

Should a brand like Sony extend into binoculars or scanners? It depends on the competition

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Many companies grow by extending their brands into new types of products. A new study in the *Journal of Consumer Research* examines why some of those new products succeed and others fail.

"A common assumption in most brand extension research is that there is a positive relationship between the perceived fit of the parent brand with the extension product category and consumers' preferences for that extension," write authors Sandra J. Milberg, Francisca Sinn (Universidad Adolfo Ibáñez, Santiago, Chile), and Ronald C. Goodstein (Georgetown University). "Yet the consumer marketplace is replete with successful extensions that appear perceptually distant from their parent brands and others where perceptually close extensions have failed."

For example, imagine that Sony were to extend into binoculars, where it competes with Tasco and Bushnell. These are two leading binocular brands that are generally not well known to consumers. Sony would be perceived as relatively more familiar even though [consumers](#) are not familiar with Sony binoculars. If, however, Sony were to extend to scanners, where HP and Epson are leading and familiar brands, then Sony would be relatively less familiar in that product category.

"In the former case, the Sony name would serve to reduce risk and increase preferences, whereas in the latter case it would be afforded no such advantage. Thus, we expect that consumers' reliance on fit to

reduce risk and increase extension preferences is moderated by the presence and familiarity of competitive brands," the authors write.

The authors provided questionnaires to 278 business students that used real brand names (Nikon, Minolta) and products (scanner, binoculars, laser pointer). The participants were then provided with prices and two competing brands.

"We find that the competitors' relative [brand](#) familiarity moderates the relationship between fit and extension preferences," the authors write. "Specifically, when brands are extended into categories where the incumbents are familiar, they perform significantly less well than when they are assessed in isolation or when the competitors are present but relatively less known."

More information: Sandra J. Milberg, Francisca Sinn, and Ronald C. Goodstein. "Consumer Reactions to Brand Extensions in a Competitive Context: Does Fit Still Matter?" *Journal of Consumer Research*: October 2010.

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