By Brand Or By Category? the Effect of Display Context in Evaluating Incongruent Brand Extensions

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EXTENDED ABSTRACT

To grow the business organically is one of the most important objectives of CMO. According to a Spencer Stuart survey of 200 U.S.-based marketing executives, CMOs are expected to play a more prominent role in driving product innovations. One of the most common ways of introducing new products in the marketplace is to extend to new product categories by leveraging existing brands in the portfolio. Typically, 80 to 90 percent of new products introduced in any one year are brand extensions (Keller, Parameswaran, and Jacob 2008). A most robust finding in the literature is that extensions that have high fit with the parent brand are more favorable than those that have low fit (Aaker and Keller 1990; Park et al. 1991). However, many of the new growth opportunities may not be in the categories that are regarded as high fit with the typical categories. A question naturally arises how companies can introduce new products that have low fit with the parent brand.

Consumers often encounter such brand extensions in stores. Most research on evaluation of extensions does not take into account how products are displayed in retail environments. The current research explores the impact of store context by examining how consumers’ evaluations of brand extensions are affected by the format in which the extensions are displayed. Two common display formats are investigated: by-brand display, where different products of a same brand are placed together, such that extensions are presented next to typical product categories of the parent brand, and by-category display, where similar products of different brands are placed side-by-side, such that extensions are presented adjacent to competing brands in the same category. To illustrate, consider Samsung binoculars, a real and relatively low fit product within Samsung’s electronics category. A retailer could either display Samsung binoculars together with Samsung cellphones and other electronic products (e.g., in a Samsung brand section), or display it next to other binocular brands like Tasco (e.g., in a binoculars category section). The purpose of our research is to explore the effect of such a display decision on consumers’ evaluations of incongruent brand extensions.

Building on recent research that finds brand extension evaluation is susceptible to decision contexts (e.g., Meyvis, Goldsmith, and Dhar 2012; Milberg, Sinn, and Goodstein 2010) and the information accessibility literature (Feldman and Lynch 1988; Tversky and Kahneman 1974), we hypothesize that consumers evaluate a low fit extension of a high quality brand more favorably when it is displayed by category than by brand. We propose that this differing evaluation of the same extension product arises because the context shaped by display format shifts the relative accessibility of parent brand quality and brand-extension fit. Relative to a by-category display context, a by-brand context decreases the salience of shared information: brand quality, but highlights the incongruence between the parent brand and the extension category. On the contrary, brand quality information is more accessible and brand-extension fit is de-emphasized in a by-category context as opposed to a by-brand context. Taking Samsung binoculars as an example, we predict that the presence of competing binoculars brands (Tasco, Bushnell, Nikon, etc.) will increase consumers’ liking for Samsung binoculars, compared to the presence of Samsung electronic products (cellphones, TVs, computers, etc.).

We tested this prediction in six studies. In study 1a, we presented Canon electric razor either together with Canon cameras or with razors of other brands. The results showed that Canon razor was more favorably evaluated when displayed with competing razor brands than with Canon cameras. Study 1b replicated the result of study 1a using Nike razor and Toyota microwave oven. Study 2 demonstrated that the display context effect only influenced evaluation for low fit brand extensions, but not for high fit extension. Study 3 created an online shopping scenario of Canon razor and tested the underlying mechanism. It was indicated that consumers thought more about product category fit when Canon razor was displayed with Canon cameras, whereas they mentioned more about the benefits that Canon could bring about (e.g., quality, trustworthy, reputation) when Canon razor was next to other razor brands. Furthermore, we showed that this beneficial effect of by-category display over by-brand display held only when Canon was highly regarded. Study 4 explored the moderating role of consumer characteristics: need for cognition. We presented Evian microwave popcorn either next to Evian spring water or next to popcorns in different brands. Then we measured consumer’s need for cognition. Results suggested that display context effect only occurred among consumers low in need for cognition, because these people are more likely to rely on contextual cues to make judgment. Study 5 further replicated the display context effect in the lab and showed that the display context not only influenced predicted consumption experience, but also exerted impact on actual consumption experience. In other words, even consumers have actual experience of the extension product, their evaluation was distorted by the display contexts.

In conclusion, the current research sheds light on how display context influence consumers preference for incongruent brand extensions. Results from five studies support our prediction that by-category display context highlights the brand benefit association, and de-emphasizes the category incongruence perception, which in turn increase brand extension evaluation. On the contrary, by-brand display context facilitates the negative influence of category incongruence information, which leads to lower preference for incongruent brand extensions. Furthermore, we demonstrate that the effect is more prominent for consumers low in need for cognition. Finally, we demonstrate that display context not only influence predicted preference, but also shape actual consumption experience.

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