Examining the Effects of Brand Licensing

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Brand licensing still remains under-researched in marketing literature. In this contribution we focus on positive and negative effects of brand licensing. Thereby we differentiate between effects that can become effective in all forms of brand extensions (brand extension specific effects) and effects that are specific to brand licensing situations (brand licensing specific effects). We present the first empirical study on brand licensing specific effects analyzing the effects of prior brand-licensing knowledge on brand and product evaluation. The results show no major evidence of brand licensing specific effects. However, further considerations suggest to address this topic in future studies more extensively.

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EXTENDED ABSTRACT
In marketing literature the brand extension concept has received considerable attention. However, brand licensing, the external form of brand extensions, remains under-researched even though brand licensing arrangements are used more and more extensively. For example, in the United States, the revenues earned with licensed products increased from $4.9 billion in 1977 to more than $70 billion in 1996. In 1996 world-wide licensing revenues amounted to $110 billion, $23 billion of which was collected in Europe.

In this contribution we focus on positive and negative effects of brand licensing. After reviewing the literature on brand licensing and defining it as an external form of brand extension we propose to differentiate between effects that can become effective in all forms of brand extensions (brand extension specific effects) and effects that are specific to brand licensing situations (brand licensing specific effects). As we will show, brand extension specific effects have already been addressed in a number of studies. Brand licensing specific effects, however, have yet not been examined in empirical studies.

In this context we will first define brand licensing specific effects and then support our hypothesis about the existence of these effects by referring to examples. Thereafter we will present the first empirical study on brand licensing specific effects. The goal of this study was to examine whether consumer evaluation of a brand and a product is affected by prior brand-licensing knowledge (i.e., information revealing that a brand is used in licensing arrangements, respectively that a product is produced and sold under license).

Brand licensing is especially popular in the fashion and apparel industry as well as in the foods and electronics industries. Accordingly, for our exploratory study we focused four brands and four products that operate in these markets because for them the topic of brand licensing specific effects is most relevant. The first brand, Esprit, is an international lifestyle fashion brand. The examined product was an Esprit watch. Granini is a brand in the food processing industry. The product chosen was filled fruit sweets. Polaroid is a famous brand in the field of imaging technology. The typical brand licensing product to be examined was a Polaroid branded digital camera. The fourth brand was Puma, which is positioned as a sports lifestyle brand. The respective brand licensing product was a pair of Puma running shoes.

A four-group-experiment and an analysis of variance (ANOVA) were applied to analyse the (significant) effect of brand licensing information on brand equity in which the concept of brand licensing was shortly explained to them. Secondly, they were provided with different artificial stimuli (competitive information and information of a consumer advice center) explaining that the four brands and four products are used in licensing agreements. After the treatment the respondents were also asked to evaluate the four brands and the four products using the same scales as the control group.

The evaluation of brand equity for the four brands was based on the brand potential index (BPI), a consumer-based brand equity approach that measures brand equity with nine dimensions. For the evaluation of the products, specific dimensions were derived for each product. On the basis of criteria that were applied in product tests and studies a first list of dimensions was created for each product. Thereafter these lists were evaluated and revised by respondents (typical product users) in a two-stage process leading to the final lists of product evaluation dimensions.

Both the brand and the product evaluation items were measured on five-point Likert-type scales. A preliminary test of the questionnaire was carried out with 29 respondents. In this context the aspects of understandability, face validity and logic of the questionnaire and the stimuli were addressed and a comprehensive test of the scales was conducted.

Thereafter a qualified and controlled convenience sample of 418 male and female consumers was drawn in December 2003 and January 2004 to represent the shopping public for the used brands and products. A total of 406 completed questionnaires could be used. The analysis of the significance of the brand licensing information on brand and product evaluation was based on individual samples for each brand and each product due to an individual stepwise elimination process of respondents for meeting the experiment prerequisites.

The ANOVA led to the following results. From 36 potential brand equity dimensions concerning the four examined brands no brand licensing specific effects (significant differences in the group means) could be proved in 35 dimensions. From 40 potential product evaluation dimensions no brand licensing specific effects (significant differences in the group means) could be proved in 39 dimensions.

In summary, no major brand licensing specific effects could be confirmed. However, we are of the opinion that the study has some potential limitations. They can be the cause that brand licensing specific effects on the licensed brand and the brand licensing product could not be confirmed. In this context we propose to address this topic in future studies more extensively. Providing the respondents with more information on the brand licensing situation, examining further brands and products, that are not typical for brand licensing and covering different moderating effects may lead to alternative results.
REFERENCES