



## Category characteristics' effects on brand extension attitudes: A research note



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### ABSTRACT

Prior studies on attitudes towards brand extensions focus mainly on the effects of the perceived fit between the brand extension and the extension category. This exploratory paper contributes by describing two studies of how the following four extension category characteristics affect consumers' attitudes towards brand extensions: (1) the awareness set size; (2) the perceived similarity among existing brands; (3) the perceived category familiarity; and (4) overall category attitudes. Results from two studies suggest that consumers evaluate brand extensions more favorably when the awareness set size is small or when their attitude towards the extension category is favorable. Consequently, brand managers must analyze the extension category carefully when developing brand extensions.

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### 1. Introduction

In brand extension decisions, brand managers consider three important questions: (1) Does the parent brand fit in the extension category? (2) How do consumers' perceptions of the brand extension affect their perceptions of the parent brand? (3) What characterizes the extension category?

This paper focuses on the third question. Sony Ericsson's recent move into watches can illustrate this issue. The fit between the brand extension and the extension category might be excellent, but the crowded nature of the global watch market will most likely influence negatively the prospects of Sony Ericsson watches. Surprisingly, previous research gives little attention to this topic. Thus, the contribution of the current paper is to empirically investigate how different characteristics of the extension category, awareness set size, perceived similarity among existing brands in the extension category, consumers' familiarity with the extension category and overall extension category evaluation, influence the evaluation of a new brand extension. To our knowledge, this is the first paper that includes all these variables in the same exploratory model, and thus investigates the relative effects of these characteristics. Results from an exploratory study, using a quasi-experimental field-survey design on real consumers, show that these characteristics are important for brand evaluations. Furthermore, in *Study 2*, a classroom experiment further validates one of the important variables from *Study 1*: consumers' attitudes toward the extension category.

This research offers important practical importance to marketers. First, its results provide insight into how four characteristics of the extension category can influence consumers' acceptance of a new brand extension and help guide managers' decisions of which category characteristics that are most important for brand extension success. Second, the current research offers guidelines into how marketers should analyze potential new extension categories to increase the likelihood of brand extension success.

### 2. Theory and hypotheses

Product categories can be characterized in several ways. Previous studies investigate such things as the following: awareness set size and the role of dominant brands in the extension category (Lehmann & Pan, 1994); the number of competitors in the extension category (Smith & Park, 1992); brand quality levels in the extension category (Jun, Mazumdar, & Raj, 1999); the potential for a differentiated brand positioning in the extension category (Sheinin, 1998); variation in offerings across category members (Kardes & Allen, 1991); type of products offered (Smith & Park, 1992); and consumer expertise (Nam & Sternthal, 2008). The list of potential category characteristics is indeed very long.

The current research combines four of these important variables: awareness set size, perceived similarity among existing brands in the extension category, consumers' familiarity with the extension category and overall extension category evaluations. In addition, the paper includes two well-established variables in brand extension research, brand strength and perceived fit, to test the relative effects of these extension category characteristics on consumers' brand extension attitudes. In the next section, we elaborate on these variables and state our hypotheses.

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### 2.1. Brand strength and perceived fit

Previous research shows that stronger brands have more potential for successful brand extensions than weaker brands do (Aaker & Keller, 1990), and that fit (similarity between the parent brand and the extension category) significantly affects consumers' brand extension attitudes (e.g., Aaker & Keller, 1990; Völkner & Sattler, 2006). Hence:

**H1.** Brand strength affects positively consumers' brand extension attitudes.

**H2.** Perceived fit between the brand extension and the extension category affects positively consumers' brand extension attitudes.

### 2.2. Attitudes toward the extension category

Consumers evaluate brand extensions based on available and relevant information. Bristol (1996) argues that consumers form brand extension attitudes based on the image of the original brand and on the extension category's characteristics. Approximately ten percent of the associations mentioned by consumers when thinking of a brand extension relate to the extension product category (Bristol, 1996). Consequently, consumers with positive extension category attitudes are likely to evaluate a brand extension more positively than are consumers with neutral or negative attitudes toward the extension category. Hence:

**H3.** Consumers' positive extension category attitudes affect positively their brand extension attitudes.

### 2.3. Awareness set size

Consumers select brands based on a cognitive categorization process consisting of several hierarchical steps (Shocker, Ben-Akiva, Boccato, & Nedungadi, 1991). In the first important step, the brand extension must become salient in the consumers' minds. Therefore, to be selected, a brand extension must attract consumers' awareness. When only one (or a few) brand(s) exists in the new category, consumers will more likely notice the brand extension. Hence:

**H4.** Awareness set size affects negatively consumers' brand extension attitudes.

Consumers differ in their familiarity and knowledge about product categories. In general, consumers possess richer knowledge structures for familiar product categories than for unfamiliar categories, and these knowledge structures affect positively their attitudes toward the category (e.g., Alba & Hutchinson, 1987). Furthermore, since these knowledge structures also include specific brands (Keller, 2008), higher levels of familiarity should also imply that consumers become aware of more brands in the category. Hence:

**H5.** Product category familiarity affects positively awareness set size.

**H6.** Product category familiarity affects positively extension category attitudes.

Consumers highly familiar with the extension category, and who thus have a rich knowledge structure, will more easily perceive similarities between brands in the category (Agrawal & Maheswaran, 2005). Furthermore, a large awareness set size will make the categorization process easier, since consumers have more brands on which to base their similarity evaluations. Hence:

**H7.** Product category familiarity affects positively consumers' perceptions of awareness set similarity.

**H8.** Awareness set size affects positively consumers' perceptions of awareness set similarity.

### 2.4. Awareness set similarity

Several studies show that the perceived similarity of alternatives in a decision set can strongly influence choice (e.g., Ross & Creyer, 1992; Tversky, 1972). According to the logic of the cost of thinking (Shugan, 1980), brands positioned closer to each other will be easier to process cognitively. Such brands receive more consumer consideration than do brands positioned further apart, and if this consideration produces relevant and diagnostic thoughts, consumers will probably evaluate the product category more favorably. Hence:

**H9.** Awareness set similarity affects positively extension category attitudes.

When evaluating a brand extension, consumers perceive its attributes and overall quality based on different types of relevant information (e.g., Ross & Creyer, 1992). Among these types (e.g., information about price, packaging, advertising intensity, retailer brand image), the current research focuses on how extension category characteristics influence these perceptions. Consumers use their perceptions of the other category members' quality levels to form attitudes toward the brand extension. Higher awareness set similarity may allow consumers to more easily infer the extension's quality based on their general perceptions of other brands in the category (Lehmann & Pan, 1994). Hence:

**H10.** Higher awareness set similarity affects positively brand extension attitudes.

## 3. Method

Two exploratory studies test the hypotheses. The first study tests H1–H10 using a quasi-experimental field-survey design on real consumers. The second study, using a classroom experiment, tests H3 more deeply.

## 4. Study 1

### 4.1. Stimuli

Because familiarity is an important variable (H5, H6, H7), the study uses real brands, selected based on whether they are relevant and familiar to the participants (e.g., Maarud snacks, Ford cars, and Telenor telecom). The study uses eleven hypothetical extensions: Maarud ice cream, beer, and chocolate; Ford bicycle, motorcycle, and lawnmower; and Telenor cable TV, travel agency, PC, bank, and insurance.

### 4.2. Sample and data collection

Participants, chosen from a major Norwegian city and contacted personally in their homes, received a questionnaire for each of the three focal brands. To make the task more realistic, researchers told participants that the study would measure consumer reactions to several planned brand extensions. Researchers told each participant to complete a questionnaire for only one brand. Participants were volunteers; they received no compensation.

This procedure yielded a response rate of 68.5% of the contacted population (84.6% of those who agreed to participate; average age 35; 52.5% men and 47.5% women). Participants completed 701 questionnaires out of 760 distributed (92.2%).

### 4.3. Measurement

Measurements of all variables used scales established in previous research. Table 1 provides an overview of the scales used and their origin.

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