



Brand Extensions

We—like many of you—occasionally do research to evaluate the merits of extending existing brands to new categories. There has long been consensus that the “fit” is the most important consideration. Fresh research, however, challenges this assumption.

Writing in the August issue of the *Journal of Marketing Research*, Klink and Smith make a good case that standard methods overlook other important factors. Their research shows that if consumers (well, college students) know more about the new product than just a name, and are exposed to it several times over time, the correlation between their overall evaluation of the idea and “fit” will diminish.

We find the reasoning plausible, but the implications for how we execute such research are substantial. It is not unusual to want to screen many new ideas to see which ones work best with the current brand. But in standard data collection procedures it is difficult to do much more than mention the new product area once. The authors would argue that a fairer test requires providing more information about each new product area (preferably over time). That could mean testing fewer ideas but presenting them in more depth. Methods that permit visual stimuli might also be required.

Going to Victoria, BC?

We envy anyone who is able to attend the Sawtooth Software conference in September (we are unable to). Among other things, it will feature a panel discussion with Paul Green and Rich Johnson—two towering figures in the development and application of conjoint methods in marketing research.

More Versatile Modeling

So-called “latent class analysis” has become increasingly popular among statisticians in recent years. These methods may be applied to many traditional statistical procedures including regression, factor analysis, and cluster analysis (e.g. for segmentation).

However, practitioners have been handicapped by the absence of software. We have used these methods on occasion, but only with some difficulty. Happily, a new integrated program from *Statistical Innovations* will allow all of us to exploit the power of latent class modeling much more easily. The software is nicely designed and will let us evaluate a wider range of statistical solutions for your data. You explicitly declare your variables to be nominal, ordinal or continuous. This is not just handy, but encourages the user to treat different levels of measurement appropriately.

Significance Testing

It is commonplace to describe differences that fall short of being statistically significant as “directional.” This term has no basis in statistical theory, and is applied selectively from what we have seen.

An accurate definition of a “directional” difference would be “a difference that the client would like to be true.”

On the other hand if the client does not want it to be true, it is easy to say “No problem—it’s not a significant difference.”

We do our best to avoid such game-playing.

Manipulable Ratings

We've said it before but will say it again. If an organization relies on customer surveys to reward or punish its employees, count on those employees to do their level best to influence the results.

You can't buy a car without being begged to give the salesperson "all 5s" on the inevitable follow-up survey. And what is a young professor to do when faced with a choice of demanding a lot from students versus coddling them—when course evaluations are a major component of tenure decisions? Don't think of them as venal. Theirs are rational responses to what we think is misuse of survey research.

Drivers of Brand Image?

A common research practice is to collect an overall measurement of brand image and then some number of detailed measurements. Statistical analysis is then done to determine which of the detailed measures are the strongest drivers of the overall image. The implication is that maximizing those drivers will do the most for the brand.

It is rarely articulated, but this whole procedure assumes a specific theory about attitude formation. The theory is that consumers more or less rationally weigh the detailed aspects of a brand and then form an overall impression from them. If you think about it, an alternative theory could just as easily explain what we see. Isn't it plausible that people walk around with only a general image of a brand/product in their heads until we researchers start asking detailed questions?

Theory B would predict that people will give similar ratings on all the attributes of a given brand—thus high correlations among those measures. This is exactly what we see time after time. This is why it is often difficult to discriminate strong drivers since all ratings for a brand tend to be highly correlated.

Nothing in the data proves which theory is best since the same data can support either theory. All you can do is think intelligently and critically about your product category. Is it reasonable to think that consumers have actually crystallized distinct opinions about various facets of the product? If not, your detailed ratings are unlikely to tell you much more than the overall score. They should surely not be expected to provide good information about what "drives" brand preferences.

Paired T-Tests

Did you know that an entirely different test is called for when you are comparing two measurements from the same person? They could be two brand ratings or before-after measures. What are called paired or dependent-sample t-tests are much more sensitive to small differences than are comparisons between two groups of people.

The catch is that you need data from almost everyone on both measures. If 2/3rds rate one brand and 2/3rds rate another brand, you may only be able to use the data from the half or so who gave both ratings.

Internet Research

Internet panels have their limitations, but we find them to be a legitimate choice for many studies. And they can be very accurate.

We heard a presentation by Harris Interactive (whose panel we often employ) on the results of their political polling in 2000. Using an esoteric data weighting procedure (which required parallel telephone surveys), they claim to have out-predicted every other major national poll. They correctly called 71 of 72 national and state races within $\pm 2\%$. The only exception was the Presidential race in Florida. Hmm. They might have been right there too.

