

HOW DO CONSUMERS EVALUATE BRAND- EXTENSIONS A FIVE-FACTOR APPORACH

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1.0.0 OBJECTIVE OF THE STUDY

The purpose of the study was to examine and empirically test how consumers in Pakistan evaluate close brand extensions in reference to variables such as (1) Brand Similarity (2) Brand Reputation (3) Multiple Brand Extension (4) Parent Brand Characteristics (5) Brand Concept consistency.

2.0.0 LITERATURE SURVEY

2.1.0 BRAND EXTENSION

Some of the commonly used definitions of brand extensions are as follows: Using an established name of one product class for entering another product class (Aaker 1991). A strategy commonly used by firms for using established and successful brand name for launching a new or modified product. (Kotler & Armstrong 1990). Using an established brand name for launching a new product into product category which is new to the company is known as franchise strategy (Harman, Price & Duncan 1990).

Brand extension could be further classified into three brand categories that is (1) Horizontal Extension (2) Distance Extension and (3) Vertical Extension (Kamal

2003). In “*Horizontal Extension*” concept the existing product name is used for extending to a new product in the same product class or to a product category new to the company (Kamal 2003).

Close extensions are those where the distance between the core product and extended product is nominal. *Distance extensions* are the extension to unrelated product category. In this case overall quality association of core brand is necessary for success (Pita & Katsanis 1995). Distancing is a deliberate effort to increase the perception distance of the core brand and extension product (Kamal 2003). While using an umbrella branding the same brand name is used for several products. Firms following this strategy must ensure that the quality perception of the core products get transferred to all the extensions (Erdem 1998)

In *Vertical Extensions* a related brand is launched in the same product category with different price and quality level. The vertical extension has two directions. If the new product is of higher quality level with higher pricing, it will be called up-scaling. On the other hand if the extended brand quality is low and also of lower pricing it will be known as down-scaling (Kamal 2003).

Vertical scaling is generally less risky; therefore, it is more acceptable strategy for the management. It is not successful for all functional products. For example Gillette Gold tone plated-11 in prestige gift box was not successful (Kamal 2003). However, the upscale extensions are more acceptable for prestige products where the requirement is to sell small quantities of the product (Kamal 2003). The scale down strategy is found to be more effective in functional products such as stripped down version of computer software at low price. In this case the consumers know that the new product is inferior in terms of quality but is appropriate in terms of prices. (Kamal 2003)

Down scale strategy has adverse impact in case of prestige branding. The core customers of prestige brand in this case may feel that they have been cheated and the image of core brand has been tarnished. Pier Cardin pen in India at Rs.7 turned off the core brand users and they moved away from the prestige brand as they thought that “designer label” was now in the reach of every one (Kamal 2003).

2.2.0 VARIABLES INFLUENCING BRAND EVALUATION

a) Similarity

Similarity refers to degree of resemblance of consumer perception between extended brand and core brand (Smith & Park 1992). If the level of similarity is higher between the core and extended brand category then the extended brands would have more chances of inheriting the positive and negative aspects of the core brand (Aaker & Keller 1990; Park, et al. 1991; Boush & Loken 1991). This conjecture is based on the premise that consumers attitude will be more favorable towards those extension where they find higher level of congruence between the extension and the original brand (Boush, et al. 1987).

b) Reputation

The basic assumption in brand extension strategy is that the leverage providing capabilities of parents' brands to extensions vary from brands to brands. It is higher for stronger brand and lower for weaker brand

(Aaker & Keller 1992; Smith and Park 1992). Brand reputation refers to consumer's perceptions on the quality associated with a brand (Aaker & Keller 1990; Barone, et al. 2000). The consumers tend to evaluate those brands more favorably that have higher perceived quality as compared to low perceived quality brands (Aaker & Keller 1990; Keller & Aaker 1992; Sunde & Brodie 1993; Dacin & Smith 1994; Bottomley & Doyle 1996). Reputation in the above studies have been conceptualized as a combination of (a) product quality, (b) firm's marketing activities and (c) acceptance in the market place (Fombrun & Van Riel 1997). Consumer while evaluating higher perceived reputation brand would feel that it is comparatively less risky, thus their evaluations would be more positive towards these brands as compared to brands carrying lower brand reputation (Wernerfelt 1988; Zeitham Parasuraman & Berry 1985).

c) Multiple Brand Extensions and Evaluation

The brand association is dynamic for those firms that aggressively follow growth strategy through multiple-brand extension. The consumer perception of brand image and its association change with the introduction of brand extension. Thus this process has an impact on the perception of fit between a brand and its future extension. On the introduction of new brand extension the consumer recalls the previous perception of the brands and modifies it that affects the fit between a brand and its future extension. (Lynch & Thomas 1982). Keller and Aaker (1992) have suggested that the relationship between core brand and its extension would be moderated on previous brand extension history and the quality levels of the parent brands. If the firm has a history of brand extension then the consumer while evaluating the brand extension would see (1) if previous extensions were successful or not (2) If there is any similarity in the core brand and proposed extension (Keller & Aaker 1992). If the brand extension were "dissimilar" (lacked fit) then it will adversely affect the consumer quality perception and consumer will also be adversely affected. The new brand extension would also be affected if there is no parity between the quality of the core brand and intermediate extension. If the quality of the intermediate brand is lower than the core

brand the consumer evaluation would be low. Intermediate brand will improve perception of core brand if the quality of intermediate brand is of average level. If there is parity between intermediate and core brand then there will be no change of perception on proposed brand (Kapoor 2005).

d) Parent Brand Characteristic & Evaluation

The terms such as product attributes, product benefits and costumers characteristics are generally used for conceptualization of brand Association (Keller 1993). Brand names such as “Sony” have broad association and are used for diversified range of products. The brand such as “close-up” has narrow association and is used for one or few products (Bousch & Loken, 1999).

Product portfolio characteristics of parent brands generally have moderating effect on product category fit and the evaluation of parent brand (Dacin & Smith 1994). Dacin and Smith (1997) studied the impact of (1) number of products associated with brand (2) the quality of variance across these products, and (3) the relatedness of product to each other and the parent brands.

Dacin and Smith (1994), major findings were: The consumer’s confidence on brand extension evaluation would be positive for brands that are associated with several products, provided there is no significant parity between the qualities of products. In fact addition of product would have positive evaluation, provided the quality level of additional product is the same. Their research also indicates that indiscriminately brand extensions into unrelated product, even if the quality of the core brand is high, are not advisable. Therefore, the first extension should be into moderated categories and then to unrelated category. This stepwise extension from one category to moderated unrelated category would help the consumer in maintaining the perception of relatedness.

A brand name may have association with several products. The level of association of all the products related to brand may vary. Products, which have strong

association with the core brand, could be easily evaluated by the consumers. Contrarily, products that have weaker association with the core brand are dependent on a certain degree of “cues” for evaluation purpose (Kapoor 2005).

e) Brand Concept Consistency & Extension

The market is dynamic and always changing. In response to these dynamic markets, firms modify there offering, enter different market segments, and reposition their offering. In view of such complexities, the measure of fit while introducing brand extension may be relevant in one situation and not in another situation (Kapoor 2005). Park et.al. (1991) were of the opinions that the validity of fit measure between core brand and brand extension based only on one factor i.e. similarity could be a debatable issue. They were of the opinion that consumer evaluation would only be positive for those brand extensions that have consistency in the brand concept. Brand concept is “Brand unique abstract, meaning (e.g. high status that typically originate from a particular configuration of product features.(eg. high price, expensive looking design, etc.) and a firms efforts to create meanings for these arrangements (eg. the relentless pursuit for perfection by Lexus)” (Park .et, al. 1991, p.186)

Object similarity may be vital, but may not fully explain the brand category fit for an extension. Two objects may have several common physical attributes, but the brand concepts of both the objects may be entirely different. For example Sieko and Rolex watches share several product level features but as far as brand concepts of the two watches are considered, Seiko has reputation of functional brand and Rolex as prestige brand (Park et al 1991). Thus the perceived fit is combination of: (1) product feature similarity, and (2) brand concept consistency. (Kapoor 2005)

3.0.0 HYPOTHESES

- H1: Brands extended to similar category would have a positive consumer evaluation.
- H2: The consumer evaluation of brand extension would be positive for those brand extensions

whose parent's brand has stronger reputation.

- H3: Consumer evaluation would be positive for those companies that have a reputation of introducing multiple brand extensions.
- H4: Consumer would evaluate those brands positively that have strong association as compared to those that have weaker association.
- H5: The consumer's brand evaluation would be positive for those brands that have more "concept consistency".

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4.0.0 METHODOLOGY

a) Stimuli Selection

There are more than 30 brand extensions associated to FMCG in Pakistan. A focus groups discussion was held in which the respondents' were asked to identify two brand extensions, which have "close distance". Thus the following two brand extensions were finalized:

- a) Tapal Tea and Tapal Tea Bag.
- b) Lifebuoy Soap and Lifebuoy Shampoo.

b) Measurements

The dependent variables and independent variables of this study are presented below along with discussions on how they were measured:

c) Dependent Variable

The dependent variable for the study was "consumer evaluation" of brand extension. Keller and Aaker (1992) have used the following statement for measuring overall evaluation: "I am very positive to the extension of XYZ." In this study the same was used for measuring consumer evaluation of brand extension.

d) Independent Variables:

i) Similarity

Similarity between the parent's brand and extension was measured by using the concepts of Aaker and Keller (1990) and Smith and Park (1992) by asking the

respondents to rate the similarity between the core brand and extended brand of the two brand extensions used in this study as stimuli.

ii) Reputation of Parent Brand

Aaker and Keller (1990); Loken & John (1993) have used similar measure for measuring reputation of parent brand. The questions derived from their conceptual definitions were: (1) Altogether I am very positive with the brand XYZ (2) Altogether I am very satisfied with the brand XYZ. (3) Altogether I associate positive things with the brand XYZ. In this study the above statements were used in the questionnaire.

iii) Multiple Brand Extensions

Aaker (1992) has found a relationship between the brand extension history and the consumer evaluation of the brand. Respondents in this study were asked to rate the reputation of the companies on the scale of five to one for introducing multiple brands.

iv) Parents Brand Characteristics

Smith (1994) has defined parent's characteristics in reference to broad and narrow association. Brands like Sony have broad association as these brand names are used with several products. Brands like close-up have narrow association as this brand name can only be used for limited number of products. Based on this construct, the respondents were asked to rate the selected brands in terms of broad and narrow association.

v) Parent Brand Consistency

The independent variable parent consistency has been defined by (Park.et.al 1991) in terms of price and product expensive design. In this study the respondents were asked to rate the two selected brands in terms of "price perception" and "expensive design perception".

e) Sample Size

The sample size for the subject study was 700. Karachi is divided into 18 towns with different level of populations. Stratified proportionate non-random sampling technique was used for drawing 700 samples.

5.0.0 RESULTS AND DISCUSSIONS

5.1.0 Hypothesis One:

The hypothesis postulate that brands extension to similar category would have positive consumer evaluation as compared to those brands that have been extended to non-similar category. Two brand extensions were used as stimuli. The summarized regression results are presented below:

Table Number-1

Summarized Regressions on overall evaluation and similarity

Parent brand	Extension	R ²	T-value	Coefficient	Mean of overall evaluation	Mean of similarity
Tapal tea	Teabag	0.89	74.24	0.95	4.46	4.49
Lifebuoy Soap	Shampoo	0.82	56.12	0.89	4.54	4.80

The respondents found high levels of similarities between brand extensions of “Tapal Tea viz. Tea Bag” and “Lifebuoy Soap viz. Shampoo”. The relationships of variables “Similarities”, and “Consumer Overall Evaluation” for the brands extensions “Tapal Tea Viz. Tea Bag” and “Lifebuoy Soap Viz. Shampoo” shows very strong relationships with coefficient of determinations being 0.89 and 0.82, respectively. The Betas were 0.95 and 0.89 for brands “Lifebuoy” and “Tapal”, respectively.

5.2.0 Hypothesis Two:

The hypothesis postulates that the evaluation of brand extension would be positive for those brands whose parents’ brands have stronger reputation. The summarized regression results are presented below:

Table Number-2

Summarized Regressions on overall Evaluation and Reputation of Parent Brand

Parent brand	Extension	R ²	T-value	Coefficient	Mean of overall evaluation	Mean of reputation
Tapal tea	Teabag	0.64	35.07	0.76	4.46	4.35
Lifebuoy Soap	Shampoo	0.88	69.95	0.94	4.54	4.80

The results indicate that strong relationships exist on “Brand Reputation” and “Consumer Evaluation for the brand extensions “Tapal Tea viz. Tea Bag” and

“Life Buoy viz. Shampoo”, with R² being 0.64 and 0.68. Incidentally, the reputations of these two brands were high with means of 4.35 for “Tapal” and 4.80 for “Lifebuoy”.

5.3.0 Hypothesis Three

The hypothesis postulates that the consumer evaluation of those brand extensions would be positive that have history of introducing multiple brands. The summarized regression results are presented below:

Table Number-3

Summarized Regressions on Reputation of Introducing Multiple Brand and Overall Evaluation.

Parent brand	Extension	R ²	T-value	Coefficient	Mean of overall evaluation	Multiple branding
Tapal tea	Teabag	0.30	17.12	0.42	4.46	4.19
Lifebuoy Soap	Shampoo	0.18	12.28	0.34	4.54	4.23

The Respondents were of the opinions that brands “Tapal Tea” and “Lifebuoy” have a stronger reputation of introducing multiple brand extensions with mean of 4.19 and 4.23.

The relationships between “Perception of Multiple Branding” and “Overall Evaluation” was found to be weak with coefficient of determinants being 0.30 for brand extensions “Tapal Tea viz. Tea Bag”, and 0.18 for “Lifebuoy Soap viz. Lifebuoy Shampoo”.

5.4.0 Hypothesis Four

The hypothesis postulates that the consumer evaluation of those brand extensions would be positive that have “strong association” Association means flexibility in the brand name for extending into various product categories. The summarized regression results are presented below:

Table Number-4

Summarized Regressions on Association and Overall Evaluation and Innovativeness

Parent brand	P. value	F value	R ²	Coefficients	Mean of overall evaluation	Multiple Branding
Tapal	0.02	883.93	0.30	0.42	4.46	4.19
Lifebuoy	0.00	8.06	0.18	0.34	4.54	4.23

The respondents were of the opinion that the brand “Tapal” and “Life Buoy” had the strong reputation for

introducing multiple brands with mean of 4.34, and 3.47, respectively

However, the relationships between the “Multiple Branding” and “overall evaluation” were found to weaker for both Tapal and Lifebuoy R^2 being 0.30 and 0.18, respectively.

5.5.0 Hypothesis Five

The hypothesis postulates that the consumer evaluation of those brands extension would be positive whose parent brands have “more concept consistency”. Concept consistency relates to “Price” and “Design”. The summarized results are presented below:

Table Number-5

Summarized Regressions on Consistency and Overall Evaluation

	R^2	P	F	Coefficient of price	Coefficient of design
Tapal	0.73	0.00	942.71	0.01	0.74
Lifebuoy of lifebuoy	0.31	0.00	155.81	0.40	0.18

The relationship between “overall consistency” and “consumer evaluation” was strongest for brand “Tapal” with coefficient of determination being “0.73” and weaker for Lifebuoy with coefficient of determination being 0.31.

For brand “Tapal”, the “coefficient of design” was significantly stronger than coefficient price “betas” being 0.74 and 0.01, respectively. This indicates that in the relationship of “consistency” and “overall evolution” of Brand “Tapal”, the contribution of “design” is comparatively stronger, than the “contribution of “price”

For the brands “Lifebuoy” the coefficient of Price is stronger than the coefficient design.

6.0.0 SUMMARY AND CONCLUSION

The subject study lacks robustness and the finding could not be generalized based on two stimuli. However, increasing the stimulus would have increased the respondents’ fatigue and would have made the result meaningless.

The summarized results are presented below:

- The relationships of variables “Similarities”, and “Consumer Overall Evaluation” for the brands extensions “Tapal Tea Viz. Tea Bag” and “Lifebuoy Soap Viz. Shampoo” shows very strong relationships with coefficient of determinations being 0.89 and 0.82 respectively. The Betas were 0.95 and 0.89 for brands “Lifebuoy” and “Tapal”, respectively.
- Strong relationships exist on “Brand Reputation” and “Consumer Evaluation for the brand extensions “Tapal Tea viz. Tea Bag” and “Life Buoy viz. Shampoo”, with R^2 being 0.64 and 0.68, respectively.
- The relationships between “Perception of Multiple Branding” and “Overall evaluation” was found to be weak with coefficient of determinants being 0.30 for brand extensions “Tapal Tea viz. Tea Bag”, and 0.18 for “Lifebuoy Soap viz. Lifebuoy Shampoo”, respectively.
- However, the relationships between the “Multiple Branding” and “overall evaluation” were found to weaker for both Tapal and Lifebuoy R^2 being 0.30 and 0.18, respectively.
- The relationship between “overall consistency” and “consumer evaluation” was the stronger for brand “Tapal” with coefficient of determination being “0.73” and weaker for Lifebuoy with coefficient of determination being 0.31.

For brand “Tapal”, the “coefficient of design” was significantly stronger than coefficient price “betas” being 0.74 and 0.01, respectively. This indicates that in the relationship of “consistency” and “overall evolution” of Brand “Tapal”, the contribution of “design” is comparatively stronger, than the “contribution of “price”. For the brands “Lifebuoy” the coefficient of Price is stronger than the coefficient of design.

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ANNEXURE-1

QUESTIONNAIRE

SIMILARITY

Q1 Rate the similarity of the following brand extensions on the scale of 1-5. Five being very "**Very Similar**" and one being "**not similar**" at all.

	PARENT BRAND	EXTENDED BRAND	
1.1	Tapal tea	Tapal tea bag	5 4 3 2 1
1.2	Life buoy soap	Life buoy shampoo	5 4 3 2 1

REPUTATION

Q2 Rate the "**Reputations**" of the following brand extensions on the scale of 1-5. Five being "**very high reputation**" and one being "**very low reputation**".

	PARENT BRAND	EXTENDED BRAND	
2.1	Tapal tea	Tapal tea bag	5 4 3 2 1
2.2	Life buoy soap	Life buoy shampoo	5 4 3 2 1

MULTIPLE BRANDS

Q5 Rate which of the core brands have a strong reputation of introducing "**Multiple brands**". Five being very high reputation and one being very low reputation

	PARENT BRAND	EXTENDED BRAND	
1.1	Tapal tea	Tapal tea bag	5 4 3 2 1
1.2	Life buoy soap	Life buoy shampoo	5 4 3 2 1

PARENT BRAND CHARACTERISTICS

- Q6 Rate which of the core brands have a “association” of the following brands Five being very “**strong association**” and one being very “low association” Strong association is “brand like “Sony” that can be used for multiple Products.

	PARENT BRAND	EXTENDED BRAND					
1.1	Tapal tea	Tapal tea bag	5	4	3	2	1
1.2	Life buoy soap	Life buoy shampoo	5	4	3	2	1

BRAND CONCEPT CONSISTENCY

- Q7.1 Rate your “**price perception**” about the following core brands. Five being very high and one being very low

	PARENT BRAND						
1.1	Tapal tea	5	4	3	2	1	
1.2	Life buoy soap	5	4	3	2	1	

BRAND CONCEPT CONSISTENCY

- Q7.2 Rate your “**design perception**” about the following core brands. Five being very expensive and one being not expensive at all.

	PARENT BRAND						
1.1	Tapal tea	5	4	3	2	1	
1.2	Life buoy soap	5	4	3	2	1	

OVERALL CONSUMER EVALUATION OF THE BRAND

- Q8 Over all I am very positive to the following extensions. Five being very Positive and one being not very positive

	PARENT BRAND	EXTENDED BRAND					
1.1	Tapal tea	Tapal tea bag	5	4	3	2	1
1.2	Life buoy soap	Life buoy shampoo	5	4	3	2	1