From Online to Offline Through Brand Extensions and Alliances

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ABSTRACT

This paper studies the expansion of an online brand towards an offline product category through brand extensions and alliances. Specifically, it analyses the effects on the online brand image as a consequence of this expansion, and it analyses them under different conditions of image and fit. An empirical study was conducted to 407 undergraduates in a Spanish University, and data are analyzed through multivariate analysis of variance. Main results lead us to conclude that: (1) the effects of extensions and alliances are mainly negative on the online brand image, (2) the impact is focused specially on the functional and emotional dimensions of brand image (3) The effect is more negative for online brands with high image than for online brands with low image, and (4) the effect is more negative in the case of an alliance with an offline brand with low image than in the case of an alliance with an offline brand with high image or in a brand extension.

Keywords: Alliances, Brand, Business Management, Consumer Behavior, Marketing

INTRODUCTION

During the last years, the online and offline settings are becoming more and more closely connected. The reason is that consumers have both online and offline identities and they move continuously from one to another (Rau, 2004). In this context, companies with traditional offline business have looked at the Internet as a necessary way for surviving. However, this connection offline-online goes a step further, and companies with online brands have also started to look at the offline context as an interesting option for growth. These companies wonder whether they can leverage the image of their online brands in the offline setting.

Two strategies that may allow an online company to go offline are brand extensions and brand alliances. However, the launch of new products and the association with other partner brands in an alliance may change the consumer perception of a brand image (Loken & John, 1993; Delgado & Hernández, 2008). As an example, great expectations were generated with the new launch of a mobile phone by Google. In a market research, as much as 20% of the respondents replied that they would be interested in purchasing a Google phone (Boulton, 2007). However, even if a possible acceptance of the new product is shown, are these
strategies harming or strengthening the image of Google? Due to the lack of responses in the previous literature, in the present work we will try to give answer to the following questions:

- Are these strategies of brand extensions and alliances to reach an offline setting harming or strengthening the parental online brand image?
- Focusing on the variation in the online brand image:
  - Is it more effective to develop these strategies for an online brand with low image or for an online brand with high image?
  - Does the fit between the online brand and the offline product category play an important role in this decision?
  - What type of strategy is best to reach the offline category, extensions or alliances; and in the latter, with which type of ally?

In the previous literature, there are works that deals with offline brands launching new online services (Horppu, Kuivalainen, Tarkiainen, & Ellonen, 2008; Boshoff, Schlechter, & Ward, 2009). However, the expansion of an online brand going offline has not been analysed yet. Going back to the example of Google, and even if the main reasons for the company to grow are to improve mobile access to its services or push its ad based business, the profits expected in the smartphone business is too promising to be left to other handset players (Northstream, 2010). Besides, the conclusions of this work may help companies such as Dell, that is a company that used a direct sales distribution from its beginnings, and afterwards it expanded its distribution to retail stores. Moving from selling online to distribute through retail stores may also entail risks that need to be thoroughly analysed (Lawton, 2008). The own managers of the company posit that this movement has been implemented carefully in order to avoid risks (Wikipedia, n. d.).

In the same sense, much of the work in the brand extension and brand alliance literature has focused on the acceptance of the new product and consumer intention to purchase, while lesser attention has received the effect of these strategies on the parental brand image (Völckner, Sattler, & Kaufmann, 2008; Pina, Iversen, & Martínez, 2010). The analysis of the effects that the new launch has on the parental brand image is of main importance to determine the success of the strategy (Aaker, 1991; Keller, 1993). In fact, the parent brand image can be diluted even in successful brand expansions in terms of attitude towards the new launch (Farquhar, 1989; Kardes & Allen, 1991; Völckner et al., 2008). The cost of introducing a new brand may be prohibitively high (Yorkston, Nunes, & Matta, 2010), and therefore leveraging brand image and transferring brand associations between online and offline settings are hot topics in the literature (Kwon & Lennon, 2009). For these reasons, feedback effects on the parental brand image may be more important to consider than the own acceptance of the new product.

Finally, much of the research has studied either brand extensions or brand alliances independently, but comparatively few works have compared both strategies empirically (James, 2006; Besharat, 2010; Marin & Ruiz, 2010). From the managerial perspective, to know which strategy is best, and under which conditions, is of great relevance in order to launch new products. Indeed, there is a lack of consensus on the literature regarding the suitability to use one strategy or the other. Some works point at the preference of an extension strategy when the brand image and reputation is high, indicating that brand alliance is appropriate when moving to a distant product category. However, in practice we may see that brand extensions are far more common than brand alliances, and there are examples of brand extensions even in relatively far categories (Marin & Ruiz, 2010).

For the reasons given, this work delves into the effects that the new offline launch has on the parental online brand image, and it analyses them under different conditions of brand image and perceived fit. Comparisons between two strategies: extensions and alliances will be made, and within the latter, differences between alliances with and offline brand with
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