3. INTRODUCTION TO THE RESEARCH PROBLEM

It is well recognized that the financial risk of introducing new products is becoming enormous. The cost of launching a new product with a new brand is even greater. Firms follow many approaches to enter into new markets. Some firms rely on the established brand name to facilitate entering into new market. One such approach can be line extension, whereby the current brand names are used to enter a new market segment in the same product class. Another approach is brand extension, whereby a current brand name is used to enter a different product class. Brand extensions have been found attractive to the firms that face increased new product failures. By introducing new products as brand extensions, the cost of launching is also less as compared to introducing a new brand name. The cost of launching includes the costs of gaining distribution network and the efficiency of promotional expenditures. It is assumed that a strong brand can be substantially leveraged to take advantage of the brand name recognition and the existing image to enter a new market. Brand image is linked to strength, favorability and uniqueness of brand associations. However, while launching the products or services as brand extensions, it is important to recognize the pulse of the market and the organizational resources.

Brand extensions are strategically critical to an organization. There are important lessons to be learned while attempting brand extensions. It is observed that a few brand extensions result in success. Although brand extension is a way to exploit the most important asset owned by a business, it also risks decreasing the value of that asset. A failed brand extension can be damaging to an organization.

International studies, conducted in the area of brand extension, can be summarized as follows:

1. Successful extension occurs when the parent brand is seen as having favorable associations and there is a perception of fit between the parent brand and the extension product.

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2. There are many bases of fit: product-related attributes and benefits as well as non-product-related attributes and benefits related to common usage or user types.

3. Depending on the consumers' knowledge of the product categories, perception of fit may be based on various commonalities.

4. High quality brands can stretch farther than average quality brands, although both brands have boundaries.

5. A brand which is closely related to a given product or service category may find difficult to extend.

6. Concrete attribute associations tend to be more difficult to extend than abstract associations.

7. Consumers are likely to transfer associations that are positive in the original product class but become negative in extension context.

8. The associations which are positive in a given product category can become negative in the extension product category.

9. A successful extension can help the brand to extend farther. This can also be related to stretching the brand. However, there will be limits to stretching a brand.

10. An unsuccessful extension cannot prevent a firm from introducing a more extension.

11. Vertical extensions can be difficult and often require sub-branding strategies.

12. The most effective advertising strategy for an extension is one that emphasizes information about the extension. This also includes creating awareness about the extension.

An overview of the methodology of results obtained in brand extensions reveals the following:

1. Many of the results obtained in brand extensions are based on using students as subjects for the experimentation. This practice cannot be assumed to be robust or conclusive.
2. Very few studies have been attempted in India in the area of brand extensions. It is well established that purchase criteria may vary from country to country. For example, in the case of automobiles, customers in the USA will be influenced by the quality, technological features and other abstract associations. While in India, purchase decisions are based on price, fuel efficiency, resale value and quality the product offers.

3. Brand and brand extensions are considered to be a dynamic subject. As the changes in the society are taking place due to factors such as consumerism, family structure, levels of income and demographic classification, increasing influence of media and changing marketing-mix forces, these forces are likely to have a profound effect on the brand extension study.

3.1 Objectives and Methodology of the Study

Adopting a multi-disciplinary approach and attempting a comprehensive study, the present research aims at the following:

A. The present study comprehensively draws the inferences from consumers based on their evaluation about the real brands in hypothetical extension categories. The success evaluations of brand extensions are based on assessing the brand association, relevance, identifying its various dimensions of the fit, strength and favorability. The study was carried out in Ahmedabad and Baroda. The design and relevant details of the study are discussed later.

B. The present study also captures the viewpoint of channel members: distributors and retailers. Distributors' inferences are analyzed to draw the success comparison in launching a new product in the form of three possible scenarios such as (a) New Brands, (b) Line Extensions and (c) Brand Extensions. Retailers' survey assesses the success perception about the extension in different scenarios such as (a) related product category, and (b) unrelated product category. Toothpaste product category and ready to eat product category were included in study for exploring the brand extension perceptions.
C. A field experiment assesses the success perception for bank brand in different segments. The field experiments are of 2 Brands: State Bank of India and ICICI Bank x 2 Types of Extensions: present and future.

3.2 Research Design

A research design is a framework or blueprint for conducting a research project. It details the procedures necessary for obtaining the information needed to structure and solve marketing problems. The research design lays the foundation for conducting the project. Hence, a good research design will ensure the efficiency and effectiveness of marketing research project as well. A research design may be broadly classified as exploratory and conclusive. The primary objective of exploratory research is to provide insights into, and an understanding of, the problem posed by the researcher. Exploratory research is used in those cases when the researcher defines the problem more precisely, identifies the relevant course of action, or gains additional insights before an approach can be developed. The objective of conclusive research is to test specific hypothesis and examine specific relationships. This requires that the researcher clearly specify the information needed. It is based on large representative samples, and the data obtained are subjected to quantitative analysis. The findings from this research are considered to be conclusive in nature, and, further, they are used as inputs for managerial decision making.

This study follows the design of descriptive research and involves the use of statistical method to draw conclusions about the consumer evaluation of brand extensions for a set of hypothetical product category on the basis of real brands.


3.3 Research Methodology

3.3.1 Consumer Survey

After considering the conceptual framework and literature survey, the next phase of the research is to test the theory empirically. To meet this objective, an empirical study of "Customer Perceptions of Brand Extensions" was undertaken in the cities of Ahmedabad and Baroda in Gujarat. The study evaluates the following real brands and hypothetical product categories:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Real Brands</th>
<th>Hypothetical Extendable Product Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lux and Nirma</td>
<td>Deodorant</td>
</tr>
<tr>
<td>2</td>
<td>Amul and Maggi</td>
<td>Potato Chips</td>
</tr>
<tr>
<td>3</td>
<td>LIC &amp; Reliance</td>
<td>Banking</td>
</tr>
<tr>
<td>4.1</td>
<td>Tata</td>
<td>Bikes</td>
</tr>
<tr>
<td>4.2</td>
<td>Bajaj</td>
<td>Cars</td>
</tr>
</tbody>
</table>

3.3.1.1 Study Variables

The study focuses on the consumer perceptions of brand extension which is evaluated on the basis of the following final dependent variables such as:

(a) Perception about success of extended products.

(b) Perception about quality of extended products.

(c) Intention to buy the brand extended product.

Major independent variables identified are:

(a) Brand associations.
3.3.2 Distributors' Survey

The survey was conducted in the city of Anand to capture their views regarding the launch of new products and also to assess the success potential of 61 new products.

3.3.2.1 Study Variables

The study focuses on the distributors' perceptions of the success potential of the new product which is evaluated on the basis of dependent variables i.e. success of the new product in terms of its market acceptance.

Following independent variables were considered:

1. Product benefit
2. Product quality
3. Price
4. Brand awareness
5. Consumer acceptance
6. Product availability

Distributors were classified into level of operation as A class, B class, and, C class.

3.3.3 Retailers' Survey

Retailer's survey was conducted in the city of Anand to capture the views of retailers regarding brand extensions in related and unrelated categories for toothpaste and ready to eat product categories.
3.3.3.1 Study Variables

Retailers' perceptions about brand extensions and their success potential in the market were gathered for the following parameters:

1. Brand Extensions into related category.
2. Brand Extensions into unrelated category.
3. Known Brand entering into toothpaste category.
4. Unknown brand entering into toothpaste category
5. Known brand entering in ready into Eat category
6. Unknown brand entering in ready to eat category
7. Known toothpaste brand entering into related category
8. Known toothpaste brand entering into unrelated category
9. Known ready to eat brand entering into related category
10. Known ready to eat brand entering into unrelated category

3.4 Field Experiment

Field experiment was involved for evaluating the success perception for State Bank of India and ICICI bank in the present and future brand extension product categories through judgmental sampling

3.4.1 Study Variables

Customer's perceptions about the success of brand extensions were gathered for the following parameters.

1. Brand extensions in the present product categories
2. Brand extensions for hypothetical product categories.
3.5 Postal Employees Survey

Employee's survey was conducted by contacting with the senior officers in the rank of Post Master General and above of postal department to evaluate the brand extension of India Post in banking.

3.5.1 Study Variables

The study focused on the consumer perception of brand extension which is evaluated on the basis of following dependent variable (a) success of India Post in Banking and on the following independent variables:

1. Brand associations.
2. Relevance of brand extension in the extended category.
3. Similarity of the brand and the extended product category.

3.6 Instrument

For the purpose of collecting the necessary primary data, questionnaire was developed and pretested, using a structural technique. The respondents were personally contacted which also helped in capturing the qualitative insights and opinions about the brand extensions for consumer survey, distributors survey, retailers survey, experimental study and postal employees survey.

3.6 References