

Customer Evaluation of Brand Extensions

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Abstract — Today, companies use the brand in order to differentiate themselves from their competitors and to communicate unique benefits of their products. Once a brand is established, the brand name itself is thought to add value to the product in the minds of consumers. This added value transforms into brand extensions many times. Companies provide buyers with several related or unrelated categories of extensions of the brand. Some of these brand extensions become a success story whereas some of them do not. So, what becomes critical for the company is to know how the customer evaluates the brand across different product categories. This paper tries to examine customer evaluations for brand extensions taking a small case of two brands Vivel and Head & Shoulders for the hypothetical brand extensions. These two cases clearly depict the role of eight variables as mentioned in the paper in brand extensions.

I. INTRODUCTION

According to Keller, a brand extension happens when any organization capitalizes the brand image of an established brand to introduce a new product either in the related or unrelated category. When this new product is combined with an existing brand, the brand extension can also be referred as a sub-brand. The existing established brand that gives birth to the brand extension is referred as the parent brand. If the parent brand is actually associated with multiple products through brand extensions, then it may also be referred as a family brand. Brand extension is also referred as Brand Stretching Organizations quite often implement this strategy to enhance and leverage brand equity. A brand's "extendibility" depends on how strong consumer's associations are to the brand's values and goals [1].

Around 80 percent to 90 percent of new products in any year are product line extensions. The establishment of the new brand has such a huge cost burden due to which firms are often motivated to use brand extensions for their new product strategy. Brand extension is one of the new product development strategies which helps in reducing the financial risk by associating the parent brand name with the new product. This ultimately helps to enhance consumers' perception due to the core brand equity. While there are some notable benefits of brand extension strategies, there can also be some significant risks. In certain cases, the brand extension may result in a diluted or severely damaged brand image. This dilution may be the result of poor choices for brand extension. There are several studies in the literature that focuses on the positive and negative impact on parent brand. The literature tries to identify the reasons for success and failures of brand extensions. It has been seen that the failures of brand extension are at a higher rate than the successes. Some studies show that negative impact may dilute brand image and equity of the parent brand. In short, there are a number of advantages and disadvantages of using a brand extension strategy. The brand manager needs to carefully analyze the consumer's perception of the parent brand and formulate the extension strategy on a case to case basis.

During the last decade there has been a number of empirical studies addressing consumer evaluations of an extension and the impact of different types of extension on the core (original) brand [2],[3],[4]. The majority of the extension literature has concentrated

upon brand extensions and not line extensions [4],[5],[6]. There is also a considerable amount of research using hypothetical brands and hypothetical extensions. Most of these studies have used an experimental design that has attempted to investigate issues such as the factors contributing to favorable consumer evaluations of an extension or the potential negative impact of extensions on the core (original) brand.

From the line extension to brand extension, however, there are many different ways of extension such as "brand alliance", co-branding or "brand franchise extension". There are seven strategies that have been identified as extension cases such as product with parent brand's benefit, same product with different price or quality, etc [7]. These extensions can be classified into two categories of extension; extension of product-related association and non-product related association. Another form of brand extension, is a licensed brand extension. Where the brand-owner partners (sometimes with a competitor) who takes on the responsibility of manufacturer and sales of the new products, paying a royalty every time a product is sold.

The majority of extension research has focused on the consumer perspective and their evaluations (attitudes) of an extension and the core brand [2], [8], [9]. There are two main reasons why particular attention has been given to consumer evaluations: First, consumer evaluations are important, as they are believed to be a key element in indicating extension and core brand success. Second, favorable consumer evaluations are thought to be essential in developing the equity of a brand.

Consumer evaluations of extensions have been operationalized in a number of ways. Some researchers measured consumer evaluations of extension quality and the likelihood of trying the extension [3]. A number of other authors have also used the quality construct to measure consumer evaluations towards the extension and the core brand after an extension introduction [8],[10],[11],[12]. Additionally, researchers have used other constructs such as favourability or likeability as measures of consumer evaluations of the extension and the core brand [13], [14], [15]. Common to all such measures is the underlying view that brands need to satisfy consumers' functional (i.e. quality, reliability) and representational (i.e. emotional and symbolic) needs. Moreover, consumers need to hold positive beliefs and favorable attitudes towards the core brand

for the extension to be successful; such beliefs and attitudes are known as “brand associations” and serve to differentiate one brand from another [2]. Brand associations reflect the unique meanings associated with a brand name and extension evaluations will depend upon the prominence of such associations in the extension context.

Extension research has typically relied on “categorization theory” as the underpinning theoretical rationale behind its investigations [16], [17]. When extending a brand name, the transfer of brand associations is largely determined by categorization judgments, i.e. whether the consumer accepts the new extension as being a suitable member for the new category [18]. This categorization process is particularly relevant to a consumer’s awareness and choice of a brand. If the core brand associations are transferred to the extension, then consumers will perceive the extension as fitting with the new category and will accept it. Research has indicated that categorization judgments and the transfer of brand associations are particularly affected by consumer perceptions of fit [2]; Evaluations of the extension and the core brand by consumers rely heavily upon perceptions of fit. Additionally, a number of moderating factors affect the relationship between fit and evaluations of the extension and the core brand, namely, quality of the core brand, consumer knowledge, branding strategy, portfolio characteristics and consumer certainty.

Research has shown that consumers’ perception of fit is a major consideration when attempting to introduce an extension [19]. Perceived fit is achieved “when the consumer accepts the new product as logical and would expect it from the brand”. Literature suggested that perceptual fit is whether a consumer perceives the new item to be consistent with the parent brand [2]. Although it is generally agreed that fit is vitally important, there is considerable conflict concerning its dimensions. Specifically, according to the literature, fit comprises a number of dimensions, including similarity, typicality, relatedness and brand concept consistency [2]. However, similarity, typicality and relatedness are often confused in discussions of fit and there appears to be little distinction between them. The most frequently referred to dimension of fit is “similarity”. Similarity refers to how alike the current and the new product classes are in terms of features, attributes or benefits. A Consumer Behaviour Seminar concluded that the greater the similarity between the current and the new product, the greater the transfer of positive or negative beliefs to that new product. The “relatedness” or “typicality” of the new product class to the existing product class has also been mentioned as a dimension of fit. Typicality has been defined as how representative the extension category is of the family brand. As there is a lack of concrete distinctions between similarity, relatedness, and typicality, it is extremely difficult to clearly differentiate between these concepts.

It has been further suggested that consumers also assess fit in terms of “concept consistency” between the brand concept (i.e. the “image” portrayed by the brand) and the extension [18], [27]. The degree to which an extension is seen as consistent with the brand concept is believed to be equally important as the similarity between the products classes [18]; [28]; [27]. Brand concept consistency is clearly different from the similarity and relatedness of the product category as it considers how a brand image affects consumer perceptions of fit rather than how the latter

is affected by the similarity of product features, attributes or benefits. In reconciling different views on fit, literature suggests that fit may comprise two dimensions, namely: Similarity between the product category of the parent brand and its extension (product category fit); and Similarity between the image of the parent brand and its extension (brand image fit) [28]. Research has indicated that attitude towards a brand extension is more favorable when consumers have a perception of good fit [2]. However, there is a lack of investigative research into the effect that fit will have on a line extension. However, it is anticipated that the fit between the core brand and either a brand or line extension will have a major impact on consumer evaluations of the extension and the core brand. Indeed, it should not matter whether an extension is categorized as brand or line since it is the overall level of perceived fit that will affect its evaluation. Hence it is proposed that: Extensions with good fit are evaluated more favorably than those with a poor fit.

Apart from the effect of fit on extension itself, there is evidence that it also has effect on the core brand. Specifically, in extending a brand, good fit has been seen to be important for positive consumer evaluations (i.e. enhancement) of the core brand [2], [3], [4]. Marketing scholars have also suggested that if an extension is introduced with a good fit, is aimed at the appropriate consumer segments and is extended to the most relevant categories, the core brand should be enhanced [3], [4]. The values of the core brand can be enhanced by an extension that reinforces brand associations (i.e. good quality, expertise and design) [2]. Equally, the core brand’s personality and image may be enhanced by an extension which portrays the symbolic values desired of the core brand. Indeed, the majority of the literature reviewed suggests that the most important condition for core brand enhancement is the fit between the core brand and the extension. Conversely, a wrong extension decision may create damaging associations and confuse potential customers [20]. Dilution is defined as “a negative change in consumer beliefs” [21] and occurs when specific extension associations (e.g. an extension of BMW which shows a lack of technological development) are inconsistent with family brand beliefs. It should, therefore, be noted that fit is important to consumer evaluations of the core brand for an extension irrespective of the type of extension involved. Hence it is expected that: Extensions with good (poor) fit result in greater enhancement (dilution) of the core brand than those with poor (good) fit.

The literature has suggested that there are five moderating variables that are expected to influence the nature/strength of the relationship between fit and consumer evaluations of an extension and the core brand [22]. These are core brand quality, consumer knowledge, composite branding strategy, portfolio characteristics and consumer certainty.

Scholars and Practitioners have also proposed an attitude based brand extension model where factors influencing the success of the extension were the: attitude towards the original brand, fit between the original and extension product classes and the perceived difficulty of making the extension [2]. The three dimensions of fit were: (i) complement-“...the extent to which consumers view two product classes as complements”. (ii) substitute-“...the extent to which consumers view two product classes as substitutes”. (iii) transfer-“...how consumers view relationships (design or making) in product manufacture”

A conceptual model for Brand Extension: The eight different variables:

(1) Similarity: The similarity refers to the degree of resemblance of consumer perception on the extensions and the core brand [23]. Most of the researches have deliberated on the level of perceived similarity between the original and extended brand and found that if the level similarity is higher between the core and extended brand category then the extended brands would have more chances of inheriting the positives and negative aspects of the core brand [2], [18], [19], [24], [25].

(2) Reputation: The leverage providing capabilities of parents' brands to extensions varies from brands to brands. It is higher for the stronger brand and lower for the weaker brand [2], [23]. Brand reputation refers to consumer's perceptions on the quality associated with a brand [2], [26]. The consumers tend to evaluate those brands more favorably that have higher perceived quality as compared to low perceived quality brands [2].

(3) Perceived Risk: Consumers before purchasing the goods feel uncertainty in reference to expected loss that may incur from purchasing and using of the product. This uncertainty is referred as perceived risk [29]. Reserchers advocates uncertainty in reference to (1) consequences of making a mistake; and (2) uncertainty about the outcome [30], [31], [32]. Most of the research on perceived risk suggests that the consumers when dealing with recognized brand feel that it has lesser degree of perceived risk [29]; [33]. Thus a well-known brand not only induces trial but also helps in relieving the risk [34]. It was also observed that novel stimuli give adverse reactions. However repeated exposure helps in developing familiarity with a brand which not only helps in decreasing perceived risk and increasing positive affect. [35], [36].

(4) Innovativeness: An individual who is receptive to new ideas and is willing to try new practices and brand considered to possess a personality trait of innovativeness [37]. "The innovators are venturesome; they try new ideas as some risk where as late adopters (laggard) are traditional bound, they are suspicious of changes, and adopt innovation when it has become some thing of tradition itself [38]. The innovative consumer tends to get comfort when they take risk.

(5) Multiple Brand Extensions and Evaluation: The consumer perception of brand image and association modified 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 [39].

(6) Brand Extension And Perceived Fit: Different researchers have "perceived fit", differently. The term fit in brand extension research are focused towards three concepts, (1) Complementary, (2) Suitability, and (3) Transferability, indicating the degree of synergy between the two products [2]. Literature also suggest that "typicality" is an important concept of perceived fit. However, some researchers are of the belief that are of the opinions that "product similarity" and brand "concept consistency", are the determinants of brand extension and perceived fit[18]. Some researchers are of the opinions that determinants such as component parts, product feature, product function, needs they satisfy, usage situations, manufacturing processes and manufacturing process are related to perceived fit.. The

research relating to "perceived fit" has been criticized by several researchers while criticizing such studies observed that most of such studies had focused on product related or attributes information while comparing two product classes. Additionally, these researched have restricted "attribute information" to one cue i.e. brand name. These authors were of the opinions that these brand extension studies have an emphasis on (1) attribute information, and (2) single cue, therefore, it may give an inflated effect of "perceived".

(7) Parent Brand Characteristic & Evaluation: The terms such as product attributes, product benefits, and costumers characteristics are generally used for the conceptualization of brand Association [2]. Brand names such as "Sony" have a broad association and are used for a diversified range of products. Brands such as "close up" has narrow association and is used for one or few products. Several researchers observed that the consumer's confidence on evaluation of would be positive for those brands that are associated with several product, provided there is no significant parity between the qualities of product, in fact addition of product would have positive evaluation, provided the quality level of additional product is same [40].

(8) Brand Concept Consistency & Extension: The market is dynamic, and is always changing. In response to these dynamic markets, firms modify there offering, enter different market segments, 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. Several reseacrhrs were of the opinion that the validity of fit measure between core brand and brand extension are based only on one similarity could be a debatable issue [18]. They were of the opinion that consumer evaluation would only be positive for those brand extensions that have consistency in the brand concept.

OBJECTIVES OF THE STUDY:

This study aims at achieving the following objectives:

- (i) Study the impact of different evaluation parameters of brand extension on the core brand evaluation.
- (ii) Study the impact of evaluation of brand extension on the buying intention of customers.

DATABASE AND RESEARCH METHODOLOGY

Exploratory research design is used in the present study. Exploratory research design is used to identify different variables that affect customer evaluations of brand extensions. On the basis of literature review, a conceptual model has been developed to understand the parameters that the customer considers while evaluating different brand extensions and the ultimate impact on the buying intention. The variables that are considered for the present study are similarity, representativeness and customer favorable or unfavourable attitude.

To conduct this research a structured questionnaire was prepared to collect the data. This structured questionnaire included closed ended questions regarding customer evaluation parameters and buying intention for the actual and hypothetical brand extension of the two brands – Vivel and Head and Shoulders. In total 5 related brand extensions were considered. We have termed it as related because all of them are FMCG products and belong to the

category of home and personal care. These categories are: soap, shampoo, hair oil, toothpaste and detergent. Though these categories are related a further distinction is possible i.e. skin care, hair care, oral care and laundry. The actual brand extension that is considered is from Vivel soap to Vivel Shampoo. Rest all the extensions were hypothetical with respect to both the brands. These extensions are in the following categories: Soap (hypothetical extension from Head and Shoulders shampoo to soap), Hair oil (hypothetical extension from Head and Shoulders shampoo to Head and Shoulders hair oil and from Vivel soap to Vivel hair oil), toothpaste (hypothetical extension from Head and Shoulders shampoo to Head and Shoulders toothpaste and from Vivel soap to Vivel toothpaste), and detergent (hypothetical extension from Head and Shoulders shampoo to Head and Shoulders detergent and from Vivel soap to Vivel detergent). The customer evaluation parameters (similarity, representativeness and customer favourable or unfavourable attitude) and buying intention with respect to a particular brand extension were asked on a seven point Likert scale.

This structured questionnaire was used to collect data from the consumers/users of shampoos. Our study was confined to the respondents from Delhi region due to monetary and human resource issues. All the respondents were females because both the brands – Vivel and Head and Shoulders specifically targets women. Females replied on the questionnaire sent to them through emails. The final sample consisted of 250 female respondents.

DATA ANALYSIS AND FINDINGS

Now, by just comparing the means we can give ranks to the probable extensions of Head and Shoulders Shampoo and Vivel Soap.

Head and Shoulder Shampoo:

Shampoo--Hair Oil—Soap--Toothpaste--Detergent

Vivel Soap:

Soap—Shampoo—Toothpaste—Detergent—HairOil

From above customer's brand evaluation it can be interpreted that these evaluations are little different across the two brands – Head and Shoulders and Vivel. It also shows the perceived fit and consistency in the customers mindset.

CONCLUSION

The exploratory research with cases of two brands clearly depicts that customer evaluations can bring out a more clearer picture for the organizations for brand extensions. This is even evident from the case of Dove as a brand as to how it has extended into other categories from soap to shampoo to conditioner to hair oil. The role of 8 principles mentioned above has a significant role in the success or failure of brand extensions.

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CITE THIS ARTICLE As :

Gorai Malik Ruchi, "Customer Evaluation of Brand Extensions," *International Journal of Technology and Science*, vol. 5, Issue. 2, pp. 18-22, 2018