Leveraging Brands through Extensions and Factors Influencing Consumer Acceptance of Extensions across Product Categories

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Brand Managers often resort to brand extension strategies to reduce the risk of launching a new product in the market and to take advantage of the success of an existing successful brand. The image of the parent brand helps the marketer to reduce the cost of introducing and establishing an extension. Intrinsically the new extension also helps in strengthening the parent brand in the market as the marketing communication of the extension also helps the target customers to recall the master brand. The common proposition is that customers tend to associate an extension more closely if it is in a similar category and if the master brand's image is good then consumers go for a favorable evaluation of the extended brand. Innovative consumers also favorably evaluate an extended brand. This research paper looks into these three key issues i.e. category similarity, image of the master brand and consumer innovativeness and their role in creating a favorable consumer evaluation of the brand extension in the case of a product brand, Rasna and service brand HDFC in the Indian market.

INTRODUCTION

Marketing organizations frequently follow brand extension strategies. A brand can be successfully extended to new categories only if the parent brand is a successful one in the market and consumers associate a higher brand value over a period of time with the brand. The higher brand value is found by a constant brand performance on both sales and recall level. A brand is fit for an extension in situations when in itself it can make consumers associate a high level of perceived value with the brand at both purchase point and also referral point. A referral point is a customer interaction point when a potential customer interacts with an existing customer and the existing customer willingly suggests the brand to buy as a symbol of his satisfaction. It is different from word of mouth communication in a sense that the word of mouth is a goodwill gesture where as the referral point leads to a serious brand evaluation.

From a marketer's point of view, a brand can be extended to new categories only if the consumer believes that the brand has a logical fit and product fit with the new categories. One cannot expect Rasna as a brand to fit with a product like an automobile. The brand should convey some benefit wanted in the new category. Some brands cannot be extended at all because of poor level of extension potential and can only be extended to a very few categories (Tauber 1993). Some brands have a strong brand association with specific product categories for which consumers reject any extension. Lux in Indian market has always stood for face cleansing and beauty enhancement, extending it to talcum powder category is even riskier for the master brand. Some brands convey a narrow or special expertise from the company that manufactures them. Thinking of Amul manufacturing underwear is a paradox in Indian market. This precludes the brand having credibility in other areas. Some brands own attributes or benefits that are tied to

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the parent product or place of manufacturing. Bikanerwalla Bhujia as a brand cannot be extended to any unrelated product categories like cement or steel.

A typical brand building involves three core activities i.e. developing favorable brand associations with customers, making these associations readily accessible in consumer's mind and establishing a unique point of difference that is both easy to remember and consistently reinforced over time (Farquhar and Fazio1990). The question of brand extension shall come after the master brand is well associated and these associations are easily generalized in the customer's mind. Brand associations naturally tend to be more concrete (e.g. product or attribute related) than abstract (e.g. situation or benefit related) (Aaker 1991). A marketer while building a brand should develop a brand association that is flexible to provide a platform for both current positioning and subsequent leveraging e.g. too narrow positioning makes it difficult for Suffola to extend its brand where as Sundrop as a healthy oil has a common flexibility to extend to other categories with the same health positioning platform.

Most of the successful brands are single products, which are extended to different categories. The associations and brand meanings that accrue to the brand over its life cycle comes from four sources The primary being what the company communicates through its positioning strategy, its advertising execution and perceived communications.

The second source is the borrowed associations, which are inherent in a brand name. The period of association, the parental referral, comparative performance of other products used with the brand and similar sources provide borrowed associations. Colgate toothpaste use from childhood days, parent's suggestions to use LG television for protecting eyes and grandma's suggestion about clove oil in promise toothpaste are examples of borrowed associations that went on to building a strong brand. The third source is the experience with the brand, product or service provider. Does the brand deliver unique benefits (Puf in a Godrej Refrigerator); create a special feeling (Wills Cigarette). The fourth source is the aspiration group to which the brand belongs. How customers perceive the class of people using the product (Raymonds for all those successful people) so that they can buy the brand idea to represent that class.

THE PRESENT STUDY

The current study investigates the impact of category similarity, brand image and consumer innovativeness in the success of extensions in fast moving consumer goods and service sectors. Two brands namely Rasna and HDFC bank are selected for the study. The sample size selected for the study was 120. A set of hypotheses was developed to test the above proposition.

H1: Extensions to similar categories of the parent brand are more likely to be accepted compared to extensions into dissimilar product categories for both FMCG and service brand selected for the study.

H2: The higher the perceived brand image for the parent brand, the more favorable should be the evaluations of the brand extensions. This should stand valid across both the selected categories.

H3: The higher the consumer's innovativeness in diffusion processes, the more positive will be the evaluations of extended brands.

Product category similarity in this case is defined as the degree of perceived similarity the extension has with the master brand. The first hypothesis tests the level of perceived similarity between the extended brand and the master brand as a factor influencing the choice of the extension.

Brand Image is defined as the consumer's perceptions of quality associated with a brand. In utilizing brands, consumers develop subjective perceptions of how various brands perform across a range of criteria, both functional and non-functional, which they consider to be important for evaluation purposes. These subjective perceptions are organized by consumers into a succinct picture of the brand, which will play a part in consumption behavior. These pictures, wholly resident in the consumer's mind, have come to be known as the brand image. The brand image is compiled by the consumer through direct experience of the brand, through exposure to advertising and communication, through packaging and even through observation of what kind of people use the brand and the occasions and situations in which the brand is used.

Consumer innovativeness is related to the process of adoption of a new product or brand. Adoption is a mental process that an individual buyer goes through in the act of appraising and buying the new brand.

Diffusion is a social process whereby a given new brand or an extension begins to be disseminated and bought by an entire market segment or society, state or the nation. Innovativeness of a buyer is related to the diffusion process (Rogers 1962) in which an individual passes from first hearing about an innovation to the final consumption. In the beginning there may be a few and quick innovators to try the brand, especially those who want to be the first conspicuous consumers. So innovativeness is a personality trait related to an individual's receptivity to new ideas and willingness to try new practices and brands. The response differences between highly innovative and less innovative customers reflect the differences in risk taking propensity. Thus consumers with a high level of innovativeness are likely to be more receptive to brand extensions.

RESEARCH METHODOLOGY

Two existing brands (Rasna and HDFC Bank) were selected on the basis of consumer familiarity, positive brand image and not having been broadly extended. Rasna is a soft drink concentrate in Indian market for longer than ten years and enjoys a substantial market share in the soft drink concentrate market. HDFC is a new generation bank largely driven by quality manpower and adoption of modern technology in banking sector for providing greater customer satisfaction. The idea of selecting a product brand and service brand is to test the effectiveness of extensions proposition on both the physical brand and experience brand. Each of these two brands was then extended hypothetically into three extensions. Rasna was extended to Rasna soap, Rasna tea and Rasna mineral water. HDFC bank was extended in to HDFC insurance, HDFC mutual funds and HDFC telecom. In order to test hypothesis one, these extensions were logically connected to the parent brand in addition to providing sufficient heterogeneity on the dimensions of similarity and perceived risk (to measure consumer innovativeness for hypothesis three)

The sampling method was purely judgmental at this part of the study and the research instrument was used to judge the acceptance level of brand extensions among individuals. So the sampling profile was based more on the knowledge about these brands. In order to reach at a sample size, three factors were taken into account: Judgmental, minimum cell size and time. Using these three criteria, twenty individuals for each of the three extensions of the two brands (Rasna and HDFC Bank) were selected for the study. So the total sample size was 120 (20*3*2). An attempt was made to ignore the non-responses by finally filtering 120 samples from a larger sample data gathered during the study. Factors like age, sex and income levels were also taken into account while selecting the sample mix for a fair representation.

A structured questionnaire was constructed for data collection in which the first six questions covered the demographic variables of the respondents as well as screened the respondent on his/her knowledge on brands selected for the study. The rest of the questionnaire was structured in four parts with questions covering brand image, customer's innovativeness and perceived risk associated with the extension categories, similarity between master brand and the extended brand and over all evaluation of the extensions. The questionnaire was finalized through a focus group and pilot study conducted by the researcher.

RESULTS AND DISCUSSIONS

The research instrument was used to measure the various attributes and factors that are hypothesized to affect the over all evaluation of the brand extensions. Factor Analysis was employed to reduce these numbers of hypothetical constructs describing the responses on each factor. Factor analysis enabled the researcher to condense the different measures of the respective factors into one over all factor that can capture the essence of different variables. Respondent's reactions towards a proposed brand extension were measured using behavioral and attitudinal statements. Factor analysis revealed that all the three variables loaded strongly on the same factor for both the cases. Eigen value of 2.306, capturing a total variance of more than 76% is found for Rasna where as eigen value of 2.185, capturing a total variance of more than 72% was found for HDFC bank. The final dependent variable, called overall evaluation, was calculated by aggregating the weighted values of the component variables, obtained by multiplying by the factor loadings and dividing by the sum of the loadings.

Bivariate Analysis was employed to determine the correlations between the dependent variable i.e., the overall evaluation of the brand extension and the various independent variables, namely similarity between the extension and the parent brand, master brand's image and consumer innovativeness. The results of the bivariate analysis for each independent variable with the dependent variable are tabulated in Table-1

Table- 1
Correlations between the Selected Variables

Variables	Overall Evaluation	Category Similarity	Brand Image	Consumer Innovativeness
1. Rasna				
Overall Evaluation	1.000	0.442	0.534	0.167
Category Similarity	0.442	1.000	0.065	0.075
Brand Image	0.534	0.065	1.000	0.375
Consumer Innovativeness	0.167	0.075	0.0375	1.000
2. HDFC				
Overall	1.000	0.442	0.534	0.167
Overall Evaluation	1.000	0.233	0.470	-0.007
Category Similarity	0.233	1.000	0.244	-0.011
Brand Image	0.470	0.244	1.000	0.288
Consumer Innovativeness	-0.007	-0.011	0.288	1.000

SIMILARITY BETWEEN PARENT BRAND AND BRAND EXTENSION (H1)

Similarity was measured using three items namely overlap between master brand and extended brand, similarity of users of the master brand and extended brand and similarity in competence required in providing the extended brand by the master brand. Respondents' evaluated similarity on a five-point scale anchored from "not at all similar" through to "highly similar". Factor analysis revealed that all three items are loaded strongly on the same factor (Rasna with eigen value of 1.497, capturing a total variance of about 50% and HDFC bank with eigen value of 1.437, capturing a total variance of about 48%. The final independent variable, called overall similarity was calculated by aggregating the weighted values of the component variables obtained by multiplying by the factor loadings and dividing by the sum of the factor loadings.

H1 postulates that consumers evaluate brand extensions more favorably as the similarity increases between the parent brand and the extension category. A significant positive effect of similarity on evaluation of all brand extensions is seen in both the sample brands Rasna and HDFC but in the case of Rasna this effect is much more pronounced (Rasna with a correlation coefficient $r=0.442, p<0.01$ and HDFC with correlation coefficient $r=0.233$, $p<0.073$). The relationship between similarity and evaluation of brand extensions are positive and significant, more so for the FMCG category, as evident from the results of the samples of Rasna. Hence H1 is supported.

BRAND IMAGE (H2)

Perceived image of the master brand was captured using three items namely positive attitude for the brand, overall satisfaction with the brand and positive associations with the brand. Respondents assessed brand image on a five-point scale with the end-points "strongly disagree" and "fully agree". Factor analysis revealed that all items loaded strongly on the same factor (Rasna with eigen value of 2.081 capturing a total variance of about 70% and HDFC with eigen value of 2.138 capturing a total variance of about 71%).

H2 postulates that consumers evaluate brand extensions more favorably when the master brand has a strong image. A significant positive effect of brand image on the evaluation of brand extensions is seen for both the cases, Rasna and HDFC (Rasna with correlation coefficient, $r=0.534$, $p<0.01$ and HDFC with correlation coefficient, $r=0.470, p<0.01$). This strong correlation leads us to conclude that our hypothesis (H2) is strongly supported.

CONSUMER INNOVATIVENESS (H3)

Innovativeness of the respondents was measured using five items namely attitude towards continuously seeking new ideas and experiences, likeliness of searching for new and unfamiliar experiences on the situation of boredom, doing activities involving danger, liking for surprises, liking for experiencing novelty and chance to change daily routines. Factor analysis revealed that all items loaded strongly on the same factor (Rasna with eigen value of 2.580 accounting for a total variance of about 51% and HDFC with eigen value of 2.613 accounting for a variance of more than 52%).

H3 postulates that more innovative consumers are, more favorable shall be likelihood of brand extension. Innovation is only significant for the brand Rasna. The effect of innovation is not observed in the case of HDFC (Rasna with correlation coefficient r=0.167, p<0.203 and HDFC with correlation coefficient, r=-0.007, p<0.959). This hypothesis is only supported in the FMCG category brand (Rasna) and not in the services category brand (HDFC).

MULTIPLE REGRESSIONS

Since the scaling of the items as well as the construction of the aggregate variables are of a multiple nature the researcher employed multiple regression analysis to more thoroughly test the hypotheses and the results are shown in Table-2. The standardized regression coefficients indicate significant relationships between some of the independent and dependent variables. The model for Rasna explains 42.6% of the dependent variable's (overall evaluation) variance as measured by the independent variables viz. category similarity, brand image and consumer innovativeness. The model for HDFC explains about 22% of the dependent variable's variance. This indicates that the model for HDFC is not such a good fit as for Rasna.

For both the cases from Table-I, master brand's image is observed to have a strong influence on the evaluation of the brand extension (Rasna with correlation coefficient r=0.534, p<0.01 and HDFC with correlation coefficient r=0.470, p<0.01. Perceived similarity of the brand extension to the master brand has a strong influence with overall evaluation in the case of Rasna while in the case of HDFC the correlation is significant but not that strong (Rasna with correlation coefficient r=0.442, p<0.01and HDFC with correlation coefficient r=0.233, p<0.073). Innovativeness of the consumer has a positive correlation coefficient in the case of Rasna but not a significant relation and in the case of HDFC, it has negligible correlation (Rasna with a coefficient of r=0.167, p<0.203 and HDFC with r=-0.007, p<0.959).

This study adds to the literature on brand extensions by examining how perceived category similarity, brand image, and consumer innovativeness influences evaluations of brand extensions. The present study has demonstrated that perceived category similarity between the parent brand category and the category of the brand extension enhances the evaluations of brand extensions. Interestingly, perceived similarity seems to be more important for the FMCG sector brand Rasna, as compared to the services brand HDFC. This indicates that there is a difference between the mechanisms behind consumers' evaluations of service brand and product brand extensions. Brand extensions are evaluated more positively when there is greater perceived similarity between the original brand and the extension on an intangible dimension, for example service quality, as evident from the positive correlation between overall evaluation and similarity for the services brand HDFC. Therefore, it is reasonable to believe that brand extensions would benefit when they are extended to categories that show similarities in this dimension.

Table-2
Regression of Category Similarity, Brand Image and Consumer Innovativeness on Evaluation of Brand Extensions

Dependent Variable	RASNA	HDFC
Independent Variables	***Standardized beta coefficients***	***Standardized beta coefficients***
Category Similarity	0.412	0.113
Brand Image	0.530	0.483
Consumer Innovativeness	-0.063	-0.145
Adjusted R^2	0.426	0.214
F	15.575	6.368
Degrees of freedom	59	59

Brand image has an almost equally strong impact across the brand extension evaluations for both Rasna and HDFC (the standardized beta coefficients are b = 0.53 for the Rasna and b=0.483 for the HDFC samples respectively). This is a surprising finding in the Indian context since earlier research (Aaker and Keller 1990) has shown that brand image plays an important role for services brands, particularly since corporate credibility is an important attribute associated with services brands. There is significant support for the notion that the master brand's image is an important variable influencing consumers' evaluations of brand extensions.

Finally, there is marginally positive relationship between the extent to which consumers are innovative and the extent to which product brand extensions are favorably evaluated in the case of Rasna while no such correlation is observed in the case of HDFC. So there is no substantial evidence to conclude that there is a significant correlation between consumer's favorable evaluations of a brand extension with his innovativeness.

CONCLUSIONS

It is observed from the study that perceived similarity is a crucial factor in the evaluation of brand extensions. This finding concurs with the hypothesis in the brand extension literature that any brand that is extended into similar categories should receive high consumer evaluations (Aaker and Keller 1990). The brand image of the master brand is a crucial factor in influencing the likelihood of a successful brand extension. Building a favorable image for a master brand is an important contributor to the success of brand extensions for both FMCG and services brands. Finally, more innovative consumers evaluate product brand extensions more favorably whereas this finding is not substantially supported in the case of HDFC. So targeting more innovative consumers could be an efficient way of developing brand extension strategies in the sectors where the market has a strong brand presence and consumer's decision-making is based on brand valuations. In service sector we observe a different behavior where customers are not yet ready to correlate the strength of a master brand (in this case HDFC bank) with extended product/service categories (in this case HDFC insurance. So a higher level of brand building is necessary with the master brand for creating consumer based brand equity.

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