Shoring Up or Watering Down?: Brand Extension & Dilution

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Introduction

Leveraging a brand by introducing new line or brand extensions is a popular strategy that is cost effective in the short run. However, few models of branding have identified empirically-based strategies that are important in extending brands. The risks of introducing brand extensions not only include the possibility of failure of the brand extension, but also dilution of the parent brand. This presentation discussed the empirical research on brand extensions and brand dilution and identified key prescriptive themes for extending brands.

What Makes Up a Brand?

The key ingredients of a brand, as discussed frequently in the brand extension literature, are image attributes and products (Loken, Joiner, and Peck, 2002). For example, the Coke brand can be associated with image attributes such as refreshing, tastes great, All-American, etc. Conversely, the Coke brand can also be associated with products such as Coke Zero, Cherry Coke, Diet Coke, and so on. Marketing activities and communications can convey either brand image attributes or product category information. The important thing is that the prominent information communicated to consumers is presented consistently between the brand and the brand extension.

Brands are Viewed as "Categories"

Brands are viewed as categories not only by managers in companies, but also by consumers. Many companies are organized by brand, and brand leveraging-strategies are becoming increasingly popular. Therefore, it is common to see the promotion of a full range of products under a brand name in a single communication. In this environment, consumers will be more inclined to think about brands as categories when evaluating a brand name. Research in consumer psychology also shows that brand categories function psychologically like other types of categories (Boush & Loken, 1991; Morrin, 1999).

Brand Extension Tenets: Prominence and Consistency

Whether or not a new brand extension will be accepted is determined to a great extent by what information about the brand is prominent for consumers and the extent to which the brand and brand extension are consistent on that important information (Loken, Barsalou, and Joiner, forthcoming).

In order to communicate information that is consistent in the marketplace, the first step is to understand the factors that represent a match between the parent brand and the extension (e.g. Martin & Stewart, 2001; Bottomley & Holden, 2001). These could be brand image attributes (e.g. Park, Milberg & Lawson, 1991) or product category associations (e.g. Boush & Loken, 1991). The second step is to find out what information about the brand and its extension is the most manifest or accessible from the consumer's perspective. This could be information about the new extension category, information about the brand's existing products, or information about the brand's image. The final step is to design marketing communications and product packaging and make distribution decisions, keeping in mind what information is at the forefront (or needs to be) in the mind of the consumer.

Brand managers use several different strategies to maintain consistency between a brand and a brand extension. For example, Ralph Lauren used a sequential strategy when introducing house paint into their repertoire. Instead of moving directly from apparel to paint, Ralph Lauren moved from apparel to an introduction of bedding, and then on to other home furnishings. While using the sequential strategy, the company consistently communicated a "prestige" image across all of its marketing activities. Although paint was a different product from apparel, Ralph Lauren succeeded in its brand extension with a sequential brand extension strategy and a consistent "premium" image. Taking a different approach, Snickers used a sub-brand strategy when introducing energy bars for sale. Energy bars may not be a product category consistent with the Snickers brand name, as the brand has been traditionally perceived as a candy bar brand. Perhaps in order to maintain consistency, the company chose to use the sub-brand Marathon when it introduced energy bars into the market.

Brand Extensions: What Makes them Acceptable?

Which factors make a brand extension more acceptable or likable? If it is a very different extension, consumers are not likely to accept it easily. However, if it is only moderately different, consumers are more likely to accept and possibly embrace the extension, depending on certain conditions. For example, factors that increase the consumer's acceptance of a moderately different extension include the mood of the consumer (e.g. Barone & Miniard, 2002), frequency of repetition of advertisements for the extension (e.g. Lane, 2000; Klink & Smith, 2001), and whether the extension is coming from a "broad" brand or a "narrow" brand (Boush & Loken 1991; Meyvis & Janiszewski, 2004). Narrow brands tend to be associated with a specific product category (e.g., Campbell's soup). In this case, people are less likely to accept brand extensions to other product categories (e.g., Campbell's spaghetti sauce). Further, when a brand is a non-prestige brand, consumers are more likely to accept upward or downward brand extensions in terms of price. But, when a brand is a prestige brand, owners are less likely to accept a downward brand extension because they want to maintain brand exclusivity (Kirmani, Sood, & Bridges, 1999). Positive past experiences with a brand can also increase consumers' expectations about brand extensions which need to be met (e.g. Kim & Sullivan, 1998).

Brand Enhancement versus Brand Dilution

Prominent and consistent brand extensions shore up brands in various ways. First, umbrella branding strategies save costs in terms of brand development and marketing expenses (e.g. Smith & Park, 1992). Second, advertising for brand extensions helps parent brands, not only in terms of increased brand recognition, but also sales (e.g. Balachander & Ghose, 2003). Third, product experiences of one brand extension may encourage consumers to try other extended products of the brand (e.g. Swaminathan, Fox, and Reddy, 2001). Finally, vertical extensions can upgrade the image of a brand. For example, if a brand introduces a higher level of technology, the extension enhances the perception of that brand (Jun, Mazumdar & Raj, 1999).

Quite the reverse, brand extensions also run the risk of watering down parent brands. Failure or inconsistent information dilutes the brand. For example, Loken and John (1993) found that when Johnson & Johnson (a brand associated with high gentleness) introduced a new product with low gentleness, the extension affected the parent brand negatively. Extensions can also dilute beliefs about non-flagship products of the parent brand, while beliefs about flagship products are less vulnerable to dilution (John, Loken, & Joiner, 1998). In addition, inconsistent upward or downward vertical moves or competitor counter-moves can affect parent brands negatively (e.g. Kirmani, Sood, & Bridges, 1999).

Brand Dilution: What Mitigates Dilution?

There are some strategies intended to help to mitigate dilution. When prestige brands extend downward, or when brands extend to low-quality products, sub-branding can be used to reduce dilution (e.g. Kirmani, Sood, & Bridges, 1999) . Some researchers show that employing a co-brand for an extension can help guard the original brand against negative effects, insofar as the co-brands' attribute profiles are complementary rather than noncomplementary (Park, Jun, & Shocker, 1996). In some cases, if the brand extension is already perceived as extremely different or inconsistent with the parent brand images, and this is prominent or salient to the consumer, dilution is less likely to occur (Loken & John, 1993). Before Pepsi removed Crystal Pepsi from the market, the company changed Crystal Pepsi's name and slogan (to "Crystal by the makers of Pepsi") and positioned it as a "different cola." By distancing Crystal Pepsi from the original Pepsi, the company may have been able to minimize dilution effects caused by Crystal Pepsi.

Conclusion

In order to succeed with brand extensions and enhance parent brands, brand managers should keep prominence and consistency in mind. When extending brands, managers need to find the commonality between the brand and the extension and must then make this commonality evident. Prominent-consistent brand extensions are often able to enhance and shore up parent brands.

Brand extensions can also run the risk of diluting parent brands; therefore, brand managers should be cautious. Brand dilution occurs particularly when prominent brand extension associations are viewed as moderately (rather than extremely) different from the brand. To mitigate dilution effects, or when the risk of dilution is high, an ideal strategy is often to create distance through co-brands, sub-brands, and/or marketing communications, distribution, and product packaging stressing differences between the extension and its parent brand.

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*This presentation was based on a review of numerous articles in academic journals on brand extensions and brand dilution. For a complete list of references, please contact Barbara Loken at bloken@csom.umn.edu.

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