

Do Consumers Penalize the Parent Brand When Brand Extensions Fail?: The Role of Implicit Theories

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Brand Extensions

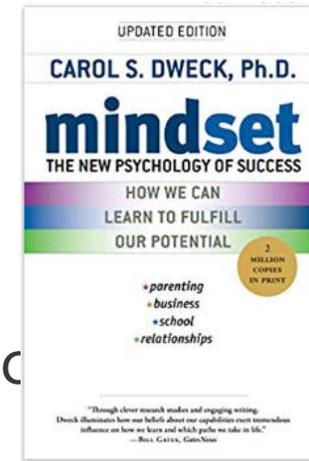
- Successful (parent) brands often attempt to leverage their brand equity by extending their brand name into a different product category

- Examples:



- ... but, 80% of brand extensions fail! (Tait, 2001; Torelli & Ahluwalia, 2011)
- *Our research question: When do consumers penalize a parent brand after a brand extension failure?*

Implicit Theories



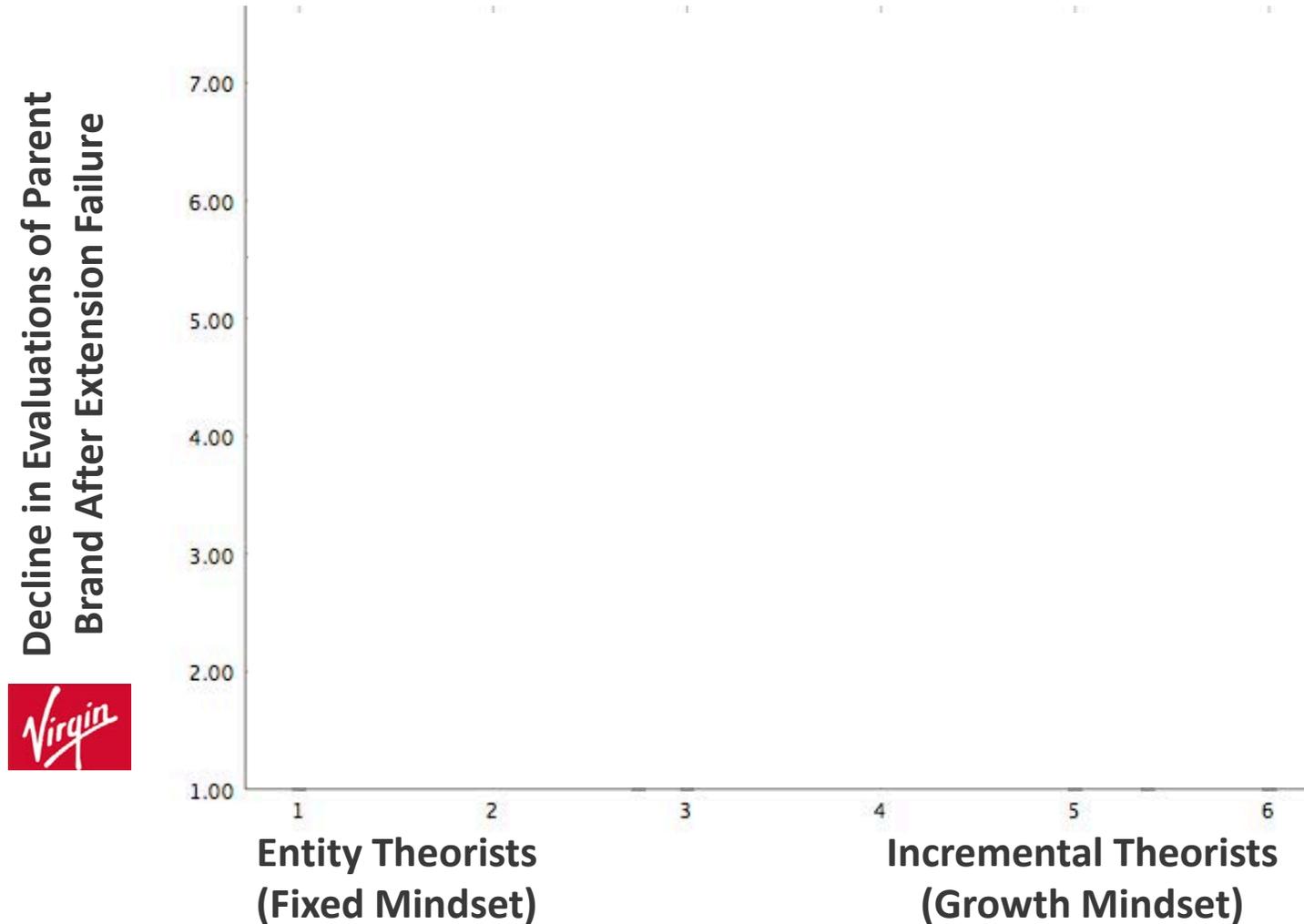
- Beliefs that people have about the nature of human characteristics, such as intelligence, personality, and morality (Dweck, Chiu, & Hong, 1995)
 - Sometimes called “mindsets”
 - Can be either chronically or situationally activated (Levy et al., 1998; Plaks, Stroessner, Dweck, & Sherman, 2001)
- 2 types:
 - Entity theory [Fixed mindset]: Belief that human traits are relatively fixed (~40% of population)
 - Incremental theory [Growth mindset]: Belief that people can substantially change (~40% of population)
- Many known consequences of implicit theories (Dweck & Leggett, 1988; Hong et al., 1999)
 - Most consequences are more positive for incremental theorists
 - Studied extensively in learning contexts

Example of Study: Parent Brand Feedback Effects after Extension Failure

- Virgin recently launched a new product —smart watches.
- These smart watches have not been received well by its customers. Initial sales for the watch have been low. More so, in a recent survey, most customers gave Virgin's Smart Watches about 2 out of 5 stars. Overall, Virgin's smart watches have gotten off to a rocky start.

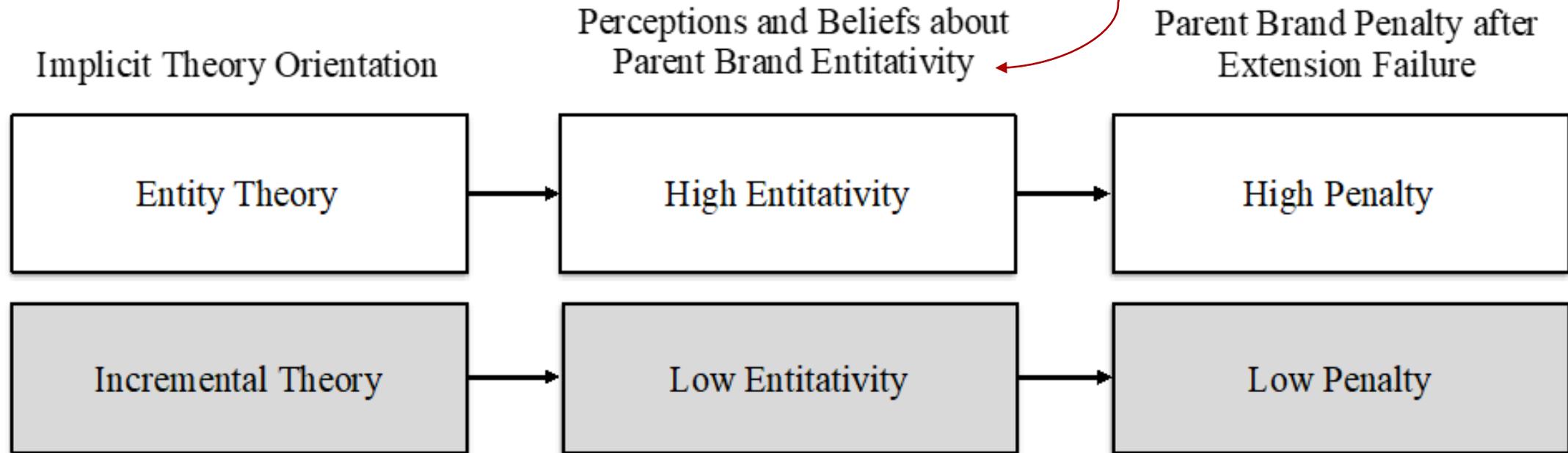


Incremental Theorists are More Forgiving of Parent Brands after Extension Failure



Summary of Research Findings

“the perception that an aggregate of individuals is bonded together in some way to constitute a group”
(Hamilton, Sherman, & Castelli, 2002, p. 141).



Our results are robust across 8 studies involving over 1,750 participants and both situational manipulations (experiments) and dispositional measures (established scales) of implicit theory orientation.