Introduction
The high cost of new product development and launching costs (Kapoor, 2005; Keller, 1993) makes brand extensions attractive to marketers. Brand extensions allow companies to capitalize on the equity of their brand that they have developed over years by offering a new product category or product class that has the same parent brand name (Keller & Aaker, 1992; Park, Jaworski, & MacInnis, 1986). For example, Ralph Lauren, an apparel brand, may extend and offer home goods or offer an apparel line at a different price point. By launching a brand extension, there are a number of potential advantages that occur. Brand extensions promote consumer awareness because consumers are already familiar with the parent brand (Kapferer & Bastien, 2009; Magnoni & Roux, 2008; Phau & Cheong, 2009). Also, an extension may enhance the image of the parent brand (Zimmer & Bhat, 2004) and there is often a substantial possibility of the product’s survival in the marketplace (Sullivan, 1992). However, there is also a high chance that the brand extension can harm the parent brand’s image. An understanding of these positive and negative reciprocal effects of the brand extension to and from the parent brand is vital because the parent brand generates the majority of revenues (Thorbjornsen, 2005).

Since there are a number of benefits and pitfalls associated with brand extensions, many researchers have sought to understand the factors that have either positive or negative effects on the parent brand. However, despite the large amount of research, the literature in this area is inconsistent. Moreover, it is characterized by an absence of an appropriate theoretical framework that explains how consumers think about brands.

Schema theory (Fiske & Taylor, 1984) provides a lens to investigate consumers’ cognitive change in their belief (positive or negative) about a parent brand based on the introduction of a brand extension. Schema theory explains that consumers attach a set of attribute associations to brands. Utilizing this theory will provide a deeper understanding of the factors that may impact consumers’ evaluation of the parent brand following an extension.

This paper addresses this theoretical gap in the literature by conducting a comprehensive literature review on factors that impact reciprocal effects between parent and extension after the brand extension is introduced. First, brand extensions are defined and positive and negative benefits are introduced. Next, schema theory (Fiske & Taylor, 1984) is introduced and explained. Lastly, literature is presented based on the literature review of factors that influence reciprocal effects, both positive and negative, on the parent brand when brand extensions are introduced. Based on this literature review, research directions are suggested.

Literature Review

Brand Extensions
Differing from other types of company growth strategies, brand extensions are characterized by the repeated use of their brand name when introducing new product categories or product classes. Using an established parent brand name to launch new brand extension products has become a commonly used strategy for capitalizing on the established brand image (Keller, 1993; Thorbjornsen, 2005). The brand image equity is often the most valuable asset for brands, making up a large portion of the company’s overall assets (Farquhar, 1989; Tauber, 1988). To leverage the brand value that was built over several years, firms enter new product categories or classes bearing the parent brand name (Keller & Aaker, 1992; Park et al., 1986).
By launching new products under the parent brand, brand managers often gain several advantages (Thorbjornsen, 2005). For instance, since consumers are already familiar with the parent brand name, brand extensions can often gain additional market share (Kapferer & Bastien, 2009; Magnoni & Roux, 2008; Phau & Cheong, 2009) by moving into an additional product category or market segment not previously held (Tauber, 1988). For example, in certain markets the carmaker Toyota introduced Lexus, in order to target more affluent customers who wanted greater quality and were willing to pay more for it, and introduced Scion for more price conscious consumers. Brand extensions may also help sales of the parent brand because consumers’ perception of the parent brand may be strengthened through increased advertising communication (Tauber, 1988). Based on a brand extensions’ connection to the established brand name, the extension often has a higher chance of market survival compared to new products launched lacking an established parent brand name (Sullivan, 1992). This is especially advantageous given the high cost of new product development (Kapoor, 2005; Keller, 1993).

Although a brand extension can aid in consumer acceptance by linking a new product with an established brand name, they can be risky for brands (Ries & Trout, 1986) because they can potentially harm the parent brand image (Grime, Diamantopoulos & Smith, 2002). Since it is possible that brand extensions can create negative connotations in consumers’ minds about the parent brand quality (Tauber, 1988), the brand value built up by the brand over time can potentially become diluted (Aaker, 1990; Grime et al., 2002). Thus, it is possible that brand extensions can either have a positive or negative effect on the parent brand.

**Schema Theory**

Schema theory (Fiske & Taylor, 1984) helps to shed light on how a brand extension can produce either a negative or positive feedback effect on the parent brand. A schema is a set of cognitively organized associations based on knowledge about a certain concept (Fiske & Taylor, 1984). Over time, a parent brand image becomes associated with a set of attributes (e.g., high quality, lightweight, natural ingredients) (Jap, 1993) that are a part of a consumers’ schema. A schema about a parent brand image is developed through experience. Overtime, the brand becomes strongly associated with certain attributes. Once established, these attributes serve as a basis for comparative analysis to determine whether brand extensions are dissimilar or similar to the parent brand because consumers would know what information is incongruent or congruent with their parent brand schema (Romeo, 1991)

**Brand Dilution and Brand Concentration**

When a parent brand’s schema is dissimilar to the set of attributes perceived to be associated with a new brand extension, consumers adjust their parent brand schema. The previous positive attributes that made up the parent brand schema becomes weakened and detached and the negative attributes associated with the parent brand become more strongly attached and connected with the parent brand. Thus, brand extensions that are outside the parent brand schema give rise to new cognitive associations that vary from the parent brand schema (Park, Milberg, & Lawson, 1993). These new associations can move the parent brand further from its existing attributes (Shenin, 2000), and new information is integrated into the associated network of the parent brand (Thorbjornsen, 2005). This process can potentially create confusion about attributes associated with the parent brand (Loken & Roedder John, 1993; Tauber, 1988) and dilute the brand value of the parent brand (Loken & Roedder John, 1993; Shenin, 2000; Chang, 2002). Brand dilution occurs when the positive beliefs and specific attributes associated with the parent brand are weakened and fragmented. This is a great concern for brands because the majority of revenues are often generated from their parent brand (Thorbjornsen, 2005). For
example, Pierre Cardin, a once respected high-end brand offered too many low quality brand extensions, which was ultimately responsible for the dilution of the brand because the quality associated with the parent brand was weakened (Reddy et al., 2009).

To decrease potential brand dilution effects, schema theory suggests brands have two options: introduce a brand extension whose attributes deviate substantially from the parent brand, or introduce a brand extension with very similar attributes to the parent brand (Thorbjørnsen, 2005). By introducing a brand extension with completely separate attributes from the parent brand, it is likely that the parent brand will be stored as a separate schema category than the brand extension. Thus, by increasing the distance between the parent brand and extension brand, attribute associations between the two are severed and consumers believe the extension and parent to be separate brands. This is the strategy that brands (e.g., Johnson & Johnson) have when they introduce a brand extension with a separate brand name (e.g., Tylenol).

In addition, brand extensions that are similar to the parent brand can decease potential dilution effects because attributes associated with the parent brand are also found in the brand extension. When consistency between attributes exists, consumers’ parent brand schema will assimilate the new brand extension without any alternations (Anderson, 1983; Morrin, 1999; Martinez Salinas & Pina Perez, 2009; Park et al., 1991). What makes this option attractive is that when a brand extension elicits similar associations to the parent brand, this not only decreases potential dilution effects, but brands are able to reinforce and strengthen the current attributes associated with the parent brand (Romeo, 1991). Thus, attributes associated with the parent brand are strengthened and reinforced which can concentrate the parent brand image. Brand concentration is different than brand image enhancement in that is reinforces parent brand perceptions and strengthens the positive associations.

Since brand extensions can have such an impact on whether the parent brand becomes diluted or concentrated, several researchers have been concerned with understanding factors that contribute to the parent brand image after a brand extension has been introduced. Next, is a comprehensive review of literature that has investigated brand extension feedback effects. Based on literature, conclusions and directions for future research will be given.

**Literature Review Results**

**Brand Extension Feedback Effects**

This section presents the results of a systematic literature review of thirty-three studies on the effects of brand extensions on feedback effects. References cited with an asterisk indicate studies reviewed. Following the directions of Völckner and Sattler (2006) and Grime et al. (2002), studies were selected and limited to empirical studies with feedback effects as the dependent variable. There are a number of factors that impact whether consumers’ perception of the parent brand dilutes or concentrates post extension. These factors include: i) brand extension attributes, ii) parent brand attributes, iii) marketing efforts, and iv) consumer characteristics.

**Brand Extension Attributes**

Firstly, researchers have attributed a change to the parent brand following a brand extension based on the attributes of the extension itself. Of brand extension attributes, the perceived fit, the amount of association between the parent brand and the extension brand (Czellar, 2003), has dominated brand extension literature (Völckner & Sattler, 2006). Among studies, there is some agreement between researchers that perceived fit between the parent brand and extension brand can cause changes in the perception of the parent brand (Dwivedi, Merriees, & Sweeney, 2010; Martinez, Polo, & de Chernatony, 2008; Milberg & Sinn, 2008; Milberg, Park, & McCarthy, 1997; Ng, 2010). Meaning, consumers perceive that the schema...
associated with the parent brand is made up of similar attributes (e.g., similar quality, similar functions) as the brand extension. Studies have shown that when perceived fit is high, it enhances the parent brand (Gürhan-Canli & Maheswaran, 1998; McCarthy, Heath, & Milberg, 2001; Thorbjornsen, 2005). When there is a lack of perceived fit and consumers perceive that the brand extension is not a logical extension of the parent brand, parent brand dilution occurs (Gürhan-Canli & Maheswaran, 1998; Loken & Roedder John, 1993; Pina, Martinez, de Chernatony, & Drury, 2006; Thorbjornsen, 2005). However, some studies have found that perceived fit had no impact on whether a parent brand becomes diluted or enhanced (Lau & Phau, 2007; Zimmer & Bhat, 2004). Lastly, findings have even suggested that parent brand image enhancement occurs whenever a brand introduces a brand extension, regardless of its perceived fit with the parent brand (Zimmer & Bhat, 2004).

These inconsistencies may have occurred because there is a lack of theory-based research that accurately explains how consumers integrate attributes of the parent brand with attributes of the extension brand. While most of the studies lacked a theoretical basis, some have utilized categorization related theories (Chen & Liu, 2004; Dens & De Pelsmacker, 2010; Kim et al., 2001; Martinez et al., 2009; Milberg et al., 1997). Theories of this kind explain that consumers form perceptions of fit between new stimuli (i.e., brand extension) and old stimuli (i.e., parent brand) based on perceived attribute similarity. However, with each new introduction of a brand extension, consumers redefine the parent brand (Buday, 1989; Martinez et al., 2008). Utilizing a more dynamic theory may be more appropriate and may produce more consistent results.

In addition, while some older studies found that both close and distant extensions cause brand dilution (Chen & Chen, 2000), more recent studies have suggested that to overcome the negative effects of brand extensions on the parent brand, distancing techniques may help (Dall’Olmo Riley, Pina, & Bravo, 2013; Kim, Lavack, & Smith, 2001). That is, when a parent brand releases a brand extension that is widely different than the parent brand, strategies such as sub-branding (Sood & Keller, 2012) and high cost reductions (Dall’Olmo Riley et al., 2013) encourage consumers to think of the parent brand and brand extension as two separate brands with their own set of associations. This strategy is widely used in industry. For example, Ralph Lauren has sixteen levels of brands that have stemmed from their highest level (Ralph Lauren Collection) that walks on the fashion runways each season, to the lowest level found at department stores that target the mass market and price conscious consumers (Chaps), each with their own sub-brand name and price point. However, it is unclear what kinds of distancing techniques are effective at creating new and separate associations and at what particular point consumers create a new set of associations when employing distancing techniques. In this case, greater theoretical research is needed on this distancing technique to work towards mapping consumers’ attribute change and pinpointing the breaking point at which consumers’ perceive the extension brand and parent brand to possess separate sets of associations.

**Parent Brand Attributes**

Researchers have also attributed qualities associated with the parent brand to be responsible for changing consumers’ perception of the parent brand following a brand extension. For instance, consumers’ firsthand perception of the brand’s image impacts feedback effects caused from brand extensions (Dwivedi et al., 2010; Martinez, Montaner, & Pina, 2009). While some studies suggest that better positioned brands (i.e., high-end brands) or well-established products are relatively immune to brand dilution because such brands are durable and attribute associations are well established (Keller & Aaker, 1992; Martinez et al., 2008; Roedder John & Joiner, 1998) other studies suggest the opposite. Dall’Olmo Riley et al. (2013) and Kirmani,
Soods, and Bridges (1999) suggest that due to ceiling effects, better positioned brands have more to lose, whereas, lower positioned brands have less to lose. Thus, brands positioned lower (i.e., low-end brands) are less susceptible to dilution effects.

These inconsistent results may have occurred because a change in consumers’ perception of the parent brand was measured cross-sectionally. This is problematic because the parent brand name has been in the market much longer than its brand extension. Therefore, consumers have a longer, stronger, and greater set of cognitive associations that form their perception of the parent brand (Lane & Jacobson, 1997). Consumers may have yet to establish the same set of associations with a new brand extension. Thus, a cross-sectional study that assesses consumers’ perception of the parent brand based on an immediate and unfamiliar brand extension may not accurately reflect a shift in consumers’ cognitive perception of the parent brand.

Marketing Efforts

Until more recently, researchers had yet to understand the impact that a brand’s marketing efforts had on the parent brand post brand extensions. While research is very limited, some researchers have tested the effects of different types of advertising appeals (Dens & De Pelsmacker, 2010) and variations in advertising exposure (Balachander & Ghose, 2003) on reciprocal effects on the parent brand. Findings from these studies imply that advertisements need to be tailored (Dens & De Pelsmacker, 2010) and the parent brand and extension brand need to be highly emphasized (Ahluvwail & Gürhan-Canli, 2000; Balacherander & Ghose, 2003). However, with a few exceptions (Balachander & Ghose, 2003), the majority of studies reviewed utilize real brands and hypothetical brand extensions. Since it takes time for consumers to create a set of attributes associated with a brand (Jap, 1993), using a fictitious brand is problematic because it ignores the schema that is associated the brand (Dens & De Pelsmaker, 2010). According to schema theory, consumers associate a parent brand with a specific set of attributes that comprise their schema. Therefore, using a fictitious brand makes it difficult to accurately know the effects of advertising because consumers may not be able to authentically make comparisons between the parent brand schema and the extension schema.

Consumer Characteristics

Researchers have also attempted to understand brand extension feedback effects based on individual consumer characteristics. While research is limited, studies (Chang, 2002; Lane & Jacobson, 1997; Martinez Salinas & Pina Perez, 2009; Martinez Salinas et al., 2008) found that attitudes or level of favorability towards the brand extension influences reciprocal effects on the parent brand. Where, if consumers have positive attitudes or are favorable towards the brand extension, it will positively influence parent brand image following a brand extension. In a similar way, consumers’ experience or familiarity with the brand can produce brand dilution (Sheinin, 2000); where negative experiences with the brand extension can harm the parent brand (Sood & Keller, 2012). However, it is difficult to draw conclusions regarding the influence of consumer characteristics on feedback effects caused by brand extensions because feedback effects can depend on heavy users of the parent brand (Chen & Liu, 2004). Therefore, by using a student sample, as the majority of studies have, it is unclear whether studies have used loyal users of the brand. Thus, these consumers may not yet have created a strong set of cognitive associations surrounding the parent brand, and their perceptions of the parent brand may be more malleable following a brand extension.

Conclusions and Directions for Future Research

This paper has provided a review of literature on brand extension feedback effects onto the parent brand and can be used to guide future research directions. In light of schema theory,
there are several suggestions for future studies. First, I suggest that researchers use schema theory and use it correctly. Consumers develop a parent brand schema (e.g., quality, prestige, status) by attaching a set of cognitive attribute associations to the parent brand that developed over time. When consumers perceive the new brand extension attributes to be outside of the schema, new associations are created away from the parent brand. This inconsistency disturbs the parent brand’s schema and dilutes the positive associations that are attached to the parent brand. Whereas, when consumers perceive the new brand extension attributes to be closely connected with their parent brand schema, there is consistency between the two. This consistency can strengthen and increase associations, thus concentrating the parent brand image.

A key benefit of utilizing schema theory is that it provides a more accurate and dynamic lens to investigate the impact of brand extensions on feedback effects on the parent brand because it explains both brand dilution and brand concentration. Previous studies have only looked at brand image dilution and enhancement, not brand concentration. There are clear differences between the two. When a brand is enhanced, the cognitive attributes associated with the parent brand are more positive (e.g., low quality ➔ high quality). When a brand is concentrated, positive attributes associated with the parent brand are strengthened, reinforced, and more pronounced and negative attributes associated with the parent brand are weaker and fainter.

While there is a general lack of research utilizing schema theory, previous research that has used schema theory as a theoretical framework, has been cross-sectional and has used hypothetical brand extensions. Attributes within a brand’s schema are developed over time (Jap, 1993) based on its longevity in the marketplace (Lane & Jacobson, 1997). Thus, testing feedback effects cross-sectionally using hypothetical brands produces only artificial results. When hypothetical brands are introduced cross-sectionally, consumers have yet to establish a set of cognitive associations that they attach to the brand name. It is recommended that future research be longitudinal using real brands to better capture consumers’ actual shift in the attributes associated with the brand. For instance, future research should measure consumers’ perception of the parent brand repeatedly as new brand extensions are introduced to examine the change in consumers’ evaluation of the parent brand. This method will also identify at what point the brand has extended too far beyond the parent brand’s original attribute associations.

A considerable amount of research has examined brand extension effects using student respondents. Since cognitive associations attached to specific brands are developed based on exposure and experience, non-users of the brand may not have created substantial associations. Thus, by using a sample where is it unclear whether they are users of the brand, it is difficult to determine whether there is an actual shift in consumers’ brand schema that causes brand dilution or whether the brand becomes concentrated. Therefore, future research must use a purposeful sample of users of the parent brand and brand extension.

Overall, while brand extension research has been plentiful, there has been an absence of a theoretical framework that accurately explains consumers’ shift in their parent brand evaluation following a brand extension. In light of schema theory, future research should be conducted longitudinally with real brands utilizing a sample that uses both the parent and extension brand.

While conducting research in this fashion may be difficult to achieve, it is vital for a clearer understanding of brand extension effects on parent brand dilution and concentration and may also help to clarify previous inconsistent findings. By incorporating these suggestions in future research, it is likely that research investigating specific factors that include brand extension attributes, parent brand attributes, marketing efforts, and consumer characteristics will greatly improve the accuracy to the results.
References

References marked with an asterisk indicate studies included in the literature review


Morrin, M. (1999). The impact of brand extensions on parent brand memory structure and retrieval process. *Journal of Marketing Research*


