



Assessing the Impact of Brand Extensions on Brand Concept and Brand Equity

Dilip Doraiswamy and Kittichai Watchravesringkan
The University of North Carolina at Greensboro

Keyword: brand concept, brand equity, vertical and horizontal brand extensions

Introduction and Research Questions. In today's highly competitive retail environment, many apparel businesses have adopted brand extension strategy to regain the lost market or to obtain a new market. Brand extension involves utilizing and applying the established core brand name to new products, either similar or different product category, to capture new and unexplored market segments (Martinez & Pina, 2010). While brand extension strategy has proved to be successful in some cases, such strategic approach has proved to be unsuccessful for others when the brand extended too far from its core brand values, resulting in dilution of parent brand image. Whereas the extant research has opened the way to examine the effect of brand extension on brand equity, defined as the value that a brand name adds to a product (Martinez & Pina, 2010), little has investigated the parent core brand concept, defined as the image that a consumer has in his mind about the core brand (Kim et al., 2001), once the brand extension has been introduced. There are two types of core brand concept; function- and prestige-oriented. While function-oriented brands are associated with product performance, prestige-oriented brands are associated with prestige and status (Chung et al., 2001). Also, Aaker and Keller (1990) suggested brand extension strategy can be either horizontal or vertical brand extension (i.e., HBE or VBE). While HBE deals with an application of the original brand to a new product (either the same product class or new product category), VBE involves an application of the original brand to the same product category at a different price/quality continuum. VBE can be either a step up or step down from the original brand in terms of price, prestige, or quality. Some studies indicated that a VBE might create a negative impact on the core brand concept and brand equity if the extended product was perceived inappropriately by consumers (Chung et al., 2001). Thus, the overall purpose of the study is to enrich our understanding of the impact of brand extensions on the parent core brand concept and brand equity in the context of apparel. This study also further examines whether brand extensions have an effect on consumers' post extension evaluations of parent core brand concept and brand equity. If yes, will these effects vary across different brand extension types?

Methodology and Results. Pilot studies were performed to select the specific stimuli (i.e., apparel brands) with different core brand concept. As a result, Vera Wang brand was selected to represent a prestige-oriented core brand concept while Land's End was chosen to represent a function-oriented core brand concept. For HBE, we chose the camera for both Vera Wang and Land's End. For VBE, we chose intimate apparel for Land's End and a men's wear category for Vera Wang. A 2 (core brand concept: function vs. prestige) x 2 (brand extension type: HBE vs. VBE) between-subject experimental design was employed. Dependent variables include core brand concept and brand equity as measured in terms of brand awareness, perceived quality, and

brand association and were measured using 5-point Likert-type scale. They were adapted from existing literature (e.g., Park et al., 1991). A self-administered survey was conducted using college students in a classroom setting at mid-sized southeastern University, U.S.A. A total of 292 useable responses were collected. Reliability of all measures ranged from 0.76 to 0.98.

Results from a series of paired sample t-test showed that, regardless of the type of brand extension strategy, consumers' initial evaluation of the parent core brand concept was significantly higher than their post extension evaluation of the parent brand concept ($M_{Diff} = 0.8$, $t\text{-value} = 11.24^{***}$). Also, results showed that consumers' initial evaluation of the parent brand equity was significantly higher than their post extension evaluation of the parent brand equity as measured in terms of brand awareness ($M_{Diff} = 0.95$, $t\text{-value} = 12.56^{***}$); brand association ($M_{Diff} = 0.75$, $t\text{-value} = 9.82^{***}$); and perceived quality ($M_{Diff} = 0.86$, $t\text{-value} = 11.28^{***}$). We further examined whether these effects varied across different brand extension types. Mean differences between consumers' initial evaluation and post extension evaluation of the parent core brand concept of each extension type were calculated and then used as dependent variables, while the type of brand extension was used as an independent variable. Results from one-way ANOVA revealed that the mean differences between consumers' initial evaluation and post extension evaluation of the parent core brand concept of VBE was greater than the mean differences between consumers' initial evaluation and post extension evaluation of the parent core brand concept of HBE ($F = 6.85^*$; $M_{Diff\ of\ VBE} = 0.96$ and $M_{Diff\ of\ HBE} = 0.44$). Related to brand equity, a series of one-way ANOVA was also executed, following similar procedure as testing for core brand concept. In terms of brand awareness and brand association, results revealed that the type of brand extension strategy did not have a significant relationship with consumers' evaluations of brand awareness and brand association. In terms of perceived quality, we found that the mean differences between consumers' initial evaluation and post extension evaluation related to VBE was significantly greater than the mean differences between consumers' initial evaluation and post extension evaluation related to HBE ($F = 4.76^*$; $M_{Diff\ of\ VBE} = 0.91$ vs. $M_{Diff\ of\ HBE} = 0.48$).

Discussion and Conclusion. The current study's results indicate that regardless of the types of brand extension, consumers are less likely to evaluate parent core brand concept and brand equity favorably after the extension as compared to their initial evaluation of parent core brand concept and brand equity. In addition, when further examining whether a VBE would create greater dilution effect on the parent core brand concept as compared to a HBE, our results are in line with previous studies (Kim et al., 2001) who found that a VBE produced a negative impact on the parent core brand concept and brand equity. We recommend that the brand managers should be cautious when extending their brand, particularly vertical extension strategy because such strategic approach is likely to dilute both parent core brand concept and brand equity.

Aaker, D.A., & Keller, K.L. (1990). Consumer evaluations of brand extensions. *Journal of Marketing*, 54(1), 27-41.

Chung, K.M., Anne, M.L., & Margo, S. (2001). Consumer evaluation of vertical brand extensions and core brands. *Journal of Business Research*, 52(3), 211-222.

Kim, C., Lavack, A., & Smith, M. (2001). Consumer evaluation of vertical brand extensions and core brands. *Journal of Business Research*, 52(3), 211-222.