

Factors influencing successful brand extension



This thesis describes the study that analyzes the factors influencing successful brand extension. Specifically the paper analyze the impact of similarity, brand reputation, perceived risk and consumer innovativeness on the success of brand extension into related or unrelated categories of FMCG products. A set of hypothesis were developed and tested by regression analysis. We investigated the effect of factors such as brand reputation, perceived risk, perceived similarity and consumer innovativeness on successful brand extension in FMCG. Our study provides support for two out of the four hypotheses of Hem & Charnatony's model. Parent brand reputations, and consumer innovativeness, have powerful positive effect on consumers' mind-set towards the brand extension in related and unrelated product category. The third hypothesis i. e. interaction of perceived similarity is positive and significant in related FMCG product category and hence hypothesis 1 is partially supported. However the fourth hypothesis i. e. perceived risk in preparing the extension with customers' attitude regarding brand extension could not be supported. The result of this study suggests a number of implications for product extensions in our country. Implications have been discussed for the organization of consumer information and effect across related and unrelated product class and for understanding earlier research results on brand extension.

A brand can be thought of as a name, term, sign, symbol, design or a combination of these which is intended to identify the products and services of a company and to distinguish them from those of rivals. A brand name is among the most significant, fundamental and long lasting assets of a firm. Marketing managers seek ways to enhance the value of brands by

leveraging this value through brand extensions and other means. Where as brand extension is a widely used concept in a field of marketing by using a successful brand name to launch a new or modified product in a new category. Brand extension is a widely accepted brand strategy to attach an existing brand name to a new product introduced in a different product category (Swaminathan & Reddy, 2001). And these strategies are widely used because of the idea that they build powerful brand positioning, boost awareness and quality association and lessen the new product risk for consumers (Taylor & Bearden, 2002).

One such approach is line extension, by mean of which a current brand name is used to enter a new marketplace segment in its product class (e. g. Diet Coke and Surf Excelmatic). Another approach is brand extension, by mean of which a current brand name is used to enter a entirely different product class (e. g. Dawn Mayo, Tasty Masalay). The strategy of introducing new product as extension has become widespread. Brand extension strategies are broadly accepted because of belief that they make and communicate powerful brand positioning; enhance knowledge and quality association and increase likelihood of trial by reducing new product risk for consumers.

A review of the last twenty years of literature reveals the attempt to replicate the Aaker & Keller (1990) original study and different replications done by using their model around the world are being tested. However there can be significant benefits and risk in brand extension strategies resulting in weak or severely dented brand image. Poor selection for brand extension may weaken and worsen the core brand and damage the brand image and <https://assignbuster.com/factors-influencing-successful-brand-extension/>

equity. Most of the literature identifies on the consumer evaluation and affirmative impact on parent brand. As a matter of fact, the failures of brand extension are superior than the successes. Some studies show that negative impact may weaken brand image and equity such as the study conducted by Loken & Roedder (1998) that a bad extension dilutes the parent brand.

Despite of the positive impact of brand extension, negative relationship and wrong communication strategy do hurt to the parent brand family.

The same insight on the part of Patro (2003) that brand extension is one of the new product development strategies which can decrease pecuniary risk by using the parent brand name to enhance consumer insight and awareness due to the core brand equity. Historically the brand extension has been studied in a variety of ways. In 1990, 63 % of products introduced were line extensions, and other 18% were category extension (Keller, 1998). The brand extension helping increasing the prospect of new product success and lesser its launch cost (Kapferer, 1997). However when we go through the history of brand extensions, various successes have been observed.

As indicated most previous research that all brand extension have not been succeed (Gronhaug & Lines, 2002). Brand extension can produce huge profits but it can be risky, too. An ill visualized brand extension may critically harm the original product and prevent the establishment of another brand with its exclusive associations and growth potential (Aaker, 1990).

Brand extension research has focused mainly on the consumer perception of brand extension. Two factors have emerged as important in extension evaluation; one is the effect of the parent brand and second is the similarity

between the original and the extension categories. The success of a brand extension often depend on certain assumptions in which the new product is judged according to the suitability of its membership in a category (perceived ' fit') that already contain a product or a set of product and that has some brand name as it identifiable label. (Park & Lawson, 1991).

The brand extension strategy decision is strategically critical to an organization. According to Aaker & Keller (1990) the success of a brand extension often depends on certain assumptions about consumer behavior such as (1) consumer hold positive beliefs and favorable attitude towards the original brand in memory, (2) these positive associations facilitate the formation of positive belief and favorable attitudes towards the brand extension and (3) negative associations are neither transferred to nor created by the brand extension. Almost no research, however has provided guidance about considerations affecting the likelihood that these assumption hold (Aaker & Keller, 1990).

Brand extension strategy has received considerably notice by the scholarly researchers and practitioners during the last ten years (Barwise, 1993). The past 15 years have witnessed the progress of an important body of experimental evidence on consumer attitude vis-à-vis brand extensions (Czellar, 2003). Aaker & Keller (1990) influential study was the first logical research on consumer behavior towards brand extension. More than eight duplication of Aaker & Keller (1990) actual study have been conducted in different parts of world. Sunde & Brodie (1993) in Newzeland, Nijssen & Hartman (1994) in Holland, Alexandre-Bourhis (1994) in France, Bottomley & Doyle (1996) in UK, Holden & Patrick Barwise (1996) in three different places <https://assignbuster.com/factors-influencing-successful-brand-extension/>

England, France and America, replicated Aaker & Keller (1990) study. Riel, Lemmink, & Ouwersloot (2001) repeated and extended Aaker & Keller (1990) in the services context.

More or less all the replications of Aaker & Keller (1990) study were conducted in the industrialized countries. Our reproduction of this study by replicating the model developed by Chernatony (2003) which discusses the four components influencing the acceptability of Brand Extension. Our replication of this study in Pakistan allows us to examine the generalizability and robustness of previously reported findings of Chernatony model regarding brand extension in the framework of developing economies. To be appropriate to brand managers in different countries, robustness of the results as well as the sensitivity to cross-cultural difference, and to develop empirical generalization. However marketers should be able to develop more effective strategies. Companies which deal in brand extension will have an opportunity to craft their strategy using this model.

Statement of the Problem

Based on the above literature, the following problem was formulated:

To study the factors influencing the acceptability of brand extension by identify the pattern and preference of the local people in our country so that the model would benefit when apply in our country.

The study, either proved positive or otherwise, will help brand managers to adjust their brands related strategies and concentrate on those areas which can have major impact on brands extension. Since the model has been studied only on frequently purchased products and service sectors, in

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developed economies hence there is a Gap to test the same model in Pakistan in FMCG product categories.

Research Questions

So this study will be based on the following research questions:

How similarity and reputation influence consumer' evaluation of brand extension?

Does perceived risk and innovativeness have any impact on acceptability of brand extension?

To test whether there are differences in consumer evaluation for the same model between brands extension in low involvement product for developed or developing countries like Pakistan?

Purpose

The purpose of the study is:

Access the phenomenon in the context of Pakistan

Further the thesis empirically studied and analyzed the effect of the factors influencing the acceptability of brand extension

Scope and Limitation of the Study

Scope of this research is limited to all the product user live in Karachi only and the result attain from this study will be generalized over entire Pakistan.

We focused on only one brand and two possible extensions of related and unrelated categories. The result of the study may not be applicable to every country.

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Justification

Hem & Chernatony (2003) initially constructed a model with four components. They tried to find out the true relationship of the constructed model with prescribed components. They studied the model using low involvement, FMCG products and service sector.

By understanding these variables that influence consumer' perception about the acceptability of brand extensions marketer should be better able to develop more effective strategies. Since the model has been studied on FMCG and service sector, replication in new context especially in developed countries provides insight about the robustness and generalisability of previously reported findings regarding brand extension for this reason there is a Gap to test the same model in Pakistan in FMCG categories.

The result of the research and study ultimately would help the brand managers to use the model for low as well as high involvement product category, which will create synergy in managing brand image and line extension related strategies thus decreasing cost of managing brand image.

Key Words

Overall evaluation: subject's reaction towards a proposed brand extension was measured using behavioral and attitudinal statements following the established attitude research procedures (Fishbein & Ajzen, 1975).

Perceived Similarity is the degree to which consumer perceive the extension as similar to other product affiliated with the Brand (Smith & Park, 1992).

Brand Reputation is defined as the consumer perception of quality associated with a brand (Aaker & Keller 1990), (Barone, Miniard, & Romeo, 2000).

Perceived Risk implies that consumer experience and perceptions of uncertainty and adverse result of buying a product or service (Dowling & Staelin, 1994).

Consumer Innovativeness is a personality trait to an individual's receptivity to new ideas and willingness to try new practices and brands. The most salient trait of this variable is the comfort they gain from taking risk Hem & Chernatony (2003).

Contribution Of The Research

In Pakistan most of our researchers and institution do not give any importance to the research study for the product or product extension. In our region the most of the countries having same culture and norms in which they are progressing. Many multinational companies are also working in these countries like Pakistan, India, Bangladesh and Iran, but in some way due to some cultural differences. The research work and hypotheses is not worked in a same way as in developed countries.

The results of this study would generate interesting results for future researches as well as for the managers for adjusting their marketing activities. It can be suggested that the future researches can extend this study for high involvement products or the service sector it would generate workable and significant result for the manager in their branding strategies. Besides managers can use this model for service sector, high and low

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involvement product hence can save time and resources which can be utilize in any other development process. This model can fill the gap left for future research by the earlier researchers.

Hypotheses

Based on the literature studied the following hypotheses have been established:

H1: Extensions into categories perceived related to the category of the parent brands are more likely to be accepted compared to extensions into unrelated product categories.

H2: The higher the perceived reputations of the parent brand, the more favorable should be evaluations of the brand extensions into related categories.

H3: The higher the perceived risk associated with the extension category, the more positive will be evaluations of the brand extensions into related categories.

H4: The higher consumers' innovativeness, the more positive will be the evaluations of extended brands