RELATIONSHIP OF LINE EXTENSION BRAND AND PARENT BRAND IN THE EYES OF CONSUMERS

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ABSTRACT

In the fiercely competitive CPG market, which has already matured, more and more new products are introduced based on the line-extension strategy. According to Aaker, for example, 89% of new products released in the U.S. are line-extension products. According to Lomax et al., line-extension products account for 95% of new products in the U.K. However, line extension has not been studied much, particularly, studies where the effect of line extension was confirmed by data of an actual brand, not by quoting an experiment involving a fictitious line-extension product, are scarce. Also not any studies are available that focus on how the consumer's psychology changes before and after the release of a line-extension product. This paper looked at three actual cases of line extension, each involving a confectionary brand, and used data from the first survey on parent brands before line extension, and from the second survey on parent brands and line-extension brands after line extension in order to confirm the following from the consumer's viewpoint: 1) different evaluation items used when selecting a line extension whose parent brand had high brand equity and a line-extension brand whose parent brand didn't have high brand equity; and 2) degree of mutual influence of the line-extension brand and parent brand.

The first survey was conducted on 15 confectionary brands in November 2010. Two thousand women in their 20s to 50s, who purchased a product in the confectionary category at least once a month, were surveyed. The survey covered a total of nine items: the recognition, interest, purchase experience, intent for next purchase, image, purpose and commitment of/in/to the 15 brands. The second survey was conducted in March 2012 to the same subjects who had been surveyed in the first one. The survey covered a total of 18 brands including the same 15 brands surveyed in the first one, plus three brands introduced to the market as line-extension brands on October 2011. The survey items were the same as those in the first survey, to which questions regarding the relationships of three line-extension brands and their parent brands were added (refer to Table 1 for the questions). Data of 1,307 subjects who responded to both the first and second surveys was analyzed.

As a result, trial purchases of a line-extension brand whose parent brand had high brand equity were significantly influenced by the brand equity of the parent brand, but a line-extension brand whose parent brand had low brand equity was influenced by ads, in-store exposure and other factors having influence on the ordinary introduction of a new product. It was also found that those who purchased an extension brand whose parent brand they had purchased before exhibited a higher evaluation of the parent brand following the purchase of the extension brand; those who did not purchase an extension brand despite having purchased its parent brand had an odd feeling toward the extension brand; and that those who only purchased an extension brand without having ever purchased its parent brand before felt the extension brand matched the needs of the times more than the parent brand and the competitive brands such people considered were also different.

The implications of this study are summarized below:

1) If the parent brand has brand power, strength of the equity of the parent brand is one reason its line-extension product is selected. However, if a brand whose parent brand has no brand power implements line extension, ads and in-store display are among the reasons for selecting the extension brand. 2) The following two are the key points whether the loyal users of the parent brand purchase its line-extension brand or not: whether or not the consumer has an odd feeling toward the line-extension brand relative to the parent brand; and whether or not the tradition of the parent brand is expected to be diluted. 3) The group of subjects who did not purchase the parent brand but purchased its line-extension brand represents the customers who switched from a rival brand to which the parent brand had lost out.