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Umbrella Brands, Variety Seeking and Brand Loyalty

AN ABSTRACT

Introduction

Umbrella brands offer a variety of products under one brand to expand the appeal of the brand. They also allow customers to satisfy many of their variety seeking urges without leaving the umbrella brand. Thus umbrella brands can benefit both customers and companies. This study investigates the influence of a basic dimension of umbrella brands, their widths or sizes. Particularly, this manuscript focuses on the influence of umbrella brands on customer variety seeking behavior, the number of purchases made by customers, and their brand loyalty.

Research Objectives

To our knowledge, little research has jointly mobilized the concepts of umbrella branding and variety purchasing. The objectives of this research are (1) to explore the relationship between umbrella brands and the behaviors of buyers, (2) to develop a theory about that relationship, and (3) to test that theory in alternative situations to those from which the theory was derived. The abstract is structured as follows: (1) a discussion of umbrella brands and variety seeking behavior, (2) the research context and analysis, and (3) discussion and conclusions.

Umbrella Brands

A brand is defined as "a name, term, sign, symbol, or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors" (AMA, 1960). A brand extension is the use of an existing brand on a new product, usually one related to the original product on some attribute. Brand extensions leverage the reputation of an existing brand and reducing the risk of failure of new products (Keller 2003, Rajeev et al., 2010). Extending a brand produces an umbrella brand, a practice often employed by multiproduct companies (Sullivan, 1990; Cabral, 2009). A brand's reputation can serve as a signal for product attributes (e.g., Pepsi Light is a cola) and as a "bond for quality" (Wernerfelt 1988; Laforet and Saunders, 1994; Rao and al. 1999). Umbrella brands provide many benefits to

companies including cost savings for creating and marketing products (Montgomery and Wernerfelt 1992; Tauber, 1988; Cabral, 2009). Following Sappington and Wernerfelt (1985) and Montgomery and Wernerfelt (1992), this manuscript defines an umbrella brand as having two or more individual products offered under the same brand.

Several dimensions of umbrella brands are identified in marketing literature (e.g., Wernerfelt 1998; Montgomery and Wernerfelt 1992; Erdem 1988; Erdem and Sun 2002; Cabral 2009). The most basic of these is the umbrella *width* (or size), that is, the number of products offered under the brand. Dacin and Smith (1994) identified umbrella brand *diversity*, which captures the similarities and differences among the products (i.e., attributes) under the umbrella brand. For this research, the researchers focused on the widths of umbrella brands.

Variety and Buyer Behavior

The researchers define variety seeking behavior as the tendency of buyers to diversify their choices of products, a view that is similar to Kahn's (1995) approach. Interestingly, buyers may exhibit variety in some aspects of their buying processes and not in others. For instance, they may always buy from specific product categories and/or brands, while at the same time acquiring a great variety of purchases at another level, such as particular attributes within categories or within brands.

Context and Data

The retail grocery industry is the context for this research. There are very many customers and a large assortment of products available for study. In addition to providing a large assortment of brands and customers, retail grocery stores typically provide customers with several alternatives for nearly every available product in a variety of categories creating a highly competitive environment for brands. Additionally, the retail grocery industry is where most customers have a large amount of experience with the products that they consider when making their purchase decisions (i.e., greater levels of customer product knowledge in most categories). Hence, this context is particularly valuable for the joint study of branding strategies and brand loyalties. The researchers used scanner data of transactions from members of a loyalty rewards card program. Within that context, the wine category was chosen to investigate umbrella brands and purchasing behavior.

Preliminary results and Discussion

The researchers started with data from one category in one store, which provided approximately 120,000 purchase observations from approximately 10,600 rewards card numbers. These data contained approximately 660 brands of wine; however, this manuscript defines an umbrella brand as having two or more UPCs, which left 297 umbrella brands. Buyers with fewer than three purchases in the category were removed, leaving approximately 4,500 buyers (identified by their rewards card numbers) and about 90,000 transactions as the basis for this research.

The researchers employed multiple regression analysis. As recommended by Everitt and Hothorn (2011), data is standardized to unit variance as the number of purchases made by the customer is much larger than the independent variables. The overall fit of the model with number of purchases as the dependent variable is strong and positive with an adjusted R-squared of 0.446 ($F(5, 4,518)$ = 727, $p < 2.2e-16$), indicating the model explains approximately 45% of the variance in the number of purchases made by the customer. The delta method (Jones and Waller 2013) is used to compute 95% confidence intervals for the standardized regression coefficients of the independent variables as they relate to the number of purchases made by the customer. The results show that the confidence intervals for the interaction terms do not overlap thus providing strong evidence for within brand variety seeking (95% CI [0.177, 0.254]) having a much stronger impact on the relationship between brand loyalty and the number of purchases made by the customer compared to among brand variety seeking (95% CI [0.02, 0.093]).

Conclusions and Implications for Theory and Practice

This preliminary study opens the door to new avenues of investigation of the relationship between brand strategies and customer loyalties between umbrella brand characteristics and purchase-variety observed in buyer behaviors. This research to contributes to the literature and enhance our knowledge of this relationship. Furthermore, this research provides insights that are useful to both brand managers and retailer category managers. Further imminent work should allow conclusions that are more precise for both theory and practice.

*References available upon request