

# ARQUIVO 5

# Brand Equity and Extensions from the Perspective of Consumer Behavior

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## Abstract

A strong brand is a rather invaluable asset. The recognition of this fact has awakened the interest of professionals and researchers, who focus on a variety of aspects involved in building brand value. Amongst these, the relationship between brands and extensions appears as a relevant item.

The objective of this paper is to investigate the process of construction of a brand and its interaction with extensions in this process.

To achieve this goal, field work has been carried out, including a descriptive study contemplating four leading brands of packaged staple goods marketed in Brazil: Arisco, Nestlé, Parmalat and Sadia. A predominantly structured questionnaire was applied to a sample of 400 buyers of these types of products in supermarkets.

The survey results point at the following conclusions: the consumer tends to transfer his/her affection for the main brand to its extension, but when he or she does not like the extension it does not mean that he or she will necessarily dislike the main brand; the extension may, in some cases, be the access channel to the main brand; the comparison between products is stronger within the same category than among brands; and meaningless or secondary attributes may be useful when the consumer has doubts during the decision making process.

**Key-words:** brand; brand extension; consumer

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## 1- Introduction

A brand may be thought of as a distinct name, term, sign, symbol or design, or a combination of these, whose function is to assign an identity to goods or services, as well as differentiate them from rivals (Aaker, 1990), while increasing the value of a product beyond its functional purpose (Farquhar, 1990), ascribing to it a sustainable differential advantage (Doyle, 1994).

The adoption of a brand strategy has its advantages over the option of keeping the products without a brand: it makes the decision process easier for the consumer, through the availability of an information summary which increases the efficiency of the decision process (Alba & Hutchinson, 1987; Johnson & Russo, 1984; Dacin & Smith, 1994; Doyle, 1990) while reducing the perceived risk (Montgomery & Wernerfelt, 1992; Dacin & Smith, 1994).

Reddy et al (1994:244) say that the notoriety of a brand embraces two inter-related and multi-dimensional constructs: brand power and brand value. The power of a brand is sustained by merchandizing activities. Brand value is sustained by brand power, but in correspondence with its financial measure. Aaker demonstrates that the brand may have a positive or negative valence vis-à-vis a product. Webster, Jr. (1994:109) focus the term value of a brand as an asset to the company, seen from the perspective of its owners. He states that the real meaning of the expression is indeed on the consumers' mind. To Keller (1993:8), the value of a brand based on the consumer is defined as the "differential effect of knowledge of the brand on the consumers' answer to brand merchandising."

This way, as proposed by Reddy et al. (1994); Farquhar, 1990; Broniarczyk & Alba, 1994; and Aaker (1991; Webster, Jr., 1994; e Keller, 1993), brand value is a broad concept, of which brand extension and line extension are also constitutive parts. Brand extension and line extension are two different things, but share the same nature. Both require that the brand be already established so that it can be borrowed for a new launch, whether related or not to already existing products. Brand extension is related to the enlargement of an established franchise to cover a different class of products (Aaker & Keller, 1990; Reddy, Holak & Bhat, 1994; Doyle, 1994), not always related and/or belonging to the original company.

Line extension involves a decision that presents better defined, more tightly controlled outlines than those drawn for brand extension. It is subordinate to the class or category of related, already established products. Reddy, Holak & Bhat (1994:243) refer to the "use of a brand to a new offer at the same category or class of product". More precisely, it can be considered as an aggregation of new

characteristics to the former versions of a product that lead to new castings, using the already established brand.

Webster (1994) considers that, in theoretical terms, there is a strong cognitive component related to the value of a brand, over and above any behavioral disposition. A strong relationship can be considered to exist between them. Underlying beliefs determine the preferences that may materialize as consumer behavior. Preferences may be defined as the result of an evaluation process (Johnson & Puto, 1987; Lefkoff-Hagius & Mason, 1993). The closer the real product is to the ideal one has in mind, the larger will the preference be (Lefkoff-Hagius & Mason, 1993).

The preference has occupied a prominent space in social psychology, as far as attitude examination, impression development and decision-making are concerned (Zajonc & Marcus, 1991), as seen in this judgment: "... preferences are comprehended in the decomposition of utilities and values in general, in its most elementary components, each having its own utility" (Zajonc & Marcus, 1991:242). Preferences are, still, acquired and may be changed; they are not equally formed and may be developed slowly through an adjustment and rejection process (Carpenter & Nakamoto, 1989; Kardes, et al., 1993).

This evaluation allows one to infer that the procedure of preference may involve cognitive and effective components, in a variety of combinations (Zajonc & Markus, 1991). The effect that stimulates the preference can also be transferred, as in the example of brand extension. Similarly, research on the reciprocal effect of brand extension focus on the effect of extension results over consumer affection towards the main brand (Keller & Aaker, 1992). What allows the transference of affection from a product's brand to another is the perception of similarity between some of their characteristics.

The concept mostly accepted by studies on brands and their extensions involves the formulation of a kind of associative model based on the structure of memory (Anderson, 1983; Wyer & Srull, 1989; Keller, 1993; Engel et al., 1995). According to this concept, the memory consists in a series of nodes (concepts and representations) and links (which represent the association between nodes). The nodes are information stored and connected by links that vary their potency (or power). The process of activation and expansion from node to node establishes the extension of memory recovery (Collins & Loftus, 1975; Ratcliff & McKoon, 1988; Keller, 1993).

According to this model, there are links that connect the brand to a set of other elements such as type of user, product class and context of usage (Keller &

Aaker, 1992). For Engel et al., (2000:351), "the combination of various points inside the memory leads to more complex units of knowledge."

The associative network model allows one to infer that the possibilities of brand extension will mostly depend on the degree of abstraction at which the consumer will make the association. An evaluation of the extent at which the type of associated information that comes to our mind about the essential part of a brand fits into the context of extension as proposed by Keller & Aaker (1992) and Broniarczyk & Alba (1994), who concluded that the higher the number of shared attributes, the higher the interference of attribute transfer.

These propositions and evidences served as a guide in a series of researches related to the implications of the adoption of extensions. Some of these works, focusing closer on the proposition of this research, will be synthesized in the following sections.

Park, Milbert & Lawson (1991) studied brand extensions as associated to function and prestige, concluding that these latter items were at the service of higher amplitudes of extension, surely embracing a more abstract set of associations. Their symbolic value was approached by Park & Srinivasan (1994), deriving from these contributions. Dacin & Smith (1994) also approached the issue of brand power, focusing on its favorability and on the abstract character of the association, thus amplifying the former scholars' contributions.

Aaker & Keller (1990) conditioned the success of an extension to the qualification of complementarities, representatives and transferability. According to them, the high quality of a nominal brand influences the acceptance of its extension in the presence of these three requirements, leading to positive associations.

To Loken & John (1993), belief in more global and more distinctive attributes are immune to dilution, but amplified brands run excessive risk of eroding their image. To Dacin & Smith (1994), the attenuation of a brand may happen if the product has an inferior quality.

Judgment of similarity of preference, according to Lefkoff-Hagius & Mason (1993), is more important than product attribute. Consistent with these findings, Lemann & Pan (1994) considered that the new brand produces a change in the set considered.

Park & Srinivasan (1994) approach the question of consumer preference as related to the attribute against the non-attribute of the brand, while Carpenter, Glazer & Nakamoto, (1994) tried to be more specific by including what they call a non-important alternative in the set of choices, in order to verify

how it would affect the preference related to the remaining alternatives.

Through such considerations, the following hypothesis were developed:

H1 – The number of extensions that the consumer develops is as large as the scope of abstractions which he/she associates to the brand.

H2 – The consumer transfers his/her affection for the brand to he extension, but he/she will not necessarily dislike the main brand if he/she does not like the extension.

H3 – The comparison of a line extension is made with products considered typical of other categories and not associated to the brand, without depending on keeping similarity with it.

H4 – The consumer may access the main brand through extension, when this attends to a specific context not yet attended by the main brand.

H5 – The consumer prefers the extension that is endowed with a non-important attribute to a product without this kind of independent attribute of the brand considered.

## 2- Method

### 2.1- Subject

This research was conducted under the form of a descriptive study and adopting as unit for analysis the consumers of packaged staple goods of brands traditionally known in Brazil. The choice of brands was decided out of convenience, and they were: Arisco, Nestlé, Parmalat and Sadia.

The public researched involved people from both sexes, older than 16, buyers in supermarkets and regular consumers of packaged staple goods of the chosen brands.

The sample was taken randomly, but not probabilistically, by means of 400 interviews made in several supermarkets of Belo Horizonte. The margin of error adopted was 5%, for a reliability level of 95%, and in the hypothesis of  $p=0,5$ .

### 2.2- Procedure

As data collecting tool, a structured 18-question questionnaire was adopted, and applied after a prep-test.

The analysis and review involved checking 20% of the interviews by phone. The valid questionnaires were typed using the program SPSS and ordained according to the hypothesis considered.

### 3- Results

It may be said that the first hypothesis was confirmed. From the four companies considered, two had an evaluation related to their own products. The other two companies had, in perceptual terms, a smaller number of products seen as possibly of their own make.

The results from this item of the research coincide with the works of Boush & Loken (1991), Chattopadhyay & Alba (1988), Keller (1993) and Broniarczyk & Alba (1994). It was proven that the present amplitude of products might be influenced by the possibilities of extension. This also coincides with the works of Aaker & Keller (1991).

The second hypothesis was confirmed. The results confirm those obtained by other authors, according to which the beliefs and affections associated with brand category may be transferred to an extension when the consumer perceives the extension as suitable to the category (Cohen & Basu, 1987; Fiske, 1982; Levy & Tybout 1989; Park, Milberg & Lawson, 1991). They differ, however, from the results of works by Sullivan (1990) and Loken & John (1993), according to which brand extensions that do not succeed may dilute nominal brands by diluting favorable beliefs in attributes that the consumer associates to the main brand.

The results do not allow the conclusion that there is an increase in brand power based on homogeneity of quality, as the consumer expects the related products to be of high quality (Dacin & Smith, 1994). This does not allow one to infer when a question of quality variance is involved. In case of low variance, consumers may generalize their associations to the real extension.

It may be concluded, from these findings, that unsuccessful products incorporated into a brand do not make it weaker. Still, its non-interference in the main brand refers to the fact that each product may lead to a set of unique information other than confirmative(?), as the results from the researches made by Dacin & Smith (1994) tend to suggest.

An impulse, such as affection towards the brand or similarly towards the product category, may be used as a predictor of the attractiveness of the extension. Their mutual effect, when negative, tends to be minimized.

The results provided a consistent support for the confirmation of the third hypothesis. The interviewees who affirmed to have considered different categories of products turned to the same context of use. In one specific case, the brand was considered as secondary, once the use or context prevailed over it. When the consumer cannot see the difference between products, then price is the main factor. Similarity judgments, according to the results of this research, are

made at the general level of product category, on which all aspects of similarity are implicitly relevant (Ratneshwar & Shocker, 1991).

The concept of planned adjustment (Fiske & Pavelchak; Boush & Loken 1991; Engel et al., 2000) also offers theoretical support to the confirmation of this hypothesis, insofar as it allows the consideration of similar objectives satisfied by products belonging to the same category, but not always belonging to the same brand. This way, the consumers may not limit themselves to a simple category when they seek certain benefits (Broniarczyk & Alba, 1994).

It can be concluded that favorability of the attributes deduced and belief in related benefits will hang, in part, on the situational evaluation and on the brand as dependent on the context. Both will vary according to the particular objectives of consumers when deciding to buy or consume (Keller, 1993).

The fourth hypothesis was confirmed, and it provides information that was not considered by the studies related to the value of brand and extension, which refers to the question of consumer individuality. The results of this work showed that brand knowledge is not always needed, given that the consumer can give up comparing product categories and brands to access new products.

The existing marketing literature has dedicated a disproportional part to brand outlining, while only reserving a small space to the question of extension and its relationship with the brand. However, it must be noticed that, with the current trend towards a higher and higher segmentation of the market, there is a possibility that the main product may not always attend to the specific characteristics of a certain segment. In such case, access to the brand may be provided through the extension.

This research thus recovers a strongly emphasized topic in marketing, but not so often considered by the brand value approach, which is the details that the consumer may assume on the search of products that meet their expectation for benefits.

The fifth hypothesis is related to the non-important or secondary attributes that may be valued by the consumer. It may be inferred, from the frequencies obtained, that its influence is different according to the type of product and the segments considered. Such results are consistent with the proposal of Keller (1993), which considers attributes as primary and secondary. The latter attributes are not directly related to the product, and include the non-important attributes – this still according to Park & Srinivasan (1994), in regard to the consumer's preference for the attribute as opposed to the brand, and, further, according to



Carpenter, Glazer & Nakamoto's (1994) approach to what they call non-important alternatives included in the set of choices.

The consumer may infer that the non-important attribute leads to better product performance, provided it is new and is highlighted by the comparison between brands, because it is unique. In a double sense, this attribute makes the brand more distinct in the consumer's mind. The results suggest that the structure of attributes, in addition to the context of choice, and transferability, as proposed by Aaker & Keller (1990), may affect preferences.

It may be concluded that the existence of an attribute held as insignificant or secondary influences the decision process when the consumer has doubts in regard to the meaning of differences between products of different brands or even of the same brand. It is important to note, still, the importance of consumer loyalty. It may be estimated that, when loyalty is low, this kind of stimulus will have a significant impact on product choice.

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