The Branding of Next-Generation Products

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We examine the effect a firm’s branding strategy has on consumer perceptions of next-generation products. In three experiments, participants evaluated a next-generation offering whose brand name was either a continuation of or a deviation from an established naming convention. The results of the first study suggest that consumers infer the level of product change by the similarity of its brand name across generations. The next two studies provide evidence that new brand names lead consumers to believe they are exposed to both greater risks and rewards. In turn, the relative salience of these factors affects the likelihood that next-generation products are purchased.

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EXTENDED ABSTRACT
The majority of innovative activities undertaken by firms are aimed at improving existing products (Griffin 1997; Urban and Hauser 1993). As a result, the introduction of successive product generations is typical of many industries. These next-generation products often embody new technology or confer enhanced benefits, and hence have the potential of replacing or obsoleting products previously introduced in the same category (Norton and Bass 1987). Microsoft, for example, has introduced 10 distinct versions of its Windows operating system over the last 21 years, each delivering more capabilities and a friendlier interface than its predecessor. In the home video game market, Nintendo has launched five generations of game platform since 1986, while Sony has introduced three generations of its popular PlayStation console in a little over 10 years. More broadly, Nike’s Air Jordan basketball sneaker has been updated every year since 1985, Callaway will soon introduce the eleventh generation of its Big Bertha golf club, and Mercedes-Benz now boasts a redesigned sixth generation of its legendary Sport Leicht (SL) class of automobile.

Interestingly, when one examines the branding strategies employed by firms engaged in next-generation product introduction, several distinct naming conventions emerge. These range from the ongoing use of a single name (e.g., Cadillac’s Coupe de Ville) to the use of an entirely new name with each successive generation (e.g., Sega’s Master, Genesis, and Saturn consoles). A common naming convention falls between these two extremes, with firms retaining a core name and adding a sequential indicator, such as an ordered numeral (Palm I, III, V), a date (Microsoft Windows 95, 98, 2000), or even a superlative (Callaway’s Big Bertha, Great Big Bertha, Biggest Big Bertha).

The presence of these different naming strategies begs the question of what motivates firms to choose one naming convention over another. The degree to which a firm wants to signal novelty and innovation might be one important factor. For example, firms may decide to ‘skip’ one or more steps in a naming sequence in an attempt to convey greater improvement. Thus, TaylorMade went from its 300 Series of golf clubs straight to the 500 Series (skipping the 400 Series) (Kramer 2005). Other firms have purposefully switched names to communicate certain aspects of their next-generation products, as when Microsoft decided to name its latest video game console the Xbox 360 rather than Xbox 2 (Rojas 2005).

What inferences do consumers draw from brand name changes and, more importantly, how do such changes impact a consumer’s decision to adopt a next-generation product? The goal of the present research is to address these questions. To that end, we develop several propositions. First, we propose that consumers tend to associate a departure from an established naming convention with significantly greater change than when it was a continuation of that naming convention. Furthermore, we show that the effect is driven by expectations of innovation through the introduction of new features rather than improvements on existing features.

In study 1, we demonstrate that individuals infer the level of product change offered by a next-generation product by its name relative to that of its predecessors. When the brand name deviated from an established naming convention, participants inferred significantly greater change than when it was a continuation of that naming convention. Furthermore, we show that the effect is driven by expectations of innovation through the introduction of new features rather than improvements on existing features.

We expand on this basic result in studies 2 and 3 and show that individuals perceive both greater risks and greater rewards under a brand name change than under brand name continuity. We find these effects particularly compelling, as they occur despite holding constant the physical product profile across the two naming conventions. In turn, we show that these perceptions of risks and rewards have a systematic and predictable effect on product adoption. Across the two studies, when risks were either highly salient or more salient than rewards—when we achieved by manipulating the purchase context (study 2) or simply measuring regulatory focus at the individual level (study 3)—product adoption was greater under brand name continuity than under brand name change. But, when risks were not salient or less salient than rewards, product adoption was greater under brand name change. Finally, we also demonstrate that these effects are highly dependent upon the degree to which an existing naming strategy has been established. When the existing naming convention spanned many generations, the effect of a brand name change was pronounced. But when the existing naming convention spanned only a few generations, the effect of a brand name change was negligible.

References
Kramer, Zack (2005), Public Relations Director, TaylorMade Golf Company, personal interview.