BRAND EXTENSIONS: WHAT DO WE KNOW?

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More than ten years of brand extension research have yielded a set of important findings. The purpose of this paper is to review these findings and assess what we really know about brand extensions. A conceptual model is presented. Empirical findings are then reviewed. Based on these findings, implications are drawn for future investigations.

INTRODUCTION

The strategy of introducing new products as extensions has become widespread. Researchers have given much attention to this phenomenon. The purpose of this paper is to review existing studies and attempt to find what has been done and what has not been done in the area. This paper is structured as follows. First, a conceptual model of brand extensions based on existing studies is developed. Second, theories and findings regarding types of factors that may affect consumers' evaluations of brand extensions are reviewed. Third, theories and findings regarding the effects of consumers' extension evaluations on their subsequent evaluations of parent brands are reviewed. Implications for future research are also drawn within each of the above two parts. A conclusion closes this review.

A CONCEPTUAL MODEL OF BRAND EXTENSIONS

More than ten years of research on brand extensions have yielded many important findings. Issues addressed by researchers in the context of brand extensions, can be summarized as answers to two broad questions: What factors may influence consumers' evaluations of brand extensions and how do these factors work? How do brand extensions affect consumers' attitudes about the core brand? In the answers to these two questions, researchers have examined various factors, including perceived fit, brand strength, brand breadth, company credibility, company size, culture, mood, age differences, positioning, advertising, pricing, product knowledge, technology, and order of extensions. Clearly, some of the aforementioned factors share common features. For example, culture, mood and age differences are all related to consumers. Thus, it would be beneficial to classify these factors into the following categories in order to facilitate our understanding of this research stream.

- Firm characteristics - firm size and firm reputation.
- Core brand characteristics- brand strength and brand breadth.
- Extension characteristics - perceived fit and technology.
- Consumer characteristics - product knowledge, and individual (e.g., mood and age) and cultural differences.
- Marketing strategies - positioning, advertising, pricing and order of extensions.

Based on this classification, a conceptual model is developed for brand extension studies (Figure 1). As illustrated in Figure 1, consumers' extension evaluations are a function of extension characteristics, core brand characteristics, firm characteristics, consumer characteristics, and marketing strategies employed for promoting extensions; such characteristics and strategies as well as consumers' extension evaluations ultimately influence consumers' subsequent evaluations of core brands.

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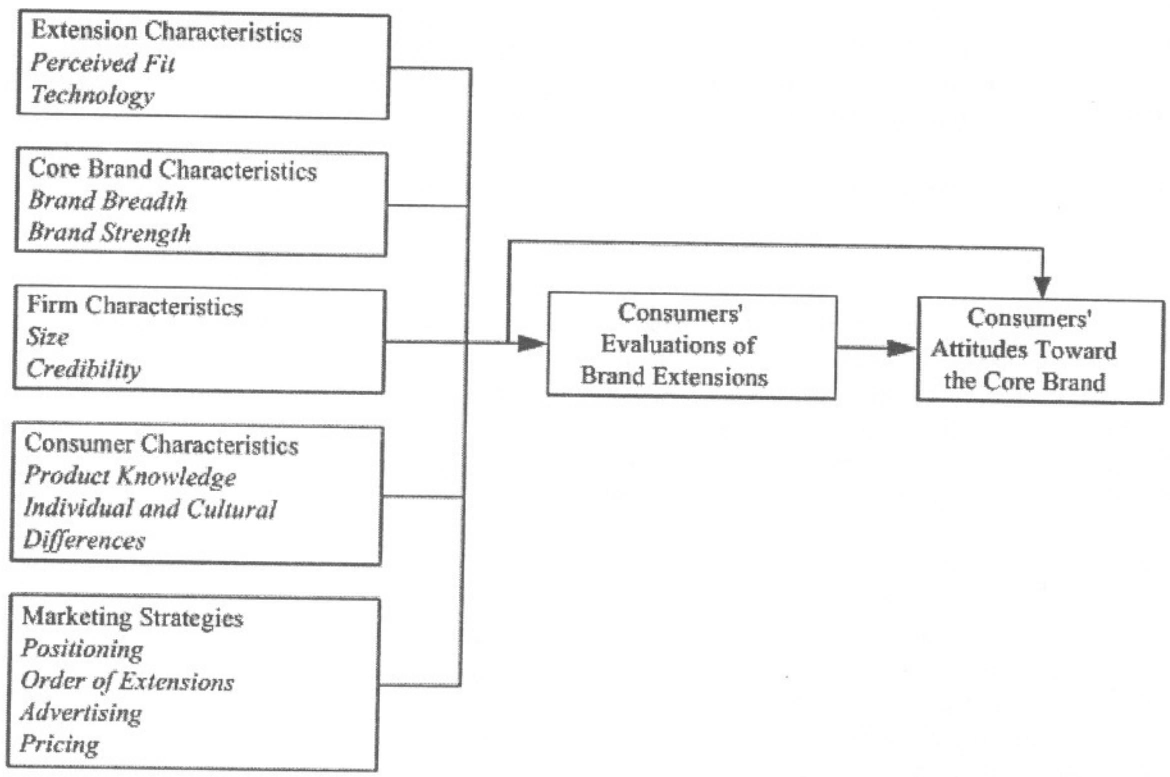
Figure 1
A Conceptual Model of Brand Extensions



CONSUMERS' EVALUATIONS OF BRAND EXTENSIONS

Extension Characteristics

Perceived Fit

The degree of perceived fit between the core brand and the extension has long been recognized as a key determinant of brand extension success. Aaker and Keller (1990) identify three dimensions of perceived fit between the core and extension products, namely, complement, substitute and transfer (i.e., the transferability of resources a firm uses to make the original product to the product extension) and find that perceived transferability has the greatest impact on extension evaluations among three dimensions. Smith and Andrews (1995) further define transferability as customer certainty (i.e., a company's ability to deliver a product that meets his/her expectations) and find that the relationship between fit and extension evaluations is mediated by customer certainty. Research in brand extensions has illustrated a positive relationship between the perceived fit and consumers' extension evaluations (Aaker and Keller 1990; Boush and Loken 1991; Keller and Aaker 1992; Smith and Andrews 1995). For example, Smith and Andrews (1995) suggest that perceived fit can influence extension evaluations in two interrelated ways. First, it affects the extent to which consumers transfer their core brand affect to an extension. Second, consumers may view fit as a cue to make their inferences about an extension.

Technology

This refers to the technological level employed in making a core brand compared to that in making an extension product (Jun, Mazumdar and Raj 1999). It has been found that consumers view an extension more favorably when the parent product has a higher level of technology than the extension (Jun, Mazumdar and Raj 1999). However, Aaker and Keller (1990) indicate that consumers may evaluate an extension less favorably when they perceive the extension to be "trivial" or very easy to make. Thus, an appropriate level of technological differences between an extension and the core brand may be necessary for the success of the extension.

Core Brand Characteristics

Brand Strength

In brand extension research, the brand strength is often interpreted in terms of brand-related associations (e.g., perceived quality of the core brand). Previous studies focus primarily on under what circumstances (and how) brand associations may influence the extension evaluations. Aaker and Keller (1990) suggest a perceived fit as a necessary condition. Keller and Aaker (1992) also find that consumers evaluate dissimilar extensions more favorably when the parent brand is at high quality than when it is at average quality. Similarly, Broniarczyk and Alba (1994) state that consumers evaluate dissimilar extensions more favorably when brand associations are relevant than similar extensions when the associations are irrelevant. It should be noted that brand associations may also have negative effects. For example, some researchers have discovered that brand names have certain features that limit their extensibility (Aaker and Keller 1990; Boush and Loken 1991). Specifically, Aaker and Keller (1990) state that "the Betty Crocker attribute association might be viewed as negative if the name were used on a fashion product designed to appeal to young women."

Brand Breadth

Previous studies involving brand breadth demonstrate how brand breadth interacts with perceived fit. Boush and Loken (1991) suggest that brand breadth is a function of the similarity of past extensions; the more similar the past extensions, the narrower the brand breadth. They further indicate that greater breadth increases the perceived fit of moderately discrepant extensions.

Brand strength and brand breadth have also been examined simultaneously. For example, Dacin and Smith (1994) identify three dimensions of brand characteristics, namely, the number of different product categories affiliated with a brand (i.e., breadth), quality variance across products affiliated with a brand (i.e., strength), and the degree of relatedness among products affiliated with a brand (i.e., breadth). Their empirical findings suggest that the number of products is positively linked to consumers' extension evaluations, that quality variance is negatively linked to consumers' extension evaluations, and that product relatedness is positively linked to the effect of the perceived fit on extension evaluations.

Firm Characteristics

Firm Size. The effect of firm size on extension evaluations may vary in terms of consumers' cultural background. For example, Han and Schmitt (1997) find that U.S. consumers view perceived fit as a more important factor than firm size, whereas Hong Kong consumers view company size as irrelevant for high fit extensions but relevant for low fit extensions. This finding explains why firm size is of little interest among researchers in Western countries.

Firm Credibility. A firm's credibility will be increased as long as it consistently provides successful extensions (Keller and Aaker 1992). However, whether and how a firm's reputation may mediate consumers' extension evaluations is unclear in Keller and Aaker's study due to the difficulty in designing an experiment in which the directions of causal relationships between extension evaluations and firm reputations can be clarified.

Consumer Characteristics

Product Knowledge. Product knowledge refers to consumers' familiarity with the core brand and has been recognized as a mediator on the consumers' extension evaluations. Muthukrishnan and Weitz (1991) find that experts are more likely than novices to transfer their core brand affect to the extension when perceived fit is based on deep factors (e.g., computer vs. camera), whereas novices are more likely than experts to transfer their core brand affect to the extension when perceived fit is based on surface factors (e.g., camera vs. film). Broniarczyk and Alba (1994) also suggest that consumers who are aware of a brand-specific association tend to evaluate the extension more favorably.

Individual and Cultural Differences. Culture, mood and age differences are three factors that affect consumers' evaluations of brand extensions. For example, Han and Schmitt (1996) find that in Hong Kong, company size affects extension evaluations only when fit is low, while in the U.S., fit rather than the company size affects extension evaluations. Barone, Miniard and Romeo (2000) find that positive mood can enhance consumers' evaluations of brand extensions. Zhang and Sood (2002) also find that extension name characteristics rather than perceived fit dominate children's extension evaluations.

Marketing Strategies

Positioning. It has been found that different positioning approaches lead to different extension evaluations. For example, Aaker and Keller (1990) investigate two positioning strategies and find that extension evaluations are unchanged when the general quality of the core brand is made salient, while extension evaluations are enhanced when a specific extension attribute is made salient. The importance of an extension's positioning was also demonstrated by Milberg, Park and McCarthy (1997). Their findings suggest that for dissimilar extensions, sub-branding strategy (an extension is named along with a parent brand name) leads to more favorable evaluations than direct branding (an extension is named alone).

Order of Extensions. The effects of order and direction on multiple brand extensions have been illustrated by Dawar and Anderson (1994), who state that introducing intermediate extensions can mitigate the lack of fit. Specifically, they suggest that introducing extensions from close to distant allows distant extensions to be perceived as typical of the original product category and thus result in greater purchase likelihood for the target extensions.

Advertising. Lane (2000) investigates how repeated exposure of the extension ad may influence consumers' evaluations of incongruent extensions and finds that subjects who view extension advertisements five times have more favorable evaluations than subjects who view the advertisements only once.

Pricing. Taylor and Bearden (2002) investigate how price information may affect extension evaluations based on two different levels of fit. They find that high price enhances perceived quality of dissimilar extensions but not similar extensions and that the negative effects of price on perceived value and purchase intention are larger for similar extensions than for dissimilar extensions. One notable implication of their study is that firms may consider using price as a promoting instrument for dissimilar extensions.

To conclude, studies previously reviewed have identified five types of factors (firm characteristics, core brand characteristics, extension characteristics, consumer characteristics and marketing strategies) that may affect consumers' extension evaluations and subsequent evaluations of family brands as well as the interactions among these factors. Among these studies, various combinations of those factors are examined. It is certain that those combinations do not subsume all the possibilities. Therefore, the following research directions are suggested for future investigations.

First, marketing strategies and company characteristics should be studied jointly with other factors. Both marketing strategies and company characteristics have been shown to affect brand extension evaluations. However, subjects are not provided with them simultaneously. Aaker and Keller (1990) indicate that for generally well-known brands, consumers' extension evaluations rely more on extension attributes than on the general quality of the parent brand. However, they do not consider how company reputations (e.g., high vs. average) may moderate such effect. Second, future research should consider the interaction of marketing strategies and consumer characteristics. Different consumer segments may view the same marketing strategy differently. For example, consumers' attitudes toward ads vary in terms of age and culture. An advertisement having been shown successfully promoting certain brand extension in one consumer segment (e.g., U.S.) may not be effective in other consumer segments (e.g., Asian countries). Lane (2000) reports that ad repetition can enhance consumers' evaluations of incongruent brand extensions in the U.S.. Whether this effect still holds in other countries with different cultural backgrounds remains unknown. Third, the interaction of consumer characteristics and core brand characteristics needs further investigations. Aaker and Keller (1990) indicate that the quality of the original brand strongly affects the evaluation of a brand extension only when there is a basis of fit between the two product classes. But is this true in other cultures? Specifically, in a collectivist society, does the brand strength influence extension evaluations regardless of the nature of fit? Fourth, more attention should be given to company characteristics. Only a few researchers attempt to investigate the effects of firm characteristics such as size and credibility on consumers' extension evaluations. However, the effects of company credibility are still unclear (Keller and Aaker 1992). Credibility or reputation is an invaluable asset for firms which can enhance consumers' positive attitudes toward the firm. Research to date only examines how brand affect can be transferred to brand extension evaluations, but has not investigated whether company affect can be transferred to brand extension evaluations. If so, how is the company affect-transfer process executed? What are facilitative factors and inhibitive factors? Fifth, new concerns about marketing strategies should be addressed in the future. Past research primarily focuses on a single strategy. An avenue for future research is to develop a marketing mix for brand extensions. For example, how can the effectiveness of an extension ad be improved when price information and positioning approaches are incorporated? Finally, some constructs, such as brand personality, brand satisfaction, brand loyalty, and brand relationships which are important concepts in the brand research, may also be worth pursuing in the context of brand extensions.

Another issue should be addressed here. That is, whether we need a complete study including all five categories. A view adopted here is that such study would be beneficial but not necessary. The benefit is that the potential problem of missing variables can be avoided in such study. The risk is that if many constructs are manipulated at the same time, potential confoundings may occur. It is not necessary because we can hold certain factor as constant when we are interested in other factors. For example, if our focus is on a certain consumer segment, holding consumer characteristics as constant is realistic.

BRAND EXTENSIONS' FEEDBACK EFFECTS

How consumers' extension evaluations may affect their evaluations of the core brand is another focal issue empirically examined by marketing researchers. However, research findings in this area have shown mixed results. Some researchers found no evidence that unsuccessful brand extensions may result in negative effects on consumers' attitudes toward the core brand (Romeo 1991; Keller and Aaker 1992). For example, Keller and Aaker (1992) found that an unsuccessful extension does not impact core brand evaluations regardless of the quality level of the original brand and the perceived fit between the extension and the original brand. However, Loken and John (1993) examine this issue from a different perspective. Specifically, they investigate whether an unsuccessful brand extension can dilute specific attribute beliefs rather than the global evaluation of an established brand emphasized in previous studies. Their findings indicate that core brand beliefs are diluted when extension information (e.g., quality) are inconsistent with the core brand, whereas the negative effects are less likely to occur when the perceived fit is low. They further attribute the differences to the previous studies not measuring brand beliefs prior to extension measures (e.g., fit). Contrary to the above studies, Sheinin (2000) found that successful brand extensions may weaken existing beliefs, whereas brand extension failures may not affect existing beliefs. This, as indicated by Sheinin (2000), may be due to the previous research not considering the effects of consumers' parent product knowledge and experience with a brand extension.

Recent studies also try to identify situations under which extension evaluations may or may not influence subsequent evaluations of the original brand. Following Loken and John's notion that brand evaluations should be measured first, Milberg, Park and McCarthy (1997) find that negative feedback effects occur when perceived fit is low and when extension attribute is inconsistent with brand-specific association. From a perspective of technology, Jun, Mazumdar and Raj (1999) find that the feedback effects do not exist when the family brand is at a higher level of technology, whereas consumers' subsequent family brand evaluations are significantly improved when the family brand is at a lower level of technology. In addition, Sheinin (2000) states that whether consumers have positive or negative experience with a brand extension does not influence their attitudes toward familiar parent brands, but does influence their attitudes toward unfamiliar parent brands. Specifically, for unfamiliar parent brands, subjects improve their extension-derived beliefs but dilute their initial brand beliefs following a positive experience with a brand extension.

To conclude, conflicting empirical results are found in the context of brand extensions' feedback effects. In order to reconcile these contradictions, researchers have suggested three possible explanations. First, researchers adopt different research perspectives. Some investigate the overall subsequent attitudes toward the core brand. Others consider the attribute-based attitudes toward the core brand. Second, core brand attitudes are measured at different times, before or after measures of extension evaluations. It is presumed that measures of brand extension evaluations may influence consumers' attitude toward the core brand. Third, researchers attempt to find which factors may influence extension feedback effects. As a result, some factors in one study are not considered in another study. Without further studies, our confidence in these three explanations cannot be established. In addition, constructs of researchers' interests in this area include perceived fit, core brand quality, sub-branding, technology, product knowledge, and the success or failure of the brand extension. It is possible that other factors, such as company credibility and cultural background, may also influence extension feedback effects. Thus, further examinations in this field are necessary.

SUMMARY

Years of brand extension research have dramatically enriched our knowledge about this phenomenon. Based on findings previously reviewed, there can be no doubt that a set of factors (e.g., extension and core brand features) may contribute to consumers' extension evaluations as well as their subsequent core brand evaluations. Although much has been learned about the antecedents and outcomes of brand extensions, much remains to be discovered particularly in the field of the outcomes of brand extensions. Specifically, the existence of only one cross-cultural (Han and Schmitt 1996) study to date certainly suggests the need for more cultural studies in the future. Technologic innovations, such as the Internet, also suggest the need to reassess what we already know about brand extensions.

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