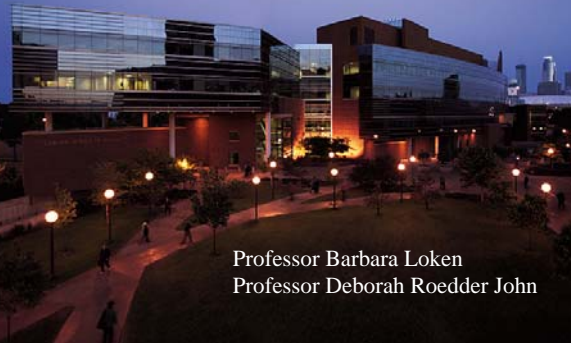


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Understanding Brand Dilution



Professor Barbara Loken
Professor Deborah Roedder John

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Understanding Brand Dilution: When Do Bad Things Happen to Good Brands?

- > **Introductions**
 - Professor Barbara Loken
 - Professor Deborah Roedder John
- > **Agenda**
 - Define Brand Dilution
 - Brand Dilution Framework
 - External Sources of Dilution
 - Internal Sources of Dilution
 - Strategies for Protecting Brands

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Defining Brand Dilution

- > **Negative Change in Consumer Brand Associations**
 - Decrease in strength of positive associations
 - Addition of negative brand associations
 - Decrease in uniqueness of brand associations
- > **Decrease in Overall Brand Attitudes or Preference**
- > **Decrease in Brand Sales, Market Share, or Stock Value**

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Peanut Recall Example

- > **Massive Recall of Peanut Products**
 - Salmonella outbreak-several deaths and hundreds ill
 - Traced to Peanut Corporation of America
- > **Negative Change in Consumer Brand Associations**
 - 25% of those aware of recall believe that major national brands of peanut butter were among products recalled
- > **Decrease in Consumer Brand Preference & Sales**
 - 15% of those aware of recall stopped eating peanut butter
 - Sales of all brands of peanut butter down by 25%
 - Peanut Corporation of America closed

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Sources of Brand Dilution

- > **External Sources**
 - > Activities initiated by outside organizations that result in brand dilution
- > **Internal Sources**
 - > Internal decisions by the organization that result in brand dilution

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External Sources of Brand Dilution

- > **Negative Media Publicity**
 - > Product Harm Crises
 - > Product Recalls
 - > Ethical Crises

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Domino's Video Example

- > **YouTube Video**
 - Domino's employees in Conover, NC make video
 - Viewed more than a million times on YouTube
- > **Brand Dilution**
 - Perceptions of quality went from positive to negative
 - Surveys show percentage of video viewers who would visit Domino's cut in half
 - "Even people who've been with us as loyal customers for 10, 15, 20 years, people are second-guessing their relationship with Domino's." (Tim McIntyre, Domino's)

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External Sources of Brand Dilution

- > **Negative Media Publicity**
- > **Unauthorized Use of Trademarks**
 - > Counterfeit Goods
 - > Internet Squatters
 - > Private Label "Look-Alikes"

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Mayo Examples

- > <http://www.mayofamilywinery.com/>
- > <http://www.mayocollege.com/>
- > <http://www.mayoclinic.co.za/>

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External Sources of Brand Dilution

- > Negative Media Publicity
- > Unauthorized Use of Trademarks
- > Consumer Backlash
 - > Consumer Blogs & Websites (YouTube, Twitter, Facebook)
 - > Rumors & Innuendo (McDonald's worms)
 - > Consumer Boycotts (e.g., Coke/Pepsi)

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I Hate Walmart

- > <http://walmartwatch.com/>
- > <http://www.walmartmovie.com/>
- > <http://ihatewalmart.blogspot.com/>
- > <http://www.davelippman.com/ordering/index.html>
- > <http://www.davelippman.com/lyrics/walmart.lyrics.html>

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Internal Sources of Brand Dilution

- > Inconsistent Marketing Mix Decisions
 - > Inconsistent distribution
 - > Inconsistent price points
 - > Inconsistent advertising
 - > Inconsistent sales promotions
- > Brand Leveraging Problems
 - > Failed or inconsistent brand extension failures
 - > Unsuccessful or inconsistent brand alliances

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Johnson & Johnson Example

- > New brand extension introduction: **Johnson & Johnson facial tissue**
- > After the introduction, the brand extension is rated by consumers as:
 - > Low in gentleness or poor quality
 - > Both low in gentleness and poor quality
- > Questions
 1. Will this brand extension harm the J&J brand name? Will consumers say that J&J products are no longer as gentle as they were? As high in quality as they were?
 2. Is this brand extension likely to dilute consumers' perceptions of J&J products already on the market, such as J&J baby shampoo, J&J baby powder, or J&J dental floss?

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Brand Leveraging Problems

- > **Inconsistent and Failed Brand Extensions**
 - Oreo Pudding (inconsistent attributes)
 - Revlon vitamins (inconsistent category)
 - Crystal Pepsi (failed extension)
- > **Inconsistent or Failed Co-Brands**
 - Dunkaroos w/ Welch's Grape Jam
 - Bubble Yum w/ Hershey's Chocolate







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Case in Point: Luxury Car Extensions

| Brand | Downward Stretch | SUVs |
|----------|------------------|---------|
| Mercedes | C-Class | M-Class |
| BMW | 3-Series | X5 |
| Porsche | | Cayenne |
| Jaguar | X-Type | |

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Luxury Downward Stretches: Brand Dilution?

- > “The flip side is the loss of exclusivity. If you see your car on every street corner, then you lose exclusivity.” (Wolfgang Reitzle, ex-BMW exec)
- > “When do you get to the point where it isn't a BMW anymore?” (BMW dealer)
- > “Those ads (for Jaguar X-type) make me worry that the other doctors will think I've gone cheap.” (Jaguar owner)

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Strategies for Protecting Brands

- > **External Sources of Dilution**
 - What strategies can be used to limit the risk of brand dilution from external sources?
 - Example: Negative Media Publicity
- > **Internal Sources of Dilution**
 - What strategies can be used to limit the risk of brand dilution from internal sources?
 - Example: Brand Extensions
- > **General Strategies to Protect Brands**

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Questions?

