

# BRAND EXTENSION EVALUATION FACTORS- COMPARITIVE ANALYSIS BETWEEN CONSUMER ELECTRONICS AND FAST MOVING CONSUMER GOODS

Rashmi Sud Chaudhry<sup>1</sup>, Y. Medury<sup>2</sup> and Vandana Ahuja<sup>3</sup>

<sup>1</sup>Jaypeeuniversity of Information Technology

<sup>2</sup>Head (Education) Timesof India Group

<sup>3</sup>(Marketing)

E-mail: <sup>1</sup>rash\_sud@yahoo.co.in, <sup>2</sup>myajulu@hotmail.com, <sup>3</sup>vandana.ahuja@jiit.ac.in

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**Abstract**—The main focus of the research is to identify important factors for evaluating brand extensions for ten brands of consumer brands: Apple, Samsung, Sony, Videocon & L.G from consumer electronics; Dove, Horlicks, Dabur, Coca-Cola, & Amul from FMCG. Effort has been made to identify important factors for evaluating brand extensions. for this purpose three main assumptions are made:

- i. More the similarity between the parent brand and the brand extension more positive is the evaluation of brand extension
- ii. Consumers rate different brands in terms of specific product related factors which vary across different brands.
- iii. Consumers who have positive perception about the parent brand quality will positively evaluate the extended product.

## 1. LITERATURE RERVIEW

The study examines the importance of brand extension evaluation factors for ten different brands from FMCG and consumer electronics. Study provides an insight to customer response to an important aspect of marketing strategy i.e. brand extension and answers questions like what are the main factors consumers consider for evaluation of extended brands and what is the effect of relation between the parent brand and the extended product on product evaluation.

Products are becoming more alike and intangible attributes take the reign. As technology evolved, the market has gradually shifted from a sellers playground to a consumer dominated turf. 'Consumer is the king' has become a reality taking commercial competition to the next level. Consumer insights become crucial in the design of efficient branding programs. Customer preferences and changing preferences shaped many markets over the last decade, dictating many times the success or failure of companies. The key to success in this marketing context is to make the intangible tangible(Berry 1986) The key to success in this marketing

context is to make the intangible tangible(Berry 1986 and branding is a powerful tool capable of selling experiences. The multitude of definitions and appearances make the concept of branding and its relevance to customers difficult to investigate the role of brands and brand building strategies determining consumer purchase making decisions is widely discussed and require further investigation.

## 1.2 BRANDS AND BRANDING

According to Kotler and Keller (2006; 275) a brand is a perceptual identity that is rooted in reality but reflects perception of customers. Branding is endowing products and services with brand equity and is about creating differences among other brands. Branding involves creating mental structures by helping consumers organize their knowledge about products in a way that clarifies their decision making and providing value to the organization. Hislpo,2001 provides a clear distinction between the concepts brand and branding by stating that to brand a product it is necessary to give meaning to that brand. Brands differentiate a product, presell a product and guarantee the product. Branding is making it relevant to the target market and giving it life and personality to build brand equity (Coomber 2002)

## 1.2 BRANDING STRATEGIES

Brands are built over time through carefully thought-out strategies. Once the brand is established and doing well, companies realize that to stay competitive and to tap other opportunities in the market, they need to come out with more products to attract consumers.(p-350; Brand Management: Kirti Dutta) The new product can be branded under the existing brand or the organization can give an entirely new brand name to the same. These decisions are strategic and have

implications for the organization as a whole. These two brand extension strategies can be referred to as brand extension and rebranding.

### I.2a BRAND EXTENSION

Brand extension is the “use of an established brand name to enter a new product category”

(Aaker & Keller, 1990, p. 27). Leveraging existing brand equity into new product categories attempts to avoid the risk associated with establishing a new brand, through convincing consumers that the positive attributes associated with the original brand are relevant to the new product and/or simply benefiting from the awareness of the original brand. Buying behaviors of potential customers and their perception of the parent products or extended products represent the starting point in the strategy and decision-making process. Knowledge of consumer behavior is then indispensable for branding management. Kapferer (1997), adds that awareness, image, trust and reputation could promise future success for the brand. A brand is not a name, a position or a marketing statement. Instead, it is a promise made by a company to its customers and supported by the same company. Organizations by increasing their strength, their customer base and their long term viability. In a study performed in U.S. for professional sport teams, Apostolopoulou (2002) found six keys to successful brand extension:

- The strength of the parent brand
- The perceived fit between the parent brand and the extended product
- The promotional support and positioning of the extended brand
- The quality of the extension product
- The distribution strategy
- The management of the extension

### I.3 BRAND EXTENSION EVALUATION

Customer decision making process provides an important insight into customer behavior. Customer behavior is an important input to strategy makers for providing brands and propositions that give value to both the customers and the providers. Despite the acknowledged prevalence and obvious importance of using brand extensions as a marketing strategy for introducing new products Consumer evaluation of brand extension have been investigated in a number of ways, however one of the widely accepted findings is that consumer perception of fit between a new extension and its parent brand is the most important factor for determining brand extension evaluations (Aaker & Keller, 1990, Muroma & Saari, 1996; Zhang and Sood, 2002). Understanding how consumers judge the goodness of fit between an extension and a parent brand requires one to know exactly which aspects of the new product and the existing brand category they will compare Successful

brand extensions depend on consumers’ perceptions of fit or similarity between the new extension and the parent brand (Volcker and Sattler, 2006). The other concepts that have been mentioned in previous studies include typicality, relatedness, brand concept consistency (Aaker & Keller, 1990) these are the key factors in a consumer brand extension evaluation process, but there is an overlap in these factors so only similarity is discussed.

## 2. RESEARCH METHODOLOGY:

### I. RESEARCH FOCUS

The main focus of the study is to identify important factors for evaluating brand extensions. for this purpose three main assumptions are made:

- i. More the similarity between the parent brand and the brand extension more positive is the evaluation of brand extension
- ii. Consumers rate different brands in terms of specific product related factors which vary across different brands.
- iii. Consumers who have positive perception about the parent brand quality will positively evaluate the extended product.

Specific product related factors that have been included for the study are :

- Price
- Product design and performance
- Brand reputation
- Availability
- Advertising
- Buying experience
- Feedback
- Past experience
- Online medium.

### II. BRANDS SELECTED FOR THE STUDY:

Above. Study is conducted on ten consumer brands five are related to fast moving consumer goods and other five correspond to consumer durables. These include:

#### Electronic gadgets

	Parent Brand	Extension
1	Apple Pc	Apple I phone
2	Sony appliances	Sony cell phone
3	Samsung appliances	Samsung Smartphone
4	Videcon appliances	Videcon DTH
5	LG appliances	LG smart phone

#### Fast moving consumer goods

	Parent Brand	Extension
1	Dove soap	Dove shampoo
2	Dabur healthcare	Dabur real
3	Horlicks	Women Horlicks
4	Coca-Cola	Diet Coke
5	Amul Butter	Amul Kool

### 3. DATA COLLECTION:

Study is based on both the primary and secondary data. Secondary data is sourced from diverse set of sources including research journals, papers, news on branding and consumer behavior and various online sources.

Primary data is collected from 620 respondents using a self administered questionnaire designed keeping in mind the research objectives. The references of previous studies have also been included.

### 4. RESEARCH INSTRUMENT:

Non disguised questionnaire that was open ended was self-administered to collect primary data for the research. Questionnaire was divided into 2 parts:

Part I- Focused on demographic details of the respondents including variables like location, age, gender, qualification, marital status and Income.

Part II of the questionnaire was structured with the aim to identify the factors for evaluation of brand extensions and rate them on Likert scale from 1 to 5 ( not important to very important). and rate similarity between the parent brand and the extension on five point scale of 1 to 5(Not similar to very similar).

### 5. SAMPLING

Non probability sampling has been used; looking at the diverse nature of the target group and limitations of time convenience sampling has been used. Respondents have included from three locations i.e Shimla, Chandigarh and Delhi.A sample of 620 respondents have been selected for the study.

### 6. DATA ANALYSIS

Data has been analyses using SPSS 22, descriptive statistics, chi square test and correlation has been used for analysis.

### MAJOR FINDINGS

Table 1: Perceived similarity mean score between parent brand and extended brand

Descriptive Statistics		
Rank	Brand	Mean
1	Apple	3.368
2	Samsung	3.111
3	Dove	3.074
4	Horlicks	3.073
5	Sony	3.026
6	Coke	3.000
7	LG	2.974
8	Dabur	2.835
9	Amul	2.776
10	Videocon	2.761

Table2: corelation between the perceived quality of parent brand and extended brand for consumer electronics

Corelation of perceived quality of parent brand & extension								
		Poor	Fair	Average	Good	outstanding	Pearson's Correlation	sig
Sony	ST1	78(12.6%)	48(7.7%)	75(12.1%)	214(34.5%)	205(33.1%)	.358	.000
	ST2	23(3.7%)	85(13.7%)	130(21%)	225(36.3%)	157(25.3%)		
Apple	ST1	34(5.5%)	106(17.1%)	121(19.5%)	228(36.8%)	131(21.1%)	.466	.000
	ST2	40(6.5%)	100(16.1%)	169(27.3%)	198(31.9%)	113(18.2%)		
Samsung LG	ST1	33(5.3%)	53(8.5%)	115(18.5%)	125(20.2%)	294(47.4%)	.473	.000
	ST2	19(3.1%)	78(12.6%)	119(19.2%)	186(30%)	218(35.2%)		
	ST1	64(10.3%)	117(18.9%)	145(23.4%)	198(31.9%)	96(15.5%)	.334	.000
	ST2	55(8.9%)	86(13.9%)	207(33.4%)	194(31.3%)	78(12.6%)		
Videocon	ST1	68(11%)	154(24.8%)	181(29.2%)	117(18.9%)	100(16.1%)	.244	.000
	ST2	41(6.6%)	174(28.1%)	194(31.3%)	116(18.7%)	95(15.3%)		

Table 3:Corelation between the perceived quality of parent brand and extension for FMCG

		Poor	Fair	Average	Good	outstanding	Pearson's Correlation	sig
Dove	ST1	40(6.5%)	111(17.9%)	143(23.1%)	192(31%)	134(21.6%)	.368	.000
	ST2	45(7.3%)	118(19%)	165(26.6%)	178(28.7%)	114(18.4%)		
Dabur	ST1	33(5.3%)	142(22.9%)	191(30.8%)	161(26%)	93(15%)	.289	.000
	ST2	45(7.3%)	151(24.4%)	169(27.3%)	189(30.5%)	66(10.6%)		
Horlicks	ST1	40(6.5%)	121(19.5%)	181(29.2%)	188(30.3%)	90(14.5%)	.311	.000
	ST2	43(6.9%)	140(22.6%)	184(29.7%)	182(29.4%)	71(11.5%)		
Coca-Cola	ST1	75(12.1%)	115(18.5%)	135(21.8%)	192(31%)	103(16.6%)	.407	.000
	ST2	68(11%)	121(19.5%)	161(26%)	177(28.5%)	93(15%)		
Amul	ST1	51(8.2%)	105(16.9%)	114(18.4%)	148(23.9%)	202(32.6%)	.405	.000
	ST2	70(11.3%)	101(16.3%)	144(23.2%)	173(27.9%)	132(21.3%)		

ST1-How do you perceive overall quality of this brand?

ST2-How do you perceive overall quality of its extension?

- More the similarity between parent brand and brand extension more positive is the evaluation of brand extension
- Perceived similarity between the parent brand and extension is highest for Apple in the category of electronics and for Dove in FMCG.
- Relationship between perceived quality of parent brand and brand extension is positive and significant for all 10 brands, indicating positive evaluation of brand extension.

Table 4: Relative importance of product evaluation factors

	Customer Perceived Quality	Price	Product design/ performance	Brand reputation	Availability	Service experience	Advertisement cost	Brand name	Post experience	Online reviews
1	APPLE	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2	SONY	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
3	SAMSUNG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4	VIDEOCON	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
5	LG	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
6	DOVE	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
7	DABUR	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8	HORLICKS	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
9	COCA COLA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
10	AMUL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

- Importance of evaluation factors for brand extension vary across different brands.
- There is significant difference in importance of evaluation factors across two product categories.
- Respondents were asked to rate the importance of nine determining factors for product evaluation (price, product design and performance, brand reputation, availability, buying experience, past experience, feedback, advertisement, online medium) in a scale of 1 to 5 (least important to most important). According to the analysis product design, price and brand reputation are the three most important factors for the category of consumer electronics. Brand reputation, availability and advertisement were found to be the most important factors for evaluation extensions related to fast moving goods.

## 7. MANAGERIAL IMPLICATIONS

Despite the frequent use of brand extension as a growth strategy there are few studies that highlight on the consumer reaction to these strategies. It is important for marketers to know how consumers rate specific product related factors (price, promotion, feedback, availability, etc) for evaluating brand extensions. These factors vary across two product categories i.e Durables and FMCG. The findings and results of the study can be an important input for formulation of successful branding strategies, where the probability of failure of brand extensions will be very less.

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