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Série "Recherche"

WHAT IS BRAND TERRITORY ?  
A THEORETICAL AND EMPIRICAL INVESTIGATION

*Sophie CHANGEUR \**  
*Dwight MERUNKA\*\**

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*\*Etudiante en Doctorat en Sciences de Gestion rattachée au centre de Recherche CEROG-IAE ,ATER à l'Institut d'Administration des Entreprises d'Aix-en-Provence, Université Aix-Marseille III, Clos Guiot 13540 PUYRICARD*

*\*\*Professeur à l'IAE d'Aix-en-Provence*

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**Résumé :**

Cette recherche a pour objectif d'enrichir la littérature sur le concept de territoire de marque et de contribuer à la compréhension de l'effet de la marque sur la performance des produits marqués.

Elle propose une conceptualisation du territoire de marque qui intègre (1) la force, la dominance et la cohésion des associations de la marque qui traduisent la capacité de la marque à générer de la performance pour les produits marqués, et (2) la distance des produits marqués à la marque sur les associations formant son territoire, qui traduit leur capacité à profiter du capital de la marque. La performance des produits marqués est exprimée comme une fonction de leur distance à la marque (fondée sur les associations).

Le test empirique du modèle est réalisé sur trois marques dans deux marchés (le marché du petit électroménager et le marché de l'hygiène – beauté). Les résultats mettent en évidence l'existence de territoires de marque qui sont spécifiques à chaque marque (en termes d'associations et de produits). Enfin, des analyses de régressions montrent que plus la distance entre les produits marqués et la marque (sur les associations formant le territoire de celle-ci) augmente et plus la performance des produits marqués est faible.

**Mots-clé:** Territoire de marque, associations de la marque, capital-marque, performance.

**Abstract:**

This paper aims at enriching existing research on brand territory and contributing to the understanding of brand impact on branded products' performance.

The model of brand territory includes (1) the strength, dominance and congruence of brand associations which are linked to the brand's ability to create performance for branded products, and (2) the distance of branded products to the brand based on these associations, called 'territory distance', representing their ability to capture and profit from existing brand equity. The performance of branded products is expressed as a function of their 'territory distance' to the brand.

An empirical test of the model is conducted on data collected for three brands in two consumer goods markets (French small domestic electrical appliances market and health and beauty care market). Results show the existence of specific association-based brand territories varying from one brand to another. These associations further allow to delimit product-based brand territories. Finally, regression analysis shows that the smaller the 'territory distance' between the products and the brand, the higher the performance scores.

**Key-words:** Brand territory, brand associations, consumer-based brand equity, performance.



## 1. Introduction

The concept of brand territory has emerged in the fields of consumer-based brand equity and brand extension research. Whether talking about "extension areas" (Kapferer 1991), about "territory" (Murphy 1990), or about "boundaries" (Tauber 1988, Keller & Aaker 1992), several authors refer to the notion of limited space which constitutes the brand territory. This perceptual space contains two kinds of elements : brand specific associations (or brand image features) and the products that fit the best to the brand and it's current image.

Brand territory is an important concept. Firstly, it can guide brand extension strategy by delimiting a perceptual space within which the products' performance should be high. It indicates the degree of extendibility of the brand as well as the possibility of action on the boundaries. Secondly, brand territory should be a good indicator of branded products' performance. A product well in the heart of the territory should exhibit higher performance than one situated at the boundaries or outside the territory. However, there appears to be a lack of conceptualization and of measurement of brand territory in the extant literature.

This paper ought to enrich existing research on brand territory and contribute to the understanding of the brand impact on branded products' performance. With embryonic brand territory research, brand equity and brand extension research will support the proposed definition and model of brand territory which will be developed in the first part of the paper. The second part is devoted to the empirical test of the model in two consumer goods markets.

## 2. Research background

*Behavior-based brand equity research* (Kamakura & Russell 1993, Park & Srinivasan 1994) considers that the brand has an impact on the perception of product attributes (the perceptual bias) plus a direct impact on preference and choice via the symbolic component of the brand. Although this is not directly measured, authors explain brand equity by the existence in consumer long-term memory of unique, strong and favorable associations which have an impact on both perceptions and preference. This stream of research does point out that brands do not all possess the same ability to create performance for their products and that the main basis of added performance relies on the brand specific associations.

*Association-based brand equity research* is important from a brand territory perspective to understand how a brand may have an impact on branded products' performance. Consumers knowledge of a brand can be represented by a network stored in long-term memory. A node represents the brand and other nodes represent brand associations, either abstract or functional. Functional associations are product-based (products, products features, usage situations). Abstract associations are non-product based (symbolic benefits, brand personality, emotions) and allow the brand to be more independent from its products. Brand equity exists when the

consumer stores in memory associations that add utility to the product itself, i.e. associations which are strong, unique, positive and congruent (Keller 1993, Krishnan 1996).

*Brand extension research* is mainly concerned by the conditions explaining success or failure of brand extensions. It appears that the perceptual distance between the extension and the mother brand is a key explanatory variable. However, the concept of perceptual distance varies a great deal among authors both in terms of theoretical background and measurements. This perceptual distance has been conceptualized and measured as similarity, congruence, fit or typicality. The central and most agreed upon concept is that of fit. Perception of a fit between the brand and the extension relies upon two factors : similarity between the category of origin of the brand and that of the extension (Aaker & Keller 1990, Boush & al. 1987), and proximity of the extension to the associations of the brand (Park & al. 1991, Loken & Roedder-John 1993, Broniarczyk & Alba 1994). This stream of research shows that the distance between the brand and the extension determines the capacity of the brand to 'help' the extension and is a function of the congruence of the extension with the associations of the brand. Brand associations are thus an important determinant of branded products' performance.

*Specific research objectives* are fourfold :

1. Propose a model and measurement methodology for brand territory. The issue here is to enrich existing academic and managerial research on brand territory and to contribute to the understanding of the brand effect on branded products' performance.
2. Relate the position of branded products in the brand territory (1) to classical measures of perceptual distance (fit and typicality) whose relation with brand associations has not been empirically demonstrated, (2) to performance indicators.
3. Determine if the strongest and most dominant positive brand associations are more related to branded products' performance than the other associations.
4. Compare the results across brands, product categories and consumer segments.

### **3. Research model**

Brand territory is defined as a perceptual space made of brand specific associations stored in long-term memory and valued by consumers, i.e. strong, congruent and dominant associations.

Branded products' performance depends on brand associations themselves (number of strong, congruent and dominant associations, valence of associations) insofar as a brand with many strong, dominant, positive and congruent associations will be able to transfer added value to its products.

Branded products' performance is also a function of the distance between branded products and the brand itself, this distance being evaluated on the basis of brand territory associations. A branded product being perceived as strongly linked to the brand territory associations will be positioned close to the brand within the territory and will then capture high value from the brand.

The model of the research is summarized in Figure 1.



**Fig. 1. The model of the research**

Brand image is defined and measured through strong and congruent associations. Beyond brand image, dominance indicates that some of the strong and congruent associations are more connected to one brand than to its competitors. Therefore, dominance, which expresses the uniqueness of brand image, gives the boundaries of the brand territory.

We then position branded products within brand territory through the measure of the strength of brand territory associations for branded products. If the branded product is related to brand territory associations as the brand itself is, it will be very close to the brand within the territory. Therefore, comparing the strength of territory associations for the brand and for its branded products allows to position the branded products relative to the brand within the territory.

The third step empirically explores the relationship between the location of the brand within the territory and (1) the perceptual distances of branded products to the brand (measured by fit and typicality) and (2) branded products performance (measured by perceived quality and buying intention).

Fit and typicality are interesting measures since they are distance indicators which relation with brand associations has been hypothesized but not demonstrated. The distance between the brand and branded products based on territory associations (strong, congruent and dominant) is supposed to be strongly related to the fit and typicality of branded products. This distance, called 'territory distance', refers to an euclidean distance between the brand and the branded products whose dimensions are the territory associations.

The distance between branded products and the brand within the territory is also assumed to be strongly related to product performance (perceived quality and buying intention) but only if territory associations have a positive valence. Moreover, the strongest and most dominant associations are supposed to be more linked to product performance than the other territory associations.

We expect the two performance indicators as well as global distance measures (fit and typicality) to decrease with the distance from the brand to branded products.

#### **4. Methodology**

The consumer goods markets selected for the study were the French small domestic electrical appliances and cosmetics markets. These two markets are large enough to comprehend several products categories, which was important since brand equity and brand territory go beyond the single product category level. Moreover the markets chosen host a large number of well-known brands with different images as well as wide product ranges. Such a diversity suggests the existence of differentiated territories.

*Two pretests* have then be conducted to (1) select the brands and products appropriate for the test and (2) generate the brand associations.

This led, in each of the two markets, to the selection of 3 brands (CALOR, MOULINEX, TEFAL in the small domestic electrical appliances market and GEMEY, L'OREAL, NIVEA in the cosmetics market), the selection of 15 products (existing or not in brands' actual ranges) and allowed to identify a list of associations for the three brands in each market. Five more products were selected by judges and added in the experiment to serve as products potentially situated outside brand territories.

On this basis, two quantitative surveys were designed to measure the brands' territories and test the research model. Overall, a total of 597 subjects participated in the small electrical appliances survey and 637 in the cosmetics survey. Each subject provided associations data for the 3 brands and for 15 branded products (which corresponds to 5 different products times 3 brands) and performance measures for the same 5 products.

In order to measure the strength of associations to each brand, subjects were given the entire list of associations and were instructed to rate on a 7-point scale the extent to which they thought the word (association) was associated to their perception of each of the three brands. The same 7-point scale was used to assess the strength of associations to each branded product. For the two other brand associations characteristics (congruence and dominance), indirect measures were used (following Keller 1993 and Krishnan 1996). Dominance and congruence of each association for each brand were inferred from the data.

Fit was measured through a single-item 7-point scale, following prior brand extension research. Typicality was assessed through the single item 7 point scale of 'goodness of example' following Loken & Ward (1990) and Boush & Loken (1991). Finally, the measures of perceived quality of branded products and of branded product buying intention were single-item 7-point scales.

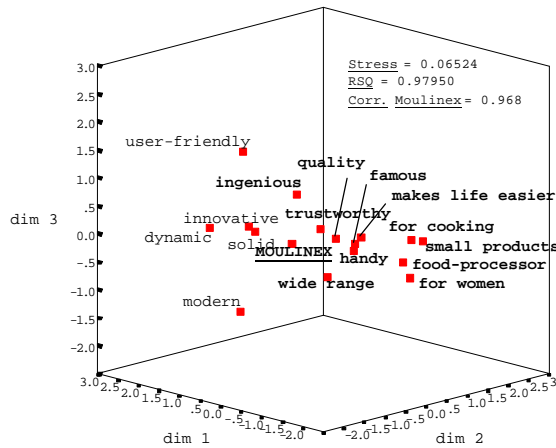
## 5. First results on the small electrical appliances market

First results are presented for one of the two markets. Differences between two brands on territory measures are first examined. Then, the relation between brand territory and branded products' performance is tested for two brands presenting differences on equity measures. The analysis is run on the whole sample and on two contrasted consumer segments.

*Association-based brand territory* : Associations in brand territory are at the same time strong (a score of 5 or more on a 7-point scale), congruent (their mean distance to all the other territory associations is not significantly different from the overall mean inter-association distance) and dominant (dominance > 1.00<sup>1</sup>). Proximities between brand territory associations and brand MOULINEX are analyzed through a MDS analysis (ALSCAL) in which the brand is positioned using Prefmap external analysis of strength.

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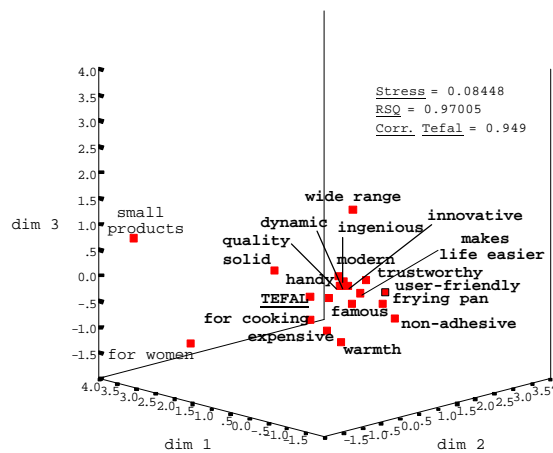
<sup>1</sup> Dominance of association i for brand l =  $\frac{1}{n} \sum_{k=1}^n \sqrt{\frac{Str_{ik1}}{Str_{ik2}} * \frac{Str_{ik1}}{Str_{ik3}}}$



**Fig. 2. Association-based brand territory for MOULINEX (N=597)**

The boundaries of the brand territory are shaped by dominance (bold associations in fig. 2). Fig. 2 shows MOULINEX brand territory which contains 11 associations (out of 21), most of them positive, and covers the themes ‘famous’, ‘for cooking’, ‘makes life easier’, ‘for women’, ‘wide range’ and ‘small products’.

Fig. 3 shows the association-based brand territory for brand TEFAL. TEFAL’s territory is quite different for MOULINEX’s one. The strongest and most dominant associations are ‘for cooking’, ‘famous’ (shared with MOULINEX but not with the 3<sup>rd</sup> brand CALOR), but also ‘non adhesive’, ‘innovative’ and ‘dynamic’. Moreover, TEFAL’s territory is larger than MOULINEX’s, with 17 associations showing higher strength and dominance means (0.001 sign. t-tests).

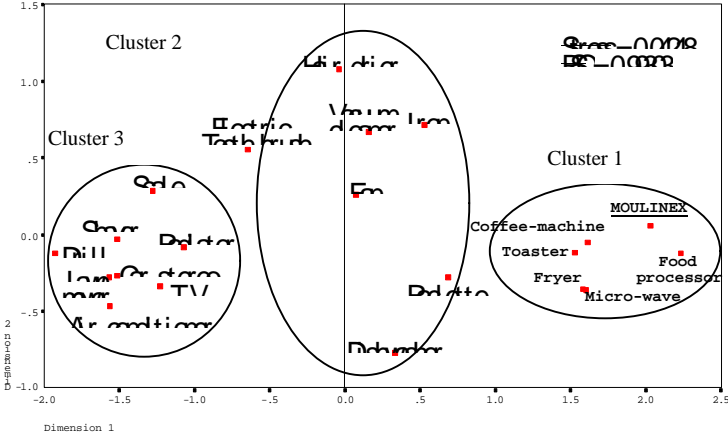


**Fig. 3. Association-based brand territory for TEFAL (N=597)**

All these differences support the idea that there exists brand territories, based on associations, specific to each brand.

*Product-based brand territory* : Product-based brand territory is measured on the basis of the mean differences between branded products strength scores on territory associations and the brand’s ones (here MOULINEX).

Distances are derived from the differences and analyzed through a MDS procedure. Fig. 4 shows results obtained for the MOULINEX brand and its products. A cluster analysis of branded products (Ward) reveals 3 clusters: MOULINEX's product territory (cluster 1) which are highly rated on 'small' and 'for cooking' (MOULINEX's inner core), a probable extension area (cluster 2) for products either 'small', 'for women' or 'for cooking', and a cluster made of products having a great distortion with the brand on territory associations (cluster 3).



**Fig. 4. Product-based brand territory for MOULINEX**

*In each cluster, beyond products' current positions, the associations profiles furnish important information on how to use associations to leverage the brand in new categories while limiting the risks for its equity.*

Relation between brand territory and branded products' performance: *The 'territory distance' (euclidean distance) is calculated between each brand and its branded products. Simple linear regressions are used to relate this distance to products' fit and typicality to the brand and to performance indicators. The first column in Table 1 shows results for MOULINEX that are strongly significant. The R<sup>2</sup> obtained on total sample show that territory distance explains about 50% of the variance in the different performance and distance indicators. The regression coefficients reveal, as hypothesized, a strong negative relation. This shows that distance between branded products and the brand on the brand territory map is a good indicator of the products' ability to profit from existing brand equity. Products situated within the product-based brand territory exhibit highest performances and are more linked to fit and typicality, followed by cluster 2 then cluster 3 (cf. fig.4).*

	<b>Total sample</b> (N = 2985 obs.)	<b>Segment : Negative attitude</b> towards MOULINEX (N = 340 obs.)	<b>Segment : Very positive</b> attitude towards MOULINEX (N = 480 obs.)
<b>Fit</b>	R <sup>2</sup> = 0.501 B = -0.708	R <sup>2</sup> = 0.439 B = -0.663	R <sup>2</sup> = 0.517 B = -0.719
<b>Typicality</b>	R <sup>2</sup> = 0.486 B = -0.697	R <sup>2</sup> = 0.390 B = -0.625	R <sup>2</sup> = 0.497 B = -0.705
<b>Perceived quality</b>	R <sup>2</sup> = 0.493 B = -0.702	R <sup>2</sup> = 0.389 B = -0.624	R <sup>2</sup> = 0.521 B = -0.722
<b>Buying intention</b>	R <sup>2</sup> = 0.480 B = -0.693	R <sup>2</sup> = 0.446 B = -0.668	R <sup>2</sup> = 0.486 B = -0.697

**Table 1. MOULINEX territory's impact on MOULINEX products' performance**  
(all F-tests and t-tests are significant at the 0.001 level)

Moreover, for consumers with positive attitude, those who may perceive higher equity in the brand and/or be more loyal, the brand territory's impact is stronger (col. 2 in table 1). It's the opposite for consumers with negative attitude (col. 3). Similar results are found for the two other brands, CALOR and TEFAL.

Finally, results are compared between the three brands (cf. table 2), CALOR, TEFAL and MOULINEX that show differences in terms of equity measures based on associations. TEFAL has a significantly higher number of strong associations followed by MOULINEX then CALOR (15.47 vs. 12.82 and 11.80, t-tests sign.  $p < 0.001$ ) and both dominant and positive associations (12.74 vs. 9.16 and 7.74,  $p < 0.001$ ).

	<b>CALOR</b> (N = 2985 obs.)	<b>MOULINEX</b> (N = 2985 obs.)	<b>TEFAL</b> (N = 2985 obs.)
<b>Performance Factor</b>	R <sup>2</sup> = 0.310 B = - 0.621	R <sup>2</sup> = 0.400 B = - 0.707	R <sup>2</sup> = 0.415 B = - 0.723

**Table 2. Brand territory effect comparison on the performance factor**  
(all F-tests and t-tests are significant at the 0.001 level)

The relation between territory distance and branded products' fit, typicality and performance indicators is stronger in TEFAL's case than in MOULINEX's and in CALOR's (higher R<sup>2</sup> and B coefficients). While not formally demonstrated, this suggests that TEFAL possesses a greater ability to create performance for its products than MOULINEX and CALOR do.

## 6. Work in progress

These first results show the existence of specific structures of strong, congruent and dominant associations varying from one brand to another. These associations allow to delimit specific product-based territories where

*performance is high. Such results are useful to manage brand territories as well as brand extensions in the long-term.*

*Results of this first study are supportive of the hypothesis that the smaller the distance between the brand and its products on positive brand territory associations, the more the products are able to capture and profit from existing brand equity. They have higher independent performance scores.*

*To further investigate the brand territory concept we propose to :*

- determine which associations contribute the most to products' performance,*
- test the research model in different consumer goods markets : data on the French cosmetics market have already been collected.*

*This study will allow us to go deeper in the understanding of the association-based brand territory and to improve the external validity of the model. We will further test if brand territory based on associations is an indicator of branded products' performance as good as it seems to be.*

*Brand territory is probably an interesting tool to manage brands and branded products. Brand territory can be used to guide actual range management as well as extension strategy. It can help reallocate products across brands in a portfolio and leverage the brand in new areas, controlling for the products (success vs. failure), for the territory (evolution) and for the brand (equity upholding and building).*

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