

## **Consumer Perception Towards Brand Extension**

**Sajeeb Kumar Shrestha, Ph.D.**

Lecturer, TU

Shanker Dev Campus

Mail: drsajeeb@gmail.com

### **Abstract**

This study attempts to examine consumer evaluation of brand extension in the Nepalese brand context. Major objective of the study was to how consumer perceives brand evaluation in Nepal. Two hundred convenient samples were taken in this study. Structured questionnaires were designed to collect data. Descriptive statistics and correlation analysis was used to summarize the data, to check the relation and to test the hypotheses. The research confirmed moderate correlation among brand extension with all the predictors like parent brand reputation, brand consistency, complementary features, substitutability features, transferability features, consumer innovativeness and consumer/user status.

### **Introduction**

Nowadays, most of the consumers buy products with the help of brand rather than by inspecting the products. After producing a product, identification of the product should be given. For this, brand is used to identify the product. Brand is not only a name given to a product but also a technique by which the quality or the product of various producers are differentiated. So every manufacturer or marketer tries his/her best to make the consumers develop a positive attitude toward the brand of the product and tries his/her best to make the consumers loyal to the brand of the product. However, quite naturally, all the consumers do not deal or behave with the brands exactly in the way marketers want.

Every year an enormous number of new products in different categories are launched worldwide. Factors such as increasing competition and growing advertising costs have made the successful implementation of a new product more difficult in recent years (Aaker, 1996). One of the most common and successful ways for marketers to expand their portfolios, while reducing launching costs as well as the risk of product failure, is the concept of brand extension, which means as the process of providing a new product under the name of an existing brand.

Brand extension is a part of brand management to diversify and leveraging the existing brand by entering into new product category by new product development. Brand extension is increasingly used by companies as a part of strategy for product developments. The use of established brand names to enter new product categories or classes is defined as brand extension (Keller & Aaker, 1992). Brands are important and are becoming more crucial for a company to survival in today's fierce competitive business world. Brand names are among a company's most valuable assets (Klink & Smith, 2001).

A brand name defines a unique quality, function, characteristic, promises, and trust which make it distinguishable from other products. Byron (1995) depicts the reason why brand extension is so popular is because it can create growth in the cost leading competition, redefine a new direction of a business or firm, gain economic scale in advertising, introduce new products without advertising and achieve new products' success through endowing it with the goodwill but gain trial and distribution in an easier way.

Brand extension can be categorized into two ways: vertical extension and horizontal extension. Vertical brand extension can be divided into up-scale and down scale brand extension which defines high and low quality and price as compared to the parent brand whereas horizontal brand extension can be divided into line and categories extension. In line extension, existing brand name is used to introduce a new product within a product category that is served by the parent brand. Similarly in categories extension existing brand name is used to enter a different product category that is served by the parent brand (Pitta & Kastsanis, 1995).

In practice, brand extension has become a widely accepted growth strategy for many companies. The most typical and well-known case in Nepal is Chaudhari Group. A well-integrated FMCG industry set up by Chaudhary group has evolved to become one of Nepal's Leading manufacturing of FMCG products. Chaudhary Group has interests across a variety of FMCG products like food and beverages, beer and cigarettes. It extended its well-known brand Wai Wai to line extension – Wai Wai Quick (eight different flavours), Wai Wai Aloo Tama, Wai Wai 5 grain (two different flavours) (CG foods, 2012). And other FMCG categories are CG beverage, CG brewery, and CG packaging (FMCG, 2012).

Brand extension is the extension of parent brand name to the same or different category of products. It is cost effective tools to give the same name to new product. It generates familiarity and extension of quality assurance to customers (Kotler & Armstrong, 2005). It can be horizontal extension and vertical extension (Pitta & Kastsanis, 1995). To the same product category, it is horizontal extension and to the different category it is vertical extension (Pitta & Kastsanis, 1995).

Parent brand reputation means consumer perceive the quality of the parent brand. Brand consistency is the communicating same message to the market. Consumer innovativeness is the tendency to accept and use of new products. Brand awareness is the ability of customer to recognize and recall the brand. User status is involvement of customer from existing to extended products.

In order to determine whether a brand extension is able to capitalize on its parent brand whilst avoiding or minimizing potential disadvantages, it is crucial to understand how the extensions are evaluated by consumers. The success of brand extension is determined by how customers evaluate the extension (Klink & Smith, 2001).

Today's world is globalized in nature and many multinational companies get enter into the developing nation to cover their market in wide range. In Nepal, many multinational companies

entered and they pose threats to national companies such as Chaudary group, K.L. Dugar group and so on. Therefore to compete with such strong multinational company, Nepalese companies might need to adopt brand extension strategy with the use of their strong brand equity by coping with the potential as well as new customer.

There is lacking of study done on customer evaluation of brand extension in the Nepalese context probably. So, this study is designed to examine how consumer evaluates the brand extension in Nepal.

### **Research issues**

Does parent brand characteristics (Parent brand reputation and brand consistency) related to evaluation of brand extension?

Does brand extension characteristic (Complementary, substitutability and transferability) related to evaluation of brand extension?

Does consumer characteristics (Consumer innovativeness, consumer brand awareness and consumer/user status) related to evaluation of brand extension?

### **Research Objectives**

This has hence led up to the following research objectives:

To analyze the relation between parent brand characteristics and evaluation of brand extension.

To examine the relation between brand extension characteristics and evaluation of brand extension.

To measure the relation between consumer characteristics and evaluation of brand extension.

### **Limitations of Research**

The research attempted to analyze the customer evaluation of brand extension. So, some limitations of this research were,

The study was limited to customers in Kathmandu City only.

Basically, primary data were collected.

Survey research was done to collect data.

### **Conceptual Framework**

The conceptual framework of this research involved three independent variables consisting of parent brand characteristic, brand extension characteristics and consumer brand characteristics. Parent brand characteristics involved two components consisting of parent brand reputation and brand consistency. Brand extension characteristics involved three components such as complementary features, substitutability features and transferability. Similarly, Consumer brand characteristics involved three components such as consumer innovativeness, consumer brand awareness and consumer status. The research framework is presented in figure 1.

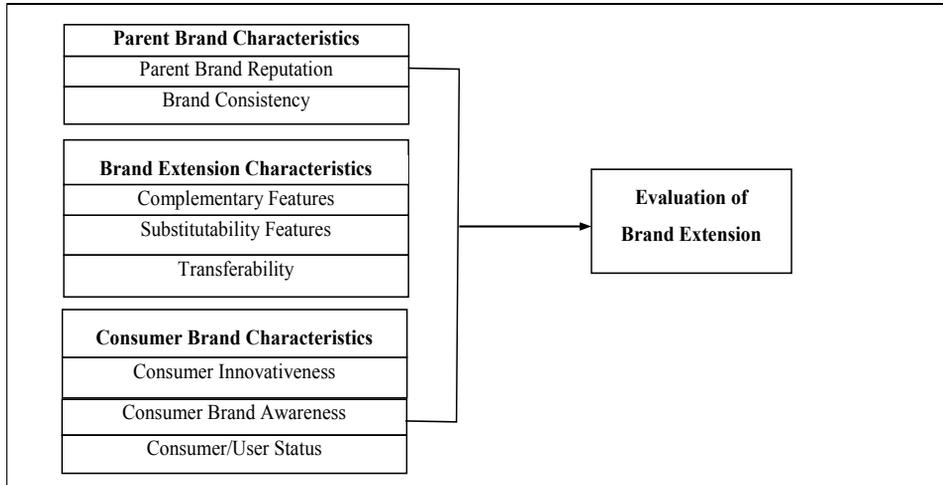


Figure 1: Conceptual Framework

### Hypothesis Testing

Based on conceptual framework on figure 1, following hypotheses have been assumed.

- H1: Parent Brand reputation is significantly related with evaluation of brand extension.
- H2: Brand consistency is significantly related with evaluation of brand extension.
- H3: Complementary features are significantly related with evaluation of brand extension.
- H4: Substitutability features are significantly related with evaluation of brand extension.
- H5: Transferability features are significantly related with evaluation of brand extension.
- H6: Consumer Innovativeness is significantly related with evaluation of brand extension.
- H7: Consumer Brand Awareness is significantly related with evaluation of brand extension.
- H8: Consumer/ User status is significantly related with evaluation of brand extension.

### Research Methods

The purpose of the study was to examine how consumer evaluates the brand extension in Nepal. Descriptive and causal research design was applied to obtain this objective. Research constructs were based on thoroughly reviewing the literature.

Population of the study is the customers who are in familiar of using any of CG brands. Kathmandu City is taken as sample frame of the study. Two hundred samples were taken for this study.

The study is cross-section study. Structured questionnaires were designed to collect data. Research questionnaires were based on five-point Likert scale anchored by "1 = Strongly Disagree" to "5=Strongly Agree".

Convenient samples were taken. Respondents were approached in different locations at Kathmandu City. They are asked to fill the questionnaires and questionnaire survey was performed. Two hundred samples were taken for the study.

Male respondents were 45 percent and female respondents 55 percent. Majority of the respondents were at the age of 25-30 showing 42 percent. 58 percent of the respondents had bachelor degree and 28 percent had master degree graduates. 54 percent of the respondents had income above Rs. 45000.

Reliability analysis, descriptive statistics and correlation analysis was done to analyze the data and testing the hypotheses.

## Results and Discussion

### Reliability Analysis

Reliability analysis is performed to check the internal consistency of the questionnaires used in this research. Scale item's reliability is measured based on Cronbach's Alpha value (George & Mallery, 2009).

Table 1.

#### *Reliability Analysis*

Constructs	Cronbach's Alpha Coefficient
Parent Brand Reputation	0.68
Brand Consistency	0.61
Complementary	0.65
Substitutability	0.62
Transferability	0.61
Consumer Innovativeness	0.71
Brand Awareness	0.67
Consumer's User Status	0.82

Table 1 expressed the Cronbach's Alpha coefficient of parent brand reputation, brand consistency, complementary, substitutability, transferability, consumer innovativeness, brand awareness and consumer's user status. All the constructs reported the Cronbach's Alpha coefficient above 0.6 (George & Mallery, 2009) and it was satisfactory.

### Descriptive Statistics

Descriptive statistics is done to sum up the data in a compress form. Descriptive statistics is measured from the research data in Table 2. Mean and Standard Deviation were showed to express the nature of data. Mean is mostly used to analyze descriptive statistics (Allen & Seaman, 2007). When mean is higher than 3 it was supposed that respondents viewed positively towards the Likert statement. When the mean is below 3 it was assumed as a negative response from respondents.

Table 2.

#### *Descriptive Analysis*

Constructs	Mean	Std. Deviation
Parent Brand Reputation	3.45	.86
Brand Consistency	3.75	.72
Complementary	3.69	.45
Substitutability	3.56	.55
Transferability	3.55	.62
Consumer Innovativeness	3.86	.34
Brand Awareness	3.82	.59
Consumer/User Status	3.56	.76

Table 2 showed that all the constructs had mean value above 3 and standard deviation value below 1. So, mean value is representative for this research. Respondents viewed as consumer innovativeness and brand awareness were highly affect on consumer evaluation of choosing brand extension in Nepal. Consumers gave emphasis on all the constructs in this study.

### Correlation Analysis

Correlation analysis was done to check the relationship among constructs. It measures the degree of linear relationship between to variables. The value of correlation lies in between '-1' to '+2'. Levin and Fox (2006) argued that when value of correlation coefficient ( $r$ ) is less than 0.3, it is called weak correlation. When the value of  $r$  is greater than 0.30 but lower than 0.6, it is called moderate correlation (Levin & Fox, 2006). When the value of  $r$  is greater than 0.6, it is said as strong correlation (Levin & Fox, 2006). Correlation is done in Table 3.

Table 3.

*Correlation Matrix*

Constructs	Brand Extension
Parent Brand Reputation	0.322
Sig.	0.000
Brand Consistency	.336
Sig.	0.000
Complementary Features	.357
Sig.	0.000
Substitutability Features	.355
Sig.	0.000
Transferability Features	.335
Sig.	0.000
Consumer Innovativeness	.344
Sig.	0.000
Consumer/User Status	.382
Sig.	0.000

Table 3 showed the correlation coefficients among constructs. It was found moderate correlation between brand extension with parent brand reputation ( $r=.322$ ), with brand consistency ( $.336$ ), with complementary features ( $r=.357$ ), with substitutability features ( $r=.355$ ), with transferability features ( $r=.335$ ), with consumer innovativeness ( $r=.344$ ) and consumer/user status ( $r=.382$ ) (Levin & Fox, 2006).

**Hypothesis Testing**

- H1: Parent Brand reputation is significantly related with evaluation of brand extension.  
p-value of parent brand reputation with brand extension is 0.000 which is less than 0.05.  
So, H1 is accepted.
- H2: Brand consistency is significantly related with evaluation of brand extension.  
p-value of brand consistency with brand extension is 0.000 which is less than 0.05. So,  
H2 is accepted.
- H3: Complementary features are significantly related with evaluation of brand extension.  
p-value of complementary features with brand extension is 0.000 which is less than 0.05.  
So, H3 is accepted.
- H4: Substitutability features are significantly related with evaluation of brand extension.

p-value of Substitutability features with brand extension is 0.000 which is less than 0.05. So, H4 is accepted.

H5: Transferability features are significantly related with evaluation of brand extension.

p-value of transferability features with brand extension is 0.000 which is less than 0.05. So, H5 is accepted.

H6: Consumer Innovativeness is significantly related with evaluation of brand extension.

p-value of consumer innovativeness with brand extension is 0.000 which is less than 0.05. So, H6 is accepted.

H7: Consumer Brand Awareness is significantly related with evaluation of brand extension.

p-value of consumer brand awareness with brand extension is 0.000 which is less than 0.05. So, H7 is accepted.

H8: Consumer/User status is significantly related with evaluation of brand extension.

p-value of consumer/user status with brand extension is 0.000 which is less than 0.05. So, H8 is accepted.

### **Conclusion**

The research tried to examine the customer evaluation of brand extension in the Nepalese context. Positivist approach was used and quantitative research was done in this research. Brand extension is moderately correlated with parent brand reputation, brand consistency, complementary features, substitutability features, transferability features, consumer innovativeness and consumer/user status.

Respondents viewed as consumer innovativeness and brand awareness were highly affect on consumer evaluation of choosing brand extension in Nepal. Consumers gave emphasis on parent brand characteristics, brand extension characteristics and consumer brand characteristics in this study.

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