Chapter 4
Online Brand Expansion towards the Offline Setting:
Which Way to Go?

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ABSTRACT:

Brand extension and brand alliances are two possible strategies to expand the brand towards different product categories. In this chapter, the authors focus on brands that are well-known for their online services launching offline products. They analyse the results of these strategies in terms of their effects on parent brand image and under different conditions of initial brand image and perceived fit. In order to meet these aims, an empirical study was conducted to 407 undergraduates in a Spanish University. Data are analysed through multivariate analysis of variance. Main results lead us to conclude that: (1) the effects of extensions and alliances are mainly negative on the online brand image, (2) the impact is focused specially on the functional and emotional dimensions of brand image, (3) the effect is more negative for online brands with higher image than for online brands with lower image, and (4) the effect is more negative in the case of an alliance with an offline brand with low image than in the case of an alliance with an offline brand with high image or in a brand extension. This work covers some gaps in the previous literature in online branding. The authors apply concepts and theories used in brand extensions and alliances literature in an offline setting by delving into the differences of these effects on the brand image dimensions. The results obtained in this work may help brand practitioners expand their brands towards different product categories.

INTRODUCTION

The rise of the Internet and its applications to almost every device has made the online and offline settings to become more and more closely connected. Consumers have both online and offline identities and they move continuously from one to another (Rau, 2004). In this context, companies with traditional offline business have looked at the Internet as a necessary way for surviving. However, this connection offline-online goes a step further, and companies with online brands have also started to look at the offline context.

As an example, Google has launched its own phones and tablets (Nexus) that have been made in collaboration with different manufacturers as LG, HTC or Samsung (Chen, 2012). The launch of phones or tablet devices may confuse consumers who linked the image of Google exclusively with the online setting, but this combined online-offline strategy can be perfectly in line with its corporate brand identity. Thus, Google states that its mission is *"to organize world's information and make it universally accessible and useful"*. Therefore, the launch of this type of offline products is perfectly aligned with this goal to provide information accessibility.

Two strategies that may allow an online company to go offline are brand extensions and brand alliances. However, the launch of new products and the association with other partner brands in an alliance may change the consumer perception of a brand image (Loken & John, 1993; Delgado & Hernández, 2008). The success of a new launch can not only be measured by its sales figures or its benefits, but also by the impact that the new launch has on the parent brand. In the previous literature, there are works that deals with offline brands launching new online services (Horppu, Kuivalainen, Tarkiainen & Ellonen, 2008; Boshoff, Schlechter & Ward, 2009). However, the expansion of an online brand going offline has not been analysed yet. In the same sense, much of the work in the brand extension and brand al-

liance literature has focused on the acceptance of the new product and consumer intention to purchase, while lesser attention has received the effect of these strategies on the parental brand image (Völckner, Sattler & Kaufmann, 2008; Pina, Iversen & Martinez, 2010). Thus, in the present work we will try to fill these gaps giving answer to the following questions:

- Are these strategies of brand extensions and alliances to reach an offline setting harming or strengthening the parental online brand image?
- Focusing on the variation in the online brand image:
- Is it more effective to develop these strategies for an online brand with low image or for an online brand with high image?
- Does the fit between the online brand and the offline product category play an important role in this decision?
- What type of strategy is best to reach the offline category, extensions or alliances?; and in the latter, with which type of ally?

The conclusions of this work may help companies such as Dell, that is a company that used a direct sales distribution from its beginnings, and afterwards it expanded its distribution to retail stores. However, moving from selling online to distribute through retail stores may also entail risks that need to be thoroughly analysed (Lawton, 2008). This movement must be carefully implemented in order to avoid risks, and the control of the offline brand experience is considered as the key for its success (Davis, 2007).

The analysis of the effects that the new launch has on the parental brand image is of main importance to determine the success of the strategy (Aaker, 1991; Keller, 1993). In fact, the parent brand image can be diluted even in successful brand expansions in terms of attitude towards the new launch (Farquhar, 1989, Kardes & Allen, 1991, Völckner *et al.,* 2008). The cost of introducing

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