

## **What determines successful brand extension? –A meta analysis–**

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### **1. Introduction**

The launch of new products is associated with high risks and costs (Martinez, et al. 2009). In this context in which many new brands fail, utilizing existing brand names and its capitalizing on their equity has been viewed by many as a more cost effective and lower-risk method of launching new products (Tauber 1981; McWilliam 1993). Such a strategy is called brand extension. Tauber defined the construct as the application of an existing brand name to a new product or service not previously associated with the brand name.

Previous research has suggested that the brand extension strategy offers advantages with respect to reducing consumers' perceived risks, maintaining distribution channels, and decreasing promotional expenditures (Keller 1998). Nevertheless, the success of brand extensions is uncertain. In particular, according to Ernst and Young and ACNielsen, the average failure rate of brand extensions in many fast-moving consumer goods categories is approximately 80%. Therefore,

identification of the potential determinants of brand extension success has emerged as an important focus of research aimed at helping managers reduce the failure rates of brand extensions (e.g., Aaker and Keller 1990; Bottomley and Doyle 1996; Dacin and Smith 1994).

As discussed below, the findings of previous research provide important insights into the factors that influence the success of brand extensions. However, although previous research has revealed important insights into the factors that influence the success of brand extensions, conclusions have been inconsistent. Different researchers have suggested different factors which contribute to the success of brand extensions, resulting in the need to identify and examine which determinants actually exert a significant influence on consumer evaluations of brand extensions significantly.

The purpose of our study is, therefore, to identify significant determinants of successful brand extensions by integrating findings from previous research into a comprehensive model of brand extension success.

**Table 1 Previous research on the determinants of brand extension success**

Independent variables	Tauber (1988)	Aaker (1991)	Keller (1993)	Keller (1998)	Smith and Park (1992)	Kardes and Allen (1992)	This paper
X <sub>1</sub> : Fit	○	○	○	○			○
X <sub>2</sub> : Leverage	○						○
X <sub>3</sub> : Complementarity		○					○
X <sub>4</sub> : Strong association			○	○			○
X <sub>5</sub> : Unique association			○	○			○
X <sub>6</sub> : Abstract association			○				○
X <sub>7</sub> : Consumer knowledge					○		○
X <sub>8</sub> : Difficulty						○	○
X <sub>9</sub> : Variability						○	○

## 2. Hypothesis

Previous research has proposed that a variety of determinants influence extension success in different ways. Indeed, nine determinants were identified from six articles (see Table 1). Of these, fit emerged as a core concept in the brand extension literature (Czellar 2003). Tauber (1988) referred fit as the degree to which a consumer perceives the extension product as a logical and expectable product of the brand. Based on an investigation of 276 actual extensions, Tauber concluded that the perceived fit is a key in predicting the success of the brand extension. Thus,

H1. Fit has positive effects on intention to purchase the extension product.

Leverage refers to the degree to which a consumer perceives the extension brand as superior to competitors on the basis of brand identification alone (Tauber 1988). Tauber hypothesized that if the parent brand has leverage over competitive brands in the relevant product categories, consumer evaluations of the brand extension would be higher than those of other brands without such leverage. Thus,

H2. Leverage has positive effects on intention to purchase the extension

product.

Complementarity refers to the degree to which a consumer views the two product classes each of which includes the extension and the existing product as complements (Aaker 1991). These products are regarded as complements when they are consumed jointly to satisfy some particular needs (Henderson and Quandt 1980). Aaker noted that the satisfaction with the complementarity encourages the consumer preference of the extension. Thus,

H3. Complementarity has positive effects on intention to purchase the extension product.

Strong association refers to the degree to which a consumer receives information associated with the extension brand from the extension (Keller 1993). With a strong association, consumers can easily transfer their strong attitude toward the parent brand to the extension product. Thus,

H4. Strong association has positive effects on intention to purchase the extension product.

Unique association refers to the degree to which a consumer perceives the extension brand as unique (Keller 1993). Keller noted that a unique association creates a competitive advantage to the extension brand and provides a "reason why" consumers should buy it (Keller 1993, 1998). Thus,

H5. Unique association has positive effects on intention to purchase the extension product.

Abstract association refers to the degree to which a consumer perceives the extension brand as having intangible nature (Keller 1993). Keller noted that a concrete attribute association may not transfer as broadly to extension product categories as an abstract attribute association. As high transferability of an association promotes the consumer preference of the extension product, the extent of how far the association can transfer contributes to the brand extension success. Thus,

H6. Abstract association has positive effects on intention to purchase the extension product.

Consumer knowledge refers to the degree to which a consumer knows about the

extension product category (Smith and Park 1992). Smith and Park noted that consumers are likely to rely on well-known brand names if they are unfamiliar with the product category and the perceived risk is high. Thus,

H7. Consumer knowledge has negative effects on intention to purchase the extension product.

Difficulty refers to the extent to which a consumer perceives that the extension product is difficult to design or produce (Aaker and Keller 1990). Aaker and Keller asserted that a potential incongruity occurs when a consumer perceives that the extension is trivial or easy to produce. The consumer may view the combination of a high-quality brand and a trivial product as inconsistent or even exploitative. Thus,

H8. Difficulty has positive effects on intention to purchase the extension product.

Perceived Variability of the competing products refers to the degree to which a consumer perceives the competing products in the extension product category are differentiated (Kardes and Allen 1991). If the products in the extension product category are differentiated from each other, consumers are unlikely to try the extension product because of tendencies towards conservatism. Using a dataset of consumer opinions of

food and drink products, Kardes and Allen provided evidence that higher variability in an extension product category is associated with more negative consumer attitudes toward the extension. Thus,

H9. Variability has negative effects on intention to purchase the extension product.

### **3. Methodology and Results**

We designed a questionnaire to test the hypotheses proposed above, with a sample comprised of 91 undergraduate students who volunteered for participation in this research. Pitt and Nel (1989) noted that undergraduates are good substitutes for consumers when testing involves human information processing. Indeed, convenient samples of students are quite common in previous brand research (e.g., Aaker and Keller 1990; Morrin 1999; Taylor and Bearden 2002) because this design facilitates the control of external variables. They were asked to recall a favorite brand name and a possible extension product for the brand and to answer the questions. Each item used a 7-point Likert scale, ranging from 1, which designated "strongly disagree" to 7, which designated "strongly agree." Cronbach's alphas were in acceptable ranges from 0.81 to

0.97 suggesting high reliability. Stepwise regression analysis was utilized to identify significant independent variables. Estimation results are shown in Table 2.

**Table 2 Standardized parameter estimates**

*Dependent variable: Intention to Purchase the Extension Product*

Independent variables	$\beta$	t	(p)
$X_1$ : Fit	—	—	(—)
$X_2$ : Leverage	—	—	(—)
$X_3$ : Complementarity	0.34	2.54	(0.02) ***
$X_4$ : Strong association	0.31	2.68	(0.01) ***
$X_5$ : Unique association	0.69	6.49	(0.00) ***
$X_6$ : Abstract association	-0.17	-1.56	(0.13) *
$X_7$ : Consumer knowledge	—	—	(—)
$X_8$ : Difficulty	—	—	(—)
$X_9$ : Variability	-0.16	-1.53	(0.14) *

Note. \*\*\* significant in 1% level, \* significant in 15% level.

#### 4. Results and Discussion

The results suggested that  $X_5$  (complementarity) has the greatest impacts on consumer attitude toward the extension brand ( $\beta=0.69$ ,  $t=6.49$ ), implying that consumers are more likely to purchase the extension product if the extension product is complementary to the existing products.

Second, it was also found that  $X_3$  (strong association) and  $X_4$  (unique association)

also have positive impacts on attitude toward the extension ( $\beta=0.34$ ,  $t=2.68$ ;  $\beta=0.31$ ,  $t=2.54$ ). The former implies that consumers are more likely to purchase the extension product if they receive information associated with the extension brand from the extension. The latter implies that consumers are more likely to purchase the extension product if they perceive that the product is unique among the competing brands in the product category.

Third, contrary to the independent variables mentioned above,  $X_6$  (abstract association) and  $X_9$  (variability) have negative impacts on attitude toward the extension ( $\beta = -0.17$ ,  $t = -1.56$ ;  $\beta = -0.16$ ,  $t = -1.53$ ). Note that the signs of abstract association and variability are inverse to those proposed by Keller (1993) and Kardes and Allen (1992), respectively. The results in this study show that abstract-associated brands tend to be more difficult to extend than concrete-associated brands. The results also show that consumers are likely to be brand-conscious if the competing products in the extension product category are not sufficiently differentiated from each other.

This study provides some insights for the success of the brand extension. As discussed above, the extension will succeed if the consumer perceives that: (1) the extension product is complementary to the existing products, (2) the extension product implies the extension brand association strongly, (3) the extension product is

unique, (4) the extension brand has a concrete attribute association, and (5) products in the extension product category are similar to each other. It should be noted that, the two findings, (4) and (5), are inverse to Keller (1993) and Kardes and Allen (1992), respectively. These phenomena inconsistent with the traditional theory raise a question to the brand research.

There is a limitation in this study. Brand extension strategies include two kinds of effects: "forward effects," which indicate the transference of knowledge and affection from the parent brand to the extension product, and "feedback effects," which indicate the reinforcement or dilution of consumer attitude or belief from the extension product toward the parent brand (Czellar 2003; Keller 2003). This study focused only on the "forward effects" in order to find factors that influence consumer attitude toward extension products. To our knowledge, although research on "feedback effects" is also important to that of "forward effects," research on "feedback effects" of brand extensions has not been yet conducted. Thus, future research should examine "feedback effects" in addition to the attempt of this study on "forward effects" of brand extensions.

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