



How Consumers' Styles of Thinking Can Control Brand Dilution

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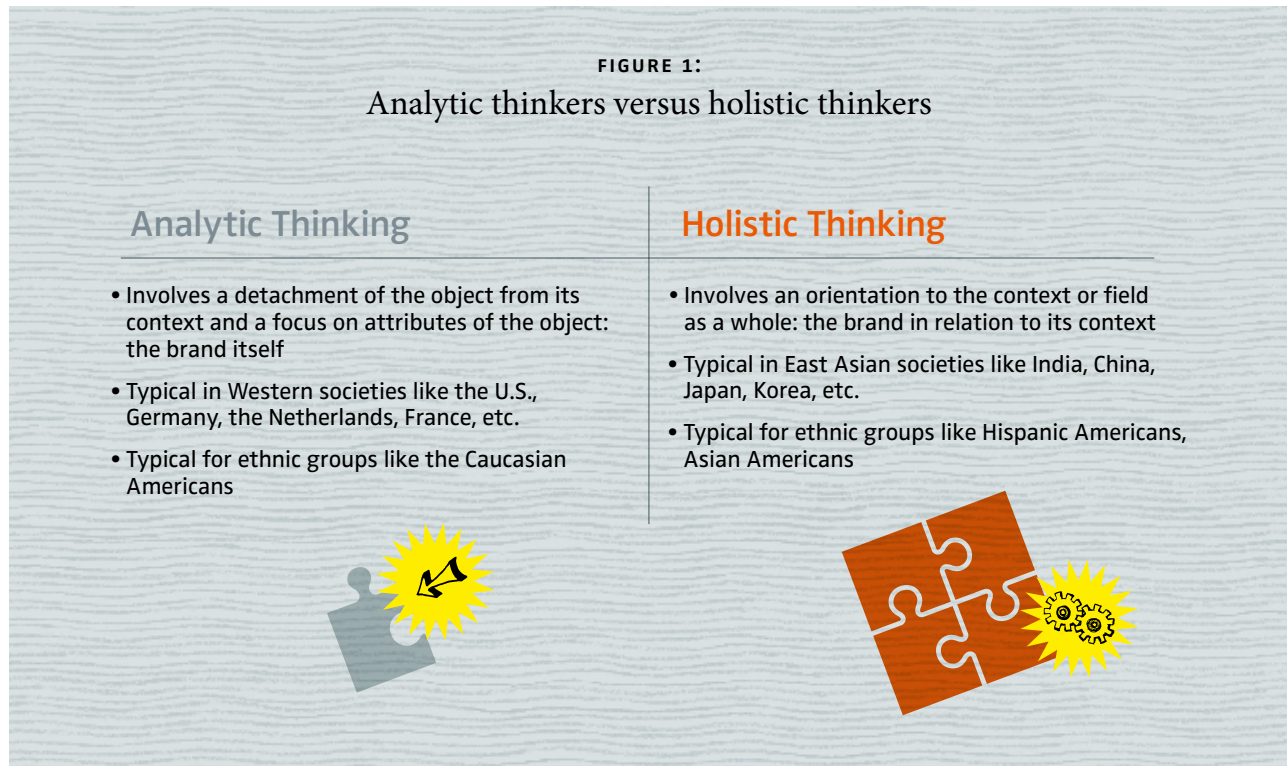
Bad press and failed brand extensions can dilute brand image ///

As companies continue to spend millions of dollars building strong, formidable brands, their efforts are often hampered by negative publicity at the hand of crises and unsuccessful attempts at brand extension. In recent years, examples include Toyota's recalling its cars due to safety concerns with airbags, Samsung Galaxy's problems with their phones that ignited fires, Volkswagen's tampering with emission tests and Facebook's unsuccessful attempt at launching Facebook Home, a home screen for phones. Because of social media, negative information rapidly spreads around the world doing unrestricted damage to a brand. At the center of the damage is possible dilution of its image, with a concomitant decline in sales and future prospects for the brand. Volkswagen recalled millions of cars, posted large losses, lost customers' trust in the brand and saw its share price erode.

The light in this dismal tunnel is that not all consumers blame the brand if something goes wrong. Managers most often look to marketing actions when trying to understand and control dilution, but a promising avenue is to consider how consumer characteristics may be in play. Depending on a consumer's general style of thinking, different ways of dealing with bad press and poorly aligned brand extensions may be observed. Understanding consumers' ways of thinking can help identify strategies to limit brand damage and elicit more favorable reactions from disapproving consumers.

Styles of thinking and dealing with bad news ///

Research by Professors Monga and John shows that not all consumers are alike in the way they think and reason about the world, and that includes how they react to a brand's actions (see Figure 1). Some consumers are more analytic in their thinking and tend to focus on a focal object, such as



a brand. Other consumers are more holistic in their thinking and tend to focus on the focal object in relation to its surrounding context, such as a brand in relation to its context.

Although these styles of thinking can vary within a culture, with some people being more analytic and others being more holistic, different cultures are known to encourage different dominant styles. Western cultures tend to be more analytic, while Eastern cultures tend to be more holistic. Further, different ethnic groups within the same culture show variations. While Caucasian-Americans tend to be more analytic, Asian-Americans, Hispanic-Americans and African-Americans tend to be more holistic. Holistic thinking typically emerges among people and cultures with many social relationships, while analytic thinking emerges in people and cultures with few social relationships.

Holistic thinkers tend to blame the context rather than the brand /// When there is negative publicity facing a brand, consumers spontaneously begin to think about whom to blame for the incident. To explore the idea that analytic and holistic thinkers reason differently about negative inci-

dents confronting brands, we conducted several studies. In one study, we showed participants a fictional news article about a real brand facing quality and manufacturing problems. Although analytic thinkers' beliefs about the brand were diluted after seeing the negative information, those of holistic thinkers were unaffected. Interestingly, while both analytic and holistic thinkers blamed the brand equally for quality and manufacturing problems, holistic thinkers were

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reaction to negative publicity than
analytic thinkers.

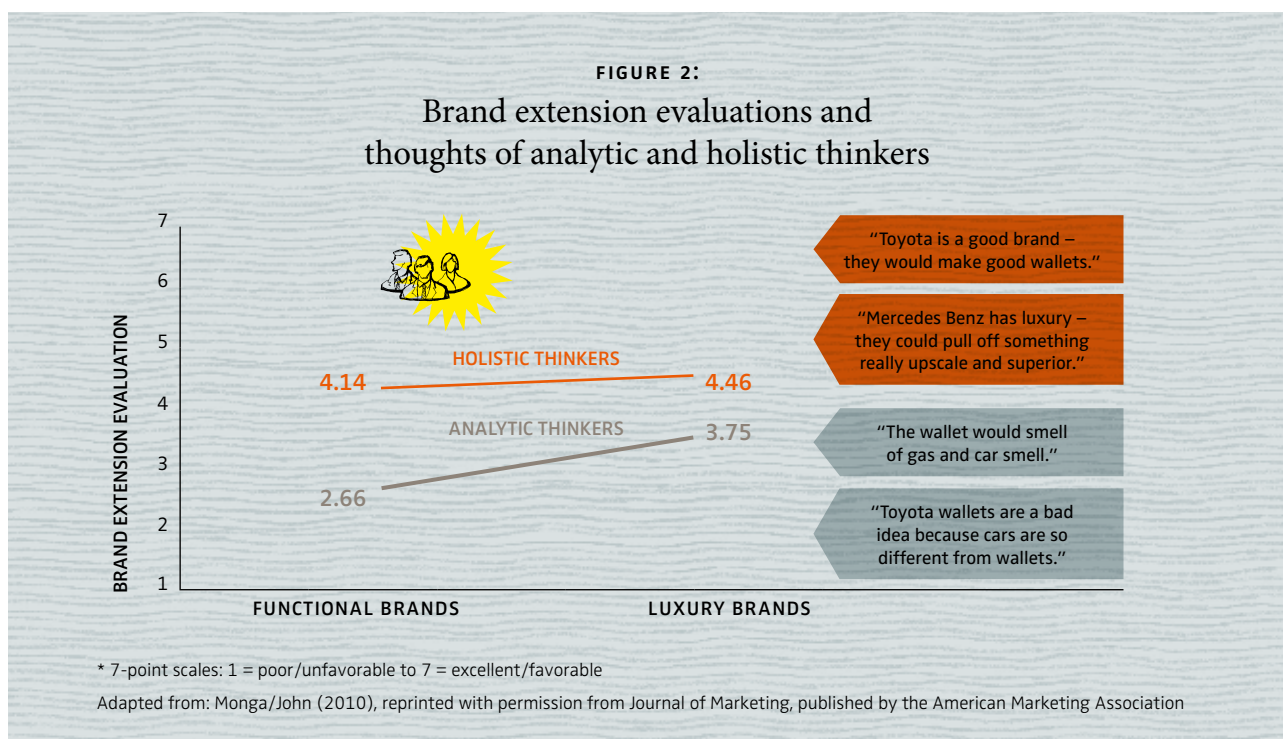
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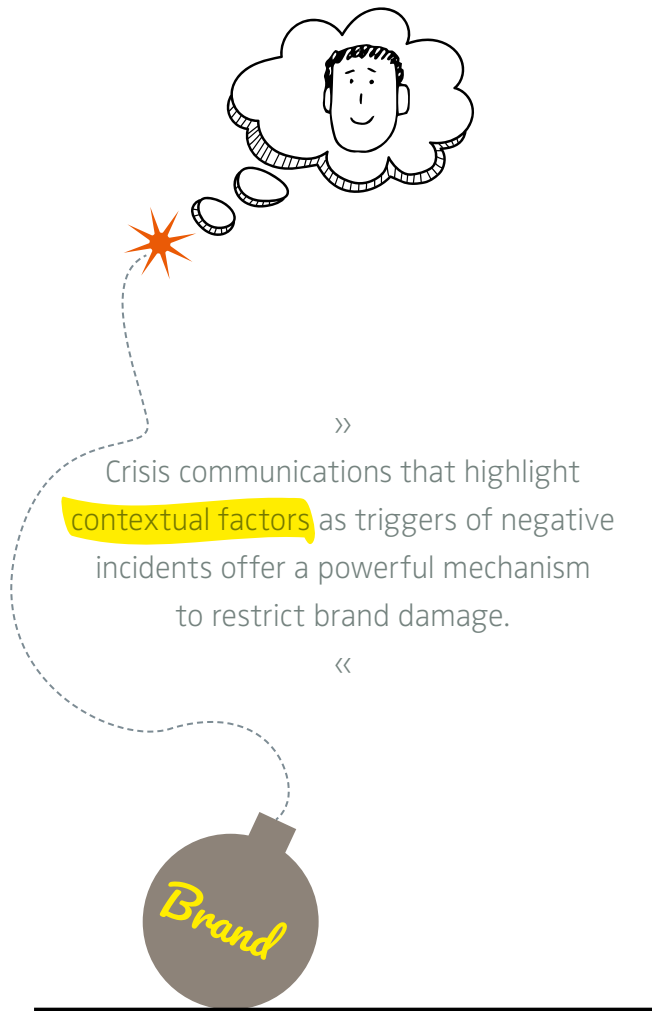
more likely to blame contextual factors outside of the brand than analytic thinkers. This ability of holistic thinkers to focus on the outside context is the reason why their brand beliefs were not diluted.

Could analytic thinkers be shielded from brand dilution caused by bad news? /// To answer this question, we varied the salience of contextual factors. In one condition, participants were made aware of several news headlines that blamed the external context. We reported, for instance, that a supplier had provided poor quality parts to the brand. In the other condition, participants were not provided the headlines. Without contextual factors, analytic thinkers' beliefs about the brand were diluted after seeing the negative information, whereas holistic thinkers' beliefs about the brand were not diluted. However, when contextual factors were made salient, both analytic and holistic thinkers' favorable impressions were not diluted. We also observed that analytic thinkers' attributions of blame to contextual factors did increase when they were made salient. The takeaway: Analytic thinkers can be nudged to consider the contextual factors and maintain their favorable impression of the brand.

Styles of thinking and brand extensions into new categories. Some companies attempt to grow by extending their brands into product categories that are quite different from the parent brand. For instance, Ralph Lauren introduced dog leashes and Jeep extended into strollers. Just like negative publicity, such extension opportunities can pose a risk for brand dilution if the extended products are seen as too different or inconsistent with the brand's current products and positioning. We explored the idea that analytic and holistic thinkers may view brand extensions into distant product categories quite differently and that types of brands might also matter. The assumption is this: Holistic thinkers are more adept at finding relationships between objects and their contexts and therefore may be able to see stronger connections between the brand and the extension, even when the brand extends to a distant product category.

To test this idea, we showed respondents extensions in dissimilar product categories. We chose Toyota and HP as functional brands and presented Toyota wallets and HP watches as extensions. As luxury brands, we chose Mercedes Benz and Mac and presented Mercedes Benz wallets and Mac watches.





These products were not available in the market and we were eliciting consumers' spontaneous reactions. We found that for the functional brand, the analytic thinkers reacted more negatively to the brand extension than the holistic thinkers. However, for the luxury brand, analytic and holistic thinkers reacted similarly (see Figure 2).

For Toyota wallets, analytic thinkers mostly mentioned thoughts about the features of the brand extension or about the dissimilarity of the products. Holistic thinkers, in contrast, mentioned general relationships. For the luxury brand, both analytic and holistic thinkers were easily able to see a connection between the brand and the extension because of the luxury concept (see typical quotes of respondents in Figure 2).

Similar to the bad press situation, analytic thinkers could be shielded from brand dilution and encouraged to react as

favorably as holistic thinkers to the functional brand extensions. Our studies showed that using a sub-brand name like Excer wallets by Toyota instead of a parent brand name like Toyota wallets, considerably boosted the responses of analytic thinkers. Also, providing an elaborated message suppressed negative concerns that consumers may have about the brand extension and increased acceptance. For example, consumers might infer that Toyota wallets will look like car upholstery. This can be overcome by telling consumers that the wallets will be available in different colors and styles, enabling analytic thinkers to view the brand extension more favorably.

Reducing brand dilution risk /// Our results suggest several guidelines to reduce the risk of diluting a brand that has been carefully built over years or decades.

> **Take cultural differences into account** /// For brands operating in multiple cultures or in segments with consumers of different cultural groups, holistic consumers are less likely to dilute their brand impressions in reaction to negative publicity than analytic thinkers. It is important that brands invest heavily in creating strong, favorable and unique brand associations that can be protected from dilution. Also, holistic consumers are more accepting of functional brands extending into distant product categories than analytic thinkers. Perhaps that is the reason why we see brands like Mitsubishi and Tata with diverse product portfolios emerge in holistic cultures (Japan, India). In these cultures, brands have greater leeway in extending their brands. Managers need to profile the thinking styles in their target audiences and manage accordingly.

> **Manage negative incidents carefully** /// Any source of negative information has to be managed carefully, particularly in an analytic culture or among analytic consumers who blame the brand and dilute their brand impressions in response. State-of-the-art crisis management should be proactive vis-à-vis events that pose the potential for negativity. Crisis communications that highlight contextual factors as triggers of negative incidents offer a powerful mechanism to restrict brand damage, particularly in analytic cultures and consumers. Toyota applied this strategy and attributed blame to an external supplier, Takata, in its

airbag crisis. Deflecting blame away from the brand would obviously not work if the focal brand is clearly implicated in the incident.

- > **Consider the dilution risk profile of the product category** /// Evidence seems to support that luxury brands can be stretched further in both analytic and holistic cultures, presenting lower risk of brand dilution for luxury than for functional brands. Both analytic and holistic consumers are very receptive of luxury brands extending into distant product categories – Ralph Lauren dog bowls or leashes seem to work. Consumers are able to use the luxury brand concept to connect the brand and the extension, even when the brand extends into a dissimilar product category, as seen from the quotes in the aforementioned experimental study. Luxury provides a way to connect Mercedes Benz to wallets.
- > **Use sub-brands and elaborational messages.** /// For functional brands operating in analytic cultures, sub-brand names can help suppress the negative reactions of analytic thinkers. Additionally, elaborational messages that clarify the nature of the brand extension can curb negative thoughts from analytic consumers and boost their responses. For example, Virgin uses sub-brand names for its various functional lines such as Virgin Galactic, Virgin Oceanic, Virgin Connect etc.

Culture and its associated style of thinking is a powerful predictor of how consumers react to bad press and distant brand extensions. Companies need to consider it carefully when leveraging and protecting brands.

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