INTRODUCTION

1.1 The Historical Backdrop of Brand Extension – A Brief Timeline

Brand extension strategy is a very widely used mechanism in brand management. This strategy is extensively used in the FMCG (Fast Moving Consumer Goods) segment. The history of brand extension can be traced back to the 1960s. Gamble, 1967 in his study mentioned the application of brand extension strategy as early as 1960s. The concept of brand extension started to get popular in the 1980s. Brand concept is defined as the image that consumer thinks of when exposed to a particular core brand (Chung, Anne, & Margo, 2001). Brand Extension involves utilising and applying the established core brand name to new products to obtain the equity of the original core brand and also to capture new and unexplored market segments (Kerin, Kalyanaram and Howard, 1996).

Dr. Edward Tauber, who originated the term brand extension in the year 1979, opined on brand extension as, “A key to successfully stretching a brand is to view brand extension as a strategic tool, not just as a new product.” Considering the difficulty to launch a new brand with increasing cost and increasing competition, the popularity of brand extensions is understandable. Failure to quickly launch new products could hurt the firm quite substantially and the loss could run into millions. RCA (The Radio Corporation of America, later renamed as RCA, the giant American electronics company in existence since 1920) lost US$ 850 million on its new brand launch Selecta Vision; Texas Instruments lost a staggering US$ 860 million on Disc Computer before withdrawing from the home computer business. WEB TV, lost US$ 725 million before it shut down (Kotler & Armstrong, 2006). In
view of the risks associated with new product launch under a new brand, brand extensions have been increasingly resorted to over the years.

The classic conception of branding rests on one brand one promise. If a brand’s promise corresponds to one single physical product, it will lead to an increasing number of brands to satisfy each and individual promise. Procter & Gamble has followed this classic conception of branding, each new product receives a new name, a name which is totally independent from other brands. This leads to an increasing number of brands and the company has to nurture and develop all the brands in the brand portfolio. Under this conception of brand, a few brand extensions are possible. So this concept of the brand takes the history of the brand for its long term reality. Brand extension under the classic conception barely goes beyond very similar products. The larger conception of branding leads to extensions out of the initial category. The brand becomes different from the original product. The new perspective opens new sources of growth for brands. Instead of looking at themselves as product brands, they become concept brands, defined by a set of values and not by single instance (Rijkenberg, 2001). Brand extensions are necessary for growth and profitability. However, extensions cannot be made in all directions. The direction is defined by the brand itself. Before going for brand extension strategy, it is very important to know the brand concept well - brand attributes, personality, identity it conveys to the buyers and users, brand associations etc. Hence, the important aspect in the brand extension process is the selection of the destination category.

Some of the uses and functions of brand extensions are:

a) Providing a new product with a competitive advantage.

b) Allowing greater efficiency through brand-wide advertising and promotions making it cost effective.

c) Increasing consumer awareness for newly introduced brands.

d) Familiarity with the core brand and therefore, offers less risky route to a new product category and appeal in the marketplace.
e) Helping to define a recently formed brand in the minds of consumers, which in future helps the extensions.
f) Enabling to redefine and revitalize declining brands.
g) Disassociating a brand from a product at the end of its lifecycle.

Over the years, an increasing number of companies have been leveraging their existing brands rather than creating a new brand. In USA, in the year 2005, only 5% of new food and household products were new brands, ten years ago this number was 20%. Over 80% of all new products are marketed through brand extensions (How Far Can a Brand Stretch? June 5, 2008). The discipline of brand extension is discussed by many authors, such as Aaker, 1991; Kapferer, 1992; Kim & Lavack, 1996; Nijssen, 1999; Wood, 2000; De Chernatony, 2002; Martinez & Pina, 2003; Grime & Smith, 2005; Kotler & Armstrong, 2006, etc. who in their studies analyse brand extension process with brand extension strategy. When companies decide to move into new product categories they are faced with the choice of introducing a new brand or extending an existing brand. The advantage of pursuing a brand extension strategy is that it is less costly, given the fact that the existing brand enjoys some level of brand awareness. It is likely that a customer will prefer to try a new product from a known brand name than a new brand (Swaminathan et.al, 2001). Reast, 2005 in his research paper stated that many existing brands maintain a level of trust and that a new brand has to earn it over a period of time. Many companies adopt brand extension as a strategy with the aim of benefitting from the brand awareness and equity already achieved in the current market. When a company launches a new product under the umbrella of a well-known brand, the risk of failure and cost of launching the new products are reduced (Keller, 1993).

Emami Limited, (the flagship Indian FMCG company with turnover of more than Rs 20 billion of the Emami Group), is a leading player in the personal and health care consumer products industry in India. Emami has 25 brands under its portfolio. Brand Extensions have helped Emami to consolidate its position in the market and also to cater to varied consumer needs. As interviewed by The Economic Times, the
Director of Emami Group of Companies opined that FMCG companies need to innovate continuously to ensure that input cost do not affect their growth.

A successful brand is like a powerhouse with huge energy to illuminate distant territories. We have seen “Dove” Soap (the parent Brand) extend to Dove Shampoo, Dove Conditioner, Dove Hair Oil, and Moisturiser; “Dettol” antiseptic (the parent Brand) extend to Dettol Soap, Dettol Dish Washing Gel; “Pond’s” Cream (parent Brand) extended to Pond’s Age Miracle Cream; “North Star” Shoes (the parent Brand) to North Star Apparel; “Mars” Chocolate Bar (the parent Brand) is no longer associated with just their very popular chocolate bar, but extended to Ice-cream, a Chocolate drink and Chocolate slabs. Fast Moving Consumer Goods (FMCG) may be described as products which have a quicker turnover and are relatively low cost. FMCG products are normally replaced within a year. Some of the characteristics of FMCG products are:

i) Used at least once in a month directly by the end-consumer.
ii) Non durable in nature.
iii) Sold in packaged form and have a brand name.

FMCG products are usually grouped under various categories, with different types of products falling under each category. Table 1.1 gives one such segment-wise breakup of the FMCG industry.

<table>
<thead>
<tr>
<th>FMCG Segment (Category)</th>
<th>Types of Products</th>
<th>Company Name (few major companies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Care</td>
<td>Soaps, Detergents, Household Cleaners, Mosquito Repellents etc.</td>
<td>Procter &amp; Gamble, HUL, ITC, Nirma, Dabur.</td>
</tr>
<tr>
<td>Personal Care</td>
<td>Oral Care, Skin Care, Hair Care, Soaps, Toiletries, Cosmetics, Deodorants, Female Hygiene Products.</td>
<td>P&amp;G, HUL, ITC, Lakme, Emami, Fem Care, Himalaya, Colgate-Palmolive, Dabur.</td>
</tr>
</tbody>
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Table 1.1: Segment-wise Breakup of the FMCG Industry
The segment-wise breakup of market share of the FMCG Sector in 2013 as per the IBEF Report is shown in illustrated in Fig 1.1. It can be observed that if we exclude Tobacco based products, then Food & Beverages, Personal Care and the Household Care segments are the major categories of FMCG sector.

Figure 1.1 : FMCG Segment-wise Market Share
(Source: IBEF Report, 2013)

Table 1.2, given in the following page, lists the major players operating in the FMCG segment in India during the year 2012-13. The Companies appearing on this list are taken from the list of the top 500 companies as per the annual survey done by The Economic Times of India.
<table>
<thead>
<tr>
<th>Company Name</th>
<th>Revenue</th>
<th>Profit After Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITC Limited</td>
<td>325,051.4</td>
<td>7,6080.7</td>
</tr>
<tr>
<td>Hindustan Unilever Limited</td>
<td>281,870.3</td>
<td>38,289.8</td>
</tr>
<tr>
<td>Gujarat Co-operative Milk Marketing Federation Limited (GCMMF)</td>
<td>137,351.5</td>
<td>N.A</td>
</tr>
<tr>
<td>Nestle India Limited</td>
<td>83,655.6</td>
<td>10,679.3</td>
</tr>
<tr>
<td>Godrej Consumer Products Limited</td>
<td>66,041.2</td>
<td>7,961.0</td>
</tr>
<tr>
<td>Dabur India Limited</td>
<td>62,707.0</td>
<td>7,634.2</td>
</tr>
<tr>
<td>Britannia Industries Limited</td>
<td>62,376.5</td>
<td>2,595.0</td>
</tr>
<tr>
<td>GlaxoSmithKline Consumer Health Care Limited</td>
<td>33,012.8</td>
<td>4,367.6</td>
</tr>
<tr>
<td>Emami Limited</td>
<td>17,547.8</td>
<td>3,247.4</td>
</tr>
<tr>
<td>Procter &amp; Gamble Hygiene &amp; Health Care Limited</td>
<td>17,537.4</td>
<td>2,032.2</td>
</tr>
</tbody>
</table>

Table - 1.2: Major Players in FMCG Industry in India
(Source: The Economic Times of India Top 500 Companies in India & Company Annual Reports, 2013).

The changing dynamics of the Indian market and rising aspirations of middle class consumers have led FMCG companies to make some changes in global strategies to succeed in India. According to market estimations, India’s retail FMCG market could grow from the present US $ 10 Billion valuation to US $ 100 Billion by 2024-25 (Indian Brand Equity Foundation, 3.12.2012). The strong dynamics of the Indian consumer market have attracted local and international FMCG companies to pump
in both funds and efforts to further penetrate the Indian market. The FMCG industry can be expected to continue to flourish in times to come. According to Nielsen’s Report 2013, FMCG growth was 10.7% in the rural market and 10.8% in the urban market during the quarter ended December, 2011 and for the quarter ended 31st March, 2012, the growth in urban market improved to 16.5% and in the rural market even higher to 17.2%.

In the Nielsen’s survey, 2012 it has been pointed out that Brand stretches are preferred by the brand managers five times more than launching a new brand. This study carried out by Nielsen, has also revealed that marketing practitioners prefer extending their existing brands rather than launching a completely new brand. The three important benefits are Leverage Equity, Spend Efficiency and Faster Adoption by the customers (Source: Nielsen Report, 2012). The Nielsen audit data, revealed that contribution of brand stretching is significant and fast growing, contributing as much as 30% in 2011. The contribution to growth is 38% for the respective brands. Moreover, market analysis of the Indian FMCG brands showed that success of extending existing parent brand is five times higher. The existence of brand extension strategy was there three decades ago, but it is multiplying more in the current economic scenario. Since brand extension in FMCG segment is more prevalent, this research study has been carried out to assess the outcome of such strategy in the FMCG segment with specific reference to Kolkata.

1.2 Nature of the Problem

Growth is important and necessary for companies to stay competitive and, for achieving growth, a firm must launch new products consistently. However, the failure rate for a new product launch is very high and to advertise and promote a new product is very expensive, too. Researchers have found that failure to launch a new brand in the eighties and nineties were in between 30% to 35% (Montoya Weiss & Calatone, 1994). Also Crawford’s (1997) findings on new branded product failures were more alarming, as he found that the failure rates in the nineties were as
high as 80%. It has become very difficult for a new product under a new brand to be launched successfully because of the necessary advertising cost and severe competition for limited shelf space (Aaker, 1991 and 1996). In view of the inherent risk associated with new branded product launch, Brand Extensions have become popular over the years. Arun Chogle, Client Business Partner, Nielsen India, in his research article, “Innovation powered by brand stretching”, has pointed out that 30% of revenue of top 23 FMCG most trusted brands come from brand stretch. He has also pointed out that a Brand Stretch has five times more likelihood of success compared to all new brand launches. Brand Stretch takes the leverage of well known brand name in one category to launch a new product in another category, curtailing the cost of launching a new brand. But how far the Brand can be stretched? The consumer’s perception and acceptance pattern of adopting same brand in different category needs special care. It is not always a success story of brand extensions. Nielsen’s Report, 2012 categorically mentioned that 50% are still failures! Although brand extensions in the FMCG segment have several advantages but to what extent it can be used needs to be looked into. As David A. Aaker (1991) has pointed out that brand extension is not all peaches and cream. A brand name can fail to help an extension or can even create subtle negative associations that can hurt the parent brand.

Brand Extensions are also emotional topics because they are the first occasion on which the identity of a brand is re-defined. All the unwritten assumptions that may have been held for decades about the brand within the company are questioned. Brand extensions are associated with diversification, so there is a sizable impact on the company as a whole. The success (or failure) of an “extended” brand depends on how strong consumers’ associations are to the brand’s values and goals. The company that makes a product has one perspective from which it perceives its brand, its extendibility and competitive advantage. The consumer, on the other hand, has a different perspective that she or he uses to form impressions about the brand and its advantages. What are the critical factors in a brand extension success? What are the distinctive properties owned by the brand that is important in the new
product category and provides a competitive edge? Does the “similarity” between
the parent brand and extended brand influences the buyer to go for the extended
brand? Research has shown that a range of properties that are associated with brand
extensions such as ingredients, benefits, attributes, expertise, reputation of the
brand, etc affect brand success. Many failures have been seen in launching brand
extensions. Without leveraging the existing brand equity of the parent brand, brand
extension is a weak idea. While there can be significant benefits in brand extension
strategies, there can also be a significant risks, resulting in a diluted or severely
damaged brand image. Poor choices for brand extension may dilute and deteriorate
the core brand and damage the brand equity. Some studies show that negative
impact may dilute brand image and brand equity of the parent brand. In spite of the
positive impact of brand extension, negative association and wrong communication
strategy do harm to the parent brand or brand family. In order to uncover extension
opportunities for a brand, the first step is to discover the brand itself. Brand has
been defined in many ways but the core to any brand is the knowledge network that
exists in consumer’s mind. Brand is a central node to which various other nodes
tend to be connected with varying degrees of strength. Therefore, before going in
for brand extensions, the following factors need to be taken into consideration:

- Brand’s awareness level and loyalty towards parent brand.

- Parent brand’s reputation and users association with the brand.

- Its recall and recognition level.

- Consumer’s perceived essence of the existing brand and what are the
different attributes associated with it.

- What are the brand’s personality association?

- Is the parent brand complementing the extended brand?

Therefore, assessment of a brand’s perceived reality is an essential and crucial
starting point. A brand manager may be tempted to take a short cut by assuming that
his personal assessment of a brand corresponds to the external reality. But this action may jeopardize extension attempt. A brand manager’s construction of a brand generally tends to be more rational, physical and technical. The lens through which a consumer views and interprets the brand, makes its reality considerably different from the concept held by the brand managers. Hence, in the present research study, an attempt has also been made to reconcile the views of the consumers and brand managers on brand extension.

The FMCG sector in India (with a billion plus population), is not only one of the largest market amongst the emerging economies, but also one of the largest economies in the world in terms of purchasing power, with a huge middle class population of over 500 million. While emerging countries in Asia - most notably China, India and Indonesia - have already accounted for a significant share of global growth (18%) over the last decade, this growth share is expected to increase to nearly 30% in the next decade. As a result the global middle class will expand dramatically by 2020. More than one billion new customers are expected to spend between $10 and $100 per day (source: OECD, 2012). The emerging middle class consumers are also brand conscious. The fast emerging middle class is driving consumption patterns across the world. Against this background the FMCG segment has a strong growth momentum. Already a plethora of new products and brands have been introduced in the Indian market. With a vast market potential, large FMCG companies have set their eyes on filling the gap through expansion and through acquiring companies that have a set of products as well as brands that complement their existing products.

The present research study examines in depth the perception and behaviour of the consumers in Kolkata towards brand extensions in FMCG segment. The survey work covers the population of Kolkata spread over all the 141 wards under the municipal corporation of Kolkata city. As stimuli, 11 popular FMCG brands that have been extended been considered. The study also strives to identify the factors that influence the consumers to accept brand extensions in the FMCG products. The
Brand Managers' views regarding brand extensions in FMCG products have also been studied.

1.3 Review of Literature

A substantial amount of literature has been developed over the years on brand extension strategies. Many scholarly books and articles have been published over past three decades. The review of literature revolved around (i) Defining Brand and Its Importance, (ii) Brand Equity (iii) Brand Association (iv) Consumers’ Perceptions (v) Brand Loyalty (vi) Brand Extension: Types, Benefits, Risks, Relationship with Brand equity. (vii) Brand Loyalty and Consumer’s Perception of Brand Extension, (viii) Study of Brand Extension in FMCG segment.

(i) Defining Brand and Its Importance

Aaker (1991), defined brand as “…..distinguishing name and symbol (such as a logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers and to differentiate those goods or services from those of competitors” (pp.7). The American Marketing Association (AMA), defined brand as “a name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers”. Solomon and Stuart (2002), (pp.270) defined brand as “…a name, a term, a symbol, or any other unique element of the product that identifies one firm’s product and sets them apart from the competition”. Kotler (2000), stated that a traditional definition of a typical brand is “the name associated with one or more product items in the product line, which is used to identify the source of character of the item(s). In this traditional view, Keller (2003), said that whenever a marketer creates a new name, logo or symbol for a new product, he or she gives the birth to a brand. He said that today brands are much more than that. Kotler (2000), expressed that branding is a major issue in product strategy. Within this traditional branding model, the goal was to build brand image, a tactical element that drives short term results. Branding is a
major issue in product strategy. Aaker and Joachimsthaler, (2000); Kapferer (1997), mentioned that brand is a sign - therefore external - whose function is to disclose the hidden qualities of a product which are inaccessible to contact. The brand served to identify a product and to distinguish it from competitors. Arnold (1992), believed that essence of the brand signifies a single value which is understood and valued by the customers. Davies & Ward (2005), proved that firms exert every possible effort to associate their products with the brand names that have specific and clear values. Sirgy, (1982), stated that when a consumer takes a decision to buy, he usually, as a reference, searches for a branded product. Aaker, (1991); King, (1991); Lannon, (1993); observed that in the ever changing marketing environment, with intense competition, a firm needs to build a strong brand to get competitive advantage. Park & Srinivasan, (1994), also suggested that to withstand the increasing power of retailers, successful brand establishment is necessary. Adams, (1995), stated that building strong brands is an essential marketing strategy to get competitive advantage and thereby increasing the market share. Bedbury, (2002), pointed out in his paper that brand includes intangible values, which enable the consumers to respond to a particular brand without the presence of the product. More importantly, an intimate rapport may be developed between the consumers and their brands, Roberts, (2004); Fournier, (1998); Muniz and Sachau, (2005); Pelsmacker et al, (2004), mentioned that brand helps consumers to identify and locate a product with less information processing and quicker decision time because of the expected quality from accumulated brand knowledge.

A strong brand offers high brand credibility - it becomes an indicator of product quality and performance. It reduces the risks involved in the purchase including the functional, physical, financial, social, psychological and time risks (Swait and Erdem, 2004; Keller, 2003). When a brand becomes strong it mixes and blends the product performance and imagery to create a rich, deep and complementary set of consumer responses towards brand as explained by Zamardino and Goodfellow, (2004). Holt, (2004); Keller, (2003); Fournier, (1998), have stated that a brand
smoothes consumers’ communication process to others and enrich their everyday lives.

(ii) Brand Equity

The concept of *Brand Equity* has been studied under two distinct perspectives – one in financial terms and the other in the customer based perspective. From the financial perspective of brand equity, the asset value of brand is appraised (Farquhar et al., 1991). Consumer- based brand equity evaluates customer’s response to a brand name (Keller 1993; Shocker et al, 1994). The first perspective discusses the financial value that a brand creates to the business and is often referred as *firm based brand equity* (FBBE). The customer based perspective is considered as the driving force of augmenting market share and profitability of the brand and it is based on the market’s perceptions, this is referred to as the *consumer based brand equity* (CBBE). The Marketing Science Institute (Leuthesser, 1988), defined brand equity as a set of associations and behaviours on the part of the brand’s consumers, channel members and parent corporations that permit the brand to earn greater volume or greater margins than it would without the brand name and that gives brand a strong, sustainable and differentiated advantage over competitors. Aaker, (1991), p.15, defined brand equity as “a set of brand assets and liabilities linked to a brand, its name and symbol that adds to or subtracts from the value provided by a product or service to a firm and/or to the firm’s customer”. Kotler, (2003), p.422, explained brand equity as the effects of customer’s response, showing a certain preference for one product over another, that are basically identical or willingness to pay more for one particular brand. The concept of brand equity mainly focuses on the added value to a particular product, based on consumers’ association and perceptions of that brand name (Baldinger and Robinson, 1996; Dysen, Farr, and Hollis, 1996; Park and Srinivasan, 1994). Donthu, Yoo, and Lee, (2000); Pitta and Katsansis, (1995), defined brand equity as the value that a brand name adds to a product and is viewed in terms of brand-
focused marketing effects as it results from all the activities that are needed to market a certain product. Buil, Martinez, and Chernatony, (2009); Pitta and Katsansis, (1995); Smith and Park, (1992); all of them have explained brand equity as an important factor in branding strategy. Brand equity aids in maximizing marketing productivity and economic performance, which consequently influences the brand managers to attain maximum efficiency. Pitta and Katsansis, (1995); also mentioned that in a fiercely competitive market with high production costs, many brand managers have paid a great deal of attention to the importance of brand equity as many firms seek survival opportunities. According to Aaker, (1991); brand equity creates value for the firm as well as for the consumers. Brand equity affects stock market responses (Jacobson and Lane, 1995), and decision making of merger and acquisition (Mahajan, Rao, and Srivastava, 1994). Brand equity also creates opportunities for brand licensing, brand choices, marketing communication effectiveness and decreases the vulnerability to competitive marketing actions and elastic responses to price increase (Adams, 1995; Keller, 1993; Park and Srinivasan, 1994).

Reynolds and Philips, 2005; in their paper stated that over the years, brand equity has become more important as the key to understanding the objectives, the mechanisms and net impact of marketing. Ambler, (2003), in this context remarked that it is not surprising that measures capturing assets of brand equity have become part of marketing performance indicators. He also mentioned that brand equity is such a complex concept that the diversity of its conceptualizations in the literatures may be due to the “blind men and elephant” syndrome, different studies describing different aspects of this intangible asset. He characterized brand equity as a repository of future profits or cash flows that results from past marketing investment. Kapferer, (2004), attempted to link consumer-based brand equity dimensions to brand value (net discounted cash flow attributable to the brand after paying the cost of capital invested to produce and run the business and the cost of marketing) through consumer-based brand equity, and consequences such as price premium. He emphasized that it is essential for brands to yield financial benefits if
they are to claim high levels of equity. Aaker, (1996), explained brand equity as (i) Loyalty (brand’s real or potential price premium), (ii) Loyalty (customer satisfaction), (iii) Perceived comparative quality, (iv) Perceived brand leadership, (v) Perceived brand value (brand’s functional benefits), (vi) Brand personality, (vii) Consumers perception of the organization, (viii) Perceived differentiation to competing brands, (ix) Brand awareness (recognition and recall) (x) Market position (market share), prices and distribution coverage. Various research studies in brand equity over the years have resulted in identification of different types of dimensions of brand equity that can be linked to a brand. However, the common denominator in all models is the utilization of one or more dimension of Aaker’s model (Keller, 1993; Motameni and Shahrokhi, 1998; Yoo and Donthu, 2001; Bendixen et al., 2003; Kim et al., 2003). So it may be said that consumer-based brand equity is an asset of five dimensions 1. Brand Awareness; 2. Brand Association; 3.Perceived Quality; 4.Brand Loyalty and 5.Other Proprietary Brand assets. These five attributes are the most acceptable which Aaker’s model has also mentioned. As brand equity is a multidimensional concept, (Aaker, 1991) and various researchers have various suggestions - some include brand loyalty and brand association. Schoker and Weitz, 1988; Keller, 1993; suggested that brand knowledge, which comprises of brand awareness and brand image are also important. Yoo et al., 2000, suggested that perceived quality, brand loyalty and brand awareness have strong brand associations. Pappu et al., 2006, further stated that among five elements in brand equity assets, it is very difficult to manipulate a consumer’s perception of brand association in an experiment. Moreover, other proprietary brand assets are not easy to measure. So the current study uses brand loyalty, brand associations and perceived quality as the measurements of brand equity. Aaker, 1991, suggested the importance of brand loyalty for the measurement of brand equity, as loyalty can translate into profit. It is a barrier for new competitors and forms the basis for a price premium Aaker, 1996; Yoo et al., 2000; supported this and said that brand loyalty encourage consumers for repeated purchase of the same brand and discourages them to switch to some other competitors brand. The greater the
customers loyalty, the higher the brand equity will be. Zeithaml, 1988; stated that perceived quality is another dimension of brand value that induces the consumers to choose a product or service. Aaker, 1991; defined perceived quality as “the customer’s perception of the overall quality or superiority of a product or services with respect to its intended purpose relative to alternatives”. Aaker, 1996; further stated that perceived quality can increase customer satisfaction, provided customer has the previous experience with the product or service. Motameni and Shahrokhi, 1998; endorsed the same view and suggested that perceived quality is generally associated with brand equity; and better the perceived quality, the greater the brand equity (Yoo et al., 2000). Similar to perceived quality, strong association can also help in strengthening the customer satisfaction with the consumer experience (Aaker, 1991). Brand awareness and brand associations are found to be correlated to each other as suggested by Atilgan et al., 2005; and Pappu, 2005; in their research study. The higher the level of brand awareness, the more will it affect the formation of brand image/association (Ramos and Franco, 2005). Esch et al., 2006; also expressed the same view that brand awareness affects brand image/association.

(iii) Brand Association

Keller, 1998; defined brand association as informational nodes linked to the brand node in memory that contains the meaning of brand for consumers. These associations include perceptions of brand quality and attitude towards the brand. Keller and Aaker both stated that consumers’ perceptions of brand are multidimensional and yet many dimensions appear to be very similar. Aaker, 1991; identified at least nine dimensions of brand associations. Aaker, 1996; defined brand association as anything linked in memory to a brand. Keller, 1998; divided brand association into three major categories. They are- i) Attributes: Product-related and Non-Product related attributes like price, brand personality, emotions and experience. ii) Benefits: Functional, Symbolic and experimental benefits. iii)
Attitudes: Consumers’ overall evaluation of brand. Atilgan et al., 2005 and Pappu, 2005; in their research papers said that brand awareness and brand associations are correlated to each other. Moreover, high levels of brand awareness positively affect the formation of brand image or associations (Ramos and Franco, 2005). Van Osselaer and Janiszewski, 2001; suggested that brand association can assist with spontaneous information recall and this information can become the basis of differentiation and extension (Aaker, 1996).

(iv) Consumers’ Perceptions

1. Perceived Quality

Perceived quality is one of the most important and critical element in consumers decision making process. Consumers will compare quality of alternatives with regard to price within a category (Jim and Yong, 2005). Nganimani and Antoine, 2006; explained that quality can be objective or subjective. Objective quality is an approach, based on offer and can be controlled within the company by experts. However, a perceived quality is based on customers, which is subjective in nature. It offers chains of positive consequences, validated in various theoretical and empirical researches in marketing. Hossain, 2007; in his research study stated that the perceived quality of products or services of strong brands add value to the consumers’ purchase evaluations. According to Davis et al., 2003; perceived quality is directly related to the reputation of the firm that manufactures the product. Aaker, 1991; and Zeithaml, 1988; said that perceived quality is not the actual quality of the brands or products rather it is the customer’s judgement about an entity’s or a service’s overall excellence or superiority. Zeithaml, 1988; also added that customers judge the quality of a product or a service on the basis of many different informational cues. The cues that are intrinsic, reflects physical characteristics of the product’s performance, features, durability, reliability, conformance, serviceability and aesthetic values. The extrinsic attributes are the
cues that are external to the product itself such as price, brand image, company reputation, country of origin etc. Aaker, 1991; Armstrong and Kotler 2003; said that perceived quality has a direct impact on customer’s purchase decision and brand loyalty, especially when the customers have less information of the product they intend to buy.

2. Perceived Value:

According to Cronin et al., 2000; and Zeithaml, 1988; perceived value is consumers’ overall assessment of the utility of the product based on the perceptions of what is received and what is given. Stonewall, 1992; commented that “value is always determined by consumer, in his or her own terms, timings and testaments” and that “value is a perception, a view or understanding made up of measurable components”. Perceived value is a comprehensive form of customer evaluation of a product or service. Anckar and D’Incau, 2002; suggested that value perception may also differ according to the usage situation. Mokhtar et al., 2005; described value as a function of the overall quality and price of a firm’s products and services compared to the competitors.

3. Perceived Risks:

The most common definition of perceived risk is consumers’ subjective expectations of a loss (Sweney et al., 1999). This implies that any action of a consumer will produce consequences which he cannot anticipate with any certainty and some of which are likely to be unpleasant (Bauer, 1960; Lijander et al., 2009). The concept of perceived risk has been explained by Tzeng et al., 2005; in terms of uncertainty and consequences associated with consumer’s actions, which may or may not be pleasant. Perceived risk is the uncertainty the consumers face when they cannot foresee the consequences of their buying decision. Batra and Sinha, 2000; Bettman, 1979; De Sarbo, 1991; explain
that when a consumer make a purchase decision, risk implies great consequences of making a mistake and degree of inconvenience of making mistakes. Dowling and Staelin, 1994; define risk as a consumer perception of uncertainty and adverse consequences of engaging in buying activities. Richardson et al., 1996; said that risk may manifest itself in a variety of way such as fear that a product may not possess desirable attributes, uncertainty regarding product performance or a feeling that the purchase of a particular brand may invite social disapproval. According to Durovnik, 2006; consumers are less interested on purchasing products that which they consider to be risky endeavours. This leads to purchase of branded products which they can trust and have faith in.

(v) Brand Loyalty

Consumers develop brand loyalty on their judgement of a particular brand. Loyalty is a core dimension of brand equity which is a measurement of the attachment that a customer has developed in respect to a particular brand (Aaker, 1991). He also explained that repeat purchase of the brand may not represent commitment, it may represent acceptance of the brand. Loyalty reflects how likely a consumer will change to another brand, when that brand makes a change, may be in price. But once loyalty is gained, it can bring value. Keller, 1993; said that with the brand loyalty the company will be able to acquire more time to respond to competitive threats; give the company some protection from competition; and greater control in planning their marketing programmes. Aaker, 1991; uses a brand loyalty pyramid (Figure 1.2) to differentiate the five different levels of brand loyalty. At the top level of the pyramid, customers are the committed customers and brand loyal, whereas at the bottom, the buyers are non-loyal, completely indifferent to the brand. The company always wants to retain the loyal customers and tries to execute actions that can woo the lower levels customers to become more loyal towards the brand.
Verma, 2009; suggested there are six different conditions for brand loyalty. Brand loyalty is the function of (i) bias (non-random), (ii) behavioural response (i.e. act of purchase), (iii) expressed over time, (iv) by some decision making unit, (v) with respect to one or more alternative brands, and (vi) is a function of psychological processes (evaluating decision making). Different methods of measuring brand loyalty exist that are either based on actual purchasing behaviour of the consumer or upon the loyalty constructs of switching costs, satisfaction, liking and commitment (Aaker, 1991). If properly managed, brand loyalty represents strategic assets and can be used in different ways to increase the firm’s value. The important effects of brand loyalty are: reduced marketing costs, trade leverage, attracting of new consumers through brand awareness, reassurance to new customers, as well as gained time to respond to threats by the competition (Aaker, 1991).
(vi) Brand Extension: Definition, Types, Benefits, Risks, and Relation with Brand Equity

In an ever increasing competitive environment, brand marketers are looking for ways to expand their portfolios and at the same time decrease the costs of their new product launches as well as diminish the risk of new product launch failures. One of the most popular ways to achieve this is to put a new product created in another category under the name of an existing brand. This is called brand extension (Fox et al., 2001). New products are launched in the market with an objective to attract more consumers and thereby, increasing the market share. Successful organizations all over the world recognize the importance of brand extension for new product launches to differentiate them from others (Jahangir et al., 2009). Dr. Edward Tauber who originated the term brand extension in 1979 suggested that “A key to successfully stretching a brand is to view brand extension as a strategic tool, not just as new product.” (Pride et al., 2006), defined brand extension as using an existing brand name for an improved or new product. Chen and Lue, 2004; suggested that leveraging existing brand equity into new product categories attempts to avoid the risk associated with establishing a new brand, by convincing consumers that the positive attributes associated with the original brand are relevant to the new product or simply benefitting from the awareness of the original brand. According to Keller & Sanjay, 2003, one of the significant advantages of a strong brand is in fact that it makes easier for the consumer to accept a brand extension. It diminishes the risk regarding consumers and decreases the cost with respect to marketing and promotion. But brand extension can be a double-edged sword. Hartmen; Price and Duncan; 1990, have used the term franchise strategy instead of brand extension strategy. Kapferer; 2001; Dahlberg et al. 2004; stated that the first reason for extending a brand after all options involving the core product have been explored. Brand extension is a way to achieve growth in a cost conscious world. According to David Taylor, 2004; the strategy of brand extension is popular because it is less risky and cheaper compared to the creation of a new brand. Leslie de Chaternatony and Malcolm McDonald, 1998; pointed out the same economical
advantage, stating that “the economics of establishing new brands are pushing companies more towards stretching their existing name into new markets. Daunted by the heavy R&D costs and more aware of the statistics about failure rates for new brands, marketers are increasingly taking their established names into new product fields”. The key benefits of brand extensions are well documented in marketing literature by authorities (Aaker and Keller, 1990, 2004; Seyama, 2006; Quelch and Kenny, 1994; Kotler and Keller, 2006) as being leverage of customer knowledge and trust of existing brands, enhancement of parent’s brand visibility and image, low marketing cost and low risk. One key measure of a good brand extension is its ability to “bring something to party”. Catherine Viot, 2007, p.42 considers that “the customer is expecting to transfer his information from brand to the extension. If the general opinion about the brand is favourable, the behaviour regarding the extension should be positive as well.” She adds that a successful brand extension enables the company to get the customer’s loyalty. A satisfied customer will be willing to repurchase the same brand. Several research studies have also been conducted on factors that influence successful brand extensions and how consumers view brand extensions (Lomax et al, 2001; Park et al, 1993 & 2001; Xie et al, 2007). Several factors of success for brand extensions such as fit between the parent brand and the extension category as well as brand equity associations have been identified (Sattler et al, 2006; Dahlberg, Kulluvaara, Tomberg, 2004). Apostolopoulou (2002) established six keys to successful brand extension and these are: 1) The strength of the parent brand. 2) The perceived fit between parent and the extended brand. 3) The promotional support and positioning of the extended brand. 4) The quality of the extended product. 5) The distribution strategy. 6) The management of the extension. According to Murphy, 1990, the key factor in brand extension is to understand the main values that the brand stands for and to develop a well structured plan of action for the brand’s equity. He added that a brand’s visual identity is very important for line extensions. The consequence of disintegration of brand identity and personality can do harm to the parent brand. Jahangir et al, 2009, explores the necessity of brand extension and suggested that
successful organizations all over the world recognize the importance of new product launches through brand extensions as a means of organic growth and to differentiate themselves from others. Considering the high failure rate of new products, launching a new product is a risky proposition. Under these circumstances brand extension might be successful if the consumers accept the extended brand category product (Panwar & Bapat, 2007). According to Bhat & Reddy, 2001, all investigations on the determinants of successful brand extensions assume that a brand is an accumulation of associations and the parent brand association can influence consumer’s reaction to brand extension.

Brand extension can be of two types: Horizontal Extension and Vertical Extension. Horizontal Extension includes Line Extension and Category Extension (Peter, 1989). Pitta and Katsanis, 1995, defines it as extending a parent brand to a new product in the same product class or to a product which is completely new for the company. This brings out the difference between line and category extension. Keller, 2003, stated that in line extension, parent brand is used to introduce a new product within the product category as the parent brand belongs. Whereas, in category extension, the parent brand is used to enter into a different product category not the same as parent brand belongs. Many scholars discussed on line extensions (Ina, 2010; Kim and Sullivan, 1998; Kim and Mary, 1998; Rise, 2009) but category extension does not draw such attention.

Keller & Aaker, 1992, has defined Vertical Extension as introducing a similar brand to the same product category while being different in quality and price. Kim & Lavack, 1996; Xie, 2008; divided vertical extension into up-scale and down-scale brand extensions. Nielsen’s Report, 2012, found that the parent brands had a premium price index (average price of brand to average price in the category) of 121. Two out of three brand extensions that were successful had a lower average of 117 against unsuccessful stretches which had a higher average premium. Brands which charged a premium higher than that of its parent brand faced lower success.
Many research findings indicate that brand extensions can dilute the parent brand names by decreasing the positive perception consumers have about the family brand. The risk of brand name dilution appears greater for brand extensions that are perceived to be moderately different from the parent brand (Loken and John, 1993; Jokanovic, 2005). Aaker, 2004, p.214 states that the extension can cannibalize the existing products of the brand when there are positioned in an undifferentiated market. (Keller, 2003) mentions several drawbacks of brand extension. He stated that the image of the parent brand can be hurt irrespective of the success or failure of the brand extension. This may happen when the attributes of the extension are seen as inconsistent or conflicting with the corresponding attributes of the parent brand. The brand extensions may obscure the identification of the brand with its original categories, reducing brand awareness and/or diluting the parent brand image (Morrin, 1999). The brand extensions can lead to problems of practical nature, like a large number of extensions might confuse or frustrate consumers, or the retailers might be unwilling to shelf or store all the different extensions. Loken and John, 1993, suggests that “… unsuccessful brand extensions can dilute brand names by diminishing the favourable attitudes that consumers have learned to associate with the family brand name”. (Chen and Chen, 2000; Jarhem, Mihailes et al, 2003) consider in a study performed in Taiwan, the extended brand is perceived as cannibalizing the parent brand by eating into the total sales of the main brand. (McCarthy, 1996; Jalees, 2008) pointed out that common risks associated with brand extensions are i) high number of brand extensions tend to adversely affect the value associated with the brand, and ii) brand extension that fails to make an impact may dilute the equity of a reputable brand name. (Ries and Trout, 1986; Jalees, 2008) stated that even if the brand is used congruously, the success to extend a brand would be at the expense of the parent brand. C. Viot, 2007 in his study revealed that brand extensions are employing the most important and valuable asset i.e. brand equity. This can be a huge advantage for brand extensions, but it represents tremendous risks for the existing brand because the brand image can be diluted in the event of failure of the extension.
Keller and Aaker, 1992, suggested that there is no positive relationship between unsuccessful brand extensions and dilution of brand equity.

It is commonly agreed that brand equity is one of the important element for brand extension as it helps to create and establish value for the firm and for the customers as well (Aaker, 1991; Ambler, 2003; Buil et al., 2009). (Gibson, 1990; Jokanovic, 2005) stated that the phenomenon of brand equity has coincided with the newly emerged but equally popular phenomenon of brand extension. Amber and Styles, 1997; Jalees, 2008 in their research show the two way relationship between brand equity and brand extension. A brand’s equity could influence the success of brand extensions and extensions could positively influence the brand’s equity. Consumers tend to choose brands that have strong brand equity. Arun Chogle, 2012, stated that one cannot stretch a brand into a new category unless it has built equity and reputation in its parent category. The study revealed that parent brands which are in the top five on sales revenue have a greater probability to succeed compared to stretches of parents which are not in the top five. Chernatony, Hem, and Iversen, 2003; Pappu, Quester, and Cooksey, 2006; Shocker et al., 1994; all of them have explained that both academics and business experts believe that brand managers can exploit the equity of a well-known, successful brand when entering new markets by capitalising on recognition, goodwill and any positive associations of the established parent brand on the new brand extension. Simon and Sullivan, 1993, stated that from the business point of view, brand equity increases cash flow and becomes a substantial asset to the company. According to Erdem and Swet, 1998; Moormaan, 1998; brand extension strategy has proved to be successful in some cases because consumers generally associate the quality of the new product with a known brand or company.

(vii) Brand Loyalty and Consumers’ Perception of Brand Extension
Consumers’ sentiments to brand extensions appear to involve a categorization process in which the new product is judged according to the suitability of its
membership in a category (perceived “fit”) that already contains in the parent brand. (Cohen and Basu, 1987; Fiske, 1982; Levy and Tybout, 1989; Sujan, 1985) observed in their study that the belief and emotions associated with the parent brand category may be transferred to an extension when consumers perceive the extension as fitting with the brand category. (Chakravarti, MacInnis and Nakamoto, 1990; Farquhar, Herr and Fazio, 1989) in their studies found a positive relationship between product feature similarity and consumers’ evaluations, purchase intentions, and sales of brand extension. Hem et al, 2003, have investigated the impact of category similarity, brand reputation, perceived risk and consumer innovativeness on the success of brand extensions in FMCG, durable goods and service sectors. Their findings show that extensions into categories more similar to the original brand are an important factor influencing the success of the extension. Chimhundu et al, 2007, examined managerial perceptions of the relationship between brand and category management. The paper is based on a case study of a single FMCG category in New Zealand. The results indicate that brand management and category management structures are not perceived to be incompatible; that the traditional brand management structure still works well for certain companies; and that it is expected to continue to do so well into the future. Lomax et al, 2001, in their study on consumer response to line extensions have observed that whilst a line extension clearly encourages purchase of the new line by purchasers of the existing parent, this leads to additional portfolio purchasing as often as substitution. This provides some proof of the efficacy of line extension strategies in expanding brand sales. Han et al, 1997, have done a comparative study of consumers in USA and Hong Kong and found that for U.S. consumers, perceived fit is much more important than the company size; for Hong Kong consumers, company size does not matter for high fit extensions, but does matter for low fit extensions. Research carried out by Park and Kim, 2001, tried to establish the interrelationships between the perceived quality of the core brand and the customer’s intention of purchasing the new product in comparison with the parent brand. The intention to buy depends upon perceptions of greater quality, degree of fit that exists between categories of the
product extended. According to Wernerfelt 1998; Zeitham, Berry and Parasuraman, 1996; consumers do not have any experience nor any concrete attributes to judge the quality of the newly launched product in the service sector. Hence, consumers rely heavily on the brand reputation. Volkner & Sattler, 2006, opined that perceived fit is the most important driver of brand extension evaluation because it has a connection with the parent brand. Consumer evaluations are valuable in providing conceptual guidelines for quality planning and assurance activities (Schaneveldt and Enkawa, 1991). Keller and Sood, 2001, 2002; Jalees and Ali, 2008; stated that if the level of similarity between the core brand and extended brand category is high then there would be chances of inheriting the positive and negative aspects of the core brand. The perceived quality of products and services of strong brands add value to consumers’ purchase evaluations (Hossain, 2007).

(viii) Study of Brand Extension in FMCG Segment

Brand concept is defined as the image that consumer thinks of when exposed to a particular core brand (Chung, Anne, & Margo, 2001). Brand Extension involves utilizing and applying the established core brand name to new products to obtain the equity of the original core brand and also to capture new and unexplored market segments (Kerin, Kalyanaram & Howard, 1996). Aaker, 1991; Keller, 1990; Kapferer, 2001; Bakachander et al, 2008; Sjodin, 2007; Franzika et al, 2006; Gochen Wu, 2007; Serrao et al, 2008, and many more scholars have dealt with various dimensions of brand extensions – concepts, strategies, parent brand associations that affect brand extension evaluations etc. The definition of brand extension as given by Aaker, 1990; Jalees, 2008, is the use of an established name of one product class for entering into another product class. Kotler and Armstrong, 1990, defined brand extension as an expansion strategy in which firms use already established and successful brand names for introducing a new or modified product. Budy, 1989, reported that as many as 70% of new products
were launched by extending the existing brand name in the 1980s and the number is growing continuously. Seyama, 2006, study shows that in the South African retail sector, 10,500 new FMCG items were launched in 2005. More than 90% of the launches were brand extensions and the balance was made up of new brands. An analysis of US FMCG market shows the popularity of extensions has been growing with the increasing number of new launches. Between 1977 and 1984 new launches in the USA numbered 120 to 175 annually and 60% of these were extensions (Aaker, 1990; and Seyama, 2006). In 1991, around 16,000 new brands were recorded, 90% of these were extensions and the balance made up of new brands (Rangaswamy, Burke et al, 1993; Seyama, 2006). (Aaker and Keller, 1990; Thamaraiselvan, Sivaram, 2003), included McDonald’s as a service brand but they did not make any analytical distinction between FMCG and service sector. Research study addresses the importance of brand extensions in service sector (Ruyter and Wetzels, 2000; Thamaraiselvan and Sivaram, 2003). One research study compared brand extension judgement between FMCG and durable goods (Broniarczyr et al, 1994; Thamaraiselvan and Sivaram, 2003). Tariq Jalees, 2008, in his paper “Brand Extension of FMCG in Pakistan - a Modular Approach to study the impact of brand extensions”, developed an empirical model on the variables associated with how consumers evaluate brand extension. A.C.Nielsen’s 2005 Report shows that in 2005, 30,000 new product launches were listed in retail sector and 90% of them were brand extensions. An analysis of the FMCG market of USA shows that popularity of extensions has been growing with increasing number of new launches. Between 1977 and 1984 new launches in the USA numbered 120 to 175 annually and 60% of these were extensions (Aaker, Seyama, 2006; Thamaraiselvan et al, 2008), have studied how consumers evaluate brand extensions in the FMCG product categories in the Indian market. Their study brings out the impact of brand reputation of the parent brand and perceived service quality on the brand extensions evaluations. This study establishes the relationships among similarity fit, brand reputation, perceived service quality and perceived risk in the extended product categories through
appropriate multivariate analysis. However, in the Indian context very few studies have been done on brand extension of FMCG products. In India brand proliferation and stretching are evident. In Business Standard, (December, 2008) Survi Dogra reported that in a bid to get higher market share and sustain long term growth, FMCG companies like Coca-Cola, Nestle, Pepsico, Dabur, Marico, Godrej and few others have adopted a brand extension strategy amid negative factors such as high inflation and global financial crisis. According to market research company IMRB, the FMCG companies launched 251 products (223 variants and 28 brands) in calendar year 2007 as against 191 (173 variants and 18 brands) in 2006. As per A.C. Nielsen’s data more than 1500 new brands have been launched in the FMCG segment in the last three years, and more than 1400 is either line or category extensions of existing brands. Nielsen’s Report, 2012, revealed that in India, 30% of revenue of top 23 FMCG most trusted brands come from brand stretch. India’s FMCG market which was about Rs.1670 billion in 2011, brand extensions are estimated to contribute nearly 30%, based on the sample that have been studied by Nielsen Group. Past studies have shown that while new launches account for an approximate 10% success rate, Nielsen’s recent study shows the figure at nearly 50% for brand extensions - a clear indication of the opportunity this space presents. Arun Chogle, client business partner of Nielson India, said “…not only do the brand extensions leverage the equity of the parent brand, but also lead to faster adoption and deliver higher marketing efficiency”.

1.4 Research Gap

The FMCG sector in India is one of the largest markets amongst the emerging economies with a huge purchasing power and a large middle class population estimated at over 500 million. It is expected that over one billion new customers will be driving consumption patterns across the world. The FMCG sector has a strong growth momentum in India and globally. To cater to the growing market demand for new and improved products, FMCG companies are leveraging on their parent brand names to launch new launch products or variants. The literature survey
shows that very few studies have been done on the FMCG sector and how consumers perceive brand extension in this sector, especially in the Indian scenario. Also, relevant empirical studies have not been found on the Brand Manager’s views on brand extension strategies in India. Since no comprehensive study so far has been done on the outcome of brand extension strategies in the FMCG sector in the Indian market, particularly in Kolkata an effort has been given to carry out research study in this area.

1.5 Objectives of the Study

In view of the above discussions, the present study aims to find out:

Primary Objectives

- The research study primarily examines in-depth the perceptions and purchase behaviour pattern of Kolkata consumers with respect to products launched through brand extensions in the FMCG segment and to find out how Kolkata’s consumers’ perceive brand extension of FMCG segment.
- To identify whether demographic factors have any influence on Kolkata consumers’ evaluation of brand extension in the FMCG segment. Also to determine whether consumers in Kolkata are risk takers when it comes to buying extended FMCG products.
- Identify the factors that influence the consumers to accept brand extensions in FMCG products.
- To examine present position of brand extension strategy. Brand Manager’s views and perception regarding brand extension strategy in the FMCG segment. Their expectations and actual gain from brand extension strategy.

Secondary Objectives

To fulfil the primary objectives, the following secondary objectives are relevant for the study:
How brand extension strategies have been implemented in the FMCG segment.
Identification of factors that lead to the success or the failure of brand extensions in the FMCG segment.
Factors that can enhance the brand extension strategy.
Identify additional future work needed to fully realize the objective of brand extension in FMCG segment.

1.6 Research Methodology

The Research Methodology that has been adopted to carry out this research study includes both exploratory and empirical study. They are enumerated in brief as follows, the details of which will be discussed in brief later.

1. The exploratory part is based on the findings out of books on this issue written by various authors, articles published in journals, magazines, periodicals, newspapers, and web materials. The study has also taken figures and facts from Government sources and Annual Reports of the FMCG companies.

2. Theoretical Framework has been developed for the research study.

3. The empirical part is based on the questionnaires prepared and distributed among consumers and brand managers.

4.Brand Managers have been interviewed for their valuable suggestions and to provide insight into the core issues on brand extension.

5. Data collected by means of above has been processed through appropriate statistical tools to facilitate analysis and interpretation.

6. Selection of measurement parameters and data processing methods to achieve the objectives.

7. Analysis of Findings, Interpretation and Conclusion.
According to Bryman and Bell, 2007; there are two methods in social research, quantitative and qualitative research. The quantitative method is characterized by many respondents and uses figures and quantities to describe the reality. A quantitative research is conducted by measuring indicators which can explain or indicate the respective concept. Whereas, a qualitative research emphasizes more on the words the respondents use and leaves more freedom to the answers of the respondents. The qualitative method makes use of text writing and is more interpretive in nature. This research is normally limited to a fewer number of respondents and looks more into the depth of the problem or issue. According to Kumar, 2001, p. 218; “the purpose of qualitative research is to find out what is in consumer’s mind. It is done to access and also to get a rough idea about the person’s perspective. It helps the researcher to become oriented to the range and complexity of consumer activity and concerns. Qualitative data are collected so researchers can know more about things that cannot be directly observed and measured. Feelings, thoughts, intentions, and behaviour that took place in the past are a few examples of those things that can be only obtained through qualitative data collection methods. Focus groups, in-depth interviews and repertory grid techniques are typical methods used in this approach.

While considering the present research issue, it has been found that brand extension position in FMCG segment is the most relevant in this research study, connected to the dilemma or state of consumer’s perception. The research methodology in this research study is mainly based on primary data collected from the consumers of Kolkata through questionnaires. The brand Manager’s views have been collected through questionnaire and in-depth interviews. When examining the effects of the brand extension strategy in FMCG segment, it is found to be relevant to focus on both consumer perspective and those of the company. While conducting this survey, as stimuli 11 popular FMCG products have been chosen whose parent brands have been extended. Hence, both qualitative interviews and a quantitative survey have been conducted in order to serve the purpose and objectives of the study.
Data Collection Instrument and Method

The research instrument for collection of primary data is the questionnaire. The questionnaire is filled in by the surveyor i.e. researcher on the basis of the response of the respondents i.e. consumers of Kolkata belonging to various wards in Kolkata and Brand Managers of various FMCG products. The quantitative survey has been done through questionnaire by taking valid responses from 1041 respondents, belonging to 141 wards in Kolkata and 33 Brand Managers of different FMCG companies whose brands have undergone extensions. The qualitative interview has been restricted to Brand Managers only.

Questionnaire Development

The questionnaires (Kolkata Consumers and Brand Managers) have been developed in such a way so as to serve the purpose and objectives of the study. The questionnaire is designed keeping in mind that it would be administered by the interviewer in a face to face situation and for this the questions are phrased in clear and unambiguous language. Time taken to respond and the ease of recording the response are also taken into consideration. The questionnaire for the consumers has been divided into two sections - Demographical Data and Technical Data (i.e. subject related data). As Brand and Brand Extension aspects are related with consumers’ perceptions, emotions and associations, the Demographical Factors are important for this study. The Technical questions in the Kolkata Consumers survey questionnaire are mostly structured, with multiple-choice questions, some of which have been framed by using Likert 5-point scale where ever required. Pre-testing was done with 30 respondents i.e. consumers of Kolkata to check the reliability of the questionnaire. The Brand Managers questionnaire is relatively smaller, with some questions open-ended, following an interview format, and some questions have been framed using the Likert 5-point scale, where ever necessary. This questionnaire has been designed with the purpose of getting the views from Brand Managers regarding the reasons for brand extension.
**Exploratory:** The research is exploratory in nature. It helps in establishing research priorities and gives a direct exposure to the problem situation. It is followed by conclusive research design.

**Conclusive:** Through conclusive research primary data are analyzed quantitatively and the hypotheses are tested and the relationships are examined and established. Conclusive research describes the perceptions of Kolkata consumers on brand extension of FMCG segment and their behaviour pattern, awareness of brand, brand loyalty and its impact on brands extensions. The Brand Manager’s views and strategies adopted on brand extension and the factors that are very important for successful brand extensions.

**Analytical:** Analysis of available secondary information to make critical evaluation of consumers perceptions of brand extension and its impact on company’s financial position and core brand image.

**Research Time Frame**

The primary data was collected at one time i.e. in this study cross-sectional approach was used to study the behaviour at any point of time. The data for this research work was collected over a period from July, 2010 to December, 2012.

Hence, for the purpose of my study covering Kolkata, the city being represented through the number of municipal wards under the jurisdiction of Kolkata Municipal Corporation, the sample size for the study was 1041, covering all the 141 wards in Kolkata. Minimum number of valid respondents and maximum number of valid respondents in a ward were 6 and 13 respectively. For the Brand Manager’s point of view, 33 brand managers were interviewed.
Validity, Reliability and Internal Consistency of Questionnaire

The information obtained has to be valid and reliable. For a measure, validity means that what we want to measure is really measured, neither more nor less. According to Kinnear and Taylor, 1996; to be precise, we have to ask ourselves “are we measuring what we think we are measuring?” Therefore, all the questions in the questionnaires must be relevant and valid, focusing on brand extension only. Thietart, Raymond-Alain, 2007; consider that reliability means that the “measuring instrument must allow different observers to measure the same subject with the same instrument and arrive at the same results, or permit an observer to use the same instrument to arrive at similar measures of the same subject at different time”. Thus it will be important to be careful when getting the answers and especially when analyzing them and the fact that one of the interviews has been recorded will enable to lose less information about the respondent’s answers.

The consumer survey questionnaire has been evaluated through testing of reliability and internal consistency, using SPSS. Cronbach’s Alpha is used as a measure of internal consistency, that is, does all the items within the instrument measure the same thing. The closer the Alpha value is towards 1.00, the greater the internal consistency of items in the instruments being assessed. The formula for determining Alpha is simple and makes use of the number of items in the scale (k) and the average correlation between pairs of items. The Cronbach’s Alpha for the questionnaire worked out to 0.832, which is very close to 1. Hence, the questionnaire is reliable and internally consistent.

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<th>Reliability Statistics</th>
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<tr>
<td>Cronbach’s Alpha</td>
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(SPSS Output based on consumer survey questionnaire)

The Questionnaire from the consumer’s point of view consists of 30 questions, out of which 13 questions are related to Biographical or Demographical aspects. The
balance 17 questions are technical questions, using the Likert 5-point scale and dichotomous scales. The questions are framed in such a manner so as to address the research objectives. The questionnaire set for the Brand Managers contains 11 questions, which are technical in nature and all, except one are in the Likert scale. One open-ended question has been provided to get their valuable insight. The construction of the questionnaires has been done to cover the subject thoroughly.

Sample Selection, Survey and Data Collection

Determination of Sample size

Since the survey on brand extension in FMCG segment has been carried out in Kolkata, the geographical boundary has been considered as per the Kolkata city limits as defined by the Wards under the Kolkata Municipal Corporation (KMC). The area under KMC consists of 141 Wards, grouped under 15 Boroughs. The distribution of the Wards amongst the fifteen Boroughs are summarised in Table 1.3 below:

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Table 1.3: Borough-wise Distribution of the Wards in Kolkata
(Source: prepared from data obtained from Kolkata Municipal Corporation)
As per the Census Data Report, 2011 brought out by the Government of India, Ministry of Home Affairs, Kolkata’s population in 2011 stands at 4,496,694 numbers the male and female population being 2,356,766 and 2,139,928 numbers respectively. To make the sample as representative as possible, the survey had been carried out so as to include respondents from all the 141 Wards. Initially, information was collected from KMC and some Borough offices to identify the Wards and the locality / area under each Ward. The Questionnaires were administered among the respondents of the wards. 15 questionnaires for each Ward was distributed, and the number of valid responses varied between 7 (minimum) to 13 (maximum) per Ward which has been used for the purpose of this study. The eastern part of Kolkata covers the smallest number of Wards. In the survey, the random sampling method has been adopted. The final usable sample size for the research work analysis comprised of 1041 valid respondents covering all 141 wards in Kolkata.

Since the survey is based on random sampling, the sample size for conducting the survey from the Consumer’s Point of View, was determined with the help of the following formula (source : Krejcie and Morgan, “Determining Sample Size for Research Activities”, Educational & Psychology Measurement, 1970, Vol 30, pp. 607-610)

\[ s = X^2 NP (1-P) / d^2 (N-1) + X^2 P (1-P) \]

\[ s = \text{Required Sample Size} \]

\[ X^2 = \text{The table value of chi-square for 1 degree of freedom at the desired confidence level of 95% (3.841), i.e. \{1.96* 1.96\}} \]

\[ N = \text{The Population size} \]

\[ P = \text{The population proportion (assumed to be 0.50 since this would provide the maximum sample size)} \]

\[ D = \text{The degree of accuracy expressed as a proportion, 0.05} \]
Therefore, the required sample size, \( s = 3.841 \times 4496694 \times 0.5 \times (1 - 0.5) / (0.05)^2 \times ((4496694 - 1) + (3.841) \times 0.5 \times (1 - 0.5)) = 384 \) (rounded off).

As can be observed from the table below, the relationship between the sample size and population shows that as the population increases the sample size increases at a diminishing rate and remains relatively constant after a certain level. Table 1.4 shows the relationship between population and sample size at both 95% / 99% confidence levels with 5% margin of error.

### Table 1.4: Relationship Between Population and Sample Size

<table>
<thead>
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<th>Population Size</th>
<th>95% Confidence Level</th>
<th>99% Confidence Level</th>
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</table>

In this research study, the sample size taken is 1041 which is much higher than the required sample size of 384 at 95% Confidence Level, with at 5% Margin of Error and 50% Response Distribution. It can be seen from the above Table that even at...
99% Confidence Level with 5 % Margin of error, the sample size would have been 663, which is well within the research sample size of 1041. This larger sample size of 1041 has resulted as all 141 wards have been covered, to make the sample as representative as possible.

For the Brand Manager’s Point of View, 33 Brand Managers were interviewed. The research study has taken into consideration the responses regarding 11 popular FMCG brands extensions in Kolkata. Brand Managers of 11 selected FMCG Brands and 22 Brand Managers from Kolkata based companies were considered.

Data Analysis and Methodology Used for Analysis

The collected raw data has been arranged, classified and presented in the form of Tables and Graphs for the purpose of analysis. All data have been arranged in MS-Excel format for the convenience of analysis. Following this, the characteristics of the sample data have been determined on the basis of descriptive measures i.e. Central Tendency and Dispersion. Two types of statistical techniques, univariate and multivariate analysis, have been used for data analysis. When in the sample there is a single measurement of each element or there are several measurements of each element but each element is analysed in isolation, univariate techniques are more relevant. Whereas, multivariate techniques are more appropriate for analysing data when there are two or more measurements of each element and the variables are analysed simultaneously. Multivariate analyses are more relevant when the simultaneous relationship among two or more phenomena exits. Multivariate techniques, unlike univariate analysis concentrate more on the degree of relationships (correlations or covariance) among the phenomena instead of levels (averages), and distributions (variances) of the phenomena (source: Malhotra, 2011).

In the present research study, univariate analysis has been used for the interpretation of data. Univariate analysis can be applied both for parametric data and nonparametric data. Since the data in this study are nonparametric in nature, most of
the data analysis is based on frequency distribution and Chi-Square test. The following statistical techniques are used to analyze the collected data.

**Bar Chart, Line Chart, Pie Chart:** Bar charts, Line charts and Pie Charts are used in the study to depict mainly the descriptive statistics. The charts are very useful to give a pictorial representation of Demographical data of the survey. The charts are easy to interpret and understand.

**Likert Scale:** This scale comprises of a series of evaluative statements/ items concerning an attitude or object. The question or statement has a five point agree/disagree scale. The number of statements/items in this study varies from 10 to 15. The scores on the individual items are summed up to produce a total score for the respondents. For this reasons it is also called summated scale. In the present study Likert scale has been used to assess consumers’ perceptions on brand extension and to understand the reasons for brand manager’s preference to brand extension.

**Analysis using SPSS-16:** The data collected from survey are first captured in MS-Excel and then exported to Statistical Package for the Social Sciences, Version 16 (SPSS-16) for detailed analysis. First, basic frequencies are run to uncover the patterns of the data at the surface level. The descriptive statistics are obtained to explore basic make-up and features of the data. Within this broad category are measures of central tendency and measures of variability around the mean.

The purpose of crosstabulation is to show in tabular format the relationship between two or more categorical variables. Crosstabulation can be used with continuous data only if such data are divided into separate categories. In the present study crosstabulation has been used as the data are categorical.

To get a better idea about the behaviour of a certain group, Two-Step clustering technique has been used in the present study. Custer Analysis is a statistical technique used to group the individuals into homogeneous sub-groups based on responses to variables. Two-Step clustering handles large data sets with continuous and categorical variables. In the first step, cases are assigned into pre-clusters and
these pre-clusters are treated as single cases in the second step with the help of SPSS.

**Chi-square** ($\chi^2$): A Chi-square analysis identifies whether observed values differ significantly from expected values. Social scientists have generally accepted that if the ‘p’ value is less than .05 then the result is considered statistically significant. When the significance level falls far below .05 i.e. smaller the ‘p’ value, the greater the researcher gets confidence that her findings are valid. In the present research study Chi-square test of independence has been applied to test the Null and Alternative hypotheses.

$H_0$ (Null Hypothesis): The two variables are independent.

$H_1$ (Alternative Hypothesis): The two variables are dependent.

The observed frequencies are obtained from the survey data and the corresponding expected frequencies are computed under the assumption that null hypothesis is true. Corresponding to a contingency table the expected frequencies for any $(ij)$ cell of the table is found out as:

$$E_{ij} = \frac{R_i \times C_j}{G}$$

Where:

$E_{ij}$ = expected frequency corresponding to the cell in the $i^{th}$ row and $j^{th}$ column.

$R_i$ = Total of observed frequencies corresponding to the $i^{th}$ row.

$C_j$ = Total of observed frequencies corresponding to $j^{th}$ column.

$G$ = Grand Total of Frequencies

The Chi-square is computed using the following formula:

$$\chi^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

$$(r-1)(c-1)$$
Where:

\[ O_{ij} = \text{Observed frequency of the cell in } i^{th} \text{ row and } j^{th} \text{ column.} \]

\[ E_{ij} = \text{Expected frequency of the cell in } i^{th} \text{ row and } j^{th} \text{ column} \]

And \((r-1)(c-1)\) indicates the degree of freedom where ‘r’ stands for the number of rows and ‘c’ stands for number of columns.

At 5% level of significance, the computed Chi-square values are compared with the tabulated Chi-square values. If the computed Chi-square is greater than the tabulated Chi-square, then the null-hypothesis will be rejected and conclusion is made that the variables are dependent. In this study SPSS- 16 has been used to determine the Chi-square value for test of independence, whether the observed values for the cells deviate significantly from the corresponding expected values for those cells.

**Phi (Φ)**: Chi-square statistics is often considered as a test of association between variables. This invalid assumption can create difficulty because a Chi-square value is largely dependent on the number of dimensions and sample size and thus comparisons of one Chi-square value with another are often misleading. To avoid this difficulty, Pearson suggested the Phi (Φ) statistic, which divides the Chi-square value by N and then takes the positive square root of the result. The purpose is tostandardize a measure of association to values between 0 and 1 (0 indicating completely independent variables, and a value close to 1 indicating a strong association between variables). Phi(Φ) has been applied in the study wherever it is found to be necessary.

\[
\Phi = \sqrt{\chi^2 / N}
\]

where: \( \chi^2 = \text{Chi-square; \ N = Total number of cases} \)

**Cramer’s V**: Cramer’s V is a test used to verify the degree of association between two variables. If one of the dimensions of the crosstabulation is larger than 2, (Φ) may attain a value larger than 1.0. To overcome this, Cramer’s V is applied. This
measure varies between 0 and 1 and is a commonly used measure of the strength of association between variables in a Chi-square analysis.

\[ V = \sqrt{\frac{\chi^2}{N(K-1)}} \]

Where:
\[ \chi^2 \] = Chi-square.
\[ N \] = Total number of cases
\[ K \] = Number of rows or columns whichever is smaller.

**Cronbach’s Alpha (\(\alpha\))**: Cronbach’s Alpha is designed as a measure of internal consistency, that is, do all items within the instrument measure the same thing? Alpha is measured in the same scale as a Pearson’s ‘r’ and varies between 0 and 1. The closer the Alpha value is to 1.0, the greater the internal consistency of items in the instrument being assessed. In the present study Cronbach’s Alpha has been used to find out reliability and internal consistency of the questionnaire.

\[ \alpha = \frac{K(r)}{1+(K-1)r} \]

Where:
\[ K \] = Number of Items in the Scale
\[ r \] = Average correlation between pairs of items

**1.7 Plan of Work**
The survey has been done covering the entire area of Kolkata’s 141 Wards with the help of the Questionnaire designed for the consumer research. Similarly, the Brand Managers’ responses have also been collected using a separate Questionnaire through in-depth interviews. The data used in this study are essentially primary data collected through survey of individuals. The study is divided into five Chapters.
CHAPTER 1: INTRODUCTION

1.1: The Historical Backdrop of Brand Extension- A Brief Timeline
1.2: Nature of the Problem
1.3: Review of Literature
1.4: Research Gap
1.5: Objectives of the Study
1.6: Research Methodology
1.7: Plan of Work

CHAPTER 2: CONCEPT OF BRANDING AND BRAND EXTENSION STRATEGY.

CHAPTER 3: BRANDING AND BRAND EXTENSION STRATEGY IN FMCG SEGMENT- GLOBAL AND INDIAN PERSPECTIVE.

CHAPTER 4: A SURVEY ON BRAND EXTENSION STRATEGY IN FMCG SEGMENT IN KOLKATA - AN EMPIRICAL STUDY THROUGH DATA ANALYSIS AND INTERPRETATION OF:

(i) KOLKATA CONSUMERS’ PERCEPTION AND EVALUATION OF BRAND EXTENSION IN FMCG SEGMENT, AND

(ii) BRAND MANAGERS’ VIEWS ON BRAND EXTENSION STRATEGY.

CHAPTER 5: CONCLUSIONS, IMPLICATIONS, LIMITATIONS AND SCOPE FOR FURTHER STUDIES.

Key Words: Brand Extension, Brand Loyalty, Brand Equity, Extended Brand, FMCG (Fast Moving Consumer Goods), Kolkata Consumers, Parent Brand, Perceived Risk.

The two Questionnaires used in this study are given in the Appendix at the end of this report.