2005).

According to the associative network theory, the consumer mind contains a network of concepts (nodes) interconnected through linkages or associations (Anderson, 1983; Morrin, 1999). When consumers associate the brand to a new product, they re-adapt their cognitive structure to accommodate or assimilate the new associations (Park et al., 1993). This process depends on the degree of fit between the extended category and the person's existing mental schema (Czellar, 2003; Loken and John, 1993). Assimilation will thus occur when a high degree of fit exists, and the existing schema remains essentially unchanged. On the other hand, a low perceived fit will lead to an accommodation of the new associations by changing the cognitive scheme (Park et al., 1993). Although book-keeping models explain that the new associations will always affect the preexisting ones, extensions that significantly deviate from the parent brand might create a separate cognitive category or sub-type (Gürhan-Canli and Maheswaran, 1998; Loken and John, 1993; Weber and Crocker, 1983).

Determining the type of associations that consumers have in their mind is particularly important for extension success. Rangaswamy et al. (1993) posit that those brands whose utility stems from intangible or symbolic attributes generate associations to new categories more easily because they are easier to stretch compared to brands relating to functional or tangible attributes. Moreover, intangible associations are more resistant to negative spillover effects on the extended brand image (Diamantopoulos et al., 2005; Loken and John, 1993). With respect to specific brand associations, some authors prove that consumer attitude is highly dependant on perceptions about quality (Aaker and Keller, 1990; van Riel et al., 2001) and brand breadth (Boush and Loken, 1991; Dacin and Smith, 1994). On the other hand, extension associations like perceived difficulty in manufacturing (Aaker and Keller, 1990) and product category (Bristol, 1996; Schmitt and Dubé, 1992) are also key variables influencing the extension success (for reviews, see Czellar, 2003; Grime et al., 2002; Völckner and Sattler, 2006).

As well as identifying the nature of associations, the brand extension literature reveals some factors that influence the degree of strength between such associations and the mental concepts or nodes. For example, parent brand experience improves the brand extension evaluation (Swaminathan et al., 2001; Swaminathan, 2003) and avoids the risk of brand image dilution (Alexander and Colgate, 2005; Swaminathan, 2003). This positive effect can be due to the fact that brand experience will increase the strength of brand associations and, therefore, the probability of recovering them in a purchase situation.

One variable that companies can control to manage their brand associations is advertising. In general, the impact of communications on the attitude toward brand extensions and the extended brands will depend both on the accumulated investment amount and the kind of messages communicated to the outside. Regarding the first issue, several authors verify that advertising effort positively relates to brand extension success (Nijssen, 1999; Taylor and Bearden, 2003). In relation to the second matter, companies may apply different communication strategies to increase perceived fit and, consequently, consumer acceptance (Aaker and Keller, 1990; Bridges et al., 2000).

The theory of hierarchy of effects is useful for studying the influence of advertising on the consumer behavior toward brand extensions. According to this theory, the first goal of advertising is not to sell but to enhance brand awareness and brand beliefs by communicating the existence of the brand and informing consumers of its attributes. If the company can achieve this goal, consumers will be more likely to try the brand or remain loyal (Deighton et al., 1994; Vakratsas and Ambler, 1999). In general, recent research lends credence to this theory by demonstrating that advertising enhances brand knowledge (Karaosmanoglu and Melewar, 2006; Villarejo and Sánchez, 2005) and, later on, purchase intentions (Crane, 1990; MacKenzie et al., 1986). Chen and Liu's (2004) findings show that advertising, rather than sales promotion, encourages consumers to try brand extensions, even in the case of line extensions that belong to the same product category. Moreover, Smith and Park (1992) show that brand extensions increase the advertising efficiency since the communication effort addressed to an only product stimulates the demand for all the products affiliated with the same brand.

As well as considering hierarchy of effects, researchers heavily draw on Dual Mediation Hypothesis (DMH) to examine the effects of communications on consumer attitudes (e.g., Karson and Fisher, 2005; MacKenzie et al., 1986; Petty and Cacioppo, 1981). As suggested in the Elaboration Likelihood Model (Petty and Cacioppo, 1981), the DMH proposes that the effects of persuasive communications can follow either a central or peripheral route. On the one hand, the central route assumes that individuals focus on the message content and develop brand cognitions that mediate the effect of the attitude toward the ad on the attitude toward the brand. On the other hand, the peripheral route suggests a direct link between attitude toward the ad and attitude toward the brand, since individuals will devote their attention to contextual cues (music, ad's visual elements, etc.). Focusing on brand extensions, Lane (2000) analyzes the effect of communicating repeatedly either peripheral associations, such as the label and package, or central associations like the brand benefits. For moderately incongruent extensions, Lane's (2000) results indicate that both peripheral and central brand associations positively influence both extension attitude and perceived fit. Nevertheless, for highly incongruent extensions, the only effective strategy is to evoke benefit brand associations (central route).

3. Conceptual framework and hypotheses

In order to minimize potential negative effects of brand extensions on the current associations, it is necessary to understand the process of brand associations leveraging and feedback effects. To date, the literature has mainly focused either on brand extension evaluation or on spillover effects. The analysis of this process as a whole deserves higher attention.

The essence of extension strategies lies in capturing brand equity (Balachander and Ghose, 2003; John et al., 1998). From a consumer perspective, researchers regard brand equity as a multidimensional concept which reflects the added value with which the brand endows the product (Aaker, 1996; Farquhar, 1989). Brand awareness, brand image and brand loyalty are some of the most commonly cited dimensions (Aaker, 1996; Pappu et al., 2005), and according to the models defined by some authors (Korchia, 2004; Na et al., 1999) some causal relations act as a link between them. Aaker (1996) adds perceived quality to his concept of brand equity, although this author admits that brand image also includes associations related to the performance of products. Consequently, the article hereon focuses on brand awareness, brand image and brand loyalty as the main factors making up brand equity. Other researchers also find it more interesting to analyze these dimensions separately (e.g., Park and Kim, 2001; Völckner and Sattler, 2006) instead of considering a higher-level construct. The individual effect of brand equity on the attitude toward brand extensions may differ depending on the dimension analyzed.

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