

# The impact of cobranding on customer evaluation of brand counterextensions

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## ABSTRACT

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A brand that successfully extends from its parent category into a new extension category often faces a counterextension by a brand from the extension category back into its own parent category. However, there is little guidance available on how brand extension strategies should be adjusted to mitigate the risk to the parent brand from counterextensions. This research examines the differential impact of cobranded versus solo-branded extensions on customer evaluations of brand counterextensions. It demonstrates that customers evaluate a counterextension less favorably if the preceding extension by the focal brand is cobranded than if it is solo branded. The findings suggest that cobranding not only improves the attribute profile of a brand's own extension but also helps protect the brand against counterextension.

A widely adopted strategy for firms entering new product markets is to use brand extensions and to take advantage of an existing brand's equity in a new category (Aaker 1991; Park, Jaworski, and Macinnis 1986). A consequence of the popularity of this strategy is that brand extension activity between product categories is now increasingly bidirectional. Often, a brand that successfully extends from its parent category into a new extension category faces a counter-extension by a brand from the extension category back into its own parent category. Such interactions between extensions and counterextensions are routinely observed across many categories, such as pitcher-based and faucet-mounted water filters (Brita versus PUR), domestic and international package delivery (FedEx versus DHL), cable service and Internet service (Cox Communication versus SBC Communications), and, more broadly, consumer electronics and computer hardware (Sony and Toshiba versus Dell and Gateway).

Although the brand management literature correctly cautions against indiscriminate use of extensions (Gibson 1990; Loken and Roedder-John 1993), there has been almost no research on whether a brand's extension strategy influences customer response toward

counterextensions. Thus, there is little guidance available on how extension strategies should be adjusted to mitigate the risk to the parent brand from counterextensions. However, as brand extension activity across category boundaries continues to increase, the interplay between extensions and counterextensions is likely to emerge as a key brand management issue. Therefore, marketers must begin to understand how to account for and manage the risk from counterextensions to ensure that the gains from the extension of their brand into a new product-market are not significantly offset by the losses suffered as a result of counterextensions that are launched into their product-market.

In this article, I investigate whether cobranding an extension with a partner brand instead of launching it solo branded has an effect on customers' responses toward a counter-extension. My core thesis is that a successful solo-branded extension improves customer perception of the similarity and fit between the parent and extension categories and enhances customer evaluation of a counter-extension. However, a cobranded extension merely inherits select attributes from each partner brand and leaves the perceptions of similarity between a parent category and the



extension category relatively unchanged. Therefore, I predict that a counterextension is likely to be evaluated less favorably if the previous extension by the focal brand was cobranded with a partner brand than if it was solo branded.

I address this issue with a series of five experimental studies that focus on the difference between the evaluation of a counterextension following cobranded versus solo-branded extensions. I conclude the article with a discussion of the findings from these studies in terms of their theoretical and managerial implications, and I present an outline of a further research agenda in the area of brand counterextensions

## CONCEPTUAL BACKGROUND AND HYPOTHESES

In this section, I begin by drawing on categorization theory (Rosch and Mervis 1975) to argue that a successful launch of a solo-branded extension improves customer perception of the similarity between the parent and extension product categories and thus enhances customer evaluation of a counterextension. Then, I posit that cobranding the extension with an appropriate partner brand helps maintain the perceptual separation between the parent and extension categories and results in a lower customer evaluation of a counterextension. Throughout the discussion, I refer to the focal brand that launches the first or initial brand extension as Brand  $A_1$  and, when applicable, to its cobranding partner as Brand  $A_2$ . I refer to the brand that launches the counterextension as Brand B.

### *The Impact of Brand Extensions on Customer Evaluation of Counter extensions*

Customers tend to divide the products around them into categories and place products that are similar to one another into the same category and those that are dissimilar into

different categories (Day, Shocker, and Srivastava 1979; Rosch 1978). Although category boundaries are often ill-defined, the perceived separation between a category and its neighboring category depends on whether its prototypes are unique or shared with the neighbor. Categories that contain unique prototypes tend to be more distinctive than those that do not (Tversky 1977). Brands often serve as these prototypes and provide useful cues that help separate neighboring categories from one another. Therefore, all else being equal, customers are likely to perceive a category as more differentiated if it contains unique brands than if it shares brands with other categories. For example, the perceptual separation between the peanut butter and the jelly categories is likely to be greater if they both contain unique brands than if they share brands between them.

A successful solo-branded extension by Brand  $A_1$  into the category of Brand B reduces the number of unique or distinctive members of each category and increases the number of members that are common between them. This change in the relative number of common versus unique members is likely to improve customer perception of the similarity and fit between the two categories (Aaker and Keller 1990; Dhar and Sherman 1996; Smith and Park 1992; Tversky 1977). In turn, a better fit facilitates the transfer of beliefs and affect that are associated with a brand in either category to its extension into the other (Cohen and Basu 1987; Meyers-Levy and Tybout 1989; Sujon 1985).<sup>1</sup>

Therefore, a subsequent counterextension by Brand B into the category of Brand  $A_1$  will be evaluated more favorably if Brand  $A_1$  previously launched a successful solo-branded extension into the category of Brand B than if it did not launch the extension (see Figure 1, Panels A and B). In other words, the increase in similarity between the categories of Brand  $A_1$  and Brand B following a successful solo-branded extension by Brand  $A_1$  is likely to improve customer evaluation of a

<sup>1</sup> However, the failure of an extension maintains the separation between the parent and extension categories. Therefore, I expect that customer evaluation of a counterextension following a failed solo-branded extension is likely to be no different from what it would have been had the prior extension not been launched at all.

counterextension by Brand B. Formally, I hypothesize the following:

- H<sub>1</sub>: Customer evaluation of a counterextension by Brand B into the parent category of Brand A<sub>1</sub> is greater if Brand A<sub>1</sub> previously launched a successful solo-branded extension into the parent category of Brand B than if it did not launch the extension.

### **Cobranding and Customer Evaluation of Counterextensions**

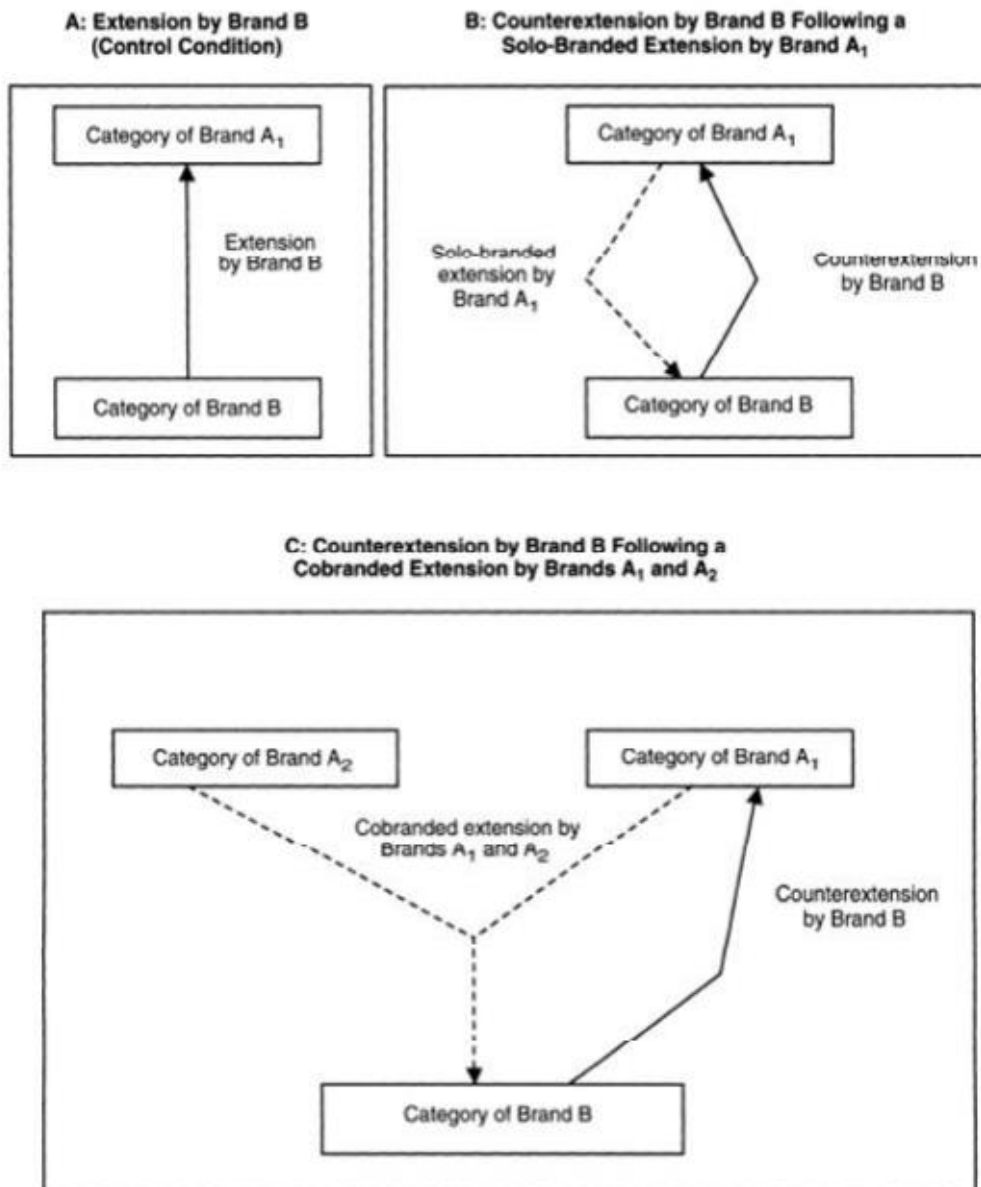
A cobranded extension is one in which two brands are used jointly to present a product to the customer (Rao and Ruekert 1994). For example, Smucker's Dove ice-cream topping is a cobranded product launched jointly by Smucker's, a fruit preserves brand, and Dove, a chocolate brand, into a new product category. Similarly, Oral-B Rembrandt whitening strips is a cobranded product launched by a toothbrush brand and a whitening toothpaste brand into a new category. Previous research shows that cobranding is a useful extension strategy because it strengthens the attribute profile of the extension (Park, Jun, and Shocker 1996), helps the partner brands gain advertising synergies (Samu, Krishnan, and Smith 1999), and improves customer attitude toward the parent brands (Simonin and Ruth 2001).

More important, unlike a solo-branded extension, a cobranded extension is a composite brand concept that contains the characteristics of two underlying concepts (Cohen and Murphy 1984; Park, Jun, and Shocker 1996). Each of the two participating concepts is associated with a set of attributes that are combined according to a set of rules to form the composite concept (Eysenck and Keane 1990; Hampton 1987). In other words, a cobranded extension does not involve the transfer of the entire brand concept from a parent category to an extension category (Park, Milberg, and Lawson 1991). Rather, it merely involves the transfer of a subset of attributes from each of the two parent brands, A<sub>1</sub> and A<sub>2</sub>, and their recombination into a coherent composite concept that could become a member of the extension category to which Brand B belongs.

The subset of attributes that each partner brand contributes is likely to be less unique to the parent brands, A<sub>1</sub> or A<sub>2</sub>, than is the entire set of attributes that characterize each of them (Hampton 1997). For example, consider the case of a cobranded extension of a fruit preserves brand and a chocolate brand into the ice-cream toppings category. One of the features that the former contributes to the cobranded extension is the packaging in a glass bottle, an attribute that, by itself, is less unique to the fruit preserves category than is the complete set of attributes that characterize the category. Because Brand A<sub>1</sub> contributes only selective attributes to its cobranded extension with Brand A<sub>2</sub>, the increase in overall similarity and fit between the parent category of Brand A<sub>1</sub> and the extension category is less than if the extension were solo branded by Brand A<sub>1</sub>. A relatively smaller increase in similarity results in a lower evaluation of the counterextension by Brand B into the category of Brand A<sub>1</sub> than what it would have been if the extension by Brand A<sub>1</sub> was solo branded (see Figure 1, Panels B and C). Therefore, I hypothesize the following:

- H<sub>2</sub>: A counterextension by Brand B into the parent category of Brand A<sub>1</sub> is evaluated more favorably if the previous brand extension by Brand A<sub>1</sub> into the category of Brand B is solo branded than if it is cobranded with a partner brand, A<sub>2</sub>, from a complementary category.

*Differential effect on header and modifying brands.* Although by definition a cobranded extension consists of two partner brands, A<sub>1</sub> and A<sub>2</sub>, in general both brands do not contribute equally to the cobranded concept. Typically, one of the two brands serves as a dominant or header brand, and the other serves as a dominated or modifier brand (Murphy 1988). For example, in the case of Oral-B Rembrandt whitening strips, Oral-B serves as the header brand, and Rembrandt serves as the modifier brand. Previous research shows that a composite concept tends to resemble one constituent concept more than the other, a phenomenon referred to as a "dominance effect" (Hampton 1988; Storms et al. 1996). It tends to derive its features and attributes more from the dominant concept with which it is perceived to have a relatively greater overlap than from the dominated concept.

**Figure 1:** Solo-Branded versus cobranded extensions and brand counterextensions

Park, Jun, and Shocker (1996) interpret this finding within the context of brand alliances and suggest that a cobranded extension is likely to be more closely identified with and interpreted in terms of the properties of the header brand rather than those of the modifier brand. The salience and the performance level of the attributes of the cobranded extension are therefore likely to be drawn more from the parent brand that serves as the header and less from the brand that serves as the modifier brand. Therefore, following the successful

launch of a cobranded extension, the perception of similarity between the extension category and the parent category of Brand A<sub>1</sub> is likely to be greater if A<sub>1</sub> serves as the header brand rather than as the modifier brand. Overall, if both parent brands are reasonably strong and well liked, customer evaluation of a counterextension is likely to be superior if the parent brand is a header brand rather than a modifier brand in the previous cobranded extension.<sup>2</sup> Formally, I hypothesize the following:

<sup>2</sup> If one of the partner brands is extremely weak, the salient attributes of the extension may be drawn more from the stronger partner.

H<sub>3</sub>: A brand counterextension by Brand B into a parent category of Brand A<sub>1</sub> is evaluated more favorably if Brand A<sub>1</sub> serves as a header brand in the previously launched cobranded extension with Brand A<sub>2</sub> than if it serves as a modifying brand

H<sub>4</sub>: The evaluation of a counterextension by Brand B is lower if the positioning strategy for the previous cobranded extension by Brands A<sub>1</sub> and A<sub>2</sub> is attribute partitioning than if it is unified

*Effect of positioning a cobranded extension.* A cobranded extension derives its attributes by selectively drawing on the attributes of the two partner brands. It can be positioned through the use of a communication strategy that explicitly outlines the partner-specific contribution to its set of key attributes (hereinafter, an attribute partitioning strategy). Alternatively, it can be positioned through the use of a more holistic approach that outlines the pooled set of key attributes but does not map each subset to the respective parent brands (hereinafter, a unified positioning strategy). Previous research shows that the design of the communication strategy used to position a brand alliance influences how customers interpret the joint presentation of two brands and the relationship between their respective product categories (Samu, Krishnan, and Smith 1999). Specifically, a bottom-up communication strategy that explicitly highlights the attribute-level contribution of each partner induces customers to use an attribute-based processing approach to interpret an alliance between two brands

Therefore, an attribute partitioning-based positioning rather than a unified or holistic positioning of the cobrand is more likely to increase the salience of the fact that each partner brand, A<sub>1</sub> and A<sub>2</sub>, contributed only selectively to the extension. This positioning is more likely to induce customers to divide the attribute set of the cobranded extension into subsets, map each subset to the respective parent brand, and thus maintain the perceptual separation between the parent and extension categories. The maintenance of inter category separation under an attribute partitioning strategy is likely to result in a lower evaluation of a counterextension by Brand B than it is under a unified positioning strategy. Therefore, I hypothesize the following:

## STUDY 1

### Overview

Study 1 was designed to test H<sub>1</sub>-H<sub>3</sub> regarding the impact of solo-branded versus cobranded extensions on customer evaluation of a counterextension. The purpose of the study was not to assess how the two branding strategies—solo branding versus cobranding—influence the evaluation of the first extension by Brand A<sub>1</sub>, because the issue has been addressed in prior research. Rather, the purpose was to examine how these two strategies influence the evaluation of the second extension, or counterextension, launched subsequently by Brand B into the parent category of Brand A<sub>1</sub>. The participants in the study were adults who were intercepted in a shopping area and asked to complete a questionnaire after receiving information about hypothetical brand extensions and counterextensions of real brands. I used real brands in the study because I wanted the participants to have some prior beliefs about the relationships between the brands and their respective product categories. However, I used hypothetical extensions because I wanted participants to respond to the study manipulations.

### Prestests

I selected the product categories and the brands used to construct the stimuli for the study on the basis of a series of pretests that were designed to address several objectives. The first objective was to find three somewhat related product categories across which customers perceived (1) extensions and counterextensions to be moderately feasible but not trivial and (2) the skill transferability to be moderately high and reasonably symmetric.<sup>3</sup> The second objective was to

<sup>3</sup> If the categories are extremely dissimilar, the evaluation of a counterextension is likely to be unfavorable regardless of the branding strategy that the previous extension adopted. However, there are also less likely to be extensions across dissimilar categories.

identify one brand within each category that was well liked and strongly associated with its parent category. These considerations helped ensure that participants cared about the brands and were responsive to their extension activity. The third objective was to find two brands,  $A_1$  and  $A_2$ , that were complementary with respect to key attributes that could be pooled to constitute the key attributes of the third or extension category to which Brand B belonged. The fourth objective was to ensure that the solo-branded extension of each parent brand and the cobranded extension were considered feasible. The participants in each pretest were adult men and women who were randomly intercepted at a shopping area; they each received \$2 for their participation.

*Pretests 1 and 2.* The objective of the first two pretests was to identify three related categories and one reasonably well-liked brand with a strong brand-to-category relationship in each category. In the first pretest, 25 shoppers were presented with a list of brand names of products available in the supermarket. The list consisted of brands that focused largely on a single product category. The participants were asked to list all the products they associated with each brand name. On the basis of this pretest, popcorn, corn crisps, and potato chips were selected as the three product categories. Furthermore, on the basis of the high levels of brand-to-category association that participants reported, Redenbacher's, Bugles, and Jays were selected as the respective brands in these categories. In the second pretest, 20 shoppers were asked to evaluate each of the three chosen brands, on a two-item ("like it a lot /don't like it at all" and "favourable /unfavourable"), seven-point scale. The average evaluation of each of the three brands was moderately high ( $\bar{X}_{\text{Jays}} = 5.80$ ,  $\bar{X}_{\text{Redenbacher's}} = 5.77$ ,  $\bar{X}_{\text{Bugles}} = 5.42$ ).

*Pretest 3.* The objective of the third pretest was to assess the perceptions of intercategory similarity and skill transferability across the popcorn, corn crisps, and potato chips categories. A new sample of 19 shoppers completed a questionnaire. They reported their perceived pairwise similarity among the three categories on a four-item (needs satisfied, occasions used, skills required, and features; ingredients and attributes), seven-point scale (Cronbach's alpha ranged from .88 to .91). The

average similarity rating between corn crisps and potato chips ( $\bar{X} = 4.30$ ) and between corn crisps and popcorn ( $\bar{X} = 4.12$ ) was moderately high and statistically indistinguishable ( $t_{18} = 1.11$ ,  $p > .10$ ).

Furthermore, the perceived difficulty for a popcorn manufacturer to make good corn crisps, which was measured on a seven-point scale ("not difficult at all/very difficult"), was moderately high ( $\bar{X} = 3.72$ ) and statistically no different from the perceived difficulty for a corn crisps manufacturer to make good popcorn ( $\bar{X} = 3.83$ ,  $t_{18} = -.09$ ,  $p > .10$ ). Similarly, the perceived difficulty for a potato chips manufacturer to make good corn crisps was moderately high ( $\bar{X} = 3.26$ ) and statistically no different from the perceived difficulty for a corn crisps manufacturer to make good potato chips ( $\bar{X} = 3.57$ ,  $t_{18} = .32$ ,  $p > .10$ ).

*Pretest 4.* The objective of the fourth pretest was to examine the strength of association between each of the three brands and a set of attributes that characterized the salted-snacks category to which the three brands belonged. An item pool of the salient attributes of the category was generated, and 30 adult shoppers rated each of the three brands on every attribute on a seven-point scale ("do not associate at all/strongly associate"). All three brands rated moderately low on two attributes: healthy and low calorie (mean ratings were between 3.63 and 4.03). Redenbacher's and Bugles were strongly associated with corn (mean ratings were 5.43 and 5.30, respectively), whereas Jays was not (mean rating was 2.14). In contrast, Jays was strongly associated with potato (mean rating was 5.03), whereas Redenbacher's and Bugles were not (mean ratings were 2.36 and 2.76, respectively). Furthermore, Redenbacher's was rated lower on crunchy (mean rating was 4.10) than were both Bugles and Jays (mean ratings were 5.76 and 5.53, respectively). The ratings for the three brands on the remaining attributes—snack, salty, delicious, for parties, inexpensive, and convenient—were similar and moderately high. The pretest provided corn and crunchy as the two attributes that were related to the popcorn and potato chips brands, respectively. Furthermore, both attributes were related to the corn crisps brand.

The participants also rated the feasibility of an extension into the corn crisps category under four alternative branding scenarios on a three-item ("not difficult at all/very difficult," "not feasible at all/feasible," and "not advisable at all/advisable"), seven-point scale. The four brand names were Jays, Redenbacher's, Jays Redenbacher's, and Redenbacher's Jays. Participants also reported their evaluation of the extensions using a four-item ("low quality/high quality," "inferior/superior," "negative/positive," and "not likely to try/very likely to try") scale. The feasibility ratings of the extension were similar (mean ratings were between 4.42 and 4.62) across the four branding scenarios. In addition, the evaluation of the extension was similar across the four scenarios (mean ratings were between 4.58 and 4.88). On the basis of the pretests, I selected popcorn and potato chips as the two parent categories and Redenbacher's and Jays, respectively, as the two parent brands. I also selected corn crisps as the extension category and Bugles as the brand that launched the counterextension.

### ***Procedure and Measurements***

The participants in the main study were 150 adult men and women who were intercepted in a shopping area and were given information about hypothetical brand extensions and counterextensions of real brands. Two factors were manipulated in a 5 x 2 between-subjects design. The first factor was the brand name under which the first extension was launched into the corn crisps category. This factor was manipulated at five levels: Jays, Redenbacher's, Jays Redenbacher's, Redenbacher's Jays, and control. There was no mention of a previous or first extension in the control condition (see Figure 1, Panel A). The second factor was the product category (popcorn versus potato chips) into which the counterextension was launched under the Bugles brand name.

The participants, who were each paid \$5 for their cooperation, were randomly assigned to the various conditions, and they individually completed the study at their own pace. The cover story that accompanied the questionnaire contained an excerpt, supposedly from an article in a popular business magazine, about new products that were recently introduced

into the marketplace. It described seven hypothetical brand extensions of real brands that were either successful and well received or unsuccessful and poorly received by the market. Six of these seven products, which were divided into two equal groups of successful and failed products, were held constant across the ten conditions. The seventh product was the focal successful extension into the corn crisps category and was manipulated across the treatments according to the experimental design. The story also listed two new products that were soon to be launched in the market. One of these was held constant across all conditions. The other was a brand extension of Bugles into either the potato chips or the popcorn category. The participants were told that the two new products were not yet available but that their responses toward one of them were of interest.

### ***Dependent Measures***

The participants provided data on several measures, including their overall evaluation of the Bugles counterextension, on a 4-item ("low quality/high quality," "inferior/superior," "negative/positive," "not likely to buy/very likely to buy"), seven-point scale (Cronbach's  $\alpha = .90$ ). They also reported their perceptions of the similarity between the corn crisps category and the category into which the Bugles counterextension was launched on a four-item (needs satisfied, occasions used, skills required, and features; ingredients and attributes), seven-point scale (Cronbach's  $\alpha = .91$ ). They reported their familiarity with the Bugles brand using a three-item (familiar, heard of, can recognize), seven-point scale (Cronbach's  $\alpha = .87$ ), and they were asked if they recalled whether the focal brand extension mentioned in the business story was a success or a failure on a seven-point ("big success/big failure") scale. The last item served as a manipulation check.

### ***Results***

I began by examining the participants' reported ratings for whether the focal extension into the corn crisps category was a success or a failure. The mean rating across the eight groups, excluding the two control groups, was high ( $\bar{X} = 5.60$ ), indicating that the participants noted the focal extension to be successful.



*Overall evaluation of the brand counter extension.* Figure 2 displays the mean evaluation of the Bugles counterextension across the ten conditions. I analyzed the evaluation data using a two-way analysis of variance (ANOVA); the brand name of the first extension and the product category into which the counterextension was launched were the two between-subject factors, and familiarity with Bugles was the covariate. The covariate did not interact with the treatments or the treatment interactions ( $p > .10$ ). The results of the ANOVA show that the treatments had an effect on the overall evaluation of the Bugles counterextension ( $F(10, 139) = 8.43, p < .01$ ). The familiarity covariate was significant ( $F(1, 139) = 5.35, p < .05$ ).

The difference between the mean evaluation of the Bugles counterextension into the popcorn and the potato chips categories was not statistically significant ( $F(1, 139) = .09, p > .10$ ). However, the brand name under which the first extension was launched ( $F(4, 139) = 6.24, p < .01$ ) and its interaction with the counterextension product category ( $F(4, 139) = 13.47, p < .01$ ) had a significant effect on the evaluation of the Bugles counterextension.

Consistent with  $H_1$ , the Bugles counterextension into the popcorn category was evaluated more favorably in the condition in which Redenbacher's had previously launched a solo-branded extension into the corn crisps category ( $\bar{X} = 5.53$ ) than in the control condition in which there was no previous extension into the corn crisps category ( $\bar{X} = 3.70, F(1, 27) = 20.03, p < .01$ ). Similarly, the Bugles counterextension into the potato chips category was evaluated more favorably in the condition in which Jays had previously launched a solo-branded extension into the corn crisps category ( $\bar{X} = 5.41$ ) than in the control condition in which there was no previous extension ( $\bar{X} = 3.80, F(1, 27) = 36.43, p < .01$ ).

Next, I tested  $H_2$  for the Bugles counterextension into the popcorn category by comparing the mean evaluation in the condition in which the previous extension by Redenbacher's was solo branded with the

average of the mean evaluation across the two conditions in which the extension was cobranded. I found that the Bugles counterextension into the popcorn category was evaluated less favorably when the previous extension into the corn crisps category was cobranded ( $\bar{X} = 4.58$ ) than when it was solo branded by Redenbacher's ( $F(1, 41) = 34.51, p < .01$ ). I repeated the analysis to test the hypothesis for the Bugles counterextension into the potato chips category. Again, I found that the Bugles counterextension into the potato chips category was evaluated less favorably when the previous extension into the corn crisps category was cobranded ( $\bar{X} = 4.52$ ) than when it was solo branded by Jays ( $F(1, 41) = 21.99, p < .01$ ).

Furthermore, consistent with  $H_3$ , I found that the Bugles counterextension into the popcorn category was evaluated more favorably when the preceding extension into the corn crisps category was launched under the Redenbacher's Jays brand name ( $\bar{X} = 5.00$ ) than when it was launched under the Jays Redenbacher's brand name ( $\bar{X} = 4.16, F(1, 27) = 20.25, p < .01$ ). In contrast, the Bugles counterextension into the potato chips category was evaluated less favorably when the preceding extension into the corn crisps category was launched under the Redenbacher's Jays brand name ( $\bar{X} = 4.25$ ) than when it was launched under the Jays Redenbacher's brand name ( $\bar{X} = 4.88, F(1, 27) = 15.87, p < .05$ ).

Finally, I examined whether cobranding the previous extension lowered the evaluation of the counterextension to the same level as that in the control condition in which no extension had previously been launched. Therefore, for both the popcorn and potato chips categories, I separately compared the average of the treatment means for the two cobranding conditions with the treatment mean for the respective control conditions. I found that the difference in the evaluation of the counterextension between the cobranding conditions and the control condition was significant for both the popcorn category ( $F(1, 41) = 8.22, p < .01$ ) and the potato chips category ( $F(1, 41) = 20.46, p < .01$ ).

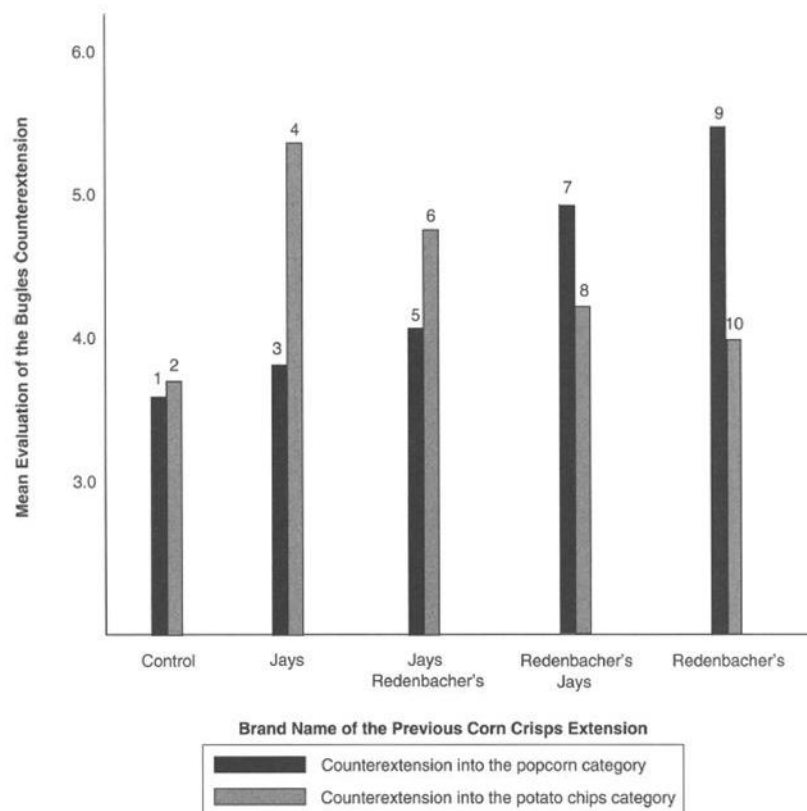
*Similarity.* A two-way ANOVA of the reported similarity ratings showed significant treatment effects ( $F(9, 140) = 7.70, p < .01$ ). The main effect of the product category into which the counterextension was launched was not significant ( $F(1,140) = .65, p > .10$ ). However, the brand name of the previous extension ( $F(4, 140) = 5.97, p < .01$ ) and its interaction with the product category into which the counterextension was launched ( $F(4, 140) = 11.20, p < .01$ ) had a significant effect on the reported similarity ratings.

The similarity between the popcorn and the corn crisps categories was rated higher when Redenbacher's had launched the previous solo-branded extension ( $\bar{X} = 5.65$ ) than it was in the control condition in which there was no previous extension ( $\bar{X} = 3.45, F(1, 28) = 36.79, p < .01$ ). The similarity rating was lower when the previous extension was cobranded ( $\bar{X} = 4.39$ ) than when it was solo branded by

Redenbacher's ( $F(1, 42) = 28.50, p < .01$ ). Finally, similarity was rated higher when Redenbacher's was the header brand in the previous cobranded extension ( $\bar{X} = 4.75$ ) than when it was the modifier brand ( $\bar{X} = 4.03, F(1, 28) = 6.00, p < .01$ ).

Likewise, the reported similarity between the potato chips and the corn crisps categories was higher when Jays had previously launched a solo-branded extension ( $\bar{X} = 5.38$ ) than it was in the control condition in which there was no previous extension ( $\bar{X} = 4.03, F(1, 28) = 19.66, p < .01$ ). Similarity was rated lower when the previous extension was cobranded ( $\bar{X} = 4.50$ ) than when it was solo branded by Jays ( $F(1, 42) = 15.40, p < .01$ ). Finally, similarity was rated higher when Jays was the header brand in the previous cobranded extension ( $\bar{X} = 4.83$ ) than when it was the modifier brand ( $\bar{X} = 4.16, F(1, 42) = 4.02, p < .05$ ).

**Figure 2:** Results summary for the impact of cobranding on the evaluation of the counterextension



Notes: The evaluation of the Bugles counterextension into the potato chips category was greater when the previous extension by Jays into the corn crisps category was solo branded (4) than when it was cobranded with Redenbacher's (6, 8). The evaluation of the Bugles counterextension into the popcorn category was greater when the previous extension by Redenbacher's into the corn crisps category was solo branded (9) than when it was cobranded with Jays (5, 7). The Bugles counterextension into potato chips was evaluated more favorably when Jays was the header brand in the previous cobranded extension (6) than when it was the modifier brand (8). The counterextension into popcorn was evaluated more favorably when Redenbacher was the header brand (7) than when it was the modifier brand (5).

**Table 1:** Study 1 Mediation analysis parameter estimates

Variable <sup>b</sup>	Similarity <sup>a</sup>	Evaluation of Bugles Extension <sup>a</sup>	
		Similarity Omitted	Similarity Included
Redenbacher's (popcorn)	.58**	.51**	.05
Jays (popcorn)	.14	.10	-.02
Jays Redenbacher's (popcorn)	.15*	.13	.02
Redenbacher's Jays (popcorn)	.34**	.35**	.08
Redenbacher's (potato chips)	.17*	.07	-.06
Jays (potato chips)	.51**	.48**	.07
Jays Redenbacher's (potato chips)	.36**	.31**	.02
Redenbacher's Jays (potato chips)	.19**	.14*	.00
Control (potato chips)	.15*	.02	-.09*
Similarity			.60**

\* $p < .1$ .\*\* $p < .01$ .<sup>a</sup>The numbers reported are standardized regression coefficients. The parameters for the first two columns are based on seemingly unrelated regression.<sup>b</sup>These are coded as 0–1 dummy variables for each treatment that represents the combination of brand name of the previous extension and the category into which the Bugles extension was launched.

I conducted additional analyses to test whether the perceptions of similarity between the corn crisps category and the parent category into which the counterextension was launched mediated the relationship between the manipulated variables and the evaluation of the Bugles counterextension (Baron and Kenny 1986). I ran seemingly unrelated regressions with intercategory similarity and the evaluation of the Bugles counterextension as the two independent variables and 0 – 1 dummy variables representing each of the nine conditions, excluding the control condition for the popcorn category. The results of this analysis, which appear in the second and third columns of Table 1, show that the experimental treatments had an effect on similarity (i.e., the potential mediating variable) and on the evaluation of the counterextension (i.e., the dependent variable). Next, I added similarity to the regression of the evaluation of the counterextension and examined the changes in the parameters of the independent variables. The results, which appear in the fourth column of Table 1, show that when similarity was added to the regression model, the parameters for the other variables weakened and were, at best, marginally significant ( $p < .10$ ). However, the parameter for similarity was statistically significant ( $p < .01$ ). These results provide

strong evidence in support of the theoretical premise that perceptions of intercategory similarity mediate the relationship between the extension strategy pursued by Brand A<sub>1</sub> and the evaluation of the counterextension by Brand B.<sup>4</sup>

### Discussion

The results from Study 1 support H<sub>1</sub>-H<sub>3</sub> regarding the evaluation of brand counterextensions. These results can be summarized as follows (see Figure 2):

- The extension by Brand B into the category of Brand A<sub>1</sub> was evaluated more favorably when Brand A<sub>1</sub> had previously launched a successful solo-branded extension into the category of Brand B than when it had not launched an extension (H<sub>1</sub>).
- Cobranding the first extension with a partner brand, A<sub>2</sub>, resulted in a lower evaluation of a counterextension by Brand B than did solo branding the extension by Brand A<sub>1</sub> (H<sub>2</sub>).
- The counterextension was evaluated less favorably when the focal brand, A<sub>1</sub>, was the modifier brand rather than the header brand in the previous cobranded extension (H<sub>3</sub>).
- Even with cobranding, the counterextension was evaluated more favorably than if no previous extension had been launched at all.

<sup>4</sup> The results from repeating the mediation analysis using a step-down ANOVA also provide evidence for strong partial mediation of similarity. Specifically, when I ran a two-way ANOVA of the evaluation data with familiarity and similarity as covariates, the effects of familiarity ( $F(1,138) = 4.78, p < .01$ ) and product category ( $F(1, 138) = 2.54, p > .10$ ) were not significant, and the effect of brand name of the previous extension was not significant ( $F(4, 138) = 1.42, p > .10$ ). The interaction between the brand name and the product category was still significant ( $F(4, 138) = 2.64, p < .05$ ), but it was much weaker. The effect of similarity was significant ( $F(1,138) = 261.97, p < .01$ ).

The results of the mediation analysis support the theoretical premise that cobranding may lead to a less favorable evaluation of a counterextension because it results in a smaller improvement in the perceptions of similarity between a brand's parent and extension categories than does a solo-branded extension.

## STUDY 2

The premise underlying Study 1 was that a successful solo-branded extension improves the perceptions of intercategory similarity and enhances the evaluation of a counterextension. By implication, a failed solo-branded extension should preserve the distinction between the parent and extension categories and should not improve the evaluation of the counterextension. Therefore, cobranding should result in a lower evaluation of a counterextension relative to a successful solo-branded extension but not relative to a failed solo-branded extension. I address this issue in Study 2 and examine whether a counterextension that follows a cobranded extension is evaluated more or less favorably than a counterextension that follows either a successful or a failed solo-branded extension.

### Design and Procedure

The overall design, cover story, and procedure for Study 2 were similar to those used in Study 1. I used a 4 x 2 between-subjects study design to manipulate the variables of interest. The first factor was the previous brand extension activity into the corn crisps category. The four levels of this factor were (1) failed solo-branded extension, (2) successful solo-branded extension, (3) successful cobranded extension with the parent brand as the header, and (4) a control condition in which there was no previous extension. The second factor was the parent category (popcorn versus potato chips) into which the counterextension was launched. A total of 160 adults who were intercepted at a shopping area participated in the study; they were randomly assigned to the experimental conditions and were paid \$5 for their cooperation. The key dependent measure was the overall evaluation of the Bugles counterextension (Cronbach's  $\alpha = .90$ ).

## Results

Overall evaluation of the brand counter extension. As a manipulation check, I compared the reported ratings for the success versus failure of the previous extension into the corn crisps category. The extension was rated more successful in the success conditions ( $\bar{X} = 5.47$ ) than in the failure conditions ( $\bar{X} = 1.77$ ,  $t_{19} = 22.79$ ,  $p < .01$ ), which shows that the manipulation of the success versus failure of the previous extension was successful.

Figure 3 displays the mean evaluation of the Bugles counterextension across the eight conditions. I analyzed the evaluation data using a two-way ANOVA with the previous extension activity and the counterextension category as the two between subject factors and familiarity with Bugles as a covariate. The covariate did not interact with the treatments or the treatment interactions ( $p > .10$ ). The results of the ANOVA show that the treatments had an effect on the overall evaluation of the Bugles counterextension ( $F(8, 151) = 7.80$ ,  $p < .01$ ). The effect of the familiarity covariate was significant ( $F(1, 151) = 14.25$ ,  $p < .01$ ). The main effect of the product category into which the counterextension was launched was not significant ( $F(1, 151) = .24$ ,  $p > .10$ ). This shows that the Bugles counterextensions into the popcorn and the potato chips categories were evaluated similarly. However, the main effect of the previous brand extension activity was significant ( $F(3, 151) = 15.70$ ,  $p < .01$ ), whereas its interaction with the counterextension product category was not ( $F(3, 151) = .27$ ,  $p > .10$ ). The Bugles counterextension into the popcorn category was evaluated more favorably when the preceding solo-branded extension into the corn crisps category by Redenbacher's was a success ( $\bar{X} = 5.35$ ) than when it was a failure ( $\bar{X} = 4.06$ ,  $F(1, 37) = 14.11$ ,  $p < .01$ ). Similarly, the Bugles counterextension into the potato chips category was evaluated more favorably when the solo-branded extension into the corn crisps category by Jays was a success ( $\bar{X} = 5.38$ ) than when it was a failure ( $\bar{X} = 4.32$ ,  $F(1, 37) = 13.22$ ,  $p < .01$ ).<sup>5</sup>

<sup>5</sup> There was no difference between the evaluation of the popcorn counterextension in the condition in which the preceding solo-branded extension into the corn crisps category by Redenbacher's was a failure and that in the control condition in which there was no preceding extension ( $\bar{X} = 4.15$ ,  $F(1, 37) = .37$ ,  $p > .10$ ). Similarly, there was no difference between the evaluation of the potato chips counterextension in the condition in which the preceding solo-branded extension by Jays was a failure and that in the control condition in which there was no preceding extension ( $\bar{X} = 4.10$ ,  $F(1, 37) = .53$ ,  $p > .10$ ).

Furthermore, as in Study 1, the evaluation of the counterextension into the popcorn category was less favorable when the preceding extension into the corn crisps category was launched jointly under the Redenbacher's Jays brand name ( $\bar{X} = 4.73$ ) than when it was successfully launched by Redenbacher's ( $\bar{X} = 5.35$ ,  $F(1, 37) = 10.90$ ,  $p < .01$ ). Similarly, the evaluation of the counterextension into the potato chips category was less favorable when the preceding extension was launched under the Jays Redenbacher's brand name ( $\bar{X} = 4.79$ ) than when it was launched as a solo-branded extension by Jays ( $F(1, 37) = 4.11$ ,  $p < .05$ ).

More important, the counterextension into the popcorn category was evaluated more favorably when the previous extension by Redenbacher's was cobranded than when it was solo-branded but a failure ( $F(1, 37) = 5.20$ ,  $p < .05$ ). Similarly, the Bugles counterextension into the potato chips category was evaluated more favorably when the previous extension by Jays was cobranded than when it was solo branded but a failure ( $F(1, 37) = 4.79$ ,  $p < .05$ ).

*Similarity.* A two-way ANOVA of the similarity data shows that the main effect of the prior extension activity was significant ( $F(3, 152) = 22.03$ ,  $p < .01$ ). The main effect of the product category into which the counterextension was launched ( $F(1, 152) = .74$ ,  $p > .10$ ) and its interaction with the prior extension activity ( $F(3, 152) = .47$ ,  $p > .10$ ) were both not significant.

The mean similarity rating was higher when the solo-branded extension by Redenbacher's was a success ( $\bar{X} = 5.71$ ) than when it was a failure ( $\bar{X} = 4.01$ ,  $F(1, 38) = 39.98$ ,  $p < .01$ ). The mean similarity rating was higher when the solo-branded extension by Jays was a success ( $\bar{X} = 5.67$ ) than when it was a failure ( $\bar{X} = 4.38$ ,  $F(1, 38) = 38.89$ ,  $p < .01$ ). However, the difference in similarity between the condition in which Redenbacher's solo-

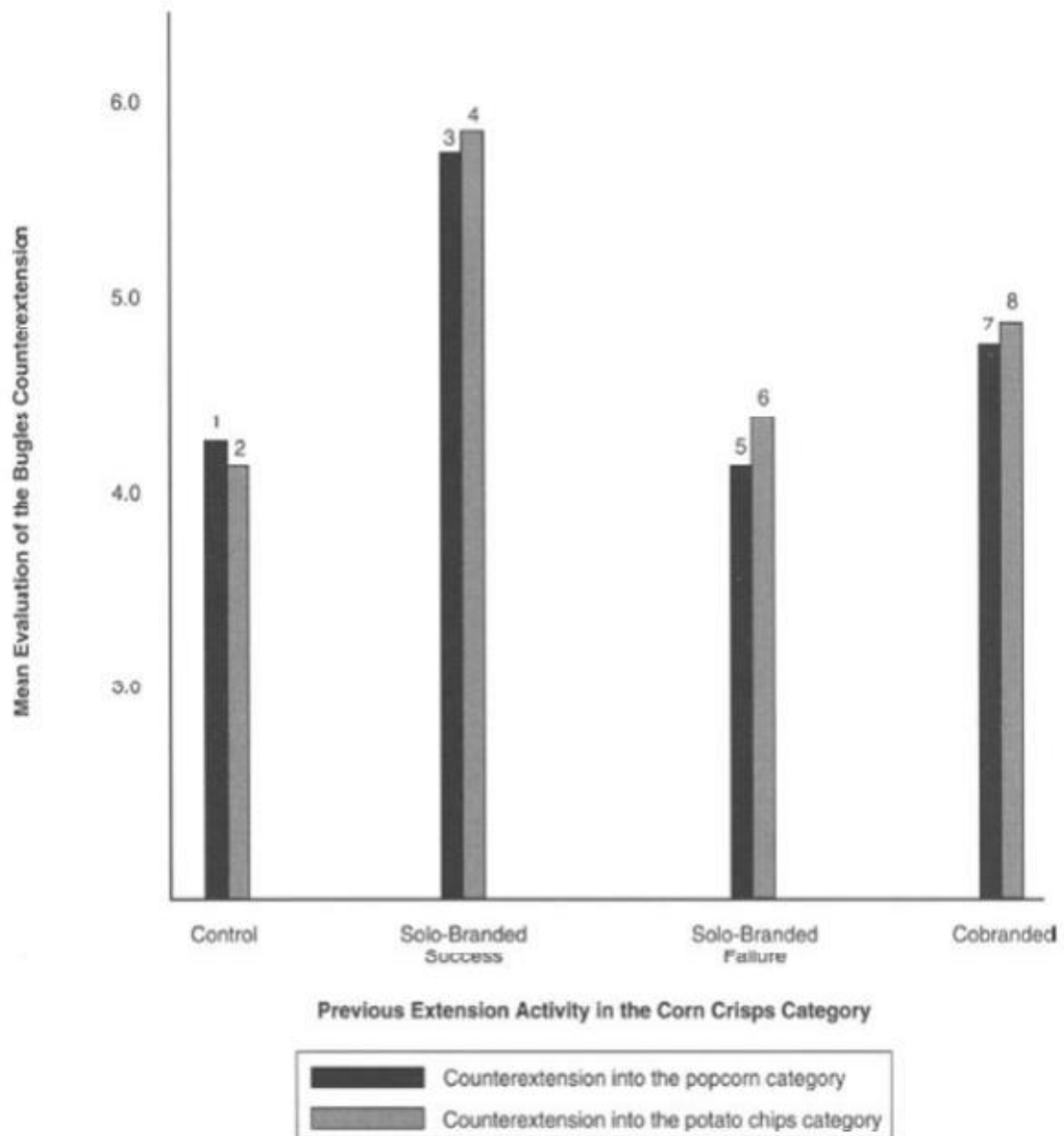
branded extension was a failure and the control condition ( $\bar{X} = 4.33$ ,  $F(1, 38) = .78$ ,  $p > .10$ ) was not significant. Likewise, the difference in similarity between the condition in which the Jays solo-branded extension was a failure and the control condition ( $\bar{X} = 4.51$ ,  $F(1, 38) = .21$ ,  $p > .10$ ) was not significant. Finally, similarity was lower when the preceding extension was launched jointly under the Redenbacher's Jays brand name ( $\bar{X} = 4.97$ ) than when it was successfully launched by Redenbacher's ( $F(1, 38) = 10.79$ ,  $p < .01$ ). Similarity was also lower when the preceding extension was launched jointly under the Jays Redenbacher's brand name ( $\bar{X} = 4.95$ ) than when it was successfully launched by Jays ( $F(1, 38) = 8.56$ ,  $p < .01$ ).

Next, I conducted additional analyses to test for the mediating effect of similarity, using a procedure similar to the one I adopted for Study 1. I first ran seemingly unrelated regressions with intercategory similarity and the evaluation of the Bugles counterextension as the two independent variables and 0-1 dummy variables representing each of the seven conditions, excluding the control condition for the popcorn category. The results of this analysis appear in the second and third columns of Table 2. These results show that the experimental treatments had an effect on similarity (i.e., the potential mediating variable) as well as on the evaluation of the counterextension (i.e., the dependent variable).

However, when I added similarity to the regression of the evaluation of the counterextension, the parameters for the other variables weakened and were, at best, marginally significant ( $p < .10$ ). However, the parameter for similarity was statistically significant ( $p < .01$ ). These results are consistent with the premise that perceptions of intercategory similarity mediate the relationship between the branding strategy and the outcome of the previous extension and the evaluation of the counterextension.<sup>6</sup>

<sup>6</sup> The results from repeating the mediation analysis using a step-down ANOVA also provide evidence for a mediating effect of similarity. Specifically, when I analyzed the evaluation data using a two-way ANOVA with familiarity and similarity as covariates, the effects of familiarity ( $F(1, 150) = 1.72$ ,  $p > .1$ ) and product category ( $F(1, 150) = .01$ ,  $p > .10$ ) were not significant. The effect of prior extension activity was significant but substantially weakened ( $F(3, 150) = 2.91$ ,  $p < .05$ ), and its interaction with the product category was not significant ( $F(3, 150) = .21$ ,  $p > .10$ ). The effect of similarity was significant ( $F(1, 150) = 49.24$ ,  $p < .01$ ). However, as I reported previously, the prior extension activity had a significant effect in the ANOVAs for both evaluation (i.e., the dependent variable) and similarity (i.e., the mediating variable).

**Figure 3:** Study 2: Results Summary for the Impact of Cobranded Versus Successful and Failed Solo-Branded Extensions on the Evaluation of the Counterextension



Notes: The evaluation of the counterextensions was greater than that in the control conditions (1–2) when the previous solo-branded extension by the focal brand was a success (3–4) but not when it was a failure (5–6). The evaluation of the counterextension in the conditions in which the focal brand's previous extension was cobranded (7–8) was smaller than that in the conditions in which the focal brand's previous solo-branded extension was a success (3–4) but greater than that in the conditions in which the previous solo-branded extension was a failure (5–6).

### Discussion

The results of Study 2 suggest that cobranding results in a lower evaluation of a counterextension relative to a successful solo-branded extension but not relative to a failed solo-branded extension. The results

show that a failed solo-branded extension does not lead to an improvement in customer evaluation of a counterextension, because it is less likely to change perceptions of similarity between the parent and extension categories.

**Table 2:** Study 2: Mediation Analysis Parameter Estimates

Variables <sup>b</sup>	Similarity <sup>a</sup>	Evaluation of Bugles Extension <sup>a</sup>	
		Similarity Omitted	Similarity Included
Redenbacher's failure (popcorn)	-.10	-.03	.03
Redenbacher's success (popcorn)	.43***	.38***	.14*
Redenbacher's Jays success (popcorn)	.20**	.19**	.08
Jays failure (potato chips)	.01	.06	.05
Jays success (potato chips)	.42***	.40***	.16*
Jays Redenbacher's success (potato chips)	.19**	.20***	.10
Control (potato chips)	.06	-.16	-.04
Similarity			.56***

\* $p < .1$ .\*\* $p < .05$ .\*\*\* $p < .01$ .<sup>a</sup>The numbers reported are standardized regression coefficients. The coefficients for the first two columns are based on seemingly unrelated regression.<sup>b</sup>These are coded as 0-1 dummy variables for each treatment that represents the combination of brand name and outcome of the previous extension and the category into which the Bugles extension was launched.

### STUDY 3

In Study 1, I used hypothetical extensions and counterextensions of real brands to test  $H_1$ - $H_3$ . Although the use of real brand names made the study realistic and gave it some degree of external validity, the results may have been driven in part by participants' brand-specific associations with the brands that I used to construct the stimuli. To rule out non-category-related associations as potential explanations for the findings, I conducted a third study with the same context as in Study 1 but without real brand names.

#### Design and Procedure

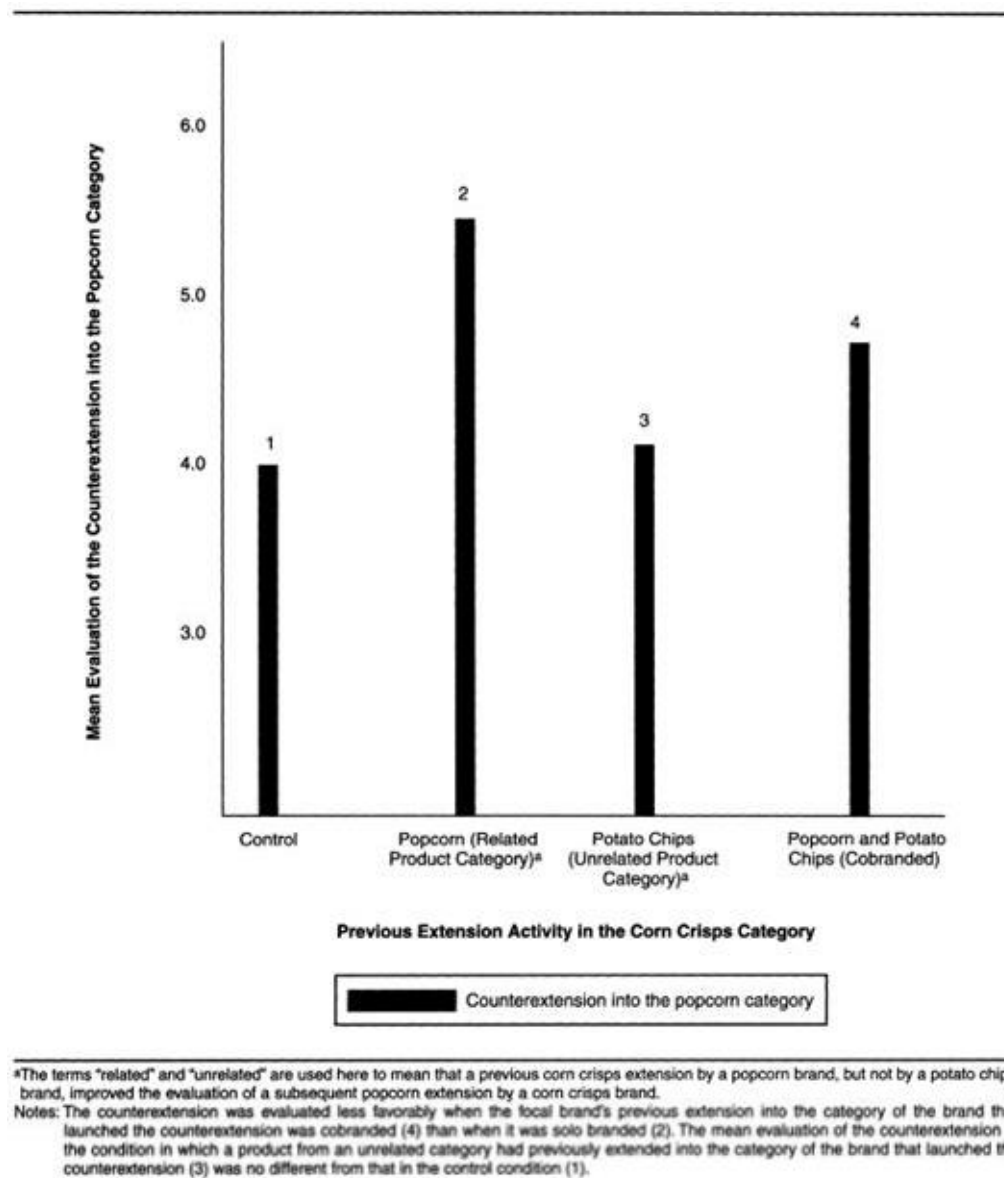
The stimuli and the cover story for the study were similar to those used in Study 1 except for one difference: The products in the cover story and in the questionnaire were referred to by their category names rather than their brand names. For example, I used the descriptor "a popcorn brand" instead of the brand name "Redenbacher's" to refer to one of the parent brands. I used a 4 x 1 between-subjects study design and manipulated the brand name of the previous extension into the corn crisps category at four levels: (1) a popcorn brand, (2) a potato chips brand, (3) a joint extension by a popcorn and a potato chips brand, and (4) a control. There was no mention of a previous extension into the corn crisps category in the control condition. A total of 72 adult men and women, who were intercepted at a shopping area, participated in the study, and they were each paid \$5 for their cooperation. The key dependent measure was the overall evaluation

of a counterextension into the popcorn category by a corn crisps brand (Cronbach's  $\alpha = .93$ ).

#### Results

*Overall evaluation of the brand counter extension.* Figure 4 displays the mean evaluations of the counterextension into the popcorn category across the four treatments. A one way ANOVA of the evaluation data shows a significant treatment effect ( $F(3, 68) = 7.56, p > .01$ ). Consistent with  $H_1$ , the focal counterextension into the popcorn category was evaluated more favorably when a popcorn brand had launched the preceding brand extension into the corn crisps category ( $\bar{X} = 5.23$ ) than it was in the control condition in which there was no mention of any preceding extension ( $\bar{X} = 3.84, F(1, 34) = 14.37, p < .01$ ).

Furthermore, consistent with  $H_2$ , the evaluation of the counterextension was less favorable when the preceding extension was launched jointly as a cobranded extension of a popcorn brand and a potato chips brand ( $\bar{X} = 4.61$ ) than when it was launched as a solo-branded extension by a popcorn brand ( $F(1, 34) = 6.06, p < .01$ ). Finally, the evaluation of the counterextension in the control condition was statistically indistinguishable from that in the condition in which the preceding extension was launched by a brand from the potato chips product-market, an unrelated category ( $\bar{X} = 4.19, F(1, 34) = .97, p > .10$ ). To summarize, a previous corn crisps extension by a popcorn brand, but not a potato chips brand, improved the evaluation of a

**Figure 4:** Study 3: Results Summary for the Impact of Cobranding Versus Solo Branding on the Evaluation of the Counterextension

subsequent popcorn extension by a corn crisps brand. However, the evaluation of the popcorn extension was lowered if the previous corn crisps extension was cobranding by a popcorn and a potato chips brand.<sup>7</sup>

Similarity. The results of a one-way ANOVA of the similarity data show a significant treatment effect ( $F(3, 68) = 838, p < .01$ ). The mean similarity in the control condition ( $\bar{X} = 3.84$ ) was lower than it was in the condition in which the previous solo-branded extension

was launched by a popcorn brand ( $\bar{X} 5.22, F(1, 34) = 25.85, p < .01$ ), but it was statistically indistinguishable from that in the condition in which the previous solo-branded extension was launched by a potato chips brand ( $\bar{X} = 4.23, F(1, 34) = 1.82, p > .10$ ). The similarity in the condition in which the previous extension was cobranding was lower ( $\bar{X} = 4.68$ ) than that in the condition in which the extension was solo branded by a popcorn brand ( $F(1, 34) = 3.85, p < .05$ ).

<sup>7</sup> The key results of Study 3 were replicated in a follow-up study with 80 participants that involved a different set of products. The study design and manipulations were similar to those in Study 3 except that Brand A<sub>1</sub> belonged to the face wash category, Brand A<sub>2</sub> to the body lotion category, and Brand B to the body wash category. The evaluation of a counterextension by a body wash brand into the face wash category was higher when the previous extension by a face wash brand into the body wash category was solo branded ( $\bar{X} = 5.38$ ) than when it was cobranding with a body oil brand ( $\bar{X} = 4.87, F(1, 38) = 11.92, p < .01$ ). The evaluation of the counterextension in the control condition in which there was no previous extension into the face wash category ( $\bar{X} = 4.42$ ) was lower than that in the condition in which a face wash brand had previously launched a solo-branded extension into the body wash category ( $F(1, 38) = 19.75, p < .01$ ), but it was statistically indistinguishable from the evaluation in the condition in which a body oil brand had previously launched an extension into the face wash category ( $\bar{X} = 4.68, F(1, 38) = .92, p > .10$ ). Additional analyses showed that the perceptions of similarity between the face wash and body wash categories mediated the relationship between the manipulated variables and the evaluation of the counterextension.



The results from a mediation analysis, which I conducted using a procedure similar to the one I used in the previous two studies, appear in Table 3. They show that both intercategory similarity ratings and overall evaluation ratings in the conditions in which the prior extension was launched by the popcorn brand or jointly by the popcorn and the potato chips brands were higher than were those in the control condition ( $p < .01$ ). However, when similarity was added as an independent variable to the regression model for overall evaluation, the parameters for the other variables weakened and were no longer statistically significant ( $p > .10$  for each). However, the parameter for similarity was statistically significant ( $p < .01$ ).<sup>8</sup>

### **Discussion**

The results from Study 3 closely parallel those from Study 1 and provide further support to the hypothesis that the evaluation of a brand counterextension is lower when the preceding extension is cobranded with a partner than when it is solo branded. This effect was observed both with real brand names and without them. The results in both cases support the theoretical premise that intercategory similarity mediates the relationship between the choice of a solo-branding versus a cobranding extension strategy and the evaluation of a counterextension. Furthermore, in both studies, although cobranding lowered the evaluation of a counterextension, it was still higher than that in the condition in which the focal brand had not launched an extension at all. When this finding is interpreted in conjunction with the results of the mediation analyses, it suggests that cobranding reduces, but does not fully suppress, the increase in the intercategory similarity that results from launching a successful extension.

### **STUDY 4**

Study 4 was designed to test  $H_4$  regarding the impact of alternative communication and positioning strategies for a cobranded extension on the evaluation of a counterextension. It specifically focuses on whether a positioning strategy that explicitly communicates the attribute-level contribution of the two partner brands to the cobranded extension results in a lower evaluation of the counterextension than a strategy that does not.

### **Design and Procedure**

The stimulus material in the study was the same as that used in Study 1, except that the cover story described not only the cobranded extension into the corn crisps category but also the headline and the slogan from its advertisement. I used a 2 x 2 between-subjects design with a control group. The first factor was the brand name for the extension into the corn crisps category, which I manipulated at two levels: Jays Redenbacher's and Redenbacher's Jays. The second factor was the positioning statement, which I also manipulated at two levels: partitioned and unified. In the control group, there was no mention of a preceding extension into the corn crisps category.

The headline in each of the four conditions, excluding the control group, was "The new crunch in the bowl." In the first unified condition with the Redenbacher's Jays brand name, the slogan for the extension into the corn crisps category was "The crunchy corn from Redenbacher's Jays." In the second unified condition, the brand name in the slogan was reversed to Jays Redenbacher's. In the first partitioned condition with the Jays Redenbacher's brand name, the slogan was

<sup>8</sup> The results from repeating the mediation analysis using a step-down ANOVA were consistent with those using a regression-based approach. Specifically, when I analyzed the evaluation data for the four cells using a one-way ANOVA with similarity as a covariate, the effect of the treatments was no longer significant ( $F(3, 67) = .92, p > .10$ ). The effect of similarity was statistically significant ( $F(1, 67) = 46.02, p < .01$ ). As I reported previously, the treatments had a significant effect in the ANOVAs for both evaluation (i.e., the dependent variable) and similarity (i.e., the mediating variable).

**Table 3:** Study 3: Mediation analysis parameter estimates

Variables <sup>b</sup>	Similarity <sup>a</sup>	Evaluation of Bugles Extension <sup>a</sup>	
		Similarity Omitted	Similarity Included
Potato chips	.20	.16	.09
Popcorn	.62*	.58*	.20
Potato chips and popcorn	.37*	.32*	.15
Similarity			.47*

\* $p < .01$ .<sup>a</sup>The numbers reported are standardized regression coefficients. The parameters for the first two columns are based on seemingly unrelated regression.<sup>b</sup>These are coded as 0–1 dummy variables.

"The crunch of Jays and the corn of Redenbacher's." In the second partitioned condition, the two halves of the slogan were reversed. The key measure was the overall evaluation of the counterextension into the popcorn category (Cronbach's  $\alpha = .92$ ). The participants in the study were 125 adult men and women, who were intercepted in a shopping area, randomly assigned to the various conditions, and paid \$5 for their cooperation.

### Pretests

The positioning statements were pretested with two random samples of 15 customers each to ensure that the statements were similar in terms of their overall likeability. The customers were drawn from the same population from which the sample for the main study was drawn, and they were each paid \$2 for their cooperation. The first sample evaluated the two alternative positioning statements or slogans for the Jays Redenbacher's brand name, and the second sample evaluated the statements for the Redenbacher's Jays brand name; both groups used a four-item (likeable, memorable, stands out, and clear message), seven-point scale. The mean evaluation of the unified statement for the Jays Redenbacher's brand ( $\bar{X} = 4.26$ ) was statistically indistinguishable from the mean evaluation of the partitioned statement ( $\bar{X} = 4.35$ ,  $t_{14} = .25$ ,  $p > .10$ ). Similarly, the mean evaluation of the unified statement for the Redenbacher's Jays brand ( $\bar{X} = 4.28$ ) was statistically indistinguishable from the mean evaluation of the partitioned statement ( $\bar{X} = 4.38$ ,  $t_{14} = .17$ ,  $p > .10$ ).

### Results

*Overall evaluation of the brand counterextension.* Figure 5 displays the mean evaluations of the counterextension into the popcorn category across the five conditions. In line with Broniarczyk and Gershoff's (2003) work, I computed the difference between the reported overall evaluation ratings in each of the four experimental conditions and the average evaluation in the control condition.<sup>9</sup> I analyzed the data on these difference scores using a 2 x 2 ANOVA with familiarity with the counterextending brand as a covariate ( $F(4, 95) = 4.75$ ,  $p < .01$ ). The familiarity covariate ( $F(1, 95) = 1.95$ ,  $p > .10$ ) and the brand name ( $F(1, 95) = 1.36$ ,  $p > .10$ ) did not have a significant effect. The main effect of the positioning strategy ( $F(1, 95) = 13.02$ ,  $p < .01$ ) was significant, and its interaction with the brand name was marginally significant ( $F(1, 95) = 2.65$ ,  $p < .10$ ).

The difference score averaged across the two partitioned conditions ( $\bar{X} = .15$ ) was statistically indistinguishable from zero ( $t_{49} = .86$ ,  $p > .10$ ) and lower than the difference score averaged across the two unified conditions ( $\bar{X} = .75$ ,  $F(1, 97) = 6.72$ ,  $p < .01$ ). In the two partitioned conditions, the difference score in the condition in which Redenbacher's was the header brand ( $\bar{X} = .12$ ) was statistically indistinguishable from that in the condition in which it was the modifier brand ( $\bar{X} = .20$ ,  $F(1, 47) = .08$ ,  $p > .10$ ). This finding shows that with a partitioned positioning strategy, the evaluation of the counterextension did not depend on whether

<sup>9</sup> The average evaluation of the counterextension in the control condition was 3.87

the parent brand in the preceding extension was a header brand or a modifier brand. However, in the two unified conditions, the difference score in the condition in which Redenbacher's was the header brand ( $\bar{X} = 1.09$ ) was higher than that in the condition in which it was the modifier brand ( $\bar{X} = .50$ ,  $F(1, 47) = 22.94$ ,  $p < .01$ ).

**Similarity.** For each of the four conditions, excluding the control, I computed the difference scores for similarity using a procedure that was similar to the one I used for computing the difference scores for the overall evaluation of the counterextension. The results from a two-way ANOVA of the data on the difference scores for similarity data showed a significant effect ( $F(3, 96) = 4.54$ ,  $p < .01$ ). The average difference score for similarity for the two partitioned conditions ( $\bar{X} = .29$ ) was statistically indistinguishable from zero ( $t_{49} = 1.63$ ,  $p > .10$ ). However, the average difference score for the two unified conditions ( $\bar{X} = 1.00$ ) was higher than that in the control condition ( $t_{49} = 7.19$ ,  $p < .01$ ). Furthermore, in the partitioned conditions, the difference score for similarity in which Redenbacher's was the header brand ( $\bar{X} = .23$ ) was statistically indistinguishable from that in the condition in which it was the modifier brand ( $\bar{X} = .35$ ,  $F(1, 48) = .11$ ,  $p > .10$ ).

I conducted a mediation analysis using the data from the four experimental conditions on the difference scores for both overall evaluation and similarity. The results, which appear in Table 4, indicate that the dummy variables that represent the three conditions, excluding the unified condition with the Redenbacher's Jays brand name, had a significant impact on the difference scores for similarity (i.e., the potential mediating variable) and the difference scores for evaluation (i.e., the dependent variable) ( $p < .10$  or better). However, when the difference score for similarity was added to the regression model for the difference score for evaluation, the parameters for the other variables weakened. However, the parameter for the difference score for similarity was statistically significant ( $p < .01$ ).<sup>10</sup>

<sup>10</sup> The results from repeating the mediation analysis using a step-down ANOVA were consistent with those using a regression-based approach. Specifically, when I analyzed the difference scores for evaluation data for the four cells using a two-way ANOVA with familiarity and similarity as covariates, the effect of the positioning strategy was substantially smaller ( $F(1, 94) = 4.51$ ,  $p < .05$ ). The effect of the brand name and its interaction with the positioning strategy were not statistically significant ( $p > .10$ ). The coefficient for the difference score for similarity was statistically significant ( $F(1, 94) = 30.90$ ,  $p < .01$ ). However, as I reported previously, the treatments had a significant effect in the ANOVAs for both evaluation (i.e., the dependent variable) and similarity (i.e., the mediating variable).

## Discussion

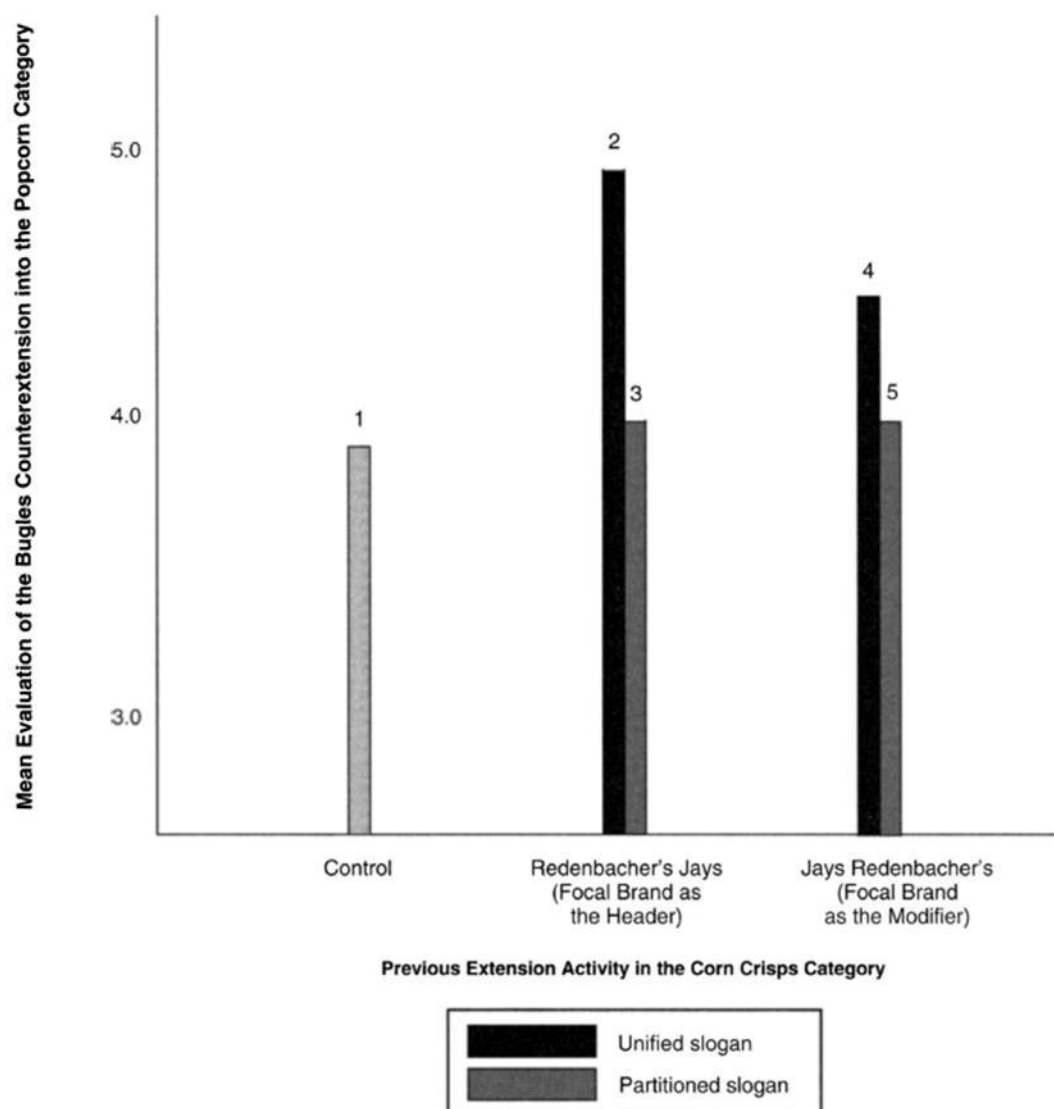
The results of Study 4 have two important implications: First, they demonstrate that a positioning and communication strategy that explicitly partitions the key attributes of a cobranded extension and relates them to the respective partner brands lowers the evaluation of a counterextension. Second, they show that under an attribute partitioning strategy, the evaluation of the counterextension may not depend on whether the focal brand serves as the header or the modifier brand in the previous cobranded extension. Taken together, the results imply that an attribute partitioning strategy benefits both partner brands,  $A_1$  and  $A_2$ , and may result in a lower evaluation of a counterextension into the parent category of either one. Furthermore, such a positioning strategy might also provide some design flexibility for the crafting of the cobranded extension. It may enable the partners to choose the header and modifier brands on the basis of other considerations, such as improving the attribute profile of their cobranded extension.

## DISCUSSION

This research contributes to the brand management literature by demonstrating the differential impact of solo-branded versus cobranded extensions on customer evaluation of brand counterextensions. The key finding from a series of studies is that a counterextension into a brand's parent category is likely to be evaluated less favorably when the prior extension launched by the focal brand is cobranded than when it is solo branded. This finding suggests that the strategic choice between solo branding versus cobranding influences the evaluation not only of a brand's own extension (Park, Jun, and Shocker 1996; Rao and Ruekert 1994) but also of counterextensions into its parent category.

The studies show that the discrepancy between the evaluations of counterextensions following the two alternative branding strategies results from the differences in the levels of postextension perceptual similarity between a

**Figure 5:** Study 4: Results summary for the impact of unified versus partitioned positioning of a cobranded extension on the evaluation of a counterextension



Notes: In the unified condition, the positioning statement for the previous Redenbacher's Jays cobranded extension was "The Crunchy Corn from Redenbacher's Jays." In the partitioned condition with the same brand name, the slogan was "The Corn of Redenbacher's and the Crunch of Jays." The slogans under the unified versus partitioned conditions for the Jays Redenbacher's extension were constructed analogously. The evaluation of the counterextension was greater in the two unified conditions (2, 4) than in the two partitioned conditions (3, 5). The brand name of the previous cobranded extension had an impact on the evaluation of the counterextension in the unified condition but not in the partitioned conditions.

**Table 4:** Study 4: Mediation analysis parameter estimates

Variables <sup>b</sup>	Similarity <sup>a</sup>	Evaluation of Bugles Extension <sup>a</sup>	
		Similarity Omitted	Similarity Included
Jays Redenbacher's (partition)	-.34***	-.38***	-.21**
Redenbacher's Jays (partition)	-.39***	-.42***	-.23**
Jays Redenbacher's (unified)	-.21*	-.26*	-.15
Similarity			.50***

\* $p < .1$ .

\*\* $p < .05$ .

\*\*\* $p < .01$ .

<sup>a</sup>The numbers reported are standardized regression coefficients. The parameters for the first two columns are based on seemingly unrelated regression. The analysis was conducted using difference scores for both overall evaluation and similarity.

<sup>b</sup>The treatments are coded as 0–1 dummy variables.

brand's parent and extension categories. Specifically, a successful solo-branded extension results in a greater improvement in the perceptions of intercategory similarity than does a cobranded extension. A brand in the extension category benefits from the relatively greater increase in the psychological proximity between the two categories following a solo-branded extension, because its counterextension is evaluated more favorably than if the previous extension was cobranded.

### **Managerial Implications**

A key implication of this research is that a brand extension decision should perhaps be evaluated in a broader context of a sequence of extensions and counterextensions. The extension strategy must account for the risk to the parent brand from potential counterextensions and should be appropriately adjusted to manage this risk. Although a firm that launches the initial extension can potentially take several actions to manage the threat from counterextensions, this research shows that cobranding the extension is one strategy that helps mitigate the risk that arises from a favorable evaluation of future counterextensions.

### **The Benefits of Cobranded Extensions**

The findings from the studies reported herein suggest that the total benefit from cobranding is greater than what has been identified in previous research. Specifically, not only does cobranding help improve the attribute profile of an extension and have a positive reciprocal effect on the equity of the partner brands (Park, Jun, and Shocker 1996; Rao and Ruekert 1994; Simonin and Ruth 1998), it may also protect each partner brand against future counterextensions. Taken together, these findings suggest that cobranding is a key strategic option that enables marketers to craft a balanced brand strategy that not only facilitates extensions based revenue growth but also provides some protection from counterextensions.

Unlike the case of a solo-branded extension, the revenue gains from a cobranded extension are shared with a partner brand. Although this

research does not delve into questions about the trade-off between the loss to a potential counterextension and the loss from revenue sharing with a partner brand, the results suggest that cobranding is particularly suited for brand that are strongly associated with their parent categories. A solo-branded extension of such brands is likely to increase the counterextension risk by improving intercategory similarity more than a brand that is only weakly associated with the parent category.

Although the studies point to some additional benefits from cobranding, it is important to note that the purpose of this research was not to explore whether cobranding is a superior extension strategy to solo branding. It was limited to exploring the potential differences in the counterextension risk faced by a brand under the two alternative branding scenarios. The overall choice between the two strategic options must be made on the basis of the expected returns from the alternatives, the levels of overall risk, and other organizational and environmental contingencies that might favor one strategy over another. However, the findings from this research better articulate the extent of overall risk with respect to the two strategies that marketers should take into account when selecting an extension strategy. They suggest that cobranding can potentially play a defensive role and contribute to mitigating the risk to the parent brand from future counterextensions.

*Selecting a partner brand.* A critical issue in the development of a cobranded extension is the selection of a partner brand. The findings reported herein provide a new perspective on this issue and complement previous research that suggests that a partner brand should be selected on the basis of its reputation and its ability to send quality signals (Rao and Ruekert 1994; Rao, Qu, and Ruekert 1999). The findings also suggest that it is useful to select a partner that enables customers to divide the key attributes of the cobranded extension easily into two subsets and to associate each subset with the respective partner brands. An enhancement in the customer's ability to partition the key attributes of the cobranded extension is likely to result in a less favorable evaluation of a future

counterextension. Indeed, a positioning and communication strategy that explicitly partitions the attributes into these subsets might also help the partner brands by further lowering the evaluation of counterextensions.

However, it should be noted that it might not always be possible or feasible for a brand to find a reputed and willing partner brand in a complementary category for the development of a cobranded extension. To that extent, a brand might be limited in the number of product-markets it can extend into with a cobranding strategy.

*Designing cobranded extensions.* An important consideration in the design of a cobranded extension is the selection of the header brand versus the modifier brand. The results of the studies reported herein suggest that a cobranded extension should be designed on the basis of not only offensive considerations, such as signaling the best attribute profile for the extension, but also the defensive needs of the partner brands. Specifically, from a defensive perspective, the partner brand that is more vulnerable in its parent category should perhaps serve as the modifier brand rather than the header brand. Furthermore, revenue-sharing agreements between the partner brands should account for the counterextension risk faced by each in its respective parent category.

### **Limitations and Further Research**

Although this research provides initial insights into the differential impact of cobranded evaluation of a counterextension, further research using different product categories and research methodologies is necessary to establish the robustness of the findings. In addition, several related questions must be addressed. First, even if one brand chooses cobranding as an extension strategy, other brands in its parent category may still launch solo-branded extensions. Further research is needed to address how one brand's choice between solo branding and cobranding influences the extension strategies of other brands in its category and the joint effect of their choices on the evaluation of counterextensions. Second, this research has focused only on the evaluation of a solo-branded counterextension. Potentially, the

counterextension could itself be cobranded and may be better accepted than a solo-branded counterextension. The interplay between cobranded extensions is a worthwhile and useful area for further research that could provide insights into whether cobranding affects the evaluation of only solo-branded counterextensions or that of cobranded counterextensions as well.

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