LAURANNE BUCHANAN, CAROLYN J. SIMMONS, and BARBARA A. BICKART*

Consistency among the various elements of a marketing program is believed essential in building and maintaining brand image and equity. And yet, a brand's ultimate presentation to customers is controlled more often by the retailer than by the manufacturer. In this research, the authors demonstrate that the retailer's display decisions can negate the equity of an established brand. The authors suggest that this occurs because consumers have expectations about retail displays and the relationship among displayed brands. Display conditions that disconfirm these expectations can lead consumers to reevaluate the brand. Specifically, the results demonstrate that high-equity brand valuations are influenced by an unfamiliar context brand when (1) a mixed display structure leads consumers to believe that the context brand is diagnostic for judging the high-equity brand, (2) the precedence given to one brand over another in the display makes expectations about brand differences or similarities accessible, and (3) the unfamiliar context brand disconfirms these expectations.

Brand Equity Dilution: Retailer Display and Context Brand Effects

The ability to build and maintain a strong brand image depends, in part, on maintaining consistency in brand communications (cf. Keller 1993; Park, Jaworski, and MacInnis 1986). Management must ensure not only that there is consistency in the brand's positioning over time, but also that each part of the marketing mix reinforces that positioning. That is, the brand's positioning must be supported by product characteristics as well as the advertising message, price points, and choice of distribution outlets. A corollary to this point is that inconsistencies in brand communication may lead to reevaluation of the brand and ultimately reduce brand equity.

Although brand managers make most of the strategic decisions that influence consumer impressions of the brand, they do not exercise complete control over the brand's presentation to consumers. Retailers, because they determine the context in which the brand is encountered (either physically, in the store environment, or in direct communications, such as catalogs), have the potential to influence the overall effectiveness of the manufacturer's strategy for developing and maintaining brand equity. We found, in talking with manufacturer representatives and department store buyers for fashion goods, that product presentation is often a source of conflict in their relationship, precisely because of this concern. Manufacturers who have built equity in their brands want them to be displayed with brands of similar positioning and stature; proximity to lesser or unknown brands, they believe, may cause the consumer to question the brand. In contrast, retailers often prefer to display high-equity brands in close proximity to lesser or unknown brands. They want to leverage the value of the high-equity brand to create sales not only for the brand itself, but also for other brands carried in the store.

The objective of this article is to examine how inconsistencies in brand communications created at the point at which the brand is encountered may lead to reevaluation of the brand and ultimately reduce brand equity. We posit that consumers have expectations about retail displays and the relationship among brands and that display conditions disconfirming these expectations can lead consumers to reevaluate brands. We examine this general proposition in the situation in which a familiar high-equity brand is encountered in the context of an unfamiliar brand.

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We argue that whether a high-equity brand will be hurt by an unfamiliar context brand depends on whether (1) the display implies that the context brand is diagnostic, (2) the display makes expectations about brand differences or similarities accessible, and (3) the context brand confirms or disconfirms these expectations. Furthermore, two common display variables, display structure (whether brands are displayed separately or intermixed) and display precedence (whether the high-equity or the unfamiliar context brand is given precedence), can jointly activate these expectations. When expectations are disconfirmed, consumers engage in constructive processing that can result in revised brand valuations. In contrast, when expectations are confirmed, consumers are less likely to engage in constructive processing and more likely to rely on stored judgments of the brand. Our results support these propositions.

THEORETICAL BACKGROUND

Given the millions of dollars spent on marketing and advertising programs, it may seem unlikely that consumer valuations of a high-equity brand can be influenced by inputs other than direct experience with or information specific to the brand (cf. Machleit and Sahni 1992; Mishra, Unnesh, and Stem 1993; Simonin and Ruth 1998). Although prior knowledge may be the default input for evaluating an established brand, there is growing recognition that situational factors sometimes may influence consumer valuations. The literature, for example, has shown that changes in high-equity brand valuations can be initiated by brand extensions (John, Loken, and Joiner 1998; Loken and John 1993; Milberg, Park, and McCarthy 1997). Specifically, hypothetical brand extensions can reduce valuations of the core brand when they make accessible diagnostic associations regarding attributes or attribute levels that are inconsistent with prior knowledge regarding the core brand (Keller 1993) or when they are inconsistent with the strategic positioning of the core brand (cf. Broniarczyk and Alba 1994; Park, Milberg, and Lawson 1991).

This dilution of brand equity is consistent with the growing body of evidence that contextual influences can alter prior attitudes by engendering constructive processing (Wilson and Hodges 1992). Wilson and Hodges review evidence from previous studies that shows that subjects readily change their reported attitudes toward political candidates, dating partners, and even how much they like certain foods. Their explanation for subjects’ apparent readiness to change established attitudes is that, on any given subject, people have in memory an extensive database that includes, but is not limited to, their previously stored attitude. Context influences which subset of this database is used when a judgment is needed. Thus, contextual factors can, and often do, lead to changes in judgments and attitudes by influencing what data are relevant or diagnostic to the task and what interpretation of that data is accessible (Feldman and Lynch 1988; cf. Ha and Hoch 1989).

This notion of context-induced constructive processing underlies our research hypotheses. Consumers have an extensive database on brands, particularly those brands that have attained a high level of brand equity. This database includes beliefs about attributes and features of the brand, as well as its costs. It also includes beliefs about the relationship among brands (e.g., high-equity and unfamiliar brands) on these attributes. The context in which consumers evaluate a brand can influence their judgment by making accessible different diagnostic inputs from this database.

Two propositions are central to our logic. First, consumers have schemata regarding the meaning of retail displays. Display characteristics can selectively increase the accessibility of diagnostic inputs derived from these schemata, thereby determining whether the context brand is considered diagnostic to judgments of the high-equity brand and whether beliefs about brand differences or similarities are accessible. Second, when expectations based on such schematic inputs are violated, constructive processing ensues. This constructive processing can alter valuations of the high-equity brand. In the discussion and experiments that follow, we focus on how these processes are shaped by three operational variables: (1) display structure, whether brands are displayed intermixed or separately; (2) display precedence, whether the high-equity or the unfamiliar context brand is given precedence in the display; and (3) brand similarity, whether the high-equity and the unfamiliar context brand have similar attribute levels.

Consumers’ Schemata Regarding Retailers’ Display Decisions

Research has demonstrated that consumers hold implicit theories about marketing strategy that sometimes guide their judgments regarding marketing stimuli. For example, consumers have theories or schemata that relate the level of advertising to brand importance and quality (Kirmani and Wright 1989) and positioning to marketing mix decisions (e.g., “better brands are found in better stores”; Pham and Johar 1997; cf. Jacoby and Mazursky 1984). The industry informants with whom we spoke believe that consumers also have schemata regarding displays, for example, that “important” brands are given precedence in marketing communications. Consequently, display features may activate schematic beliefs regarding the relationship among brands.

We expect that display structure may help consumers determine whether context brands are diagnostic in judging a high-equity brand. To the consumer, a mixed display may signal that the retailer—who is perceived as an expert in judging and evaluating brands—believes the brands are relevant to one another. In contrast, a separate display may signal that the retailer does not consider the brands directly relevant (for examples of information presentation effects on perceptions of relevance, see Martin and Seta 1983; Wedell, Parducci, and Geiselman 1987). Therefore, we expect context brands to be more diagnostic in mixed than in separate displays.

We expect display precedence to determine whether expectations about brand differences or similarities are accessible. Display precedence reflects a retailer’s decision about which brand is featured, that is, which one receives higher status or “top billing.” Consumers expect retailers to give precedence to important brands—those that have developed high awareness, a positive image, and strong positive evaluations (i.e., those that have achieved a high level of brand equity; Keller 1993). In general, consumers expect high-equity brands to be

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1 We tested this assumption by having 11 students rate 15 brands (5 in three product categories) on (1) the likelihood that the brand would be the featured brand in a marketing communication and (2) the quality of the brand. Both used seven-point scales. Across 15 brands, the median correlation between these measures was .76, with ps < .05 for 12 of 15 correlations.
different from other brands, for a brand does not achieve a high level of equity without developing a point of uniqueness, even if the basis of this uniqueness is meaningless (Carpenter, Glazer, and Nakamoto 1994). Therefore, giving precedence to a high-equity brand increases the accessibility of expectations of brand differences on various attributes, including potential differences in price.

In contrast, if precedence is given to an unfamiliar brand over the high-equity brand, the atypical presentation signals that the retailer, in some way, regards the unfamiliar brand as equivalent to the high-equity brand. That is, giving the unfamiliar brand precedence makes accessible expectations about brand similarities.²

Violation of Expectations and Constructive Processing

When information is unexpected, consumers are less likely to rely on prestored judgments; instead, they engage in more extensive processing to understand the discrepancy (cf. Anderson, Lepper, and Ross 1980; Houston, Childers, and Heckler 1987; Meyers-Levy and Tybout 1989). Therefore, when expectations regarding brand differences or similarities are violated, we expect some degree of constructive processing to ensue. That is, we expect reliance on stored judgments to decrease as the use of contextual cues increases.³ Specifically, we expect constructive processing only when the brands are mixed and (1) the unfamiliar context and high-equity brands are expected to be dissimilar and are found to be similar or (2) the two brands are expected to be similar and are found to be dissimilar. This constructive processing may result in altered valuations of the high-equity brand, which may be either more favorable or less favorable than would be the case otherwise. For the situations we examine, we expect valuations to be lowered.

Research Hypotheses

Our predictions regarding how display structure and precedence create expectations and how brand similarity and differences may violate these expectations are summarized in Figure 1. An unfamiliar context brand is more likely to be regarded as diagnostic for judging the high-equity brand, and therefore is more likely to be used, in mixed rather than in separate displays (see Stage 1 of Figure 1). Furthermore, when an unfamiliar context brand is used, its impact on the high-equity brand depends on whether expectations of differences or of similarities are accessible (Stage 2). When the high-equity brand is given precedence, expectations that the high-equity brand is different from the context brand are more accessible; when the unfamiliar context brand is given precedence, expectations that the brands are similar become more accessible. Regardless of what expectations are accessible, when the context brand disconfirms expectations, consumers engage in constructive processing that can revise valuations of the high-equity brand. In contrast, when the context brand confirms expectations, consumers are less likely to engage in constructive processing, and prior brand valuations are reinforced (Stage 3).

The outcome of constructive processing depends on the inputs that are considered and used. Although, on average, consumers may hold positive beliefs about a high-equity brand, they also may have some beliefs and feelings that conflict with their overall impression of the brand.⁴ An unfamiliar context brand can serve as a cue that increases the accessibility of a subset of these associations, just as contextual cues led subjects to focus on different aspects of people or food in the experiments discussed by Wilson and Hodges (1992). Unfamiliar brands lack strong, positive associations and even may have negative associations due to their lack of familiarity and status. Therefore, absent strong evidence to the contrary (i.e., the unfamiliar brand has more attractive attributes and is higher in price than the high-equity brand), an unfamiliar context brand is likely to increase the accessibility of less favorable associations for the high-equity brand (e.g., lower value), which results in revised valuations that are less favorable. Given the particular operationalizations used in this study—the unfamiliar brand is never more attractive or higher priced—we expect more negative thoughts to be retrieved and valuations of the high-equity brand to be lowered.

To summarize, when the high-equity brand is given precedence and the display structure is mixed, differences are expected. If, contrary to expectation, the brands are found to be similar, valuations of the high-equity brand are lowered. When the unfamiliar brand is given precedence and the display structure is mixed, similarities are expected. If, contrary to expectation, the brands are found to be different, valuations of the high-equity brand are lowered. Stated more formally,

\[ H_{1a}: \] When the high-equity brand is given precedence, it will lose equity only when the brands are intermixed and the context brand is similar.

\[ H_{1b}: \] When the unfamiliar context brand is given precedence, the high-equity brand will lose equity only when the brands are intermixed and the context brand is different.

Because we propose that these effects on valuations are mediated by constructive processing, in which the context brand increases the accessibility of some subset of high-equity brand associations, we expect to find greater use of the context brand when judging the high-equity brand in these same conditions. Therefore, we predict that

\[ H_{2a}: \] When the high-equity brand is given precedence, more comparative processing of the context brand with the high-equity brand will occur when the brands are intermixed and the context brand is similar.

\[ H_{2b}: \] When the unfamiliar context brand is given precedence, more comparative processing of the context brand with the high-equity brand will occur when the brands are intermixed and the context brand is different.

³We also tested this assumption. Forty women over the age of 17 years were told that a new fashion catalog for women would contain two brands, a familiar high-equity brand and an unfamiliar (fictitious) brand. Half of the participants were told that the high-equity brand was to be featured, whereas the others were told that the unfamiliar brand would be featured. When the high-equity brand was featured, participants expected the unfamiliar brand to be lower in price (⁴We, standard deviation = 2.76, p < .01). When the unfamiliar brand was featured, participants expected no differences in price or quality (p > .47).

⁴For example, in protests, consumers evaluated the high-equity brand used in our experimental materials on a seven-point scale. The brand was rated 6.4 (with a standard deviation = 8) on "excellent brand," 6.3 (standard deviation = 2.8) on "high-quality," and 6.2 (standard deviation = 9) on "stylish" but only 4.8 (standard deviation = 1.5) on "good value."
Finally, because the associations made accessible by the unfamiliar context brand are expected to be less favorable than is true, on average, of the entire database of high-equity brand associations, we predict that

$H_{3a}$: When the high-equity brand is given precedence, thoughts about the high-equity brand will be less favorable when the brands are intermixed and the context brand is similar.

$H_{3b}$: When the unfamiliar context brand is given precedence, thoughts about the high-equity brand will be less favorable when the brands are intermixed and the context brand is different.

We now present the results of an experiment that tests these hypotheses and provides evidence for the proposed mediating processes.

A TEST OF CONTEXT-INDUCED CONSTRUCTIVE PROCESSING IN CONSUMER VALUATIONS OF A HIGH-EQUITY BRAND

Method

Participants. Participants were 251 women between the ages of 19 and 50 years (median age was 30 years); 75% of the participants reported an annual household income of

![Figure 1: Display and Context Brand Effects on Valuations of a High-Equity Brand](image-url)

<table>
<thead>
<tr>
<th>Stage 1: Is the unfamiliar context brand diagnostic? (display structure)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mixed display</strong></td>
</tr>
<tr>
<td>Diagnostic</td>
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</table>

<table>
<thead>
<tr>
<th>Stage 2: Is the unfamiliar context brand expected to be different from or similar to the high-equity brand? (display precedence)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>High-equity brand is given precedence</strong></td>
</tr>
<tr>
<td>Expect <strong>differences</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Stage 3: Does the unfamiliar context brand confirm expectations? (brand similarity)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context brand is different</strong></td>
</tr>
<tr>
<td>Confirm <strong>expectations</strong></td>
</tr>
<tr>
<td>Use stored judgment</td>
</tr>
<tr>
<td>High-equity brand reinforced</td>
</tr>
</tbody>
</table>

Use stored judgment | High-equity brand reinforced
$20,000 or more. Most were recruited through flyers distributed on the campus of a Northeastern U.S. university or community organizations, and all received $10 and a chance at a $200 lottery for participating.

Procedure and materials. Participants were told that a direct marketer wished to evaluate a new format for a fashion catalog. The catalog contained two brands of fashion goods. One brand was an actual well-known, high-equity brand, hereafter referred to as "High-Equity Brand." The second was a fictitious (and therefore unfamiliar) brand, "Jessie Taylor." Participants were told that the direct marketer was interested in their general impressions of the brands and the catalog's presentation of those brands. After looking through the catalog at their own pace, participants completed several questionnaires. The first questionnaire was a filler task in which participants were asked to evaluate the layout of the catalog. The second questionnaire obtained participants' impressions of the high-equity brand. Finally, subjects were debriefed and informed that information about all brands, including the high-equity brand, was manipulated for the purposes of the experiment.

The catalog contained three types of outfits for each of the two brands: suits, dresses, and casual clothes. Two line drawings and a short description were shown for each type of outfit for each brand. The line drawings of the outfits were matched and then randomly labeled as either the high-equity or the context brand; a pilot study indicated that the line drawings were equivalent in terms of style ($p > .65$).

Descriptions of attributes and features for both brands were consistent with the positioning of the high-equity brand. The description of one of the suits, for example, read: "The suit that goes everywhere. A ramie/wool blend, the plaid jacket has one-button closure and flap pockets. Skirt has elastic back waist and is slightly flared. Fully lined. Dry clean. Made in the USA. $189."

We operationalized brand similarity in terms of price level. In part, we did so to make the experiment more realistic, because retailers are more likely to mix high-equity brands with lesser-known brands of similar quality and lower price than with brands of lower quality and lower price. Furthermore, this manipulation provides a strong test of our hypotheses. Price, because of its importance in purchase decisions, is likely to be noticed and used in the decision process; it is likely to instigate the constructive process previously outlined, even though the brands are quite similar in terms of styling and quality. In the study, the price of the brand was varied, such that in the similar condition, the unfamiliar brand was priced the same as the high-equity brand, and in the dissimilar condition, the unfamiliar brand was priced 25% lower.

To manipulate display structure, we varied the layout of the catalog. The two brands were displayed either intermixed or separately. In the mixed condition, all exemplars of the same type of outfit from the two brands were intermixed on a double-page layout; in other words, the High-Equity Brand suits were intermixed with the Jessie Taylor suits, and so on. In the separate condition, the two brands were shown sequentially with all outfits (suits, dresses, and casual clothes) from one brand shown together, followed by all outfits from the other brand.

To manipulate display precedence, we varied the precedence given the high-equity brand in the catalog. Although this construct may be operationalized in many different ways, our approach varied the placement of the brand in the catalog headline and layout. In the mixed condition, the brand given precedence was the first brand in the left-hand position of the double-page layout; more important, it was the first brand mentioned in the headline. Thus, each page had a separate headline (e.g., "Introducing Spring Suits from High-Equity Brand and Jessie Taylor"). In the separate display condition, the context brand was shown either prior to or following the high-equity brand. Each section of the catalog was preceded by a page introducing the brand (e.g., "Introducing Spring Suits from High-Equity Brand [Jessie Taylor]").

Thus far, we have described a 2 (display structure) × 2 (display precedence) × 2 (brand similarity) design. We also included a control condition that allows for a direct measure of the equity of the high-equity brand by replicating the design using a fictitious brand name, "Erin Edwards," instead of High-Equity Brand. In other words, the catalog shown to one group of participants included High-Equity Brand and Jessie Taylor; the catalog for the second group included Erin Edwards and Jessie Taylor. A comparison of High-Equity Brand with Erin Edwards provides a direct measure of the value of the brand name (consumer-based brand equity), which is measured as the difference between the established brand and a fictitiously named brand with identical marketing programs (Keller 1993).

Design. The complete design is a $2 \times 2 \times 2 \times 2$ between-subjects factorial in which participants are assigned randomly to conditions. The brand to be evaluated, hereafter referred to as the "evaluated brand," was either High-Equity Brand or an objectively identical but unfamiliar brand name, Erin Edwards, which served as a control. The evaluated brand was presented in a context with the unfamiliar brand Jessie Taylor. The display structure (mixed or separate), precedence (evaluated brand or unfamiliar context brand given precedence), and similarity of the unfamiliar context brand to the evaluated brand (same price or lower price) were varied.

Dependent measures. To test $H_1$, we obtained measures of the perceived quality, value, and fair price of the high-equity brand, in that order. Perceived quality for each brand is measured as the average rating on seven seven-point semantic differential scales (good/poor quality, superior/inferior product, better/worse than average product, exceptional/ordinary merchandise, durable/flimsy construction, a lot/very little attention to details, very good/poor fabric, will/won't last a long time; Cronbach's alpha = .91). Value is measured as the average rating on three seven-point scales (value for the money, acceptability of price, and agreement that the brand is...
a bargain; Cronbach’s alpha = .82). Fair price is measured as the average estimated fair price for the brand’s suits, dresses, and casual clothes (Cronbach’s alpha = .81).

All the dependent measures are relevant to the question of whether context influences brand equity. From a managerial perspective, equity is defined as the incremental cash flow resulting from the brand name (Farquhar 1989; cf. Aaker 1991). To the extent that context reduces consumers’ perceptions of the overall value of the brand or the price considered fair, consumers are more likely to delay purchases until the product is marked down, thereby reducing brand revenues. Consumer perceptions of quality are also important because high-equity brands are associated with higher quality (Aaker and Keller 1990) and quality is perceived to be correlated with price (Rao and Monroe 1989; Zeithaml 1988).

Any effect of display structure, similarity, or precedence on brand equity is observed as an interaction with the evaluated brand. For example, if our manipulations do not erode equity, High-Equity Brand consistently will be evaluated more positively than the identical, but unfamiliar, control brand Erin Edwards. If, however, the high-equity brand loses equity in the mixed display when it is presented first and the context brand is similar in terms of price, the evaluation of the high-equity brand will exceed that of the control brand by a smaller amount in this condition than in other conditions. For this reason, we treat the evaluated brand contrast as our conceptual dependent variable. That is, we focus on whether the evaluated brand contrast is significant and whether the size of this effect varies, as we expect. For clarity, we refer to this as an “effect on brand equity” in the discussion that follows.

To test H2 and H3, we collected retrospective protocols of the judgment process following responses to the scaled items. These verbatims were coded for thoughts that indicate brand comparisons (e.g., “High-Equity Brand outfits are better constructed than the Jessie Taylor outfits,” or “I didn’t see much difference between the two brands”), as well as for the favorability of thoughts about the evaluated brand.

Analysis and Results

Brand valuations. Our hypotheses imply an equity × display structure × display precedence × brand similarity interaction of a particular form. Specifically, it is expected that (1) equity will be significantly lower (and perhaps nonsignificant) in both the mixed display, similar condition when the high-equity brand is given precedence and the mixed display, dissimilar condition when the unfamiliar brand is given precedence; (2) equity will be significant in all other display structure × similarity cells within each precedence condition; and (3) equity will not differ significantly among these same display structure × similarity cells within each precedence condition.

The mean ratings of both High-Equity Brand and Erin Edwards are presented in Table 1. Even though it is not our dependent measure, we also present the means for the equity contrast (the difference between the valuation of High-Equity Brand and Erin Edwards) to illustrate the size and direction of the effect on brand equity. A positive equity score indicates that valuations of the high-equity brand exceed those of the control brand, whereas a neutral or negative score indicates a complete loss of equity.

<table>
<thead>
<tr>
<th>Dependent Measure</th>
<th>Precedence Condition</th>
<th>Mixed Display Structure</th>
<th>Separate Display Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Different</td>
<td>Similar</td>
</tr>
<tr>
<td>Quality</td>
<td>Evaluated brand first</td>
<td>5.41</td>
<td>4.99</td>
</tr>
<tr>
<td></td>
<td>High-equity brand</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control brand</td>
<td>4.16</td>
<td>4.49</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td>1.26</td>
<td>0.50</td>
</tr>
<tr>
<td></td>
<td>Unfamiliar brand first</td>
<td>4.74</td>
<td>5.34</td>
</tr>
<tr>
<td></td>
<td>High-equity brand</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control brand</td>
<td>4.38</td>
<td>3.89</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td>1.36</td>
<td>1.45</td>
</tr>
<tr>
<td>Value</td>
<td>Evaluated brand first</td>
<td>4.08</td>
<td>3.54</td>
</tr>
<tr>
<td></td>
<td>High-equity brand</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control brand</td>
<td>3.37</td>
<td>3.83</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td>0.71</td>
<td>0.29</td>
</tr>
<tr>
<td></td>
<td>Unfamiliar brand first</td>
<td>3.31</td>
<td>3.97</td>
</tr>
<tr>
<td></td>
<td>High-equity brand</td>
<td></td>
<td></td>
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<td></td>
<td>Control brand</td>
<td>3.85</td>
<td>3.46</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td>0.54</td>
<td>0.51</td>
</tr>
<tr>
<td>Fair Price</td>
<td>Evaluated brand first</td>
<td>94.56</td>
<td>74.05</td>
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<tr>
<td></td>
<td>High-equity brand</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control brand</td>
<td>66.29</td>
<td>77.22</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td>28.27</td>
<td>3.17</td>
</tr>
<tr>
<td></td>
<td>Unfamiliar brand first</td>
<td>73.86</td>
<td>86.70</td>
</tr>
<tr>
<td></td>
<td>High-equity brand</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control brand</td>
<td>77.91</td>
<td>75.86</td>
</tr>
<tr>
<td></td>
<td>Equity</td>
<td>4.05</td>
<td>10.84</td>
</tr>
</tbody>
</table>

Notes: Equity contrast reflects the extent to which High-Equity Brand valuations exceed those of an identical unknown brand encountered in an identical presentation context. For each dependent variable, the bolded contrast is significantly lower than the remaining three contrasts in the same precedence condition and is not significantly different from zero.
Our predictions are strongly supported. Of our 27 planned comparisons (9 for each of the three dependent variables), 23 are as predicted, 1 marginally so, and mean differences in the remaining cases are in the predicted direction. As predicted by $H_1$, there is a significant equity $\times$ display structure $\times$ precedence $\times$ brand similarity interaction for quality ($F_{(1,231)} = 3.84, p < .05$) and fair price ($F_{(1,215)} = 3.70, p < .05$) but not for value ($F_{(1,232)} = 1.71, p > .19$). Because the pattern for value is similar to that for quality and fair price, we examine our planned interaction contrast for all three variables.

$H_{1a}$ suggests that, when the evaluated brand is given precedence, the equity of the high-equity brand—the extent to which its valuations exceed those of the identical, unfamiliar control brand—should be lower or nonsignificant when the unfamiliar context brand is similar and the brands are displayed intermixed. $H_{1a}$ is supported for value and fair price but not for quality. As we expected, in this condition, the equity contrast is not significantly different from zero for either value ($F_{(1,30)} = .61, p > .44$) or fair price ($F_{(1,26)} = .26, p > .61$). In contrast, the equity of the high-equity brand is significant (i.e., greater than zero) in the other similarity and display conditions ($F_{(1,85)} = 7.99, p < .01$ and $F_{(1,81)} = 24.12, p < .01$ for value and fair price, respectively), and these contrasts do not differ significantly from each other ($p > .37$). Furthermore, the difference between the mixed display, similar condition and the other three conditions is significant ($F_{(1,119)} = 4.47, p < .03$ and $F_{(1,123)} = 7.64, p < .01$ for value and fair price, respectively). In the case of quality, though the pattern is similar, these effects are not statistically reliable. Contrary to our prediction, equity is marginally significant when the unfamiliar brand is similar to the high-equity brand and the brands are displayed intermixed ($F_{(1,30)} = 3.29, p < .07$). Furthermore, though equity does not differ among the remaining cells ($F_{(2,86)} = 50, p > .61$) and is stronger in these cells as we expected ($F_{(1,86)} = 27.54, p < .01$), this difference is not statistically significant ($F_{(1,120)} = 2.00, p > .15$).

$H_{1b}$ suggests that, when the unfamiliar brand is given precedence, the equity of the high-equity brand should be lower or nonsignificant when the unfamiliar context brand is dissimilar and the brands are displayed intermixed. $H_{1b}$ is supported. As we expected, in this condition, the equity contrast is not significant for any of the dependent measures ($F_{(1,30)} = 1.94, p > .17$; $F_{(1,30)} = 1.51, p > .22$; and $F_{(1,25)} = .20, p > .65$ for quality, value, and fair price, respectively). In contrast, equity of the high-equity brand is significant (i.e., greater than zero) in the other similarity and display conditions ($F_{(1,85)} = 35.30, p < .01$; $F_{(1,87)} = 7.40, p < .01$; and $F_{(1,80)} = 6.08, p < .01$ for quality, value, and fair price, respectively), and these contrasts do not differ significantly from one another ($p > .20$). Furthermore, the difference between the mixed display, dissimilar condition and the other three conditions is significant for quality and value ($F_{(1,119)} = 5.80, p < .02$ and $F_{(1,121)} = 6.20, p < .01$) and marginally significant for fair price ($F_{(1,110)} = 2.60, p < .10$).

Comparative processing. $H_2$ is tested using the verbal protocols, which were coded for explicit comparison between the context and the evaluated brand. Protocols were coded independently by two coders blind to conditions; a third coder resolved discrepancies. Agreement regarding comparative processing was 77%. We used logistic regression to examine the dichotomous variable that indicated brand comparisons. The results support $H_2$. As we predicted, the context brand is more likely to be used in judging the high-equity brand in the conditions in which we expect constructive processing. For the high-equity brand, the display structure $\times$ display precedence $\times$ similarity interaction is significant (Wald $c^2 = 5.57, p < .02$). (This interaction is not significant when the control brand, Erin Edwards, is the evaluated brand [$p > .90$].

As predicted by $H_{2a}$, if the high-equity brand is given precedence, brand comparisons are more likely to be incorporated into valuations of the high-equity brand when the brands are intermixed and the unfamiliar context brand is similar than they are in other conditions (proportions $= .50$ versus .23 in the mixed display, similar condition and other conditions, respectively; Wald $c^2 = 3.81, p < .05$). The proportions in the other three conditions do not differ significantly from one another ($p > .41$). As predicted by $H_{2b}$, if the unfamiliar brand is given precedence, brand comparisons are more likely to be incorporated into valuations of the high-equity brand when the brands are intermixed and the unfamiliar context brand is different than they are in other conditions (proportions $= .56$ versus .19 in the mixed display, dissimilar condition and other conditions, respectively; Wald $c^2 = 7.31, p < .01$). The proportions in the other three conditions do not differ significantly from one another ($p > .71$).

Favorability of brand thoughts. $H_3$ also is tested using the verbal protocols. Thoughts about the evaluated brand were coded as unfavorable (−1) or favorable (+1), and a summed favorability score was computed for each participant. Coding was completed by a coder blind to the conditions. The results provide partial support for $H_3$. As we predicted, thoughts about the high-equity brand are less favorable in the conditions in which we expect constructive processing, though this effect is significant only when the unfamiliar brand is given precedence. For the high-equity brand, the display structure $\times$ display precedence $\times$ similarity interaction is significant ($F_{1,118} = 5.35, p < .02$). (This interaction is not significant when the control brand, Erin Edwards, is the evaluated brand [$p > .32$].

As predicted by $H_{3a}$, if the high-equity brand is given precedence, thoughts about the high-equity brand are less favorable when the brands are intermixed and the unfamiliar context brand is similar than they are in other conditions, though this difference is not significant (means $= .35$ and 1.36 in the mixed display, similar condition and the other conditions, respectively; $F_{1,61} = 1.75, p < .19$). Again, the means in the other three conditions do not differ from one another ($p > .34$). As predicted by $H_{3b}$, if the unfamiliar brand is given precedence, thoughts about the high-equity brand are less favorable when the brands are intermixed and the unfamiliar context brand is different than they are in other conditions (means $= .88$ and .57 in the mixed display, dissimilar condition and other conditions, respectively; $F_{1,61} = 5.90, p < .02$). The three remaining conditions do not differ from one another ($p > .78$).

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6A significant equity contrast could indicate effects of the independent variables on either the high-equity or the control brand. For the high-equity brand, the display structure $\times$ display precedence $\times$ similarity interaction is significant or marginally significant for quality ($F_{(1,171)} = 3.45, p < .07$), value ($F_{(1,172)} = 2.36, p < .13$), and fair price ($F_{(1,167)} = 7.06, p < .01$). For Erin Edwards, this interaction is not significant for any of the dependent measures ($p > .34$), which indicates that the effects described here are attributable to the effects of contextual factors on evaluations of the high-equity brand.
Manipulation Check of Display Precedence and Brand Expectations

Two assumptions are important to our interpretation of these results. The first is that the precedence manipulation (order of presentation) affects perceived precedence as intended. The second is that perceived brand precedence creates expectations regarding brand similarities and differences. This second assumption could not be tested within the main study, because we expected some of the brand information to disconfirm expectations, which would result in constructive processing that could alter the expectations initially created by display precedence. Therefore, we conducted these manipulation checks in a separate study in which precedence was manipulated but brand information was omitted. Materials and instructions were identical to those for the mixed display condition, except that it was noted that descriptions for the outfits were not yet included in the catalog. Participants were 26 members of a mothers-of-twins club who completed the study for a $2 per person contribution to the organization. They were assigned randomly to the two precedence conditions. Dependent measures were perceived precedence (which brand has top billing and which is featured) and expected similarity (price, quality, and overall similarity).

We report the results in Table 2. Both manipulation checks confirmed our assumptions. As we expected, the brand that is first in the headline and leftmost in the display is rated as having top billing and being featured more prominently ($F_{(1,24)} = 13.34, p < .01$, one-tailed). Also as we expected, when the high-equity brand is given precedence, the unfamiliar brand is anticipated to be lower priced, lower quality, and less similar, whereas when the unfamiliar brand is given precedence, the brands are anticipated to be similar ($F_{(1,24)} = 3.39, p < .04$, one-tailed).

DISCUSSION

The objective of this research is to examine whether the equity of an established brand can be influenced by context, in particular, by the retailer's presentation of the brand. We find that context influences consumer valuations of established brands, in some cases completely negating the equity of the brand. Our general theoretical proposition is that consumers have expectations about retail displays and the relationship among brands and that display conditions that disconfirm these expectations can lead to reevaluation of the brand. We tested this proposition in a situation in which a familiar high-equity brand is encountered in the context of an unfamiliar brand. Expectations were varied using display structure and precedence; these expectations are confirmed or disconfirmed by varying brand similarity. We find strong support for our model.

We suggest that whether context brands are considered diagnostic to judgments of a high-equity brand depends on display structure, that is, whether brands are displayed intermixed or separately. Consistent with this proposition, we find effects on processing and judgment only in mixed displays. We further argue that the precedence given to brands in displays creates differing expectations regarding brand differences or similarities. As we expected, differences are anticipated when a high-equity brand is given precedence, whereas similarities are anticipated when an unfamiliar brand is given precedence. We next propose that, when context brands violate these expectations, constructive processing ensues. Our results support this proposition; we find greater comparative processing when context brands disconfirm expectations. Finally, we suggest that for the situations we examine, in which an unfamiliar brand is similar to or lower in price than the high-equity brand, constructive processing will increase the accessibility of less favorable thoughts about the brand, thereby lowering brand valuations. Again, our protocols and judgment data are consistent with this proposition.

Theoretical Implications

Our results contribute to the growing literature that shows that judgments often are constructed on the basis of inputs made momentarily salient by the context (Feldman and Lynch 1988; Wilson and Hodges 1992). Display structure and precedence can create situations in which context brands cue thoughts about less favorable aspects of a high-equity brand, thereby lowering its reported valuation. If such effects were limited to reports, they would be of interest primarily as a methodological artifact. However, brand valuations thus constructed can and do influence subsequent behavior when they are accessible and diagnostic (Millar and Tesser 1986; Sherman et al. 1978). Furthermore, because displays are encountered during decision making, their potential to create judgments that are accessible and diagnostic to behavioral decisions is high.

Display structure. Prior research has demonstrated that display format influences decision and choice processes by making it easier to acquire and use information cues (for a review, see Bettman, Johnson, and Payne 1991) and by making salient certain characteristics of the consideration set (e.g., Hsee and Leclerc 1998; Simonson, Nowlis, and Lemon 1993). We suggest that, in addition to influencing accessibility, display structure affects diagnosticity; that is, display structure determines whether context brands are considered relevant to judgments of a high-equity brand. Furthermore, we examine moderators of the effects of display structure that are of theoretical and practical importance. Simonson, Nowlis, and Lemon (1993), for example, find that mixed displays (i.e., organized by model) have an advantage over separate displays (i.e., organized by brand).

![Table 2](image-url)
A more complex picture emerges from our data. This difference may arise from our inclusion of display precedence and brand similarity variables, both of which capture some of the complexity of real-world displays. 

Display precedence. Although the importance of display structure in decision processes is well documented, display precedence has received less attention. We show that display precedence can affect judgments by making accessible expectations about brand differences or similarities, which in turn influence brand judgments. Such expectations also have been found to moderate the effects of brand extensions on core brand valuations. Loken and John (1993), for example, find that whether the core brand was hurt by a dissimilar extension depended on whether expectations of differences were made accessible. For subjects for whom expectations of differences were made salient when they were asked to rate the extension's typicality, the extension did not dilute the value of the core brand. For those who did not expect differences, the dissimilar extension lowered core brand evaluations. Such findings underscore the importance of variables, such as display precedence, that systematically influence the accessibility of expectations about brand differences and similarities and thereby influence judgment and decision making.

Brand valuations. We consider three dimensions of brand value: quality, fair price, and overall value. Our strongest effects are on estimates of fair price, the weakest on quality. There are several reasons for this difference across measures. First, we manipulate similarity by varying the price of the unfamiliar brand. Second, pretests indicated that consumers rate the brand as high in quality but low in value because of its higher price. Thus, it seems likely that, in sampling their database of information about the brand, they are more likely to focus on negative aspects of brand value. Third, we expect that this ordering of effects may reflect a tendency for those measures related to value to depend more on a frame of reference and, thus, to be more susceptible to context effects (cf. Zeithaml 1988).

Managerial Implications

A key goal of any marketing program is to develop and maintain strong positive attitudes toward the brand. The good news is that consumers rely on these previously formed attitudes in forming judgments about the brand in most conditions. One of the ways manufacturers can help ensure that this occurs is to dissociate their brand from others through separate displays. Consumers have come to understand displays—particularly separate displays—as indicators of the brand's differentiation from other brands; this in itself may help reinforce the manufacturer's efforts to build and maintain brand image. More important, however, it also protects the brand from context effects by reducing the extent to which other brands are regarded as diagnostic or relevant.

It would be naive to suggest, however, that retailers would or should accommodate every manufacturer's request for separate displays. Display space is one of the retailer's greatest assets, and it is allocated to maximize store profits, not the profits of a particular brand. Therefore, it is important to understand how to protect a brand when separate displays are not feasible. We find that, as long as context brands in mixed displays are consistent with expectations created by the display context, consumers are likely to rely on stored judgments. Here, we created expectations through display precedence, but there may be other strategies for influencing the perceived relationship among brands. Such strategies may be less intrusive to the retailer, and therefore more acceptable, than manipulations of display structure.

The bad news is that context can create conditions in which consumers are likely to rely less on previously formed attitudes and more on external cues. Despite the extensive marketing efforts involved in maintaining a high-equity brand's positioning, retailers are able to negate the equity of an established brand through their display decisions. This deterioration of brand equity has obvious implications for the brand in the long run, but it may even influence profitability in the short run. Consider, for example, the impact of display structure and precedence on the estimated fair price for the high-equity brand. Compared with when the brand is presented separately (and prior attitudes are more likely to be used), consumer estimates of fair price decrease by as much as 30% in conditions in which judgments are constructed. To the extent that display characteristics reduce the price that is considered fair, consumers are more likely to delay purchases until the product is marked down, with obvious implications for brand revenues.

Retailers perform a much greater role in the value chain than the physical distribution of goods. Because they control the ultimate presentation of the brand to the consumer, retailers have the ability to influence the effectiveness of brand communications and, ultimately, brand equity. Furthermore, the role played by retailers in brand communications extends beyond the match between store and brand image to more complex issues, such as a deeper understanding of how brands relate to one another. If for no other reason, this influence suggests that manufacturers, particularly those that have invested in building their brand names, must recognize the role played by retailers in developing and maintaining brand equity.

Limitations and Directions for Further Research

Although the results of the studies presented here are consistent with our theoretical account of how display structure and precedence can shape judgments, much work needs to be done to understand the effects of presentation context on brand equity. One important issue is the generality of these effects. We focused on fashion goods, in part because our work was initiated by interviews with industry informants who suggested that brand equity is influenced by retail presentation. For fashion items, variations within the product line, as well as frequent changes in styling and design, may render previously stored judgments less diagnostic, thereby increasing the probability of context-induced constructive processing. However, we expect judgments to be similarly subject to reevaluation anytime there is ambiguity in judgment, as may be true when the product is complex (cf. Ha and Hoch 1989) or the decision maker is a novice in the category. Furthermore, nonusers of the brand, whose attitudes have not been formed by direct experience and are therefore less accessible and less strongly held (Fazio et al. 1986), also may be more subject to context-induced constructive processing.

We examined conditions that are best characterized as reflecting moderate inconsistency. A variety of research sug-
gests that high levels of inconsistency may block, rather than encourage, constructive processing (e.g., Loken and John 1993; Sujan and Bettman 1989). Therefore, the effects we obtain may not generalize to extreme violations of expectations, as when an obviously low-quality brand is given precedence over a high-quality brand.

We limited our examination to a simple context that included only one other brand. Including multiple brands would be a more realistic representation of the retail environment. Furthermore, it seems likely that a more complex brand portfolio would influence key effects in our model, including the relative diagnosticity of context brands and the expectations created by precedence and similar manipulations. Both field and experimental research that model the complexity of retail environments are needed.

Finally, we proposed that mixed displays increase the diagnosticity of context brands, but we did not obtain measures to verify this expectation. It remains possible that the effects we observed for mixed displays depend on accessibility as much as on diagnosticity. That is, the context brand may have been more likely to influence judgments, simply because it was more readily available for comparison in mixed displays. However, given our finding that consumers have expectations regarding the meaning of precedence in displays, it seems likely that mixed displays also convey meaning.

Contribution

To summarize, our results show that high-equity brand valuations can be influenced by presentation context, and thus, they validate the concerns of industry informants. Furthermore, we demonstrate that valuations of a high-equity brand are more likely to be hurt when display factors lead to constructive processing. Much of the literature on branding has focused on the need for creating strong, positive attitudes toward the brand and the importance of consistent marketing cues in this process. Our research adds to this work by demonstrating the importance of understanding situational and contextual factors to defend the equity of the brand when it is established.

It is relatively straightforward to advise managers to develop internal consistency for the individual elements of the marketing mix (e.g., to ensure that the image of a retail outlet is congruent with that of the brand). It is, however, infinitely more difficult to develop this consistency in the actual implementation of the mix (e.g., to ensure that the retail display of the brand codifies and reinforces that image). Thus, though understanding the impact of the specific marketing decisions presents a greater challenge to practitioners and academicians alike, it is imperative to our understanding of how to protect the equity of brands in the long run.

REFERENCES


Park, C. Whan, Bernard J. Jaworski, and Deborah J. Maclnnis

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