BRAND EXTENSIONS: FACTORS INFLUENCING CONSUMER DECISION MAKING

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Mrs. S. SWAPNA
Assistant Professor, Department of MBA,
Dr. SNS Rajalakshmi College of Arts & Science (Autonomous),
Chinnasedampatti Post, Coimbatore, Tamil Nadu, India

Abstract
Brand extension is a widely used concept in the field of marketing by using a successful brand name to launch a new or modified product in a new category. Brand extension strategies are broadly accepted because of belief that was made and communicated powerful brand positioning; enhance knowledge and quality association and increase likelihood of trial by reducing new product risk for consumers. A review of the literature on brand extensions is offered, focusing on the conditions that influence consumers’ decision making. Several perspectives are discussed including, reputation, innovativeness, brand trust, brand association, brand strength, parent brand characteristics, fit and similarity, brand concept consistency, categorization theory, use of cues in evaluation, sequential brand extensions, and mode of evaluation.

Keywords: fit and similarity, brand positioning, categorization theory.

Introduction
Introduction of a new product with an established brand name can dramatically reduce the investment required and improve the likelihood of its success (Aaker 1990). It is therefore not surprising that brand extensions have been the strategy of growth for many firms during the past decades. A brand's "extendibility" depends on how strong consumer's associations are to the brand's values and goals. Brand extensions provide a vehicle to exploit brand name recognition and brand image. A strong brand name can provide consumers with the familiarity and knowledge of a reputable brand. The brand extension strategy decision is strategically critical to an organization. According to Aaker and Keller (1990) the success of a brand extension often depends on certain assumptions about consumer behavior such as (1) consumer hold positive beliefs and favorable attitude towards the original brand in memory (2) these positive associations facilitated the formation of positive belief and favorable attitudes towards the brand extension and (3) negative associations were neither transferred to nor created by the brand extension. Additionally, brand extensions can decrease the cost of accessing distribution channels and make promotional efforts more efficient (Aaker 1991; Smith...
and Park 1992; Tauber 1988). Tauber (1988, p.27) defines brand extension as “using a brand in one category to introduce products in a totally different category.”

The purpose of this paper is to review the literature on brand extensions. The benefits attributed to brand extensions derive from the effects of the brand extension strategy on consumer information processing and decision making. Brand extension strategies are broadly accepted because of belief that was made and communicated powerful brand positioning; enhance knowledge and quality association and increase likelihood of trial by reducing new product risk for consumers. Therefore this review is focused on the conditions that are expected to affect consumers' use of known brands in decision making by analyzing the factors influencing the acceptability of brand extension.

**Brand Extension Literature**

A critical assumption underlying the use of brand extensions is that strong brands offer greater leverage for extension than weaker brands (Aaker 1990; Aaker and Keller 1990). Brand strength has been implicitly defined in terms of consumer predispositions towards the brand (Marketing Science Institute 1988). Established brands tend to be used as quality cues (Bellizzi and Martin 1982; Jacoby, Olson and Haddock 1973; Wernerfelt 1988). A recognizable brand is often relied upon by consumers as a strategy for dealing with perceived risk (Cox 1967; Roselius 1973).

Aaker and Keller (1990) state "if the brand is associated with high quality, the extensions should benefit; if it is associated with inferior quality, the extension should be harmed" (p. 29). Smith and Park (1992) found brand strength to be positively related to the market share of brand extensions.

**Reputation**

The leverage providing capabilities of parents’ brands to extensions varies from brands to brands.

It is higher for stronger brand and lower for weaker brand (Keller and Aaker 1992; Smith and Park 1992). Brand reputation refers to consumer’s perceptions on the quality associated with a brand (Aaker and Keller 1990; Barone, et al. 2000). The consumers tend to evaluate those brands more favorably that have higher perceived quality as compared to low perceived quality brands (Keller and Aaker 1992).

**Innovativeness**

An individual who is receptive to new ideas and is willing to try new practices and brand is considered to possess a personality trait of innovativeness (Heim, 2005). “The innovators are venturesome; they try new ideas as some risk...where as late adopters (laggard) are traditional bound, they are suspicious of changes, and adopt innovation when it has become some thing of tradition itself. (Kotler and Armtrong, 2006).
The innovative consumer tends to get comfort when they take risk. A common observation is that individuals high in innovativeness are more venturesome and more willing to try new brands (Steenkamp and Baumgartner, 1995). The response differences between highly innovative and less innovative consumers (early and later adopters) reflect, to some extent, differences in risk-taking propensity. Innovators tend to be less risk averse than other consumers (Chernatony et al., 2003).

**Parent Brand Characteristic & Evaluation**

The terms such as product attributes, product benefits and customers characteristics are generally used for conceptualization of brand association (Keller, 1993). Brand names such as “Sony” have broad association and are used for diversified range of products. Brands such as “close up” have narrow association and is used for one or few products (Bousch and Loken, 1999). Dacin and Smith (1994), observed that the consumer’s confidence on evaluation of would be positive for those brands that are associated with several product, provided there is no significant parity between the qualities of product, in fact addition of product would have positive evaluation, provided the quality level of additional product is same.

**Brand Trust**

Mcwilliam (1993) found that, in the views of marketing practitioners, consumers are willing to try brand extensions as long as the brands are highly trusted and regarded. Trust is defined as the confidence that one will find what is desired from another, rather than what is feared (Deutsch, 1973) and will be a variable affecting attitudes towards extensions. Hem et al. (2003) reported that consumer knowledge and "belief in strong brands", when evaluating brand extensions, may compensate for a consumer's lack of direct product knowledge. Trust has been seen as multidimensional in the majority of marketing studies (Raimondo, 2000). Trust is reported to be involved, as part of "brand credibility", in brand extension acceptance (Keller and Aaker, 1992); fundamental to the development of loyalty (Berry, 1995), and as a component of brand equity (Dyson et al., 1996). Credibility reflects the honesty and standing of the brand. It reflects the extent to which a brand is perceived to be sincere and fair in its dealing with its customers.

**Fit and Similarity**

Several authors have suggested that an effective brand extension must be perceived as a "fit" with the original brand (Aaker and Keller 1990; University of Minnesota Consumer Behavior Seminar 1987; Tauber 1988).

Fit has been defined by Tauber (1988) as the extent to which a consumer accepts the new product as a logical and expected extension of the brand. For example, Hershey's chocolate pudding would be regarded as having a good fit with the original
brand, Hershey, while Hershey’s chewing gum would not. A poor fit between the original brand and the extension may diminish the appeal of the new product. Positive attributes may not transfer from the brand to the extension (Tauber 1988).

Aaker and Keller (1990) studied three aspects of fit: (1) complementarity, defined as the extent to which two products can be utilized in common usage situations or can together satisfy some need, (e.g., golf clubs and golf balls); (2) substitutability, or the extent to which the two products can replace the other in satisfying the same need (i.e., potato chips and pretzels); (3) transferability, defined as the extent to which manufacturer’s expertise in one category transfers to the extension product. This expertise includes production facilities, employees, and the skills of the firm. Aaker and Keller (1990) found that neither complementarity nor substitutability had significant main effects in rating the brand extensions. Rather, the complementarity and substitutability measures interacted with the perceived quality of the original brand to predict brand extension evaluation. Transferability (i.e., perceived expertise of the manufacturer to make the extension product) had a direct impact on the evaluation of brand extensions. For example, McDonald’s photo processing caused some subjects to comment that McDonald’s should remain in the food business and had no credibility as a photo-processor.

The UMCB seminar (1987) found that positive ratings of a brand seem to transfer to brand extensions. Further, there seems to be greater transfer of affect from the brand to the brand extension when the brand extension was very similar to the original brand product. Correlations between attitude toward the original brand and attitude toward extensions decreased as the degree of similarity decreased. The process of affect generalization from the brand to the brand extension may not take place when the extension is insufficiently similar to the original brand.

Park, Milberg and Lawson (1991) hypothesized that a successful brand extension depends on consumer perceptions of how it “fits” both in terms of similarity and consistency with the brand concept. In this study, Park et al. (1991) used two well known brand names, Timex and Rolex. Both brands are in the watch category but convey very different meanings to consumers. Rolex is associated with the concept of luxury and prestige, while Timex is associated with product performance. Both product feature similarity and brand concept consistency were found to be important predictors of favourable reactions to brand extensions. Further, the authors suggest that concept consistency may have a greater effect on the prestige brand than on the functional brand.

**Brand Concept Consistency & Extension**

The market is dynamic, and is always changing. In response to these dynamic markets, firms modify their offering, enter different market segments, reposition their offering. In view of such complexities, the measure of fit while introducing brand
extension may be relevant in one situation and not in another situation (Kapoor, 2005). Park et al. (1991) were of the opinion that the validity of fit measure between core brand and brand extension are based only on one similarity could be a debatable issue. They were of the opinion that consumer evaluation would only be positive for those brand extensions that have consistency in the brand concept. Brand concept is “Brand unique abstract meaning (e.g. high status that typically originate from a particular configuration of product features, e.g. High price, expensive looking design, etc.) and a firms efforts to create meanings for these arrangement. (Park et, al. 1991, p.186)

Categorization Theory and Brand Extensions

A number of studies have examined consumer evaluations of brand extensions using the concept of categorization theory (Bousch and Loken 1991; Farquhar, Herr and Fazio 1990; Hartman, Price and Duncan 1990; Kardes and Allen 1991). A category contains all the information for a class of objects considered to be equivalent. People tend to organize things by classifying them into different categories. Objects within a category share common attributes and characteristics (Mervis and Rosch 1981). The more associations an object has in common with other category members, the more likely it is to be perceived as a prototypical of that category (Rosch and Mervis 1973; Smith and Medin 1981). Individuals perceive members of a category to vary in the degree to which they are typical of the category. For example, a sparrow may be more typical of the category bird than is an Ostrich. In the context of brand extension, the degree to which the extension can be categorized with the original product may influence acceptance by the consumer.

Bousch and Loken (1991) used categorization theory to explain consumer evaluations of brand extensions. In this study they examine the effect of brand category breadth and brand extension typicality on extension evaluations. When a brand name is associated with a diverse number of products in different product categories, it is considered a broad category. In contrast, a brand name associated with one or a few products, would be considered a narrow category. Bousch et al. (1991) used fictitious brands associated with food and electronic products. Brand extension typicality had a positive effect on consumer evaluations. The extensions were liked better if they were considered to be typical of the original family-brand category. In addition, the response time to evaluate typical brands was faster than for moderately typical brands. Brand breadth also influenced the evaluation of typicality ratings for extensions. It appears that consumers are more accepting of a dissimilar extension offered by a brand with a broad brand breadth than for one with a narrow brand range.

In a similar study, Kardes and Allen (1991) investigated the role of perceived variability in consumer inference by manipulating brand name and new product
concept information. The results of this study indicate that the umbrella category does not automatically provide more leverage than a niche brand. Kardes and Allen (1991) state that when a parent brand name is stretched too far, additional extension may have negative impact on judgments about the parent brand. The authors attribute their results to consumer difficulty in generalization when variability is high. In these situations the consumer tends to make conservative judgments. The study offers implications in direct contradiction to the Bousch and Loken (1991) study.

Farquhar, Herr, and Fazio (1990) developed a relational model for category extensions of brands. They discuss three types of associations, brand to category, category to brand and category to category. In this model, the brand-to-category association describes the likelihood that observation of the parent brand will activate features that characterize the category. Category to brand association indicates the ease with which the brand will be retrieved from memory given exposure to the category. Category to category associations depend on the strength and accessibility of concepts linking the two categories. According to categorization theory, consumers may first evaluate salience cues of an object, attempting to classify the object within a certain category (Fiske & Pavelchak, 1986). If the categorization is successful, consumers are likely to transfer their beliefs and affects associated with the category in memory to the object. However, in some situations where category-based processing is difficult to achieve, consumers will evaluate an object using a piecemeal process (Nan, 2006).

The authors found that brands that are typical of a category can be extended to closely related rather than unrelated categories. This is because dominant brands act as exemplars in their product category and consumers find it difficult to associate a dominant brand in one category with a very dissimilar product category.

Hartman, Price, and Duncan (1990) offer a conceptual model based on categorization theory to explain consumer evaluations of brand extensions. Five essential elements in their model include: (1) prior knowledge of the brand name and product category of the extension (2) degree of match or perceived similarity between the franchise extension and prior knowledge (3) motivation for processing of the extension (4) extended processing and (5) moderating influences from individual factors and situational characteristics.

The most interesting implication of the model is the situation where there is a moderate match between retrieved knowledge and the extension product. In this case the authors predict a high motivation for processing, due to increased interest on the part of the consumer.

Influence of Cues on Associations in Brand Name Transfer

A brand may be associated with certain attributes based on the positioning strategies utilized by the firm. Lynch and Srull (1982) propose that knowledge of an
established brand is represented in memory as a series of associations. Findings in cognitive psychology indicate that accessibility of brand associations depend on their strength in memory (Anderson 1983; Wyer and Srull 1986).

Chakravarti, MacInnis and Nakamoto (1990) argue that evaluative judgments regarding a brand extension are based on the associations that link the existing brand product and the extension. Chakravarti et al. (1990) studied the influence of external cues on salient as well as non-salient similarities. They used established brands such as Hunts, Kleenex and Kellogg to demonstrate that the presence of an elaboration cue increases the influence of non-salient similarities and reduces the impact of salient dissimilarities on evaluations.

The implication of the Chakravarti et al. (1990) findings are that brand image and the associations that it conveys is largely dependent on the communications strategies of the firms. The right message and the right association must be conveyed to the target consumer. A non salient similarity can become salient and relevant to the consumer in the presence of appropriate cue elaboration. These findings have implications for the brand manager in terms of positioning new products.

**Sequential Brand Extensions: Potential Negative Effects on the Brand**

Numerous scholars have suggested that a brand's effectiveness may diminish as the number of extensions associated with it increases (Aaker 1990; Kesler 1987; Ogiba 1988; Tauber 1985, 1988). The underlying concern seems to be that the identity or meaning of the brand will become blurred in the minds of consumers as the number of products associated with that brand increases. Aaker (1990) offers some cautions about the negative results that can occur from poorly conceived brand extensions. Consequences mentioned include undesirable associations to the parent brand, weakening of existing associations and a tarnished quality image. Romeo (1991) warned that there is a danger inherent in creating brand extensions within the same product category. If the extension is the target of negative information, both the family brand and the extension may be negatively impacted.

Contrary to this perspective, Park, Jaworski and MacInnis (1986) offer a convincing argument that the systematic extension of a brand can strengthen its status in the minds of consumers. A normative framework called brand concept management was proposed by Park, Jaworski and MacInnis (1986). The framework consists of a sequential process of selecting, introducing, elaborating, and fortifying the brand concept. Park et. al. recommend strategies for maintaining the brand image, varying according to whether the brand concept is functional, symbolic or experiential. The fortification stage involves linking the brand name to other products produced by the firm. Multiple products, all with similar images, reinforce one another and serve to strengthen the brand name. Park et al. (1986) offer a conceptual view and examples of each strategy. Wernerfelt (1988) suggests that a brand, as an indicator of quality, may be
improved as the number of products associated with it increases. Keller and Aaker (1992) studied the effects of sequential brand extensions and found that successful extensions may improve consumer evaluations of the core brand. Further they found that unsuccessful brand extensions had little or no effect on the parent brand evaluation.

Mode of Evaluation

Muthukrishnan and Weitz (1991) explored the role of product knowledge as a mediating factor in the evaluation of brand extensions. They found that when the parent brand’s image is high, experts as well as novices have a positive attitude toward the brand extensions. Experts were more likely to appreciate extensions for technological commonalties and novices appreciated surface features.

Another aspect of evaluation refers to whether the products are composed primarily of attributes that can be evaluated through visual inspection versus attributes that must be assessed through trial. The former types of goods are referred to as search goods and the later as experience goods (Smith and Park 1992). When a new product is an experience good, consumers have neither actual experience nor concrete attributes on which to base decisions (e.g., cold medicine). As a result, consumers often rely on cues such as brand names as a bases for inferring quality (Kimani and Wright 1989; Nelson 1974; Wernerfelt 1988). In contrast, search goods offer useful information about quality through visual inspection. Therefore, the reliance on brand names should be greater for experience goods than for search goods. Smith and Park (1992) found that the effect of brand extensions on market share diminishes as product search attributes increase. They also found that the effect of brand extensions on advertising efficiency is greater for experience goods than for search goods.

Literature Summary

The above discussion of the brand extension literature reveals several common themes. First, the attitude toward the parent brand has a strong correlation with attitude toward the brand extension when the extension has a basis of fit with the parent brand. This fit could be functional similarity, conceptual congruity, (e.g., prestige) or an extension of the expertise of the parent brand. Further, evidence suggests that a parent brand with either a prestige image or a very broad brand-family could successfully extend to less similar products.

Many studies caution against stretching a parent brand name too far since consumers may have difficulty generalizing when variability is high. Consumers may find it difficult to associate a dominant brand in one category with a very dissimilar product category. Studies on cue usage by consumers show that the presence of an elaboration cue increases the influence of non-salient similarities and reduces the impact of salient dissimilarities on evaluations. Thus, positioning the extension product
as fitting with the parent brand can be an important communication strategy. Another concern is whether the brand extensions can have an effect on the parent brand. If the extensions are not "a good fit" with a high quality parent brand, consumers may have a less positive view of both the parent brand and the extension.

The other side of the dilemma is that a very similar brand extension which becomes the target of some negative publicity may harm the parent brand. The findings in this area are somewhat contradictory and thus more research is needed about the effects of extensions on the parent brand in both successful and unsuccessful scenarios using a wide variety of products and brands. Finally, mode of evaluation has been found to affect consumer attitudes toward brand extensions. Both the expertise of the consumer and the characteristics of the products can affect consumer attitudes toward brand extensions. Brand extensions may be more important for experience goods than for search goods. Future research might include areas such as brand extensions for services and industrial goods. Another area for future research is the aspect of risk in consumer decision making. An underlying assumption in the brand extension literature is that consumers buy brand extensions as a risk reduction strategy. However, this has not been tested directly and is worthy of research.

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