

Leveraging the effects of parent brand equity and extension fit in marketing

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Researchers from University of International Business and Economics,

University of Groningen, University of Cologne, and University of Chinese Academy of Sciences published a new *Journal of Marketing* article that examines the drivers of brand extension success.

The study is titled "A Meta-Analysis of Brand Extension Success: The Effects of Parent Brand Equity and Extension Fit" and is authored by Chenming Peng, Tammo H.A. Bijmolt, Franziska Völckner, and Hong Zhao.

When a company uses one of its established [brand names](#) on a [new product](#) or category, it is introducing a brand [extension](#). For example, Google began as a [search engine](#) and that continues to be its core focus, but it also has a variety of products such as Google Cloud and Google Play. Almost 70% of new products in the consumer-packaged goods market in the U.S. are brand extensions.

Managers expect that introducing a new product under an existing brand name can reduce introduction costs, lower the risk of failure, and increase firm profit. However, only 30% of all brand extensions in the U.S. consumer packaged goods market survive the first two years, a [success rate](#) similar to new brands. Given this unexpectedly high failure rate of brand extensions, it is vital for marketers to understand what drives the success of brand extensions.

This new study offers insights into the drivers of brand extension success. It explores how companies can devise more successful brand extension strategies in terms of contextual factors (parent brand, extension, communication, and consumer factors) and the research methods used.

The study provides three key findings that will benefit chief marketing officers.

1. There is a 60.6% probability of a more positive response to a brand extension if parent brand equity improves. Similarly, there is a 61.4% probability of a positive response to a brand extension if extension fit improves.

Peng says "Managers should leverage both parent brand equity and extension fit to enhance brand extension success. However, pay more attention to extension fit because it is slightly more influential than parent brand equity."

2. Managers should pay attention to the differential effects of various dimensions of parent brand equity and extension fit. For example, when introducing an extension product, creating and highlighting similarities in product features and images of the parent brand and the extension is beneficial.

"We find that parent brand equity can strengthen the positive impact of extension fit on brand extension success and vice versa. Therefore, [managers](#) should consider parent brand equity and extension fit simultaneously," explains Bijmolt. Parent brand equity has a positive (though small) effect on brand extension success even if the extension has a poor fit. Similarly, extension fit exerts a positive (though small) effect on brand extension success even if the extension has a low parent brand equity.

"If the parent brand does not have high equity, brand extensions can still be a viable strategy for launching new products as long as the extension fits well with the parent brand. Likewise, an extension that does not have a good fit can still be successful as long as the parent brand is strong," Völckner adds.

3. Managers should take a broader perspective on brand extension strategies by considering contextual factors related to the parent

brand, the extension product, communication, and consumers. For example, managers of brands whose existing core products are services should particularly emphasize the equity of the parent brand (and its dimensions) when introducing an extension product.

Besides the contextual factors, the research team also investigates the potential moderating effects of research method factors. Zhao says, "For example, in our large database covering 26 countries, we do not find evidence of a moderating role of the region in which the data were collected, thereby contributing to the debate on whether Eastern cultures have a different way of evaluating brand extensions than Western cultures."

In summary, this study develops empirical generalizations and findings about the main effects, relative importance, and interaction effect of the two key drivers of brand extension success—parent brand [equity](#) and extension fit. It suggests how to devise more successful brand extension strategies in terms of five groups of moderators: contextual factors (parent [brand](#), extension, communication, and consumer factors) and research method factors.

More information: Chenming Peng et al, EXPRESS: A Meta-Analysis of Brand Extension Success: The Effects of Parent Brand Equity and Extension Fit, *Journal of Marketing* (2023). [DOI: 10.1177/00222429231164654](https://doi.org/10.1177/00222429231164654)

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