ROLE OF POSITIONING STRATEGIES ON CONSUMER EVALUATIONS OF BRAND EXTENSIONS

SHIVA NANDAN, Missouri Western State College
MONICA NANDAN, Missouri Western State College
1996 Richard D. Irwin Distinguished Paper Award

This study examines the effect of communication cues such as perceived credibility and brand concept consistency in influencing consumer choice of brand extensions. Messages that enhance brand concept consistency as well as perceived credibility of the firm positively influenced consumer evaluations. In the absence of these cues, evaluations were significantly lower.

INTRODUCTION

Leveraging brand equity through brand extensions is a strategic option for a firm looking to grow (Leuthesser 1988; Springen and Miller 1990; Aaker 1991). Brand extension involves "the use of a brand name established in one product class to enter another product class" (Aaker 1991). The company can take advantage of its most valuable asset - the brand. A familiar brand will result in immediate name recognition and the transference of benefits associated with it.

Brand extension can reduce the high costs of establishing a new brand and also reduce distribution costs. Since there is consumer awareness of brand names, advertising costs may be reduced. The chances of long-term marketing success are improved because brand familiarity increases trade as well as consumer acceptance of extensions (Hartman, Price, and Duncan 1990). Despite the obvious advantages, brand extension strategy cannot be applied haphazardly. An improper extension can weaken the original brand and dilute brand equity by creating harmful associations. Failure of brand extensions can have a negative impact on originating brand image (Tauber 1988; Aaker and Keller 1990; Romeo 1990).

The Journal of Marketing Management
Volume 6, Issue 1, pages 1-7

A number of studies have attempted to explain how consumers evaluate a brand extension based on their knowledge of other products associated with the brand. The University of Minnesota Consumer Behavior Seminar (1987) examined overall affect generalization toward similar and dissimilar brand extensions. Aaker and Keller (1990) investigated consumers' attitudes towards brand extension and the role of factors such as complimentarity, substitutability and difficulty of making the product in consumer evaluations. Hartman, Price and Duncan (1990) have used a processing model to show how consumers form impressions of products in different product categories. Park, Millberg and Lawson (1991) identify product feature similarity and brand concept consistency as bases of "goodness of fit" in consumer evaluations of extensions. Bousch and Loken (1991) suggest that brand breadth and typicality play an important part in the evaluation process.

Chakravati, MacInnis and Nakamoto (1990) have shown that brand image and the associations that it conveys is largely dependent on the communications strategies of the firms. If a positive consumer evaluation is expected from an extension, the right message and the right associations have to be conveyed to the target audience. This is consistent with the results obtained by Aaker and Keller (1990). In their study, the authors found that brand extension evaluations were influenced by the type of information provided to subjects. In other words, the way an extension is positioned has an effect on consumers' attitude towards extensions.

The communications strategy followed by a company can significantly influence consumer perceptions of the extension. The cues that are provided by the firm can guide the consumer decision making process. In this paper, specifically, two information cues are considered - company credibility cue and brand concept consistency cue. The joint as well as individual impact of these cues on consumer evaluations of brand extensions are studied. This will, hopefully, provide guidelines to marketers about how to position the extension.

CONCEPTUALIZATION AND RESEARCH HYPOTHESES

Brand Concept

One of the most important reasons for branding is that it provides a product with a certain image and conveys to the consumer a specific meaning. This image and meaning of the brand can be embodied in the brand concept. The term "brand concept" has been used vaguely and loosely in literature. The essential elements of brand concept are as follows:

* Brand concept is the brand meaning or the overall impression of the brand in the consumer's mind.
* Brand concept can be based on consumer needs that a brand can cater to.
* A firm can select a brand concept before it enters a market and attempt to convey that particular meaning of the brand by its marketing and promotional campaign.
* Like many other constructs in marketing (e.g., quality, performance, image) perception of reality is more important than reality itself as far as brand concept is concerned.

As mentioned above, the brand concept can be based on the consumer needs that a brand can satisfy. Park, Jaworski and MacInnis (1986) have identified three consumer needs - functional, symbolic and experiential. A firm can decide on the type of need that it wants to fulfill. Then through effective positioning and communications, it can convey to the consumers the brand concept (functional, symbolic or experiential) based on the needs that are being catered to. Each of these three concepts is briefly discussed.

A brand with a functional concept is valued primarily for its functional performance. Park, et al. (1986) define a brand with a functional concept as one designed to solve externally generated consumption needs. Consumers will be motivated to buy and use functional brands in situations where the product is viewed as addressing utilitarian needs. A brand with a symbolic concept is designed to associate the individual with a desired group, role, or self-image (Park, et al., 1986). It also stands to reason that social risk would be more important for symbolic brands. An individual would be concerned about identification with a peer or reference group. A wrong product choice might be ridiculed. Park, et al. (1986) define a brand with an experiential concept as one designed to fulfill internally generated need for stimulation and /or variety. The primary motivation for selecting certain products is the enjoyment that is derived from consumption of these products. Holbrook and Hirschman (1982) recognize the fact that "fantasies, feelings and fun" are also vital consumption phenomena which they call the "experiential view". Thus, the hedonic aspect of consumption becomes predominant for these brands. Consumers regard consumption of these products as an opportunity for deriving sensory pleasure.

Perceived Company Credibility

The attitudes that consumers form toward brands as well as extensions are dependent on the impressions that they have about the company. The information and messages that a company sends to its target audience will be persuasive when the consumers are receptive to the communication and also believe it to be true. The persuasiveness of the message is influenced by the credibility of the source (Strenthal, Philips and Dholakia 1978). Perceived company credibility refers to the extent to which a consumer believes that a company is effective in producing goods that help satisfy his/her needs.

In the context of brand extensions, the credibility of the company will have a significant effect on consumer evaluations. The positive effect of perceived company credibility can be explained on the basis of cognitive response theory (Greenwald, 1968; Petty, Ostrom and Brock 1978). Consumers generate their own thoughts or cognitive responses as a consequence of a company's message. The cognitive responses can be positive (support arguments) or negative (counter arguments) according to Wright (1973). A highly credible company will inhibit counter-arguments and as a consequence the possibility of message rejection is diminished. A company that is regarded as untrustworthy or incapable of producing goods that satisfy consumer needs will be unsuccessful in persuading consumers to support its offerings. In other words, consumers will not let their guard down by not generating counter arguments, and will continue to be wary of the company as well as its products.

Positioning Strategies

A firm has to convey the positive attributes associated with its products and the benefits provided. Sometimes in formulating the communications and promotional mix, managers focus on issues that may not be perceived to be relevant by the consumer or ignore some of the more important aspects. During the introduction of an extension, a firm can influence consumer evaluations by utilizing positioning strategies that focus on specific communication cues. Prior research has shown that core brand associations are transferred to the extensions (Aaker 1991; Aaker and Keller 1990; Keller and Aaker 1992).

In order to obtain positive evaluations of extensions, a firm can provide consumers with cues that will enhance the favorableness of the extension. Two positioning strategies are examined. First, an information cue can be provided that enhances brand concept consistency. This would be regarded as being diagnostic since it helps the consumer assign the extension into one of the three cognitive categories - functional, symbolic or experiential (see Feldman and Lynch 1988; Lynch, Marmostien and Weigold 1988). For example, if consumers are cued and reminded that the extension will cater to their functional needs like the core brand, positive association between the brand and the extension would be formed. The cue, by facilitating categorization of the extension, enhances brand concept consistency and consumers will, therefore, evaluate the extension favorably.

The second strategy would be to elaborate on perceived company credibility by providing an information cue that enhances the trustworthiness and expertise of the firm in making a variety of products. The extension will, therefore, be positively regarded. Either of these two strategies would be more effective than when no cues are provided.

On the basis of these arguments the following hypotheses are put forth.

H1: Information cues that enhance brand concept consistency will have a greater impact on brand extension evaluations than when no cue are provided.

H2: Information cues that enhance perceived company credibility will have a greater impact on brand extension evaluations than when no cue are provided.

H3: Information cues that enhance brand concept consistency and company credibility will jointly have a greater impact on brand extension evaluations than when no cues are provided.

METHODOLOGY

Design

In order to assess the impact of positioning strategies on consumer evaluations of brand extensions, a 2X2 factorial design was used, with two between subject factors, each with two levels (1) BCC - brand concept consistency cue (present or absent) (2) PCC - perceived company credibility cue (present or absent). This design allowed testing of individual as well as joint effects of the two cues. Students enrolled in a large University in the mid-west were chosen as subjects for this study. Eighty subjects were randomly assigned to each of the four resulting groups. This was done for all three brand concepts - functional, symbolic and experiential.

Stimuli

The stimuli consisted of three core brands and three extension products. The selection was based on the following criteria: (1) being relevant to subjects (2) generally perceived as high quality (3) not broadly extended previously. In order to develop stimulus materials pretesting was carried out in two stages. Results of pretesting indicated that Energizer was classified by subjects as having a functional concept, Nike as having a symbolic concept and Haagen-Daz's as having an experiential concept. Further, the extension products that were considered consistent with these concepts and core brands were: sparkplugs for Energizer, sunglasses for Nike, and pastries for Haagen-Dazs.

Operationalization of Constructs

Evaluation of Brand Extensions (EVAL) The dependent variable (EVAL) was measured by three seven-point scales: (1) not at all likely to try - very likely to try (2) undesirable - desirable (3) unfavorable - favorable. The first item has been used by Aaker and Keller (1990). The last two items have been used by Bousch (1993). The above three item scale enhanced the effectiveness of the measuring instrument. Cronbach's alpha was calculated to measure the reliability of this scale. These measures were combined to form a composite (averaged) indicator for ANOVA.

Positioning Strategies: Two cues were used as independent variables - Brand concept consistency (BCC) and Perceived company credibility (PCC). Based on Aaker and Keller (1990) short verbal cues were provided for each concept.

BCC (functional): Energizer spark plugs are durable, reliable and trouble free. This is to be expected from Energizer brand with its emphasis on performance oriented products.

BCC (symbolic): Nike sunglasses are stylish and elegant. This is to be expected from Nike brand with its emphasis on products that enhance consumer's self image and allow individual self-expression.

BCC(experiential): Haagen-Daz's pastries are very tasty and high quality products. This is to be expected from Haagen-Daz's brand with its emphasis on products that provide enjoyment and enhance the consumption experience.

PCC (functional/symbolic/experiential): Energizer/Nike/Haagen-Daz's is acknowledged by experts as having great competence in production. Consumer Reports regards the company as being highly reliable and trustworthy.

DATA ANALYSIS

Analysis of variance (ANOVA) was performed to test the hypotheses. Table 1 provides means for brand extension evaluations (EVAL) for the three concepts. Cronbach alphas for EVAL scale for functional, symbolic and experiential concepts were .89,.90 and .89

TABLE 1
EVAL (Extension Evaluation) Means

Functional

		BCC (Brand Concept Consistency)	
PCC		PRESENT	ABSENT
(Perceived Company Credibility)	PRESENT	4.75	3.84
	ABSENT	4.55	3.43

Symbolic

		BCC (Brand Concept Consistency)	
PCC		PRESENT	ABSENT
(Perceived Company Credibility)	PRESENT	5.40	4.56
	ABSENT	5.22	4.10

Experiential

		BCC (Brand Concept Consistency)	
PCC		PRESENT	ABSENT
(Perceived Company Credibility)	PRESENT	5.6	5.24
	ABSENT	5.44	4.18

Hypothesis 1 postulates that positioning cue that enhances brand concept consistency will have a greater impact on brand extension evaluations than when no cue is provided. A significant main effect of brand concept consistency (alpha=.05) revealed this effect for all three brand concepts. For Energizer sparkplugs (functional concept), when BCC was present the product was evaluated more favorably (X=4.55) than when no cue was present (X=3.43). Nike sunglasses were evaluated more favorably (X=5.22) when BCC was present than when no cue was present(X=4.10). Similarly, Haagen-Daz's pastries were evaluated more favorably (X=5.44) in the presence of BCC than when no cue was present (X=4.18). Tukey's test shows that the differences in EVAL means was significant.

Hypothesis 2 postulates that positioning cue that enhances perceived company credibility will have a greater impact on brand extension evaluations than when no cue is provided. This was only partially supported. There was no significant differences between mean evaluations when PCC was present or absent for Energizer and Nike. However, for Haagen-Daz's pastries, there was a significant main effect, X=5.24 when PCC was present, and X=4.18 when PCC was absent.

Hypothesis 3 was also supported. There is an interaction effect of BCC and PCC. Tukey's test shows that for functional, symbolic and experiential brands, there is a significant difference between EVAL means when both brand concept consistency and perceived company credibility cues are present (X-=4.75, 5.4 and 5.6 respectively) than when no cue is present (X=3.43, 4.10 and 4.18 respectively).

DISCUSSION

Results of the study demonstrate that positioning the brand extension is a crucial determinant in extension evaluations. The fact that an extension has properties that are consistent with the core brand facilitates the decision making process in favor of that particular extension. Two types of positioning cues were used. It was found that messages which enhanced brand concept consistency as well as perceived credibility of the firm positively influenced consumer evaluations. In the absence of these cues, evaluations were significantly lower. This is to be expected. If consumer attitude formation is regarded as a summation of positive attributes in an extension, then message cues that enhance brand concept consistency and company credibility will contribute to the overall attitude score.

Brand concept consistency seems to be a powerful indicator of consumer acceptance of extensions. In evaluating new products the preferences are based on how closely the extension product "fits" with the brand concept or brand image. If the match between the brand concept and extension product category is emphasized, evaluations are enhanced. This was true for brands associated with functional, symbolic as well as experiential concepts.

Although, perceived company credibility cue on its own does not seem to have as powerful an effect on evaluations of extensions as brand concept consistency cue, it does have some value because it can combine with other message cues to significantly influence evaluations. Perhaps consumers need the reassurance of more than one cue to be able to make up their minds regarding brand extensions.

Brand extension is a relatively new area and much research needs to be done to gain a sound understanding of the process of consumer evaluations of extensions. The present study was an exploratory research designed to provide further insights in this field. In spite of the limitations of using student samples, short verbal cues, and laboratory settings this study has implications for new product development as well as positioning strategies. New products are crucial to successful growth and profits in many companies, yet the process of new product development is often expensive and risky. Therefore, instead of going through a costly new product development process, a company can decide to manufacture an existing product and attach its own brand name to it. Thus it will not have to go through an expensive brand building process or go through an equally expensive and time consuming new product development process. The steps that a company will have to take in order to extend its brand name to a new product are (1) identification of the core brand concept (functional, symbolic or experiential) and (2) formulation of a positioning strategy for the extension. As indicated above, brand concept consistency should be stressed more than company credibility in any promotional campaign.

DIRECTIONS FOR FUTURE RESEARCH

Future research can utilize other types of cues such as various forms of sales promotions (coupons, rebates), advertising and differential pricing. Different message cues may have varying degrees of impact on extension evaluations. Other factors that influence extension evaluations should be explored. Specifically, the role of involvement should be investigated. Is there some association between different high involvement products? Can some attributes be transferred easily from one high involvement product to another? Further, the impact of brand extension on brand loyalty should be considered. It can be argued that a successful brand extension can create more brand loyal consumers leading to a long lasting marketing relationship between a firm and its consumers.

REFERENCES

Aaker, David A. (1991), *Managing Brand Equity: Capitalizing on the Value of a Brand Name*, New York: The Free Press.

_____ and Kevin Lane Keller (1990), "Consumer Evaluations of Brand Extensions." *Journal of Marketing*, 54 (January), 27-41.

Bousch, David M. (1993), "How Advertising Slogans can Prime Evaluations of Brand Extensions," *Psychology and Marketing*, Vol. 10 (January/February), 67-78.

____ and Barbara Loken (1991), "A Process Tracing Study of Brand Extension Evaluation," *Journal of Marketing Research*, Vol.XXVIII (February), 16-28.

Chakravarti, Dipankar, Deborah J. MacInnis and Kent Nakamoto (1990), "Product Category Perceptions, Elaborative Processing and Brand Name Extension Strategies," *Association of Consumer Research*, Vol. 17, 910-916.

Feldman, Jack M. and John G. Lynch (1988), "Self-generated Validity and Other Effects of Measurement on Belief, Attitude, Intention, and Behavior," *Journal of Applied Psychology*, 73 (August), 421-435.

Greenwald, Anthony (1968), "Cognitive Learning, Cognitive Response to Persuasion and Attitude Change," in A. Greenwald, T. Brock, and T. Ostrom (Eds.), *Psychological Foundations faa Attitudes*, New York: Academic Press, 1968, 147-170.

Hartman, Cathy L., Linda L. Price, and Calvin P. Duncan (1990), "Consumer Evaluation of Franchise Extension Products: A Categorization Processing Perspective," in *Advances in Consumer Research*, Vol. 17, 120-127.

Holbrook, Morris B. and Elizabeth C. Hirschman (1982), "The Experiential Aspects of Consumption," *Journal of Consumer Research*, 9 (September), 728-739.

Keller, Kevin Lane and David A. Aaker (1992), "The Effects of Sequential Introduction of Brand Extensions," *Journal of Marketing Research*, 29 (February), 35-50.

Leuthesser, Lance (ed.) (1988), "Defining, Measuring, and Managing Brand Equity: A Conference Summary," Report 88-104, Marketing Science Institute, Cambridge, Massachussets.

Lynch, John, Howard Marmostien, and Michael F. Weigold (1988), "Choices from Sets Including Remembered Brands: Use of Recalled Attributes and Prior Overall Evaluations," *Journal of Consumer Research*, 15 (September), 169-184.

Park, C. Whan, Bernard J. Jaworski, and Deborah J MacInnis (1986), "Strategic Brand Concept-Image Management," *Journal of Marketing*, Vol. 50 (October), 135-145.

____, Sandra Millberg, and Robert Lawson (1991), "Evaluation of Brand Extensions: The Role of

Product Feature Similarity and Brand Concept Consistency," *Journal of Consumer Research*, Vol. 18, (September), 185-193.

Petty, Roger, Thomas Ostrom, and Timothy Brock (1978), *Cognitive Responses in Persuasive Communication: A Text in Attitude Change*, New York: McGraw Hill.

Romeo, Jean B. (1990), "The Effect of Negative Information on the Evaluations of Brand Extensions and the Family Brand," paper presented at the Association of Consumer research Conference, New York City.

Springen, Karen and Aneeta Miller (1990), "Sequels for the Shelf," *Newsweek*, July 9, 42-43.

Strenthal, Brian, Lynn W. Philips, and Ruby R. Dholakia (1978), "The Persuasive Effect of Source Credibility: A Situational Analysis," *Public Opinion Quarterly*, 42, 285-314.

Tauber, Edward M. (1988), "Brand Leverage: Strategy for Growth in a Cost Controlled World," *Journal of Advertising Research*, 28 (August/September), 26-30.

University of Minnesota Consumer Behavior Seminar (1987), "Affect Generalization to Similar and Dissimilar Brand Extensions," *Psychology and Marketing*, 4 (Fall), 225-237.

Wright, Peter (1973), "Cognitive Processes Mediating Acceptance of Advertising," *Journal of Marketing Research*, 10, (February), 53-62.