



Derived versus full name brand extensions

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ABSTRACT

Most brand extension studies follow the assumption that brand extensions use the full original parent brand name (e.g., Oral-B tooth brush may extend to Oral-B dental floss). However, some companies use derived brand names in their brand extension strategies (e.g. Nestea Iced Tea). This study explores the advantages and disadvantages of derived brand extensions compared to full name extensions. The study examines the importance of target market effects on the evaluation of both brand extension strategies. Findings support the idea that derived brand names leverage parent brand evaluations and protect parent brand from extension failures.

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1. Introduction

The brand name is a very important brand element, and may heavily influence the way a brand performs, but marketing studies on brand names are not very common in major marketing journals. Most marketing textbooks do talk about brand names, but the discussion is short and very limited – normally a few pages in the product chapter. However, in the human world, when a child is to be born, picking a name is for parents (creators) one of the most important and even troublesome decisions to be made. In the world of products and services, the task of naming challenges marketing people in a similar way. Branding experts recognize this reality: brand names are key brand equity generators because they affect recall and recognition, they carry meaning, and they even affect attitudes towards the brand (Aaker, 1991; Keller, 2003; Schmitt, 1998). However, the brand name and brand name variations are not very present in the brand extension literature. Most brand extension studies to date assume that brand extensions use the full original parent brand name, for example, Oral B tooth brush may extend to Oral B dental floss or to Oral B mouth wash. This assumption is reasonable, since one of the reasons for launching brand extensions is to use the equity of the brand in a new product category and to facilitate consumer acceptance and brand association transfer (Aaker, 1990; Aaker and Keller, 1990; Doyle, 1990; Smith and Park, 1992; Erdem, 1998; Kirmani et al., 1999; Swaminathan et al., 2001). Use of the full brand name on the extension may ease this process.

Other companies, however, use a sub-branding strategy where they develop a different brand combined with the parent brand. For

example: Ultra by BMW (Milberg et al., 1997), or Courtyard by Marriott. Also, some firms pick just the initial letters or syllables of the parent brand name and combine them with category cues or names to create a *derived brand name*, for example, Nestea Iced Tea or Kodacolor films. In fact, one of the most known brand names in the world is a derived brand name: Nescafé.

Would you prefer to buy Nestle Tea or Nestea, Kodak color films or Kodacolor films? Would derived brand naming strategies compared to full brand naming strategies affect consumer evaluations of brand extensions in a similar manner? Would the consequences be the same for Nestle if Nestea fails or if Nestle Tea fails? This paper examines the advantages of the derived brand name extension strategy compared to the full brand name extension strategy, an issue that is not very common in the brand extension literature.

Why do firms use derived or partial brand extensions instead of full brand extensions? When trying to answer this question, one may think of many possible answers. One answer may be convenience and practicality (you cannot have ultra-long names!). A second answer may be psychological appeal and effectiveness (probably partial names, abbreviations, or nick names such as CAT for Caterpillar generate different effects on the evaluations of brand extensions and parent brands?). This paper explores the second line of reasoning. Based on existing literature, the main hypothesis is that derived brand naming strategies can be advantageous compared to traditional full name extension strategies. This paper addresses a second question. Does a differential effect exist on brand extensions when parent brands target market consumers and non-target market consumers evaluate the extension? Brand researchers assume that brand extensions offer a way to stretch the brand with existing or target market consumers. However, brand extensions are also an alternative to attract consumers who do not use the original brand product, but who may try the extension product.

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The first section of the paper includes a brief synthesis of the major findings of brand extension literature, particularly focusing on why derived brand extensions may work different than full brand extensions under certain circumstances. The second section includes research hypotheses following this theoretical examination. The third section presents the results of two experimental studies. Findings support the ideas that derived brand names may perform better than full name extensions when firms want to reduce the risk of negative feedback effects to the parent brand, or when they want to extend the brand to new target markets. The final section addresses implications for practice and research.

2. Literature review: derived brand extensions

Despite the important number of studies addressing brand extensions, most of them focus on full name brand extensions. Academics pay little attention to other types of naming strategies when launching brand extensions, like sub-branding or derived brand extensions. Some studies consider the sub-branding extension strategy (Milberg et al., 1997; Kirmani et al., 1999). Sub-brands involve the combining of the parent brand with a new and different brand, such as Ultra by BMW or Courtyard by Marriott.

In sub-branding then, consumers have the parent brand name as a cue, while companies introduce a new name. Consumers perceive these sub-brands differently as compared to those that sound totally new and unfamiliar. Consumers will create subcategories linked to the original brand name to save this new information (Sujan and Bettman, 1989). They follow a subtypification process, allowing for the original schema or categorization to be kept, but with an addendum: the sub category linked to the sub brand (Taylor, 1981).

Derived brand extensions relate but nevertheless are different from regular brand extensions because only a part of the parent's brand name appears in a derived brand extension. Three different types of derived brand extensions are: a) the use of a part of a name combined with an identifier of the extension product category (e.g. Nestea); b) the use of a part of the brand name combined with a general concept (e.g. Nesquick); and c) the nickname derived brand extension (CAT vs. Caterpillar or TED air shuttle services of UNITED). The focus of this study will be on the two first types of derived brand extensions.

Given that derived brand names use only a part of the original brand name, consumers need to process and accommodate this information in their category-based memories in a relatively more complex way (O'Sullivan and Durso, 1984; Taylor and Crocker, 1981; Weber and Crocker, 1983). First, consumers need to be able to identify the derived brand and make the connection with the original brand name. This procedure resolves the incongruity between existing information in the consumer's memory (in connection with the original brand name) and new information (derived brand name). The new sub-category is now part of the concepts cognitive structure in the consumer's mind (Milberg et al., 1997). The derived extension now turns into a fixed association.

Therefore, the transfer of associations and attitudes from the parent brand to derived brand extensions is a complex process that involves three steps: 1) the consumer recognizes the brand name cue (the partial name); 2) consumers resolve the incongruity between the original brand name and the new one, which includes a partial brand name with additional information (e.g. product category) leading to subtypification; 3) the transfer of associations and attitudes takes place.

Due to the particular characteristics of derived brand extensions, one may expect differences in the transfer process with regards to the actual associations. Consumers having *Nes* as a cue instead of the complete name Nestle do not retrieve the full range of associations the brand has. The argument is that the transference process to the brand extension includes only those Nestle associations related to the partial

parent brand name *Nes*. *Nes* may also trigger other associations related to similar words, but not necessarily to the Nestle brand.

Because of the particular way consumers process sub-brands and sub-brand information the argument is that sub-branding strategies offer a successful way to reduce the negative feedback effects of failed extensions on the parent brand (Milberg et al., 1997). Derived brand names may share this feature, given that a similar subtypification process will be in place.

3. Research hypotheses

Several studies investigate the factors affecting consumer evaluations of brand extensions (see Bottomley and Holden (2001) and Völckner and Sattler (2006) for recent summary studies). According to these studies, brand extension evaluations are positively affected by: product category fit; high perceived quality of the parent brand or parent brand's strength; difficulty for the manufacturer to make the extension; brand portfolio or success of previous extensions (Boush and Loken, 1991; Park et al., 1991; Keller and Aaker, 1992; Keller, 1993; Broniarczyk and Alba, 1994; Klink and Smith, 2001). Among all of these studies, product category fit is the variable capturing most attention and the one included in the seminal work by Keller and Aaker (1992). In addition, feedback effects or the effects of the extension on the parent brand name, is another key variable for understanding and assessing the total effects and the success or failure of brand extensions. This variable is very important also, because feedback effects may differ for derived extensions compared to full name extensions. Therefore, this research focuses on product fitness and feedback effects in order to understand the advantages and drawbacks of derived brand extensions. Further work might address the role of other factors such as perceived quality, brand portfolio characteristics, or specific product category associations.

3.1. Derived brand extensions and category fit

One definition of product category fit is the extent to which consumers perceive two products marketed under the same brand to be similar (Muthukrishnan and Weitz, 1991; Smith and Park, 1992). Aaker and Keller (1990) conceptualize *fit* in terms of three dimensions: similarity of product categories, degree of substitution among product categories, and degree of complementarity among product categories (original and extension product category). Even though similarity is only one of the dimensions of product fit, several researchers in the literature use similarity as a synonym for fit, and is the fit dimension most commonly present in previous studies. Product similarity facilitates recognition and affects transfer processes which trigger positive evaluations of brand extensions (Herr et al., 1996; Klink and Smith, 2001). The higher the similarity between the original brand product and its extension, the easier consumers can link the latter with attitudes and associations related to the parent brand. This link between the original brand category and the extension category may increase through specific advertising and communication activities (Bridges et al., 2000).

Although previous research exploring the effects of similarity on brand extension evaluations uses mainly full name extensions, the findings should hold as well for derived brand extensions. This prediction is because derived brands share a portion of the parent brand name, a portion that is recognizable by consumers. Product similarity will also act as an implicit cue to help consumers identify the parent brand. Brand manufacturers may encourage that association through other cognitive cues (logo design or brand colors). These ideas suggest that, although the transfer process may be not as strong as with full name extensions, the key finding of previous extension research indicating a positive effect of fit on brand extension evaluation should hold. Additionally, consumer evaluations may not differ between full name and derived brand extensions in terms of the overall effects.

Hypothesis 1a: Perceived similarity between the parent brand and the brand extension categories affect positively brand extension evaluations. Hypothesis 1b: Perceived similarity between the parent brand and the brand extension categories affect positively *derived* brand extension evaluations. Hypothesis 1c: The effect of perceived similarity on brand extension category evaluations in the case of derived brand extensions is similar to full name extensions.

The branding literature shows that several factors may strengthen the transfer process between the parent brand and the extension: the type of brand specific associations (Aaker and Keller, 1990; Keller, 1993); the appropriateness of these associations for the extension (Park et al., 1991; Keller, 1993; Broniarczyk and Alba, 1994; Milberg et al., 1997; Bridges et al., 2000); the relevance these associations have within the brand communication strategy (Keller, 1993; Bridges et al., 2000); and the strength or importance of these associations in the parent brand's cognitive structure – in other words, its accessibility within the consumer mind (Bridges et al., 2000). These factors may be important, and will require further examination in future studies addressing derived brand extensions.

3.2. Feedback effects of the extension on the parent brand name

Brand extension success or failure may have an impact on the parent brand's equity. Several studies suggest the risk of brand dilution when brand extensions fail (Loken and John, 1993; Milberg et al., 1997; Gürhan-Canli and Maheswaran, 1998; Swaminathan et al., 2001). Consistently, studies show that successful brand extensions have a positive impact on the parent brand (Keller and Aaker, 1992; Morrin, 1999; Balachandear and Ghose, 2003). This effect might be even larger with increased similarity between the extension and original brand categories (Gürhan-Canli and Maheswaran, 1998).

A successful extension may benefit the parent brand by strengthening their favorable and distinctive associations (Dillon et al., 2001), improving buying intentions (Balachandear and Ghose, 2003) and incrementing market share (Swaminathan et al., 2001). Favorable experiences with the extension may generate strong beliefs in consumer minds which can transfer back to the parent brand (Swaminathan et al., 2001). Extension failure directly affects consumer beliefs about specific attributes and overall qualities of the parent brand (Loken and John, 1993; Kumar, 2005). This negative effect may occur because: 1) a low fit exists between the failed extension and the parent brand, and 2) the consumer builds inferences based on the new available information, and these inferences can reduce both trust, as well as the perceived quality of the parent brand (Milberg et al., 1997; Keller and Aaker, 1992). Nevertheless, Milberg, Park, and McCarthy (1997) propose and test the idea that marketers can neutralize this negative effect using sub-branding strategies.

Will these effects be the same for derived brand extensions compared to full-name extensions? Will the effects be symmetrical for brand extension failures and successes? Following subtypification literature (Sujan and Bettman, 1989), Milberg, Park, and McCarthy (1997), suggest that a sub-branding line extension strategy provides cues for the consumer to create a sub-category for the sub-brand with all its associations. To a certain extent, this process isolates the parent brand from the failures or successes of the brand extension. Therefore feedback effects will be weaker. The hypothesis is that derived brand extensions trigger such a subtypification process, given that the brand extension is related, but different, from the original brand name. Consumers may create a sub-category as with sub-brands or, in some cases, when they do not recognize the root of the derived brand name, they may create a completely different category, thus enhancing the isolation effect. Of course, this situation will be an extreme case, which will not benefit from the “liking” or “transfer” effect, explained earlier.

In any case, the expectation is that derived brand extensions produce weaker feedback effects on the parent brand compared to full name or traditional extensions, leading to the following hypotheses.

Hypothesis 2a: Brand extension failure has a lower negative effect on parent brand attitudes when using a derived brand extension strategy compared with a full name extension strategy. Hypothesis 2b: Brand extension success has a lower positive effect on parent brand attitudes when using a derived brand extension strategy compared with a full name extension strategy.

3.3. Derived extensions and target market effects

Despite the importance of the target market effect, brand researchers normally do not consider the incidence of consumer segments and targets in their investigations. This phenomenon may occur because researchers tend to implicitly assume that marketing strategies normally address particular target segments.

Previous marketing studies provide support for the idea that target market consumers possibly evaluate brand extensions differently compared to non-target market consumers (Kirmani et al., 1999; Park and Kim, 2001). These explanatory factors include the differential knowledge target-market consumers may possess (Muthukrishnan and Weitz, 1991), their relationship with the brand (Park and Kim, 2001), or basic love of the brand (Yeung and Wyer, 2005). According to Keller (1993), consumers have different brand-related knowledge structures which affect their reactions to brand names (particularly those that they already buy). This statement is basic and may explain why customers tend to evaluate in a better way those brand extensions attempting to target them. Different types of knowledge and experience influence the way consumers perceive marketing communication (Alba and Hutchinson, 1987) and the right communication can generate a closer relationship or bond with the brand (Yeung and Wyer, 2005).

This relationship with target consumers improves when satisfaction levels and investment levels increase through advertising and other marketing initiatives (McKenna, 1991, 1995). These integrated marketing communication efforts using consistent and coherent messages, promotional activities, media and brand identity elements, tend to produce a more positive attitude towards the brand (Reynolds and Gutman, 1984; see also Kliatchko, 2005; Pilotta et al., 2004; Naik and Raman, 2003). Some authors explain this effect based on the intense coordinated efforts marketers need to make in order to access the target market (Haynes et al., 1999). From a different theoretical perspective, Yeung and Wyer (2005) test the idea that preference may influence brand extension evaluations due to a *love-type* effect. They suggest that the preference consumers have for a brand supports the idea that target market consumers help develop a first impression of the brand extension as well as future judgements or assessments, and this effect happens regardless of other important extension characteristics such as category fit. The hypothesis in this study is that such love is stronger in target market consumers, which in turn suggests more positive evaluations of brand extensions.

These arguments are fine but, what would be the reaction of target market consumers of derived brand extensions compared to full name extensions? McEnally and de Chernatony (1999) indicate that selective perception attention and memory retention processes may produce higher learning of brand knowledge and improved message comprehension. Therefore, a consistent thought is that target market consumers (of the parent brand) may recognize the relationship between the derived brand and the parent brand more easily than other consumers. This recognition makes association easier and affects the transfer, but full name brand extensions compared to derived brands have an advantage in terms of recognition as well as in the subsequent transfer process. However, the use of derived brand names can be seen as a form of brand renewal. New uses for the brand come into play, transforming a little the brand name element as well as adding freshness to the brand image. The use of derived brand names may also protect the extension from unhelpful associations. As suggested by Keller (2003 p.661–662), “shortened names or initials

Table 1
Parent brands, original (parent) and extension categories, and derived brand names.

Brand	Original product category	Proposed extension product category	Product similarity	Derived brand name
Sodimac	Homecenter	Technical educational institute	Low	Soditec
Pepsodent	Toothpaste	Work footwear and uniforms	High	Sodiclothe
		Foot powder	Low	Pepsofeet
		Lip balm	High	Peplips

can also disguise potentially negative product associations". Or companies can adapt (shorten) brands to show connection with customers, as when Federal Express changed its name to Fed Ex consistent with the way clients refer to the company.

Therefore, this renewal factor may offset the reduced recognition effect, and help target consumers on average to have similar evaluations of derived and full name brand extensions. Hypothesis 3a: Target market consumers evaluate derived brand extensions and full name brand extensions in a similar way.

Nevertheless, for those consumers not included in the target segments of a particular brand, the use of the derived brand name strategy may affect the evaluation of the brand extension. Since non-target market consumers have simpler or even emptier brand cognitive structures, they will consider a new *derived* brand as a completely new brand name. Therefore no subtypification process may happen. In this scenario, full name extensions have an advantage because they become known by a portion of non-target consumers (large or small, depending on the advertising intensity of that industry), thus providing them with a weak but positive quality signal. Particularly, full name brand extensions may leverage both weak associations and brand awareness in general, even among non-users and non-target segments.

The expectation is for this leverage to translate into a better evaluation of full name extensions compared to derived extensions in the case of non-target consumers. Hypothesis 3b: Consumers not belonging to the target market of the parent brand evaluate full name extensions better than derived brand extensions.

4. Method

The research method includes a first stage to select brands and extensions and a second stage with two experimental studies to test the hypotheses.

4.1. Preselection of brands

A focus group approach helps the process of selecting the brands, brand extension categories, and derived brand names for the study. Twelve business students belonging to the same segment as the final study subjects participate in the focus group. The brands have to be known in the marketplace, have a perceived high quality, and do not have a broad existing extension portfolio (Aaker and Keller, 1990). Selected derived brand names need to be recognizable by consumers and possible to link to the original brand name. The two potential brand extension categories for each brand have to be: 1) possible to make by the manufacturer of the parent brand, and 2) one similar and the other dissimilar to the original product category. Focus group participants select brands by consensus. See Table 1 for the preselection results.

In order to find out if college students are or are not part of the brand's target markets, a second group of 30 college students is surveyed. They report whether they think these brands sell products targeting their needs. As expected, they consider Pepsodent (the dental care brand) to be a relevant brand, and Sodimac (Homecenter) as a brand not targeting college students' needs (average scores: 5.6 for Pepsodent and 3.8 for Sodimac in a 7 point Likert scale; $F = 10.8$, $p = 0.003 < 0.01$; Cronbach's alphas greater than 0.90).

4.2. Experimental studies

In order to test the hypotheses, researchers conduct two experiments. They use a 2×2 experiment with product similarity (high or low) and extension naming strategy (full or derived) as the two independent variables. They also design a second experiment to test feedback effects on the parent brand. This second 2×2 study includes degree of extension success (high or low) and extension naming strategy as the experimental variables. The following section presents a more detailed description of the experiments and their results.

4.3. Study 1: product similarity and target market effects

The research design includes a 2×2 fixed factors factorial design, with two experimental variables: (1) product category similarity (high or low), and (2) full name or derived extension. The study uses a sample of 124 subjects. They are all business students participating for extra credit (59% male and 41% female). Subjects first need to provide an evaluation of their attitudes towards the parent brand names (Sodimac and Pepsodent). Researchers tell them that these brands are launching new brand extensions (similar or dissimilar) in the marketplace. Subjects receive the new names (full name or derived name) of these products, and with no further information, they report their evaluations of these new extensions. Subjects receive treatments according to a random assignment process.

Study subjects report their attitudes towards the brand and the brand extensions using a 3-item instrument. The measurement instrument inquires subjects about the global attitude towards the brand and extension (Aaker and Keller, 1990; Desai and Keller, 2002); its attractiveness (Kirmani et al., 1999); and the prospective attitude towards the brand and extension (Martin and Stewart, 2001). The instrument uses a 7-point Likert scale. Cronbach's alphas are 0.88 for attitude towards the parent brand and 0.87 for attitude towards the extension.

4.4. Study 1 results

To test hypothesis H1a, the analysis include a one-way ANOVA on the total sample, with product similarity as the independent variable. Similar extensions reach an average attitude score of 4.7 and dissimilar extensions reach 3.8 ($F = 34.10$ con $p = 0.000$), thus supporting H1a – the positive effect of product fit on brand extension evaluation.

Furthermore, in order to test hypotheses H1b and H1c, separate one-way ANOVAs to two half samples are performed: full brand name and derived brand name subsamples. In both cases product similarity is the independent factor, finding significant differences in the predicted direction. In the full brand name extension sample, similar extensions get an average of 4.8 and dissimilar extensions get 3.9 ($F = 12.92$; $p = 0.000$). In the derived brand name subsample, similar extensions get an average of 4.7 and 3.6 for dissimilar extensions ($F = 20.81$; $p = 0.000$), thus supporting H1b, that product fit will positively affect brand extension evaluation in the case of derived brand extensions. The similar results in both scenarios provide support for H1c, indicating no differences in effects due to product similarity in full name or derived name branding strategies (Table 2).

Table 3 shows the average individual scores for the different treatment conditions. In general they are consistent with previous

Table 2
Study 1: average mean scores (standard deviations) and one-way ANOVA analysis.

	Similar category	Dissimilar category	F	P	Hypothesis
Total sample	4.7 (1.33)	3.8 (1.36)	34.10	0.000	H1a supported
Derived brand	4.7 (1.38)	3.6 (1.33)	20.81	0.000	H1b supported
Full brand	4.8 (1.30)	3.9 (1.38)	12.92	0.000	H1c supported

Table 3

Study 1: Attitude towards the brand extension mean scores (standard deviations) by brand name.

	Sodimac (not target market)		Pepsodent (target market)	
	Similar	Dissimilar	Similar	Dissimilar
Full brand	5.1 (1.17)	4.7 (1.02)	4.4 (1.36)	3.1 (1.23)
Derived brand	4.2 (1.37)	3.8 (0.99)	5.1 (1.23)	3.3 (1.57)

findings. In both parent brand cases, similar extensions perform better than dissimilar extensions. Product category similarity generates statistically significant effects on both brand scenarios (Sodimac, $F=3.76$ [0.055]); Pepsodent, $F=47.23$ [0.000]), thus providing further support for H1a (see Table 3).

A closer examination of Tables 3 and 4 allows us to test the target market effect. The F -tests for the branding strategy treatment are significant in both brand scenarios (Sodimac, $F=17.20$ [0.000]; Pepsodent, $F=4.17$ [0.043]). However, the effects of extension naming strategies in each brand scenario are different (see Table 3). In the case of dental care (Pepsodent-target scenario), the derived brand extension generates a better result. This result does not support H3a which predicted similar evaluations in both extension branding scenarios. In the case of Homecenter (non-target scenario), full name or traditional extensions produce better consumer evaluations of brand extensions as hypothesized in H3b. A more detailed examination of the mean scores in Table 1 may suggest a partial interaction effect between product category similarity and naming strategy. When subjects are a target market for a brand, no differences are found in attitudes towards extensions of dissimilar categories. In the case of extensions in similar categories, however, subjects prefer the shorter or derived form. This preference is an interesting result, suggesting that customers appreciate the use of nicknames, as with people, because they convey information in a more efficient way (signaling theory), or maybe reflecting familiarity and affiliation with a communal reality (emotional and motivational theories). Despite the previous reasoning, research found no significant effects of interaction between product similarity and type of extension naming strategy (Sodimac $F=0.09$ $p=0.762$ and Pepsodent $F=0.45$ $p=0.505$) in the total sample. Further research may examine this issue.

4.5. Study 2: derived brand extensions and feedback effects

This study tests hypotheses H2a and H2b addressing feedback or reciprocal effects of different extension naming strategies. A key hypothesis is that one major advantage of derived extensions is that reciprocal effects are less intense with their use. The study includes brands and extensions selected in a pre-test (see Study 1).

In this study, researchers perform a new 2×2 fixed factors design, having: a) degree of extension success (Successful or Failed), and 2) extension naming strategy (full name or derived name) as independent variables. The study includes the following brands, extension product categories, and extension names: a) Sodimac, work footwear and uniforms (Sodiclothe) and technical institute (Soditec); and b) Pepsodent, moisturizer lipstick (Peplips) and foot care powder (PepFeet). The derived brand names (identified in the focus group)

Table 4

Study 1: F -values and p -levels by brand name.

	Sodimac extension (non target market)		Pepsodent extension (target market)	
	F	p	F	p
Product category similarity	3.76	0.055	47.23	0.000
Naming strategy (full vs. derived)	17.20	0.000	4.17	0.043
Similarity \times naming strategy	0.09	0.762	0.45	0.505

Table 5

Study 2: average mean scores (standard deviations) and one-way ANOVA analysis.

	Full brand	Derived brand	F	p	Hypothesis
Extension failure	4.8 (0.90)	5.4 (0.88)	15.61	0.000	H2a supported
Extension success	5.3 (0.84)	5.5 (0.90)	0.55	0.461	H2b not supported

include the four initial letters (Sodi) or three initial letters (Pep) of the original brand combined with a word referring to the extension product category. These combination words were English or English-sounding names. This choice is consistent with existing marketing practices in Latin American countries, and with previous research on foreign branding effects, which indicate that English-sounding brand names (in the case of Spanish speaking countries) have better evaluations than Spanish-sounding brand names (LeClerc et al., 1994; Olavarrieta et al., 2001).

A new group of 105 business students participate in this study. They are told they would be part of a general brand perception research. Before answering the survey, subjects from each of the four groups receive information about a particular situation regarding the specific extension product category and the brand name used to market the product in each case. Then, researchers inform the subjects about the degree of success or failure of the extensions, and the general reasons for this failure. After subjects receive this information, they give their evaluation of the parent brand. Researchers assign students randomly to each treatment group. As in Study 1, the dependent variable, subjects report their attitude towards the parent brand, using a 7-item Likert type scale.

4.6. Study 2 results

To test hypotheses H2a and H2b, researchers run one-way ANOVAs with extension naming strategy as the independent factor for *failure only* and *success only* subsamples. A significant and positive effect on attitude towards the parent brand when using the derived brand strategy ($F=15.61$, $p=0.000$) is found for the *failure only* subsample. The average attitude towards the parent brand scores for the traditional or full brand name strategy is 4.8, and for the derived brand name strategy is 5.4, thus providing further support for H2a (Table 5).

In the *success only* sample, no significant differences ($F=0.55$, $p=0.461$) can be found between the use of full brand (mean score AttParent Brand = 5.3) or derived brand extension naming strategies (mean score AttParent Brand = 5.5), thus not supporting H2b.

Table 6 provides further insights regarding the effects of derived brand names. Table 6 shows that derived brand extensions do less harm to parent brands (i.e. the mean scores were higher) in the case of extension failures, and in the case of extension success, results are very similar among both extension naming strategies (use of the full brand name or derived brand name), thus confirming the buffer effect of derived brand names.

Table 7 provides statistical support for the previous analysis showing significant effects for the type of extension naming strategy in both brand scenarios: Sodimac ($F=5.86$; 0.017), and Pepsodent ($F=3.81$; 0.054). This result confirms the idea that the extension

Table 6

Study 2: average mean scores (standard deviations) of different treatment conditions.

	Sodimac homecenter (non target brand)		Pepsodent toothpaste (target brand)	
	Full brand	Derived brand	Full brand	Derived brand
Extension failure	4.6 (0.91)	5.2 (0.79)	5.0 (0.86)	5.6 (0.92)
Extension success	5.1 (0.65)	5.3 (0.60)	5.6 (0.97)	5.6 (1.12)

Table 7
Study 2: *F*-values and *p*-levels.

	Sodimac (non target brand)		Pepsodent (target brand)	
	<i>F</i>	<i>p</i>	<i>F</i>	<i>p</i>
Extension naming strategy	5.86	0.017	3.81	0.054
Extension success	3.89	0.051	2.47	0.119
Name × extension success	1.37	0.244	2.09	0.151

naming strategy does matter, affecting parent brand evaluations. In particular, derived brand extensions represent an interesting strategy to isolate the parent brand from the risks of extensions failures and feedback effects.

H2a receives support. H2b, however, which suggests that a symmetrical effect may happen for positive scenarios or *successes*, is not supported. In the scenario of brand extension success, derived brand extensions have similar mean scores compared to full name extensions, rejecting H2b.

These results represent important evidence in favor of the use of derived brand naming strategies, because they provide all the benefits of preference transfer or parent brand enhancement when extensions do succeed, and they serve as a buffer when extensions fail. Furthermore, the results suggest that derived brand names can capitalize more (better parent brand evaluations) than the traditional full name strategy. This result needs further investigation in the future.

5. Implications and general discussion

This study focuses on derived brand extensions, a particular type of extension that uses partial names derived from the original brand name (e.g. Nestea, or Peplips). Consistent with previous literature, this paper provides evidence supporting the general hypothesis that product similarity affects positively the evaluation of derived extensions. Therefore, product category similarity, one of the key *fit* dimensions, has similar effects on the evaluation of derived brand extensions and full name extensions. More interestingly, the study provides evidence in favor of the subtypification theory, a branch of the categorization theory widely used in branding research (Park et al., 1989; Milberg et al., 1997). Derived brand extensions might be a safer way to extend brands, because they seem to be isolated from extension failures, but at the same time they allow extensions to benefit from parent brand associations, and to transfer successes back to parent brands.

The exact way this isolation process and positive feedback effect work, will require further empirical and theoretical work. Variety seeking, novelty effects, and sensorial stimulation might be possible areas in which to find deeper explanations.

In another interesting finding, the study accentuates the importance of the somewhat overlooked target market effect. Target market consumers do evaluate brand extensions differently than non-target consumers, and the best strategies may differ in terms of their focus: old, loyal, original parent brand target market consumers, or new ones. These results are important for both future study design and for managerial implications. Checking the target market status of research subjects might be an important procedure for assuring results validity and comparability.

Although these results need further testing with new samples and different brands and product categories, they show interesting results. A better understanding is required from new studies in order to explain why derived brand extensions and full name extensions capitalize similarly on extension successes. In addition, why target market consumers seem to like derived brand extensions, or nickname brands, better than full name extensions is another stream of research that is important not just for brand extension literature but for the whole area of branding.

Future research can also address the association transfer process. The results of this paper focus on general attitudes towards extensions and parent brands, but not on specific or general associations, and how these associations transfer (or not) to derived brand extensions. This investigation can be very important for uncovering the underlying mechanisms and processes behind the conclusions of this paper.

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