



The Effect of Brand Extension Strategy and Brand Level on Urgency to Buy and Brand Dilution

Michelle Childs & Byoungho Jin

The University of North Carolina at Greensboro, Greensboro, NC, USA

Keywords: Brand Extension, Limited Edition, Urgency to Buy, Brand Dilution

Rational and Purpose: The apparel industry has commonly used vertical-downward brand extensions where a brand (e.g., Ralph Lauren) introduces a lower price and quality brand (e.g., RL Ralph Lauren). However, offering vertical-downward extended brands on an ongoing basis as with RL Ralph Lauren (i.e., *ongoing collection*) can dilute the brand image. A recent practice is providing *limited edition* brand extensions where apparel brands are limiting the product quantity and time the product is available. As with the Missoni at Target case (i.e., limiting offering time and quantity), this practice is mostly successful in that it increases consumers' urgency to buy while keeping its brand image. Urgency to buy, a feeling where consumers have an urge to buy the product right away, can encourage a short-term sales increase. While offering limited edition is increasingly common in the industry, there is a lack of research on this topic. Since brands at various levels (i.e., high-end and low-end) participate in brand extensions, the purpose of this experimental study is to test the effects of two extension strategies (offering a limited edition or ongoing extension brand) on urgency to buy and brand dilution for high-end and low-end brands.

Hypothesis Development: According to commodity theory (Brock, 1968), when an item is perceived to be limited, the product becomes more desirable because consumers feel possession provides distinctiveness (Brock, 1968). Consumers may feel a sense of urgency to buy the limited availability item because they feel that if they do not purchase immediately, they will not be able to purchase the item in the future because others will. In contrast, when brands offer an ongoing collection, there are no quantity limitations and no competition, so there is less urgency to buy (H1a). The effect of limited edition on urgency to buy is so powerful that it is likely to be true for both high-end and low-end brands (H1b, H1c). Therefore, H1 proposes:

H1a: Urgency to buy will be greater for limited edition (LE) than ongoing collection (OC).

H1b: For the high-end brand, urgency to buy will be greater for LE than OC.

H1c: For the low-end brand, urgency to buy will be greater for LE than OC.

Making a brand available to mass consumers through vertical-downward extension brands can dilute the brand's image because the brand is priced lower and subsequently becomes more widespread (Kim, Lavack, & Smith, 2001). Unlike ongoing vertical downward extensions, brands offering a limited edition can control how many people have the extension because quantity available is limited. Thus, apparel brands can minimize brand dilution because the brand is not too widespread (H2a). While high-end brands have higher brand images, both high-end and low-end brands are at risk of brand dilution when they extend downwards and can minimize its effects by offering limited edition (H2b, H2c). Based on this rationale, H2 proposes:

H2a: Brand dilution will be greater for ongoing collection (OC) than limited edition (LE).

H2b: For the high-end brand, brand dilution will be greater for OC than LE.

H2c: For the low-end brand, brand dilution will be greater for OC than LE.

Method: College students at Southeastern Universities in the U.S (n= 125) were randomly assigned to one of four online experimental conditions (i) ongoing collection/high-end, ii) limited edition/high-end, iii) ongoing collection/low-end and iv) limited edition/low-end). Respondents were asked to answer questions after viewing a video commercial stimulus created by authors. Based on a pre-test with college students (n=39) Ralph Lauren was chosen as the high-end brand and Lee was chosen as the low-end brand. In addition to manipulating the brand level, limited edition and ongoing extension was manipulated by a statement. Brand dilution was calculated by taking the mean difference score between the brand evaluation measure (e.g., What is your perception of the quality of the brand) before and after seeing the brand extension stimulus. Items measuring brand dilution and urgency to buy (e.g., I would buy this product immediately) were developed based on previous research and measured on 7-point likert scales.

Findings: Findings are presented in Table 1 and Table 2.

Table 1. The Effect of Extension Strategy on Urgency to Buy (H1a) and Brand Dilution (H2a): T-test Results

Extension Strategy	n	H	Urgency to buy MEAN	t-value	H	Pre-Extension Evaluation MEAN	Post-Extension Evaluation MEAN	Dilution MEAN	t-value
Ongoing	59	H1a	1.535	5.293***	H2a	4.565	4.622	.057	1.188
Limited Edition	66		3.242			4.258	4.106	-.152	

Table 2. The Effect of Brand Level and Extension Strategy on Urgency to Buy (H1b, H1c) and Brand Dilution (H2b, H2c): T-Test Results

Condition		n	H	Urgency to Buy MEAN	t-value	H	Pre-Extension Evaluation MEAN	Post-Extension Evaluation MEAN	Dilution MEAN	t-value
Brand Level	Extension Strategy									
High-end Brand	Limited Edition	34	H1b	3.765	-14.177***	H2b	4.882	4.686	-.1961	.266
	Ongoing	31		3.452			4.860	4.602	-.2581	
Low-end Brand	Limited Edition	25	H1c	3.890	2.584*	H2c	4.133	4.533	.400	1.758
	Ongoing	35		3.057			3.724	3.667	-.0571	

Discussion and Implications: Results demonstrate that in comparison to offering an ongoing extension, brands that offer a limited edition cause greater urgency to buy (H1a) for both high-end (H1b) and low-end brands (H1c). While not significant, mean values indicated that brand dilution was greater for ongoing collection compared to limited edition (H2a). This tendency was true for brands that are high-end (H2b) and low-end (H2c). While not significant, the brand dilution mean value was highest when high-end brands offer an ongoing collection (-.2581). One unexpected finding is that when low-end brands offer limited edition, the mean brand image value was increased from 4.133 (before seeing stimulus) to 4.533 (after seeing stimulus). We recommend to managers for both high-end and low-end brands to consider offering their extensions as limited edition in order to increase consumers' urgency to buy while possibly decreasing dilution effects.

References available upon request