

EVALUATION OF BRAND EXTENSION (SIMILAR AND DISTANCE PRODUCT CATEGORY) WITH RESPECT TO DEGREE OF FIT AND QUALITY OF THE CORE BRAND

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Abstract

Introducing new product is the growth strategy of the companies. Brand extension strategy is most popular and most used method of introducing new products. This strategy is popular because it reduces risk of failure of new products. Most of literatures on brand extension is based on western culture. The study is focused on low involvement products and opinion of consumers of Dhaka city. A very well known brand its extension is chosen for this study. It is found from the study that consumers think that similarity between core and extension is successful if there is a good fit between core and the extension products. On the other hand quality core products is not the guarantee to successful brand extension to a product category which is not similar to the core brand (distance brand extension). One the other hand there is no significant difference between the opinion between gender based on the opinion that extension is successful if there is a good fit between core and the extension products. This product is limited only to one brand and limited to students. So more successful brand extension and diverse consumer categories are considered for future research is suggested.

Key word: Brand Extension, Degree of fit, Quality, Dhaka

Introduction

Launching new products can be an attractive growth strategy, however this is not without risks (Hem *et al*, 2001). The choice of name for the new product is crucial of its success. Marketers have a variety of options in naming new products. For marketers with multiple product lines, one option is to use a new brand name. For example, Coca-Cola introduced a line of new age beverages under the name Fruitopia, and Black & Decker introduced its new line of professional tools under the name DeWalt.

A second option is to introduce the new product under the name of an existing brand; the new product is usually termed a brand extension. Ivory shampoo is a brand extension since the Ivory name was extended into the shampoo product category from its original category of soap (Bhat, *et. al* 1998). Notable brand extension activity has taken place in services, for example, Virgin moving into radio stations, airline, financial services, and bridal services (Keller 1998). Likewise the Disney company, which in the 1950s signified world-class animation, has extended into services such as television, publishing, software, Internet portals, theme parks, hotels and cruises, (Court, Leiter, and Loch 1999). Brand extension strategy is often seen as beneficial because of the reduced new product introduction marketing research and advertising costs and the increased chance of success due to higher preference derived from the core brand equity (Chen, Liu, 2004). A brand extension strategy hopes to capitalize directly on the value or equity of the existing or "parent" brand. An existing brand has many customers. These customers may have a variety of positive associations with the brand. In addition, the brand's name may be also known to non-customers. A new product introduced as a brand extension can capitalize on the recognition value of and the positive associations with the parent brand. Of course, an extension strategy does not guarantee success but at the least, it may stimulate trial for the new product because of the use of the parent brand's name (Bhat, *et. al* 1998)

Brand extension strategy comes in two form (Chen, Liu, 2004): *Horizontal* : Existing name used to a new product introduction either related product class or product category new to the firm (Sheinin and Sahmitt, 1994).and *Vertical* :Introducing new product in name of same product category of the core brand , but at different price point and .quality level. (Keller and A ker, 1992, Sullivan 1990).

Acceptance of Brand extension and degree of fit

The cause of success of new product introduction by extension is consumer find some degree of fit between the image of the existing brand and the new product. A number of factors influence whether consumers will evaluate brand extensions in a favorable manner. Key among them is the degree to which a brand extension fits with the parent brand (Monga Basu, and John Roedder 2007). The newly introduced brand extension capitalizes on the equity of the already established brand name (De Graba and Sullivan 1995, Pitta and Katsanis 1995). Consumer familiarity with the existing core brand (Chen Fung kung and Liu meichu, 2004).

Hem *et al*(2001) in his writings showed that several studies reported that the greater the similarity between the original and extended category, the greater the transfer of positive (or negative) affect to the extended brand (cf. Boush, et al. 1987; Aaker and Keller 1990; Park, et al. 1991; Boush and Loken 1991; Dacin and Smith 1994; Herr, et al. 1996; Keller and Sood 2001/2). This finding is based on the assumption that consumers will develop more favourable attitudes towards extensions if they perceive high congruence between the extension and the original brand (Boush, et al. 1987 for theoretical discussion).

The most frequently used dimension of fit is similarity (Muroma and Saari 1996, Bhat and Reddy 1997). Similarity means how alike the extension and the core product in terms of features , attributes or benefit (Aaker and keller 1990, Boush and Loken 1991 , Park *etel* 1991 Broniarczyk and Alba 1994). Bhat and Reddy (1997) propose that fit may comprise two dimension :Similarity between the product category of the parent (core) brand and its extension (Product Category fit) and Similarity between the image of the parent (core) brand and its extension (brand image fit).

Little attention has been focused on the issue of whether these findings apply to consumers around the globe. The vast majority of research has been conducted with U.S. consumers, although many brands operate in a global environment and launch brand extensions globally. Consumers from different cultures may vary in their evaluations of brand extensions (Monga Basu, and John Roedder 2007). According to Bottomley and Hol-den 2001, other factors than fit are more important in other cultures, this is based on secondary analysis of eight brand extensions in the United states and abroad . According to Han and Schmitt ,1997 extension fit is more important for the U.S customers from the HongKong, at Hong Kong the corporate reputation is more important factor for brand extension. The objective of this paper to evaluate brand extension on the basis if fit, and evaluate the impact of core brand quality as a measure of brand extension of distance product category then the core brand. This paper is examine the brand extension only for low involvement products.

Research methodology

The objective of this research was to evaluate brand extension on the basis of fit. This study deals with low involvement products (low consumption cycle). A structured questionnaire was used to collect information. A random sample of 50 was chosen (all 50 are from the university students and very well conversant about brand management) the questionnaire was used by the researcher to collect the information. Questionnaire were filled by the students in presence of the researcher. Only one brand its extensions are considered so that respondents are not any chance for any comparison between the brands on the same parameter of fit.

Brand selection:

A well established and reputed brand in Bangladesh is selected who has long track record of successful brand extension records. The name of the brand is PRAN. The example of brand extension products are shown below . PRAN stands for Programme for Rural Advancement Nationally .(Source : <http://www.pranfoods.net/profile.html>)

Core brand

PRAN brand juice

Close extension

PRAN cola
PRAN up
PRAN lemon
PRAN tea
PRAN sauces
PRAN jam jelly
PRAN instant drink
PRAN spices
PRAN chutny
PRAN ghee
PRAN natural water
PRAN biscuit
PRAN candy and others

(PRAN product <http://www.pranfoods.net/profile.html>)

source:

About PRAN

PRAN is one of the leading branded food and beverage producers in Bangladesh. The company produces a wide range of products, which can be categorized into six broad categories: these are beverages, culinary products, confectionary, dairy, snacks, premium

rice. Created in 1993, the company enjoys a very strong brand reputation in the country and it also exports to more than 70 countries. For the financial year ending 30 June, 2007, the company reported combined sales of \$66.8 million and a net profit before minority interest of \$4.2 million.

(Source:

<http://www.ifc.org/ifcext/spiwebsite1.nsf/0/5165c47c50ef7fbc85257474006e0fa7?OpenDocument>),

Sample

A total of 50 students were selected to conduct the survey. All of them are university students. The age of the students between 22- 35. 54 % of the sample respondents are male and 46 % respondents are female. All the students were very well known about PRAN and its products

Findings

A. Basic opinion about sample brand and Brand extension.

60 % of the respondent have very positive idea about PRAN brand 28 % said they are positive there is no negative comment about PRAN brand. 62 % of the respondent said that Brand extension is accepted if there is a good fit between core and the extension. But at the same time the respondents said that quality of the core brand is not guarantee for extended the brand for not fit product category. 42 % respondent disagree with this statement that core brand quality can ensures extension success for any product category. Whereas 36 % of the respondent said that quality of core brand can allow the core brand to extend in to distant product category. The respondent answers are shown in table –I

B. Respondent attitude toward brand and evaluation of extension based on fir

From table –II it is seen that 60 % of the respondent are very positive about the selected brand. And about 62 % of the respondent believes that brand extension decision is depends on core brand and brand extension product fit. On the other hand 18 % of said that they are disagreed with the statement that similarity is the predecessor of brand extension success. It is seen from the survey 12 % respondents are neutral regarding express their opinion about the brands. This neutral respondents are not agree that Brand extension success is only depends on fit (similarity) between core brand and the brand extension. Where as 6 % respondents are disagreed with the extension decision based on fit but they express positive attitude towards the selected brands. r^2 value is 0.740, $p < 0.01$ between (two variables attitude towards the brand and brand success depends on fit). Pearson correlation coefficient value is 0.840 .

C. Core brand quality as a variable of Brand Extension

From table –III it is seen that respondents believed that core brand quality does not the predecessor for brand extension to any form of product category . 42 % respondents are negative (including very and negative) to the statement “ Quality core brand ensures distance brand extension success”. 50 % respondents are not happy with the extended brand decision based on quality of the core brand. Where as 14 % respondents are positive toward the distance brands and only 6 %s respondent agreed that quality core brand ensures distance brand extension success. r^2 value is 0.250 between two variables.

D. Gender and Brand extension based on fit variables

There is no significant difference between opinion between male and female respondents regarding brand extension decision based on the variable fit :see table IV (similarity between core and brand extension). 40 % male respondents are agree with the statement that brand extension success based on fit between core and extended brand. This %age is 22 in case of female respondents. Only 6 % male and 12 % female are disagree with the fit variable that only similarity is the variable of brand extension success. Brand extension decision is not influence by the gender differences the r^2 value is 0.07 $p>0.05$.

Conclusion:

This study is mainly focuses two things, there are evaluation of fit as a success variable of brand extension and evaluation of core brand quality and its role on brand extension to any form of product class.From the respondents survey it is found that fit between the core brand and the extension is one of the major variable of brand extension success. But it is interesting finding from this study that core brand quality does not guarantee to extend the brand to a distance extension. There is no significant difference between male and female regarding brand extension decision specially on degree of fit and distance extension based on core brand quality. This study is based on graduate and undergraduate students on a limited sample size and concentrated only one to the students. The study can be extended to large sample based on stratified sample so that opinion from different segment will be highlighted . Based on this

study a primary model is prepared

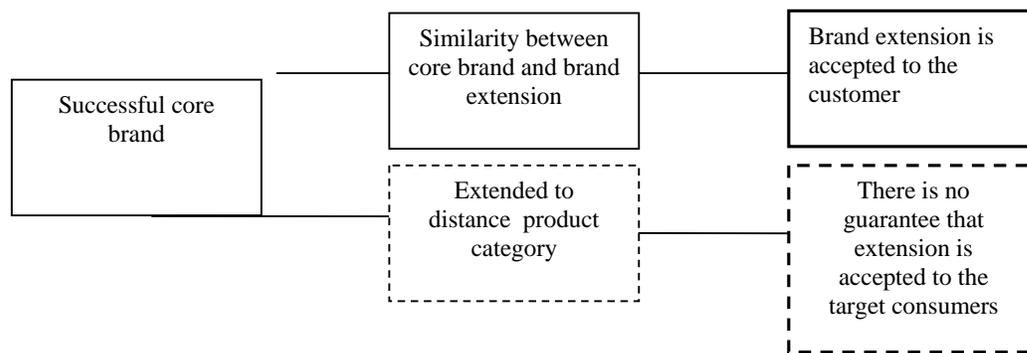


Table –I :
Respondent reply on different issues on brand extension

Opinion about	Respondent answer
Brand extension is accepted if there is a fit between core and extended brand	18 % disagreed 62 % agreed Rest has no opinion (neutral)
Quality of the core brand is always ensures success of extended brand extension	42 % disagree 36 % agree Rest has no specific answer
Knowledgeable Consumers are more aware of judging the extension based on fit	26 % agreed 66 % highly agreed Rest has no opinion

Table -II:
Respondent attitude towards brand and fit

		Attitude toward sample brand of the study			Total
		Neutral	Positive	Very positive	
Success of brand extension is depend on fit (similarity between core and brand extension)	Disagreed	12 %	6 %	----	18 %
	Neutral	----	16 %	4 %	20 %
	Agreed	---	6 %	56 %	62 %
Total		12 %	28 %	60 %	100 %

Table -III:
Respondent attitude towards distant brand extension based on quality variables

		Opinion about the brand extension to any product class based on core brand quality				Total
		Very negative	Negative	Neutral	Positive	
Quality core brand ensures distance brand extension Success	Highly Disagreed	---	6 %	---	---	6 %
	Disagreed	20 %	4 %	10 %	2 %	36 %
	Neutral	---	8 %	12 %	2 %	22 %
	Agreed	2 %	10 %	12 %	4 %	28 %
	Highly Agreed	---	---	2 %	6 %	8 %
Total		22 %	28 %	36 %	14 %	100 %

Table IV :
Gender responses on core brand and fit

		Gender of the respondents		Total
		Male	Female	
Success of brand extension is depend on fit (similarity between core and brand extension)	Disagreed	6 %	12 %	18 %
	Neutral	8 %	12 %	20 %
	Agreed	40 %	22 %	62 %
Total		54 %	46 %	100 %

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