



Ehrenberg-Bass
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**Submission for the Award of
Doctor of Philosophy**

**“To what extent does cross category loyalty
exist for brand extensions?”**

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Abstract

The focus of this thesis is loyalty to brand extensions across categories and is entitled, "*To what extent does cross-category loyalty exist for brand extensions?*" Using duplication of purchase analysis, this thesis quantitatively examines consumer loyalty to brand extensions available in FMCG categories using panel data from TNS, the world's largest custom research group.

When reviewing marketing literature in the process of this research, it was not difficult to find articles that strongly support brand extensions (e.g. Aaker and Keller, 1990, Barrett, 1999, Bottomley and Doyle, 1996, Keller and Aaker, 1992, Sunde and Brodie, 1993 just to name a few). There are a wide range of commonly cited benefits for brand extensions found in literature that encourage brand managers to utilise the value that they have in their existing brands when looking to grow their portfolios.

Most brand extension literature focuses on consumers' evaluations of hypothetical brand extensions. No real-world purchasing data is used and student samples are employed to answer a series of attitudinal questions that largely relate to the perceived fit between the brand and the proposed extension category. In this type of research it is possible to gauge consumers reactions to potential extensions such as 'Heineken Popcorn' (Aaker and Keller, 1990) but these studies do not quantitatively demonstrate whether brand extensions actually share customers in real in purchasing situations. There is the assumption that customers of a parent brand will be more likely to trial the product in the new category, but there is very limited research that addresses customer sharing for brand extensions.

A study by Lomax, Hammond, East & Clemente (1996) was one of the few studies found that used actual purchasing data to explore levels of customer sharing of products with a common brand name. While their study focused on line extensions rather than brand extensions (i.e. product variants in the same product category, compared with

brands over different categories), their research does form a basis for expectations in the research of this thesis.

This thesis provides supporting empirical evidence to show that customers who purchase a parent brand in the original category are actually more likely to purchase the brand in the extended category. Using duplication analysis, this research measures the level of customer sharing that occurs for brand extensions across a wide range of categories (34 were incorporated into the research). Research undertaken around 40 years ago by Goodhardt and Ehrenberg (1969) led to the development of the Duplication of Purchase Law that states that brands will share customers with other brands in line with their penetrations (Sharp and Wright, 1999b, Ehrenberg et al., 2004). This pattern was previously found for brands in single category analysis and has also been found, through the course of this research, to occur on a cross category basis. Brands from two different categories will share more customers with the larger brands and fewer with the smaller brands.

The second major finding of this research was the fact that manufacturer brand extensions (compared with private label brands) share 1.6 times as many customers, across categories, compared with non-extended competing brands. Private label brand extensions were also incorporated into this research, with Tesco chosen as a representative 'Private Label' brand. The research found private labels to gain slightly lower scores than manufacturer brands with an average score of 1.2 for a 48-week period.

The research then attempted to further explore the factors that influence this average 'brand name multiplier' score (which communicates how much greater sharing brand extensions obtain). Firstly, the score varied depending on the time period analysed. Just as 'd-values' from duplication analysis vary over different times periods, this newly developed 'brand name multiplier' score also varies depending on the time period. The longer the time period or the greater the average category buying rate for the category, the greater the opportunity customers have of purchasing additional brands, and dividing their loyalty. Therefore those paired categories with higher average category

buying rates were found to have scores on the lower end of the scale, e.g. 1.2, compared with those more infrequently purchased categories, with scores up around 2.0 for a 48-week period.

The research also found that brand extensions with a 'corporate' or 'house' name more prominently displayed on the packaging, gained higher levels of customer sharing. This thesis research incorporated the classifications developed by Laforet & Saunders' in their hierarchy of branding (1994) which outlines different levels of brand extensions in relation to the dominance of the brand name on packaging. This research found that products that were dually branded (a corporate name and a sub-brand name with equal dominance) or endorsed (with the corporate name much smaller on the packaging) obtained lower levels of customer sharing across categories, compared with those brand extensions that had dominant corporate or house names on the packaging.

An additional issue was explored at the end of this thesis, to try to further explain perhaps why some categories experience higher levels of brand extension customer sharing, whether it by sharing between manufacturer brand extensions or private label extensions. This research found that those categories positioned in close proximity in a grocery setting were more likely to have higher Brand Name Multiplier scores. This is highly related to the fact that those categories positioned in the same area i.e. shampoo and conditioner or in the same aisle are likely to be used in similar consumption situations and therefore quite related products.

In summary, this research communicates important quantitative findings regarding the levels of customer sharing between brand extensions in the marketplace. This research makes a substantial contribution to the brand extension and duplication of purchase literature and provides practitioners with a practical way in which they can measure the 'success' of their extensions in terms of customer sharing across categories.