The Impact of Culture on Brand Extension:
The Specific Versus Diffuse Dimension and Product Category Similarity

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In this research, we explored whether or not cultural differences can explain the differences in acceptance of brand-extended products across different societies. Specifically, we hypothesised that a society's degree on Trompenaars' specific versus diffuse continuum might explain the acceptance or rejection of brand-extended products in dissimilar product categories. We tested our hypothesis in two separate studies— one which is based on the number of products which are marketed by five global companies in six countries, and another which is based on the number of product categories in which 250 companies market products in five countries. Both studies support the hypothesis, and buttress the general claim that culture still matters.

Keywords: brand extension, product category similarity, culture, Trompenaars, specific versus diffuse

BRAND EXTENSION

The Oreo sandwich cookie has been satisfying the munchies since its introduction in 1912 by the National Biscuit Company (Nabisco). Although best known in its original chocolate wafer and vanilla creme form, more than 100 variations on the theme have been produced over the years, including Golden Oreos, Oreo Thins, and even a Lady Gaga-inspired concoction with pink wafers and green creme. Sales of Oreo cookies have also expanded globally; with an estimated 450 billion Oreos produced since 1912, Oreo can now rightfully claim to be the world's best-selling confection.

In recent years, however, Oreo has attempted to leverage its brand equity by slapping the Oreo appellation on products in other categories: Oreo pudding, Oreo cheesecake, and Oreo ice cream, for example. From the perspective of Oreo, these brand extensions appear to be relatively near to the original sandwich cookie in terms of what is called product category similarity. Indeed, pudding, cheesecake, and ice cream are all desserts, and consequently, are likely to be viewed by consumers as similar to cookies.

The brand extension of Oreo, however, stands in stark contrast to Harley-Davidson, for example, whose brand mark has adorned everything from perfume to wine coolers to jewellery. In this case of brand

extension, the product categories would probably be considered dissimilar— perfume, wine coolers, and jewellery, on the surface, have little (or nothing) in common with motorcycles. And this is seemingly true from the perspective of Harley-Davidson, and in the eyes of consumers.

Product Category Similarity and Brand Extension Success

These two contrasting cases of Oreo and Harley-Davidson raise interesting questions at the intersection of brand extension and product category similarity. The first question is foundational, and concerns consumer perceptions of product category similarity. What are the mechanisms by which consumers construct product categories, for example, and, err, by extension, how do they judge product category similarity?

Psychological research on categorisation is widespread, and points to "the grouping of single objects or events into abstract classes" (Berthold, 1964, p. 406). Indeed,

> [f]or humans facing a host of experiences in a complex world, an important activity is to break up these experiences into meaningful, more manageable components. This is the basic problem of categorization. Categorization begins at the early stages of sensory perception when incoming stimuli are linked to more abstract categories, as appears from the fact that equal-sized physical differences between stimuli are perceived as larger or smaller depending on whether they are in the same category or in different ones (Van Mechelen and Michalski, 1993, p. 1).

There is a notable absence in the marketing literature, however, of research on this foundational question. One exception appears to be Yoo and MacInnis (2004), who explored the effects of product category distance and product category variation on appraisals of product category similarity. Product category distance was measured as the mean difference in the score of all brand marks in one product category with the scores of all brand marks in another product category, on a comparison attribute. Product variation was the 'spread' of the scores of brand marks in a single product category, on the comparison attribute. Results of their exploration suggested that product category similarity is influenced by the mean distance between the product categories, on a comparison attribute, and by the variation within the product category, on the same comparison attribute.

A second question at the intersection of brand extension and product category similarity revolves around the link between product category similarity and brand extension success. The marketing literature is more extensive in this vein. Research on brand extension by Aaker (1990), for example, suggested that the so-called 'fit' between the parent product and the brand-extended product influences consumers' perceptions, which, in turn, predicts brand extension success. Indeed, attitudes towards the brand-extended product were higher when consumers perceived: 1. the brand-extended product category to be in alignment with the parent product category, 2. the brand-extended product to be a complement, substitute, or transfer of the parent product, or 3. the brand-extended product to not be too obvious or too easy to develop.

Dawar and Anderson (1994) found that the order and direction of brand extensions influence consumers' perceptions of brand-extended products, especially with respect to the product category distance of the brand-extended products. Specifically, "undertaking extensions in a particular order allows distant extensions to be perceived as coherent; following a consistent direction in extension allows for greater coherence and purchase likelihood for the target extension" (p. 119).

Culture and Brand Extension

In the context of global brand management, as in other facets of international business, the impact of culture ought not to be overlooked. And indeed, a third question at the intersection of brand extension and product category similarity involves the impact of cultural differences on brand extension. In a 2007 study, Monga discovered that the analytic and holistic thinking of Western and Eastern societies respectively impacted consumers 'evaluations of hypothetical brand-extended products, implying that culture plays some moderating role. As a practical example, consider Hello Kitty which launched 6 tropical-flavoured

beers in Taiwan in 2013, the success of which prompted internationalisation to mainland China… but no further because, for consumers in other parts of the world, this brand extension was deemed inconceivable.

It is this impact of culture on brand extension which underpinned our research. Specifically, we explored whether or not cultural differences can explain the differences in acceptance of brand-extended products across different societies. The research was inspired by a trip to Japan a few years back, during which John noticed that brand marks were often shared across seemingly dissimilar product categories. The Mitsubishi brand mark, for example, can be found on such disparate products as banks, air conditioners, and industrial chemicals. He also recalled an article in *The Economist* about the Burberry luxury fashion house, whose Japanese licensee used the brand name and its famous plaid on everything from golf bags to whiskey.

Trompenaars' Cultural Dimensions

In 1997, Fons Trompenaars published *Riding the Waves of Culture*, which outlined his framework for understanding cultural differences. Trompenaars' framework is not unlike the Hofstede Model, and indeed it has some overlap. Trompennars' framework, however, identifies 7 cultural dimensions which distinguish societies: 1. universalism versus particularism, 2. achievement versus ascription, 3. neutral versus affective, 4. specific versus diffuse, 5. individualism versus communitarianism, 6. the human-nature relationship, and 7. the human time relationship. Each of the first 5 dimensions can be understood as a continuum, which, like in the Hofstede model, means that societies ought not to be judged as good or bad on any particular dimension, but simply different on their degree of that dimension. Trompenaars' framework is based on 10 years of research in which he surveyed more than 46 000 people across 40 different countries.

In our research, we employed the specific versus diffuse dimension, which, at its core, is about a society's acceptable breadth of roles or identities. In specific societies, roles and identities are discrete, with little or no overlap. Most Americans, for example, keep their work and personal lives separate. In diffuse societies, on the contrary, roles and identities are wide-ranging— they rise above specific contexts to a kind of meta level. It is not uncommon, for example, for a Mexican labourer to ask for advice from the *jefe* about issues which transcend the work place and the *jefe's* direct domain of expertise… which automobile to buy, where to hold a fiesta, or when to invest in the stock market.

THE RESEARCH

We hypothesised that a society's degree on the specific versus diffuse continuum might explain the acceptance or rejection of brand-extended products in dissimilar product categories. Indeed, we asked ourselves if more diffuse societies like Japan, for example, are more likely to accept brand-extended products which belong to dissimilar product categories. The obverse would mean that societies like America, which tend towards the specific end of the specific versus diffuse continuum, are less likely to accept brand-extended products which belong to dissimilar product categories.

We tested our hypothesis in two separate studies. In the first study, we collected data for five global companies (Panasonic, Coca Cola, L'Oréal, Mitsubishi and P&G) in six different countries (South Korea, Japan, Taiwan, Germany, Netherlands, and the United States). More specifically, we tallied the number of products which were marketed by each company in each country. Table 1, for example, shows the number of products which are marketed by Panasonic in the 6 countries. Noteworthy is not only the difference in the number of products which are marketed, but also the breadth of product categories which these products reflect. We then used a generalised linear mixed model in R to tease out the relationship between the specific versus diffuse dimension and the number of products.

TABLE 1
PANASONIC DATA

South Korea		Japan		Taiwan		Germany		Netherlands		United States	
digital av	106	home app	51	video/cam.com	231	tv	43	tv	52	audio & video	7
home app	10	seasonal	41	air conditioners	76	home	95	home 56	56	cameras &	6
beauty/health	54	kitchen/cookin	60	refridgerator	53	photo & video	202	camera	137	microwave &	7
projectors	57	av/camera	95	washer/dryer	46	beauty/health	143	phones	30	telephones	3
professional	47	beauty/health	69	small	24	kitchen &	42	personal care	25	personal care	14
space player	8	battery	6	home app	60	telephone fax	52	kitchen	28	massage	1
security	49	telephone	18	beauty/personal	79	**TOTAL**	**577**	air condition.	2	home & office	5
tough book	4	computer	6	water	24			**TOTAL**	**330**	**TOTAL**	**43**
scanners	13	car nav	10	**TOTAL**	**593**						
tools	28	housing equip	1								
healthcare	42	mobile phone	2								
gas/heat	18	other	10								
video system	2	**TOTAL**	**369**								
TOTAL	**438**										

The results of the first study support our hypothesis. Indeed, as demonstrated in Table 2, as the value of the specific versus diffuse dimension (diffuse specific) increases by 1, the number of products (brand extensions) increases by 6.6-7.7%, at a 95% confidence level. Intriguingly, the effects were more pronounced when population size was also considered.

TABLE 2
EFFECTS OF THE SPECIFIC VERSUS DIFFUSE DIMENSION ON NUMBER OF PRODUCTS

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Random effects:
 Groups  Name         Variance Std.Dev.
 company (Intercept) 1.737    1.318
Number of obs: 30, groups:  company, 5

Fixed effects:
                Estimate Std. Error z value Pr(>|z|)
(Intercept)     4.550129   0.590158    7.71 1.26e-14 ***
diffusespecific 0.068272   0.003156   21.63  < 2e-16 ***
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Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Correlation of Fixed Effects:
            (Intr)
diffusspcfc -0.031
> exp(summary(model2)$coefficients)
                Estimate Std. Error      z value Pr(>|z|)
(Intercept)     94.644614   1.804273 2.230584e+03        1
diffusespecific  1.070656   1.003161 2.483273e+09        1
> exp(confint(model2))
Computing profile confidence intervals ...
                     2.5 %      97.5 %
.sig01          2.193512   17.737583
(Intercept)    22.859153  390.681623
diffusespecific 1.064066    1.077313
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In the second study, rather than tallying the number of products which were marketed by each company in each country, we tallied the number of product categories in which 250 companies marketed products in five different countries (South Korea, Japan, Germany, India, and the United States). We used the Forbes 2000 ranking of companies to identify the 250 companies. And we employed the SIC classification as the basis for identifying the number of product categories. Analysis of the data using single factor ANOVA also support our hypothesis. Indeed, as demonstrated in Table 3, the F value is greater than the F crit value, thereby rejecting the null hypothesis. In summary, there were, on average, 3.2 product categories in more diffuse countries, and 2.3 product categories in specific countries.

TABLE 3
ANALYSIS OF DATA FOR NUMBER OF PRODUCT CATEGORIES

ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	78.584	4	19.646	3.625597	0.006842	2.408488
Within Groups	1327.58	245	5.418694			
Total	1406.164	249				

CULTURE STILL MATTERS

To begin, the two studies buttress the general claim that culture still matters. According to the International Monetary Fund (2008), globalisation is primarily an economic phenomenon, involving the increasing integration of national economies through the growth of international trade, investment, and capital flows. It implies the reduction or elimination of national barriers, temporal limits, and spatial boundaries. In the words of Thomas Friedman, author of bestsellers *The Lexus and the Olive Tree: Understanding Globalization* (1999) and *The World is Flat: A Brief History of the 21st Century* (2005),

globalisation is the "inexorable integration of markets, nation-states, and technologies to a degree never witnessed before—in a way that is enabling individuals, corporations, and nation-states to reach round the world farther, faster, deeper, and cheaper than ever before" (1999, p. 14). The two studies, however, suggest that the homogenising forces of globalisation have had little impact on culture. Indeed, despite (or perhaps even because of) globalisation, cultural differences remain.

Now, in the context of brand management more specifically, the two studies support our hypothesis that a society's degree on the specific versus diffuse continuum explains the acceptance or rejection of brand-extended products in dissimilar product categories. Although to be fair, both studies used rudimentary measures of product category similarity. Indeed, do number of products and number of product categories truly reflect category similarity? Nevertheless, the results of this studies are 'directionally' encouraging, suggesting that culture does indeed play some role in brand extension success.

Consequently, we suggest that there is potential for more research at the intersection of brand extension and product category similarity, in combination with culture. It is important to understand, at the foundation, consumer perceptions of product category similarly. We envision interpretive research which would reveal the mechanisms by which consumers construct product categories, and how they judge product category similarity. Comparative studies would uncover the cultural differences in these mechanisms.

As an example, English-speakers tend to classify edibles which grow on bushes, on trees, or in the ground in two categories: fruits and vegetables. Russian-speakers, however, have four categories: fruits, vegetables, berries, and mushrooms. Even more shocking to many English-speakers is that watermelons are classified as a berry. What is revealing about this example is that the objective world is subjectively different. That is to say, the cultural meanings of reality differ from society to society. Cultural approaches to understanding the meanings which consumers attribute to the consumption lives, therefore, is paramount to marketing success.

Case in point: brand extension. Indeed, understanding, appreciating, and 'exploiting' cultural differences is particularly important for brand managers, as they ponder brand extension. Imagine the challenge for Dannon in Russia, for example, whose Fruit on the Bottom-branded yogurt, according to Russians, does not have fruit but berries on the bottom. On the other hand, consider how cheese is considered a dessert in many societies. In France, Oreo-branded cheese might not be out of place at all.

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