Review of Literature
CHAPTER II

REVIEW OF LITERATURE

The value of a brand name may be defined not only in terms of the benefits it provides in its existing area of operation but also the potential advantages it can offer in untapped markets. This realization, according to Springen and Miller (1990), has resulted in increasing reliance on brand extension as a strategy for achieving corporate growth. Tauber (1988) opines that brand extensions have become the guiding strategies for product planners. Brand extensions promote marketing efficiencies and reduce the risk of failure.

The increase in brand extensions has led to an upsurge in research, with the aim to understand how consumers perceive and evaluate extensions. The main thrust in all these research works is to identify the factors that determine the success of brand extensions and to understand the negative impact of unsuccessful extensions.

In addition to the fundamental concepts of brand management, brand equity, brand extensions and line extensions quoted in the previous chapter, this chapter provides a comprehensive discussion on various research studies done at different dimensions related to brand extension strategies. Based on the discussion, the researcher has gained insights into the research topic and consequently developed a broad conceptual framework.
This chapter begins with the presentation of empirical literature pertaining to brand associations and their classifications. Then, research works related to the variables considered in the present study are discussed. Other research studies relevant to the concept of brand extension are also briefly covered. An outline on conceptual framework and research hypotheses are formulated at the end.

**Determinants of brand extension success**

Figure 2.1 depicts the factors that influence consumers’ attitude towards brand extension. To facilitate the presentation of Review of Literature in a systematic manner, these factors are grouped under three categories, viz., characteristics of core brand, criteria for extension and characteristics of extension market. ‘Characteristics of core brand’ includes, association, quality, awareness and satisfaction. While evaluating extensions, consumers link their perception about core brand with variables such as transferability, confidence, difficulty, fit, brand affect and similarity. These factors are grouped as ‘extension criteria’. Figure 2.1 clearly points out that consumers’ knowledge about extension product category and the presence of popular brands also influences the attitude. These two factors are considered as ‘characteristics of extension market’. The above mentioned variables are selected for the purpose of investigation and their impact on extensions are studied.
Fig. 2.1. Determinants of successful brand extensions

**Characteristics of the Core Brand**
- Type of Association
- Perceived Quality
- Awareness Level
- Satisfaction

**Characteristics of Extension Market**
- Product Class Knowledge
- Competitive Brands

**Extension Criteria**
- Transferability
- Confidence
- Difficulty
- Fit
- Brand Affect
- Similarity

**Attitude Towards Extension**
Brand association

The principle source for the creation of ‘brand equity’ is a set of associations, customers hold in memory about a particular brand. In order to better comprehend how brand associations play a role in consumers’ attitude toward brand extensions and decision making, it is necessary to understand how associations are developed in consumers’ memory and how they are activated when they are exposed to a brand name. According to Sridhar (1994), semantic memory is made up of a set of nodes and links. Nodes are points in memory that store information and these nodes are connected by links. Any activation of a node will also activate other links and nodes. Hence a brand name can be viewed as a node and the various associations as links.

A brand association is anything linked to the consumers’ memory with regard to a brand name and this association has a level of strength (Barsalau, 1983). This association is mostly created through experiences and exposure to different types of communications. This link is called perception which is formed by objective sources like reports of MARG, NRS IV and journals or from subjective sources such as advertisements, opinions from friends and relatives.
Every brand has its own association and firms make positioning decisions (Aaker, 1982) based on these associations. For instance,

(i) a brand may be associated with the product class or category: Kristal salt, Olympic cards and Cherry Blossom shoe polish are good examples.

(ii) a brand may be associated with a specific product attribute: Sunsilk Shampoo is closely associated with ‘shining & healthy hair’ attribute whereas Clinic shampoo is associated with ‘dandruff control’.

(iii) a brand may be technology driven: It is appropriate to quote ‘Intel’ under this category, as it keeps on upgrading the processing speed of the motherboard used in personal computers. Recent launch of Pentium III with a speed of 500 MHz is a proof of its obsession with ‘technology’ attribute.

Brand associations refers to the unique meaning associated with a brand name. Brand name often carries with them an overall affective impression (Bouch, et al, 1987), generalised preference (Fry, 1967) and image of quality (Aaker and Keller, 1990) that can enhance consumer’s reaction to an extension.
Brand associations create value to the firms and represent bases for purchase decisions taken by the consumers. Aaker (1991) lists the following five important advantages of brand associations.

1. They provide a specific reason towards buying a particular brand: Pepsodent’s claim of ‘long time protection’ provides a specific reason to buy that brand.

2. They create positive feelings or attitudes: Liril toilet soap’s association with ‘freshness’ and Complan’s association with ‘complete planned food’ have developed positive attitudes among consumers.

3. They play a critical role in separating one brand from another brand: Apple computer’s association with ‘user friendliness’ helps to differentiate it from “compaq” which is closely associated with “technology”. Similarly the association of Windows N.T operating system with ‘menu driven and simplicity’ helps to differentiate it from UNIX which is closely associated with ‘versatility’.

4. They act as a basis for an extension by creating a sense of ‘fit’ between the core brand name and proposed new category: Pond’s cold cream became successful, because consumers were able to identify the fit between cold cream and Pond’s Dreamflower talc.
5. They help to retrieve specific information: Whenever we come across the name of J.K. Tyres, we immediately link it with 'Steel Radial Tyres'.

For a successful extension, the core brand should possess an unique, strong and favourable association. According to Keller (1993), the success of a brand extension strategy depends upon the creation of favourable brand associations, that is, the consumer believes that a brand name possesses some specific attributes and provides benefits that satisfy their needs. This satisfaction will lead to the formation of overall positive attitudes towards a brand name.

For example, Nirma washing powder is associated with 'cheap and tough' detergent powder. This association is unique and strong but not favourable for extension. Because 'cheapness' always connotes 'low quality' and so it becomes difficult for this brand to extend into categories where 'quality' attribute plays an influential role in the decision making process. That is why, Nirma toilet soap is not fully accepted by Indian consumers.

Pitta, et al. (1995) states that consumer evaluation of brand extension is frequently described by a process in which core brand associations are transferred to extension product category. A consumer
evaluates an extension favourably, if he finds the association between the core brand and proposed extension category is congruent. Corporate names such as BPL, Tata and Godrej are associated with quality, technology and dependability. These kinds of associations help the extension products to gain immediate positive responses from consumers (Saxena, 1997).

Aaker (1991) suggests that the primary job of any brand manager is to identify the association of a brand that directly affects consumer’s buying behaviour. Projective techniques like ‘free-association task’ or ‘picture interpretation’ are effectively used to identify brand association. Once the association is identified, the brand manager has to find out the list of products that are linked to those associations. Suitable products from such list should be selected for concept testing. If concept testing for a particular product category is found to have ‘fit’, then that is selected for the purpose of extension.

Now, it becomes clear that the presence of strongly held and favourably evaluated associations are essential to ensure the success of an extension strategy.

According to Aaker, the success probability of any brand extension can be increased by investigating the type of association a brand possesses and consumer’s perceptions about that association. This research study
explores the role of different types of brand associations on the consumer evaluation of brand extension.

To have better insights into the concept of brand association, it has been classified into the following three categories:

1. **Brand Specific Association**
2. **Product Category Association**
3. **Abstract Association**

The meaning and significance of these associations are discussed in the following pages.

**Brand Specific Association**

According to Broniarczyk and Alba (1994), a brand is said to have a specific association, if it is *unique* and *highly salient* in its product category. Brand specific association is defined as an association that differentiates a brand from its product level and other brands in its category (Srinivasan, 1979; Chakravarthi, et al., 1990). This means the extent to which a brand’s association is not shared with other brands. For example, Close-up tooth paste is associated with ‘mouthwash’ attribute, but this cannot be claimed as brand specific association, since Colgate Gel also has the attribute of ‘mouth freshness’.
Brand specific association may be in the form of attributes, benefits, usage situations and users. Pepsodent 2-in-1 has 'mouthwash and germ protection' as the specific association; Woodlands shoes has 'weather proof' as its specific association; and Bru instant coffee's claim to be equal to filter coffee is its specific association.

A study conducted by Park, et al. (1991) has examined brand specific associations and their importance in determining extension categories. They identify two types of associations, namely, functional and prestige and express that if brand specific association is relevant in the extension category, consumer evaluations of the extensions are more favourable. Brand specific associations provide a competitive advantage to the firms while extending their brands. It is viewed that consumer's attitude towards extension would be positive, if the specific association is relevant in the extension product category.

**Product Category Association**

A brand is said to have a product category association, if it is closely associated with a particular product class rather than with a specific product feature. Successful launching of a series of products under a single corporate name, paves way for the creation of product category association. This type of association can be established over a period of
time, after making the consumer to believe that, this company has the ability to offer a range of quality products in a specified product category.

For example, Modi Xerox is strongly associated with the category of 'office automation products'. Though it started initially with photocopiers, its systematic launching of products meant for any office use has resulted in a broader meaning for its brand name and now it calls itself as a Document Company.

Abstract Association

Apart from brands that belong to either brand specific association or product category association, few brands are closely associated with a generalised image. These names have a variety of associations and do not possess any specific association and hence they are classified under abstract association category. A brand name is said to have abstract association, if it is built over a broad concept with deep meaning and clear identity.

For example, Tata and Godrej are linked with attributes like dependability and trustworthiness and hence grouped as abstract association brand names. Kapferer (1992) categorised the brand names cited above as philosophy brand names. Tata has established this image by diversifying from the production of steel to automobiles, and to power
sector, and to salt and so on. Similarly, Godrej reached this stage by increasing its presence in different product categories such as toiletry, typewriters, steel furniture, safety system, computer peripheral, edible oil, refrigerators, etc.

Abstract association is the maximum level which all corporates aim to reach. This would be possible only through gaining customer confidence and by careful planning of diversification strategies.

**Stretchability of brand names**

One of the important research questions that needs attention is, which type of association a company should have for its brand for long term benefit. This issue can be addressed by discussing the important concept in extension decision i.e. *stretchability* of a brand name. Brand managers spend a lot of time in finding out, to what extent a brand name can be stretched. The type of association a brand possesses, provides a basic framework to tackle this issue.

According to Nakamoto and Jung (1993), brands that have specific associations have limited product categories to which they can be extended. It is easier to stretch the brands belonging to this category to closely related or similar categories than to dissimilar categories. These brands have narrow boundary lines than the other two types of
Nakamoto and Jung (1993) argue that when the core brand’s association is built on general characteristics, it is easy to stretch the brand name to a wide range of disparate categories. These brand names do not have any boundary lines and hence there are no restrictions in stretching their names.

From the above discussions, it is clear that the consumer evaluations of brand extensions are influenced by the type of association a brand possesses. Further, ‘brand association’ also determines the ability of a brand name to stretch itself into different types of products. This study investigates the role of brand association on the success of extensions into similar and dissimilar categories by different brand names. In the following pages brand equity concept, historical perspectives of brand extensions and various research findings related to different dimensions of brand extensions are discussed in a detailed manner.

**Brand equity**

The task of marketing manager is to develop and execute a marketing plan that makes the firm’s product offerings both different from and superior to competitive offerings, thereby allowing the firm to shield itself from competition (William et al. 1994). One method of attaining this task is to design products with unique and desirable attributes. Another way is establishing a relationship with customers and building brand loyalty. This customer franchise results in the creation of brand equity. Keller (1993)
points out that when customers have positive and unique associations with a brand, equity for that brand is created.

Brand equity is an intangible asset or goodwill attached with a brand. From marketing viewpoint ‘equity’ refers to the image and the familiarity which the brand enjoys. Brand equity means the positive values associated with the brand which are integral to the brand itself (Sen, 1994). For example, the brand equity of Surf is a wash, which gives whiteness with gentleness to clothes. Pepsi has the equity of being a ‘youth’ cola, which means association with pop music, being a teenager and having fun.

Three elements are essential in building a strong brand equity: a positive brand evaluation, an accessible brand attitude and a consistent brand image (Watson, 1994).

**Extending Brand Equity to New Categories**

Three factors are needed to extend a brand to a new category (Tauber, 1981).

- **Perceptual fit**: The consumer must perceive the new item to be consistent with the parent brand.

- **Competitive leverage**: The new item must be comparable or superior to other products in the category.

- **Benefit transfer**: The benefit offered by the parent brand is desired by consumers of products in the new category.
Brand equity can be diluted by category extensions. Product failure can injure the reputation of the parent brand. Negative associations can flow from the new item back to the parent brand. Brand confusion can result from a successful extension that develops a somewhat different image than that of the parent brand.

**Buying brand equity**

Acquisition of a company, its brands and products is obviously one way of buying brand equity. A more common approach is licensing the rights to use someone else’s brand on your product.

**Managing Brand Equity**

Brand equity is managed in three distinct stages (Timken, 1998). The first stage is introduction. Start with a quality product and then build a brand image that creates a positive consumer evaluation. The key strategy is to plan how the brand can be used as a platform for new products and extensions.

The second stage is elaboration. Favourable attitudes alone do not influence behaviour. Instead, the goal at this stage should be to foster attitude accessibility in the consumer’s mind; make the brand easy to remember. The next goal is to increase brand equity by encouraging direct behavioural experiences and repeated attitudinal expressions by the consumer as often as possible. It is important to be consistent in managing the special relationship between the brand and the consumer.
The last stage is fortification. The strategy is to leverage one’s equity by extending the brand to other products. Successful brand extensions require perceptual fit, competitive leverage and benefit transfer. The primary focus should be on extending dominant brands to closely related target categories. Licensed brand extensions can also help in protecting a brand, opening new distribution channels and developing potential customers for the core product. Dilution of brand equity can result from product failures, negative associations and brand confusion.

Taylor (1999) identified three different perspectives on the term ‘brand equity’. They are:

The Financial Perspective

Brand equity is seen as a monetary figure. Brand equity is the capitalized value of future cash flow, discounted in each period by a risk adjusted interest rate, the replacement or the acquisition value.

The Marketing Perspective

Several meanings of brand equity are offered. Firstly, brand equity is an equivalent to the multi-dimensional construct of brand knowledge. Secondly, brand equity consists of brand ‘assets’ which add value to the consumer and the firm. Thirdly, brand equity is the distinction between ‘product’ and ‘brand’: ‘the added value given to a product by the brand name’.
The Extension Perspective

This perspective actually belongs to the marketing perspective but so many studies have been done recently on this field that it is worth to point out one of the 'extension meanings' of brand equity. 'In considering the extendibility of a brand, it is useful to interpret the equity of a brand as a residual value. A value in form of favourable impressions and attitudinal dispositions among all those who are exposed to marketing activities related to the brand...' (Kangaswamy et al., 1991). In summary, brand equity is used synonymously as a financial and non-financial figure.

It has become clear that brand equity concept is understood as a controlling tool for brands which integrates both the financial and the marketing perspective. Further, brand equity is understood as a term which represents the effects of the branding activities and has a non-financial character. It is the yardstick for marketing which provides information about the efficiency of the branding activities by measuring the brand value for consumers and distributors (Yip, 1999).

Companies have to design stable brand equity models which take the new status of brands into consideration. It is also found that there is an increased acceptance of the brand equity concept as a corporate controlling instrument.

Irmscher (1993) suggests that the brand equity concept must be a tool which delivers information about the long term impact of marketing
strategies to marketing and finance simultaneously. Figure 2.2 shows the need for brand equity concept.

**Figure 2.2. The Need for the Brand Equity Concept**

<table>
<thead>
<tr>
<th>Changes</th>
<th>Reaction</th>
<th>Requirements</th>
<th>Result</th>
</tr>
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<tbody>
<tr>
<td>Prohibitive introduction costs</td>
<td>Brand Extension</td>
<td>Controlling Tool for Measuring the Long Term Performance of Brands</td>
<td>Brand</td>
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<td></td>
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<td>Research Methods for Measuring the Extension Potential of Brands</td>
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<td></td>
<td>Brand Purchasing</td>
<td>Financial Valuation Methods</td>
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<td>Pressure for Short Term Results</td>
<td>Increased Interest in Financial Efficiency of Brands</td>
<td>Financial Valuation Methods</td>
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<td>Dominance of Promotions</td>
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<td></td>
<td>Fast Changing Strategies</td>
<td>Controlling Instrument measuring strengths and weaknesses of brands</td>
<td>Concept</td>
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<td>Conflict between Long Term and Short Term</td>
<td>Guideline to ‘manage’ Brand Management</td>
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He adds that the main function of equity is its assured security to the creditors of a company: equity is the core of a company, keeps the business going, covers the risk for liabilities especially in the case of bankruptcy. Equity is a symbol for security and generates value to the customer that can emerge either as a price premium or enhanced brand loyalty.
Many firms acquire other firms with well-known and proven brands to hedge against the high costs and risks of new product development. A critical question in these acquisition decisions involves the assessment of the importance of brand equity to the acquiring firm. Since the brand equity benefits can vary by firm (and also by the decision maker within a firm) a critical question is how can one systematically decipher the effect of brand equity in acquisition decisions. Using the balance model, Mahajan et al (1994) present a methodology to determine the importance of brand equity in acquisition decisions.

The study clearly demonstrates that the perceived impact of brand equity on acquisition decisions is idiosyncratic and the value assigned to a brand will vary depending upon who (across firms as well as individuals within a firm) is evaluating the brand for acquisition. Nevertheless, their exploratory study suggests that one must recognise that contribution of brand equity to acquisition decisions is specific to the decision maker or in general specific to the owner of acquiring firm. The authors have developed factors of brand equity which are shown in figure 2.3.
Figure 2.3. Factors of brand equity

- Carryover of brand benefits across products and market
- Extensibility Growth Potential
- Brand loyalty
  - Switching cost
  - Distributor loyalty
  - Customer services
  - Positioning
  - Longevity Vulnerability
  - Brand equity
- Recognition
  - Quality
  - Perceived value
  - Customer base
  - Positioning
  - Performance Profits (share/margins)
The acquiring firm derives benefits from a brand by capitalizing on its brand equity. Brand equity defines the power that a brand may command in a market by means of its name, symbol or logo (Vinnicombe, 1999).

Zeithaml (1988) suggested a model that could be used to define Brand Equity in an operational fashion which is shown in Figure 2.4.

Figure 2.4. Brand Equity Measurement Model
He suggested that panel data could be used to define the 'current' equity of a brand. When modeled against the brand’s possible leveragibility into other categories, the brand’s potential 'future' equity could also be modeled and projected.

There have been two general motivations for studying brand equity. One is a financially based motivation to estimate the value of a brand more precisely for accounting purposes (in terms of asset valuation for the balance sheet) or for merger and acquisition. Syzbillo (1999) define brand equity in terms of the incremental discounted future cash flows that would result from a product having its brand name in comparison with the proceeds that would accrue if the same product did not have that brand name. Based on the financial market value of the company, their estimation technique extracts the value of brand equity from the value of a firm’s other assets.

A second reason for studying brand equity arises from a strategy-based motivation to improve marketing productivity. Given higher costs, greater competition, and flattening demand in many markets, firms seek to increase the efficiency of their marketing expenses. As a consequence, marketers need a more thorough understanding of consumer behaviour as a basis for making strategic decisions about target market definition and product positioning, as well as better tactical decisions about specific marketing mix actions.

According to Sylvie (1999), customer-based brand equity involves consumers’ reactions to an element of the marketing mix for the brand in
comparison with their reactions to the same marketing mix element attributed to a fictitiously named or unnamed version of the product or service. Customer-based brand equity occurs when the consumer is familiar with the brand and holds some favourable, strong, and unique brand associations in memory.

Conceptualizing brand equity from this perspective is useful because it suggests both specific guidelines for marketing strategies and areas where research can be useful in assisting managerial decision-making. Three important points emerge from this conceptualization. First, marketers should take a broad view of marketing activity for a brand and recognize the various effects it has on brand knowledge, as well as how changes in brand knowledge affect more traditional outcome measures such as sales. Second, marketers must realize that the long-term success of all future marketing programs for a brand is greatly affected by the knowledge about the brand in memory that has been established by the firm's short-term marketing efforts. In short, because the content and structure of memory for the brand will influence the effectiveness of future brand strategies, it is critical that managers understand how their marketing programs affect consumer learning and thus subsequent recall for brand-related information.

Third and most important is Brand Preference. This acts as a basic influencing factor in determining the equity. Fig. 2.5 summarises the dimension of Brand Preference.
Figure 2.5. Dimensions of Brand Preference

- **BRAND PREFERENCE**
  - **BRAND AWARENESS**
    - Brand Recall
    - Brand Recognition
  - **BRAND IMAGE**
    - Types of Brand Association
    - Favorability of Brand Association
    - Strength of Brand Association
    - Uniqueness of Brand Association
  - Attributes
    - Non-Product-Related
    - Product-Related
  - Benefits
  - Attitudes
    - Functional
    - Experiential
    - Symbolic
  - Price
  - Packaging
  - User Imagery
  - Usage Imagery
Aaker (1995) argues that a successful differentiation strategy will provide customers with perceived and actual value that is difficult for competitors to copy. Differentiation can stem from a focus on quality or building strong brands, or from other features such as being innovative or customer-driven or using a unique distribution system. Building brand equity, another approach to differentiation, involves developing perceived quality, brand awareness, brand identity and brand preference. Figure 2.6 shows this concept.

Fig. 2.6. Brand Equity

![Brand Equity Diagram]

From the above figure, it is understood that the quality option implies that the customer will receive greater value with respect to comparably
priced alternatives. In other words, the products and services will simply be better. The foundation of a quality option is often a total quality management program that systematically guides the organization toward delivering quality. Quality is defined with respect to customer satisfaction, so a customer focus needs to be in place, including a way to detect and respond to customer needs and concerns. Quality cues need to be managed because perceived quality is as important as actual quality. Studies show that a quality strategy, on the average, results in a larger ROI and enhances stock return.

Brand awareness provides a sense of familiarity, a signal of substance, and brand recall when a purchase is being considered. A brand’s identity is an asset that can differentiate, provide reasons to buy, instill confidence and trust, affect feelings toward a product and use experience and provide the basis for brand extensions. Brand preference reduces marketing costs, creates barriers to competitors, provides trade leverage, affects the brand image and provides time to respond to competitive threats.

**Historical perspectives of brand extension**

It was Theodore R. Gamble, who started using the world Brand Extension way back in 1967. He has proposed two basic means of extending the usage of a brand name. The first is through product modification and second is application of a brand name to different product categories. He identified four areas of opportunity such as
(i) when package sizes and flavours proliferate; (ii) when the product form is amplified such as liquid, paste, spray, stick, etc., (iii) when new products are related to original product and (iv) when new products are unrelated to existing ones with the same brand name. The first two types are presently termed as line extensions and the later two are termed as brand extensions. He is of the view that seasonal dip can be corrected with the intelligent use of line extension. Brand extension is an excellent way of capitalising on market segmentation and fragmentation. He also warned of the dangers to be avoided while adopting extension strategy, namely, dilution of the standing of existing product and weakening of the force of advertising.

Tauber (1981) used the word ‘Brand Franchise Extension’ instead of brand extension. According to him, brand franchise extension offers new channels for growth and strategic opportunity to evaluate and redefine the nature and direction of their business. He feels that organisations should identify the assets of a brand which are leverageable to achieve a significant growth in sales and profits at acceptable risk in a highly competitive environment. Reduced risk of failure, synergetic effect of advertisement and capitalising the goodwill of the brand are the benefits of brand franchise extension. To ensure adequate support from customers, he stressed the importance of factors like ‘transfer of benefits from core brand’, ‘consistency between core and extension category’, and
'comparable / superior quality of new category'. He also cautions that unsuccessful extensions may result in 'dilution' of specific association and 'negative image' for the core brand.

**Extension trap**

'Logic is on the side of line extension. Truth, unfortunately, is not' opines Ries and Trout (1981). They suggest that instead of going for line extension it would be better to go for 'broadening the base' which means the reverse of line extension. They add that line extension is popular due to its short term advantages. Line extensions do not possess any independent position in the consumers’ mind, because they are the satellites of the original brand name. Besides, they tend to blur the clear position that is already occupied the minds of consumers. They argue that when one name stands for more than one product, confusion results and reduces the strength of the brand. However, a research work done by Park, et al. (1993) has proved this argument as a wrong interpretation. Finally, Ries and Trout point out that extension is a 'trap', because brand name is a rubber-brand and the more you stretch, the weaker it becomes.

However, Sengupta (1990) did not agree with Ries and Trout's argument that line extension weakens the generic association of the parent brand but partially accepts the argument that extension dilutes its position.
Three criteria formula was suggested by him to manage extensions effectively. (i) Fit (the extension must be seen as compatible with parent brand), (ii) Value perception (ensuring consistency between extension and parent brand and should be linked by common values) and (iii) Competitive edge (extension should have some in-built advantages / inherent quality perceptions that give a competitive edge over the established brands).

Types of leverage

Tauber (1988) identifies that if a firm wishes to enter into a new product category, either it can purchase a popular brand or extend its own brand. He supports brand extension because it is likely to reduce the risk of failure and the possible increase in the sales of parent brand. Tauber, after analysing actual brand extensions involving 115 different brands in consumer durable and non-durable categories, suggests seven types of leverages, a company should consider when seeking to extend its core brand. They are: (1) same products in different forms, (2) distinctive taste/ingredient component in the new item, (3) companion products, (4) same customer franchise, (5) technical expertise, (6) benefit / attribute / feature owned and (7) designer image / status. The first two are ‘line extensions’ and the remaining are brand extension opportunities.
Influence of category similarity

Product category similarity plays a major role in brand extensions. Similarity is the search for connections between similar objects or identifying something common between two comparable objects. Murphy and Medin (1985), propose that the presence of a single relational match may result in similarity, provided the relation is important in a product category.

In the brand extension context, 'similarity' refers to the common attributes that consumers identify between the core brand and the extension product category. Various studies on product category similarity in brand extension show mixed results. While some studies have found that product category similarity and brand extension evaluations are positively related, a few other studies have found little or no effect. These findings are briefly discussed in the following pages.

Two areas of Psychology, viz., categorisation and schema congruence, use the concept of similarity to explain the evaluative judgements by consumers. Several studies used the concept of schema to predict the influence of similarity in extension options. According to Fiske and Taylor (1984), a schema is cognitive structure, that represents organised knowledge about a concept which is developed through our
experiences. It is a collection of individual components that become an integrated organised unit with strong associations.

When consumers become familiar with a brand name, they are likely to form a particular type of schema representing a specific product category. For instance, a consumer might have a schema for Dettol branded products such as protection, medicated, anti-septic etc., Since schemata focuses on how a consumer assimilates new information with the existing knowledge, a consumer would classify information like, ‘Dettol floor cleaner protects against germs’ is congruent to the schema, whereas information like, ‘Dettol shampoo adds beauty’ is incongruent to the schema. This type of schema can assist consumers in determining which extensions are similar to the core brand and which are not.

By using the above mentioned concept, a study conducted by University of Minnesota Consumer Behaviour Seminar (1987) used an imaginary calculator manufacturing company ‘Tarco’ to find out the influence of similarity on the evaluative judgements for brand extensions in a laboratory experiment. The results showed that product similarity (between the new and existing product) strongly influenced the effects of brand evaluation transfers. The greater the similarity of the new product to the existing product, the greater the transfer of positive or negative effect to that new product, which clearly shows that brand extensions should
share similarities with the existing product category. The results further suggest that a negative association of a company name with a previous product failure may not necessarily be generalised to a new product provided that the later is dissimilar to the first.

Park, et al. (1991) examined the mediating effect of similarity on the purchase intentions of extended products. They propose that consumer evaluations of brand extensions depend on product-feature-similarity perception. Development of these perceptions depends on identifying the relationship between the brand’s existing product(s) and the proposed extension. They found that a positive relationship existed between product feature similarity and consumers’ evaluations.

Any successful brand extension requires the existence of a favourable prior attitude towards the core product, which should be transferred to the extended product. Boush and Loken (1991) explored the implications of viewing a brand and its products as ‘brand category’ and the effects of this categorization perspective for evaluating brand extensions.

The authors used a laboratory experiment in which response times and verbal protocols were used to examine the way ‘brand breadth’ and ‘brand extension typicality’ influenced the evaluations of extensions.
Brand breadth refers to the variability among product types represented by a brand name and brand extension typicality refers to the extension’s similarity to the brand’s current products. The results of their experiment showed that brand extensions are liked better if they are typical of the original brand category and the consumer’s attitude toward brand extensions was highly correlated with their ratings of brand extension typicality.

Research in brand extension has indicated that similarity between an original and extension product category is a critical predictor of consumer’s evaluation of brand extensions. A key question that deserves research attention is to discover how such similarity judgments are made by consumers. MacInnis, et al. (1992) designed an exploratory study to answer this issue. The results showed that consumers used different knowledge domains to judge similarity across products categories and reported that products not only shared physical attributes, but also benefits, usage occasion, usage locations and users.

Farquhar and Herr (1992) explored the effects of dominance and typicality on extending a brand across product categories. They defined ‘dominance’ as the strength of the category-to-brand association, and ‘typicality as the strength of the brand-to-category association for a consumer. They concluded that when the same brand was extended to a
variety of target categories, the brand’s dominance in the parent category was unaffected whereas typicality was found to be diminished.

Boush (1993) stressed that the key to understand the brand extension effects was to view the structure of brands as categories and the way marketers could influence these structures for improving marketing efficiency. The author reported asymmetry effects as they occur in similarity judgements which were involved in consumer’s perceptions about brand extensions.

Smith and Park (1992) examined the effects of degree of similarity on market share and advertising efficiency. They identified that the relative effect of brand extensions on market share was not moderated by the degree of similarity between the extensions and other products affiliated with the brand. Advertising efficiency effects, however, are elevated when similarity is high, but only when it is based on intrinsic attributes. According to Oslon and Jacoby (1972), intrinsic cues are those aspects of products that, if changed, would physically alter the product. For example, physical features, component parts and manufacturing skills are intrinsic cues.

Though all the above mentioned studies confirmed a positive relationship between similarity and consumer evaluations, a study
conducted by Dacin and Smith (1993) provided only a partial explanation for consumer's judgements of brand extensions. They used a hypothetical brand name 'Jasil' to find out the effects of 'consistency' and 'similarity' on the extended products of that brand name. The results suggested that favourability of consumer inferences increased with an increase in consistency. 'Similarity' on the other hand, had no effect on confidence and compared to 'consistency', had a relatively small effect on the favourability of judgements about extensions.

**Importance of 'fit' in brand extensions**

To explain how the associations of a brand name can be transferred to an extended brand, researchers have found categorisation model to be a useful framework. According to categorisation approach, consumers evaluate a brand extension on the basis of 'fit' between the core brand and the new product category (Dube, et al. 1992).

The product fit was often cited as an important and influential factor for the success of umbrella brands (Karger, 1981; Kimrey, 1984; Kesler, 1987). Tauber (1988) argues that a brand could be successfully extended to a new category when it has 'fit'. Fit occurs when a consumer accepts the new product as logical and expected.
Sengupta (1990) stresses that extensions can be effectively managed by establishing 'fit' between the two categories. He pointed out that the secret behind the success of extension strategy lay in making the consumers to see the extended product compatible with the parent brand.

Aaker and Keller (1990) conducted two studies to explore the role of fit variables on attitude toward extensions. The first study revealed that attitude transfer of brand extensions might depend on (i) the quality perceptions of the brand in the original product category, (ii) the extent to which the extended product was perceived as 'substitute' or 'compliment' to the original product, (iii) the extent to which the firm's manufacturing expertise could be transferred to the new product, and (iv) perceived difficulty in designing or making the extension. The authors identified that, out of the four variables mentioned above, only 'transfer' and 'difficulty' had significant effect on attitude toward brands extended. In the second study, positive quality cues about brand and opportunity to elaborate were manipulated. The findings revealed that providing cues did not influence the attitude while opportunity to elaborate did affect the attitude of brand extension.

A replication of Aaker and Keller's study was done by Sunde and Bordie (1993) who examined the extent to which the findings of the exploratory study could be generalised. The main findings of their study
were almost similar to the original study. The provisional conclusions were that consumer acceptance of brand extension tended to be higher if: (a) the perceived quality of core brand was high, (b) there existed a perceived ‘fit’ between the two product categories in terms of transferability of the skills and the complimentary use of the product and (c) the extension category was not perceived to be too easy to make.

While interpreting the results of the replication work done by Sunde and Bordie, Keller and Aaker highlighted that ‘fit’ depended upon the amount of stretch that was involved in extension. In addition to this, the authors quoted that differences in procedure, stimuli and culture were the reasons for apparent discrepancy between their original findings and this replication study.

Park, et al. (1991), proposed that consumer evaluations of brand extensions depended on the degree of perceived ‘fit’ between the extension product and the brand name. The degree of perceived ‘fit’, according to them, is a function of ‘brand-concept-consistency’ perceptions and ‘product-feature-similarity’ perceptions. The authors gave adequate considerations to find out how a brand-name concept affected consumers’ perceptions of the ‘fit’. According to them, ‘brand concept’ is an unique and abstract meaning association that a brand possesses. For example, it may be ‘high status image’ which is established by premium
pricing. 'Concept consistency' occurs only if the extension product is able to accommodate the brand concept.

They used both real and fictitious brand names to examine consumers' reaction to a variety of extensions. They have identified Timex brand name as function oriented and Rolex as prestige oriented. The results of their experiment indicate that a brand, whose image is based on brand unique abstract associations like style, status and prestige may be more extendible than brands strongly associated with specific functional aspects like convenience, durability, reliability, etc.,

Bridges (1992) has developed a model with the idea that 'perceived fit' between the extension and brand expectations determines the variables that affect the evaluative outcomes of the judgement process. She proposes that 'perceived fit' is made up of variables like, brand schema, relationship between the brand and extension and extension information provided to consumers. The results of the two experiments conducted by the author show that when the brand and the extension share physical product attributes, evaluations were favourable if the brand's schema was image related than being product related. The favourable evaluations were moderated by the type of information provided about the explanatory link between extension and brand.
But Tauber (1993) has viewed in a different way and argued that 'leverage' is a greater consideration than 'fit' in building successful extensions which implies that a brand with broad 'fit' potential is likely to have little to offer in the way of leverage. 'Leverage' occurs when the consumer who is aware of the brand name only, perceives that the new brand extension would be better than the competing products in that category. Quite often marketers chase 'fit' at the expense of leverage.

A firm which markets quality products for a long period owns an overall reputation. Milewicz and Paul (1994) have identified that a brand's reputation and credibility are the starting point of the extension process. According to them, reputation is not fully carried to the new product whereas quality perceptions of the core brand and the 'fit' are fully transferred. Further, the influence of reputation was found to be high, when the competitive brands in the extension product category look alike.

Research works mentioned so far have studied the effects of 'fit' on consumer products whereas Smith and Andrews (1995) have considered the role of 'fit' in industrial context. Following the prior work in consumer research, the authors have predicted the relationship between fit and certainty. 'Certainty' refers to the ability of a company to deliver a product that meets the expectations of consumers. They collected data from 608 product managers drawn from 19 industries. The findings of
their study revealed that 'perceived fit' was positively related to new product evaluations and the effect of 'fit' was mediated by the consumers' sense of certainty that a firm could produce the proposed new product. In simple words, 'fit' has a positive effect on certainty and certainty has a positive effect on evaluation. When the effect of customer certainty is considered, the direct effect of 'fit' disappears.

Fit can be analysed from the perspective of value addition. Citing the example of Bayer, Aaker (1995) reports that using the Bayer name on non-aspirin products had much less value in the market that was hoped. The value of the Bayer name did not transfer to new product classes.

**Multiple extensions**

Research in brand extension has demonstrated a positive relationship between the 'perceived fit' of extension products with the core brand and consumers acceptance of such extensions. This may suggest that brand extensions ought to be limited to high-fit products. However, due to market opportunities or long term growth plans for their product portfolio, an organisation may wish to extend its core brand to product categories, that may currently be viewed as 'poor-fit' category. In such cases, one option may be to gradually extend the core brand to the target product category by introducing intermediate extensions that act as
stepping stones. This intermediate extensions have led to the development of multiple extensions strategy.

Most of the research on brand extension have been addressed to various issues related to single extension only. But in real world practice, many firms often go for more than one extension and virtually this has attracted Keller and Aaker (1992) to look into the strategic issues of the effects of multiple extensions.

Through a lab experiment they investigated the factors influencing extension evaluations of a core brand that had or had not already been extended. If a brand has been already extended, its success or failure may affect the judgements about the proposed new extension. The authors in their experiment examined the moderating effects of three variables, viz., the original quality of the core brand, the number of intervening extensions and the relative similarity between intervening extension and proposed extension category. The results reveal that successful intervening extensions improved evaluations of a proposed extension for an average quality core brand and unsuccessful intervening extensions decreased the evaluations of a proposed extension for a high quality core brand. Multiple intervening extensions can have different effects than single intervening extensions.
In managing multiple extensions, factors like ‘direction’ of the extension and ‘distance’ between target category and core brand need careful consideration. Dawar and Anderson (1994) explored the effects of ‘order’ and ‘direction’ on multiple brand extensions. The results of their first experiment showed that ordered extensions might help create coherence by taking small steps towards a distant extension. This suggests that a firm planning multiple extensions must determine the appropriate order of product introduction in order to maximise the chances of consumer acceptance. The second experiment confirmed that consistency in the direction of extensions was an important consideration for multiple extensions. Specifically, it was pointed out that extensions in a consistent direction were more likely to be perceived as coherent and had more purchase likelihood than extensions in an inconsistent direction.

**Reciprocity effects of brand extension**

Brand extensions have become attractive marketing strategies since they save companies a lot of money in promoting a new brand name in stiff competition. However, critics of extension strategies are concerned about the effect that unsuccessful extensions may have on the core brand name. It is essential to examine how the reciprocal effects of brand extensions work to weaken or strengthen the original brand name. Park, et al. (1993) define ‘reciprocity effect’ as changes in the consumer’s original
brand attitude and beliefs caused by brand extension. Reciprocity effects can be positive where reinforcement of brand attitude and beliefs take place as well as negative where dilution of brand attitudes and beliefs take place. However, researchers and managers attach a serious concern for the later type only. Unless the reciprocity effects are carefully examined together with extension ideas, the use of extension strategy may not create the expected synergy between the original brand and the extension. Research studies related to the reciprocity effects are briefly discussed in the following lines.

When a brand is extended, it cannot be insulated from the information flow from the other products belonging to the same brand or otherwise known as umbrella branding. Information about producers would be continuously transferred to new products through consumers’ usage experiences, on-going advertising campaigns, etc. This spillover of information can have both positive as well as negative effects on the demand of the new product. Sullivan (1990) developed a methodology to analyse spillover effects in two instances. Her study identified negative spillover resulted from Audi 5000’s sudden acceleration problem and positive spillover resulted from Jaguar’s first model change. It was also proved that advertising of one product can benefit other products with the same brand name. The author also suggested that brand extension should
not be used in markets that are inherently risky and cannot be completely controlled by the company.

Romeo (1991) conducted an experiment (n=80) to find out the effect of negative product information on the evaluation of brand extensions and the family brand. The results stressed that negative information are likely to lead to more negative evaluations when the extensions are in a similar product category than when they are in a dissimilar category to the family brand. This has led to the conclusion that negative information is detrimental to extension evaluations.

Milberg, et al. (1992) examined the situations in which brand extensions have either positive or negative impact on the beliefs and attitudes toward the core brand and its existing products. They argued that, when an extension idea is inconsistent with the brand image it can weaken existing brand belief causing confusion and negative effect. Finally, they concluded that when consumers perceive sensible product-level linkages and consistency between brand extension and core brand, the new idea should serve to fortify and enhance existing brand beliefs.

The idea of linking categorisation concept and belief change provides an interesting direction for brand extension researchers. Loken and Roedder John (1993) attempted to study the situations in which brand
extensions are likely to dilute the beliefs associated with a brand name. They used an experimental procedure where 196 women who were the principal shoppers in their family, with an income of $10,000 or more were invited to participate in the study, in a mall-intercept setting. The results provided an indication that unsuccessful brand extension can dilute brand names by diminishing the favourable attribute beliefs consumers have learned earlier to associate with the family brand name.

An extension of the above quoted study was carried out by John, et al. (1998). The authors focussed on the question of whether dilution effect occurs for flagship products, when the extension attributes are moderately inconsistent. Results across all the three experiments conducted by them disclose that beliefs about flagship products are generally less vulnerable to dilution than beliefs about the parent brand name in general.

Park, et al. (1993) report the findings of their experiment which examined the extent to which brand extensions cause negative reciprocity effects on brand attitudes and how the use of an associative brand strategy may facilitate favourable judgements of brand extensions. They propose a new concept ‘associative branding’ where a new brand is used in combination with an existing brand name in the introduction of a new product. The authors collected data from 96 full-time MBA students. The
results revealed that while the use of direct brand extension strategy did tend to result in negative reciprocity effects, the use of associative brand extension strategy tended to mitigate those effects.

**Brand extension typicality**

Boush and Loken (1991) made an attempt to show how theories of categorisation could help marketers to anticipate the effects of brand extension and thus plan more coherent brand extension strategies. They conducted a laboratory experiment in which response times and verbal protocols were used to examine processes related to brand extension evaluations. Fictitious brands were used to examine the effect of ‘brand breadth’ (narrow and broad) and brand extension typicality (typical and atypical) on the evaluations of potential extensions. Brand information was manipulated to suit the objective. An inverted *U-shaped curve* emerged in this study, describing the relationship between brand extension typicality and evaluation process measures. The authors also confirmed that categorical processes predominated for products that are ‘typical’ and piece-meal processes predominated for products that are ‘atypical’.

**Product life-cycle and brand extension**

One of the important issues in extensions is to know whether brand extensions should be introduced early or late in the life-cycle of a product.
category. Sullivan (1992) studied the U.S. packaged goods over the period of 1958-80 and found that the use of brand extensions was closely related to the product's life-cycle. She identified that 36 per cent of early entrants and 83 per cent of late entrants were successful brand extensions. Her analysis showed that managers used new brands in new categories and adopted brand extensions in mature categories. In a more stable mature market, the cost-efficiency of brand extensions tends to dominate.

But, Smith and Park (1992) elicited a contrasted view. According to them, once markets mature, stimulation of primary demand is less crucial. Under such conditions, competitive firms are concerned with defending market share, thus making it difficult for new products to enter. Hence, the differential advantage of having a well known brand, that is, brand extension is reduced in mature markets with powerful competitors.

Another dimension was added by DeGraba and Sullivan (1995). They combine the concepts of low cost of introduction and spillover effect with a model of research and development. They observe in their empirical study that firms tend to introduce brand extensions rather than new-name products. Their study further reveals that brand extensions that enter early in the product life-cycle succeed less often than early entering new-name products.
**Composite branding and brand extension**

Following the developments in cognitive psychology and linguistic research, Schmitt and Dube (1992) proposed a new concept called 'conceptual combinations'. They used 'McDonald's Theme Park' as the best example to explain the concept. In this brand extension the original brand (McDonald) may act as 'modifier' and theme park is called as 'header'. Using a variety of fictitious extensions, they proved that combination brand extensions exhibited the same degree of flexibility and sensitivity of normal brand extensions.

Keller and Aaker (1993) highlighted the results of two laboratory experiments that examined the effects of corporate images and branding strategies on brand extension evaluations. Branding strategies were manipulated such that the extension was given the company name or an individual brand name or a sub-brand name. Sub-brand name means combining the company name with an individual name. The outcome showed that there were no differential effects between the company name and sub-brand name strategies for the corporate brand extension.

Extending the concept developed by Schmitt and Dube (1992) pertaining to 'conceptual combinations', Park, et al. (1996) proposed the strategy of 'composite branding'. In composite brand extension, a
combination of two existing brand names in 'different positions' as header and modifier are used as the brand name for a new product. The results of two studies conducted by them revealed that by combining two brands with complementary attribute levels, a composite brand extension that appeared to have a better preference than a direct extension of the header brand.

**Effect of congruence**

The success of any brand extension seems to depend on the degree to which the brand name and the new product are congruent or linked by a common association. Meyers, et al. (1994) made an attempt by conducting two studies, to examine the application of G. Mandler's Schema Congruity theory in explaining consumer evaluations of extension with known brands that were congruent or closely related, moderately incongruent or somewhat distantly related and extremely incongruent or unrelated in relation to the existing brand name. Data were collected from 43 women participants and the outcome proved that products associated with moderately incongruent brand names were preferred over others. Further, it indicated that relative to congruent brand name extensions, incongruent extensions would result in more elaborate processing of incongruent information.
The role of 'congruity' was analysed from a different perspective by Sheinin and Schmitt (1994). They specifically addressed, how congruity of a new product concept influenced the appropriateness of using a brand extension strategy. They integrated the concept of congruity with brand affect and brand breadth. Brand breadth was operationalised as the perceived number of items available under a specified brand name. Two product categories - saltline crackers and ketchup were selected and 74 M.B.A students participated in their study. The results confirmed that moderately incongruous new product concept extensions received more positive evaluations than either congruous or extremely incongruous extensions. Additionally, they found that brands belonging to broad breadth category produced more positive extension evaluations than narrow breadth brands.

The concept of broad and narrow brand has led to another dimension in brand extension evaluations. A common view of adding many products to a brand holds that as the number of products introduced under a brand name increases, the meaning of the brand name is diluted and the brand is no longer identified with a single product. It is also believed that this leads to less favourable judgements about proposed extensions (Tauber, 1981; Ries and Trout, 1981; Ries and Laura Ries, 1998). There could also be some situations under which the favourable judgements of a
core brand automatically come down as the number of products affiliated with it increases. A study undertaken by Dacin and Smith (1993) pointed out this issue. The main conclusion was that when products affiliated with a brand have relatively little variance in terms of their perceived attribute performance. Consumers’ confidence in using the brand to evaluate the extension seems to increase as the number of products affiliated to it increases.

A growing number of brands are becoming associated with a portfolio of different product categories. Adding more products to a brand does not necessarily weaken it but on the other hand, may even strengthen it. There was a paucity of research exploring the effects of brand portfolio characteristics on brand strength. Dacin and Smith (1994) conducted two experiments (n=156 and 80) and one survey with a sample size of 98, to examine the effects of several brand portfolio characteristics such as number of products affiliated, quality variance, degree of relatedness on consumers confidence and favourability of their evaluations for brand extensions. The experiment based findings revealed the existence of a positive relationship between the number of products affiliated and the favourability of extension evaluations. These results were not supported in the survey. However, in both the methods, it was found that as portfolio quality variance decreased, a positive relationship between the number of
products affiliated and consumers' confidence in their extension evaluation emerged.

**Perceived variability**

Although the degree of similarity between the core brand and extension is an important mediator of consumer response to extension evaluations, other factors are likely to influence as well. Kardes and Allen (1991) investigated the effects of the perceived variability of parent brand's current offerings and the perceived variability of existing brands in an extension category. The outcome reveals that an umbrella brand does not provide a more leverage than a niche brand and negative reaction seems to be more pronounced for umbrella brands. The results stress that the perceived variability of brands in an entry category is an important moderator of consumer's initial inferences about a new offering.

**Effect of advertising efficiency and slogan**

Smith and Park (1992) conducted a survey among 188 product managers and inferred that brand extensions captured a greater market share and realised a greater advertising efficiency than individual brands. The strength of the parent brand is related positively to the market share of brand extensions but it has no effect on advertising efficiency. Market share and advertising efficiency effects increase when the extension is
composed primarily of experience attributes and competes in markets
where consumers have limited knowledge of the product class.

Along with successful brand extensions, there are several ill-fated
brand extensions. What conditions favour extendibility of a brand? Why
is that only some brand names are extendible to a number of product
categories whereas some other brands have limited extendibility?
Rangaswamy, et al. (1993) developed a framework to answer these questions.
The authors decomposed a parent brand’s utility into: (i) physical attribute,
(ii) its name and (iii) integration of i & ii. They argue that if the utility of
parent brand is closely linked to its physical attributes, then the brand is
likely to have lesser extension possibilities. The implication is that, to
increase a brand’s extendibility and strategic flexibility, firms should
emphasize intangible associations such as quality, durability and prestige.
This ‘prestige’ concept has already been confirmed by Park, et al. (1991).
However, for some brands it is better to avoid extension and focus on
reinforcing its specific association.

**Brand line stretching**

Bridges and Amna Kirmani (1993) examined the effects of brand
line stretching on consumer evaluations and reported the findings of their
experiment as follows. The authors developed a corporate branding
strategy and manipulated the range of a particular product line either by
reducing or increasing the number of features and quality of the brand. Results revealed a significant effect of direction of stretch, with upward stretches being perceived as higher quality but lower value than the original brand and downward stretches being perceived as lower quality but higher value than the original brand. Branding strategy had no effect on consumer evaluations of the new product.

**Survey based method**

Park and Srinivasan (1994) presented a survey based method of measuring and understanding a brand’s equity in a product category and evaluating the equity of the brand’s extension into a different but related product category. In their model, the authors divided brand equity into attribute based and non-attribute based components. Further, this method permitted to assess the impact of brand’s equity on its market share and price premium and also provided a logical base to evaluate the equity of a new brand extension.

Though few research works were carried out on ‘Line extensions’ (Desai and Hoyer, 1993; Reddy, et al., 1994), less research has been done on combining the concepts of line and brand extensions. Because both the extensions have become important means of growth for companies and most of the time, the brand managers have to take a risky decision regarding the type of extension that should be selected.
Importance of brand specific association

Previous research works identified 'brand affect' and 'similarity' between original and extension product categories as important factors (Aaker and Keller, 1990; Keller and Aaker, 1992). However, surprisingly little attention has been paid to associations specific to the brand itself. A study undertaken by Broniarczyk and Alba (1994) offered additional insights by refocussing brand specific associations as distinct from category specific ones. Their three experiments showed that brand specific associations might dominate the effects of brand affect and category similarity, when consumer knowledge of the brand was high. Extensions to dissimilar categories that value the brand association should be more preferred than those to similar categories that do not value. Similarly for consumers with low brand knowledge, extension judgements appeared to be driven by brand affect or brand awareness.

Influence of product class knowledge

Research studies on 'product class knowledge' have identified three different categories of consumer knowledge. The first category is 'subjective knowledge' as identified by Park and Lessig (1981) and Gardner (1984). This category refers to an individual's perception of what he/she knows about a particular product class. The second category 'objective knowledge' was studied by Kanwar, et al. (1981) and Russo and
Johnson (1980). This type refers to what an individual actually has stored in his / her memory about a product or brand. According to Monroe (1976) and Marks and Olsen (1981), the last category measures the amount of purchasing or usage experience with any product class. It is argued that the measures of subjective knowledge are conceptually and operationally distinct from objective knowledge. The former studies ‘what individuals perceive that they know’ and the later studies ‘what actually they know’. The present study aptly uses the measures of subjective as well as objective knowledge. That is to measure ‘awareness about core brand’ objective knowledge was employed and to measure knowledge about the extension product class, subjective knowledge was applied.

A study conducted by Rudell (1979) compared both these categories of knowledge on information search process. He concluded that objective knowledge which was measured through quiz score facilitates an individual to search for more information and to use the newly acquired information in decision-making. Sujan (1985) also used the objective knowledge measure to differentiate the respondents of his experiment into experts and novices. He felt that subjective knowledge which was measured by self-rating, increased the reliance on previously stored information. This previously stored information about a product class may assist an individual to make purchase decisions on brand extension products.
In this study subjective knowledge has been used, because it reflects the individual's degree of confidence about his/her knowledge. Brucks (1985) opined that perceived self confidence may affect decision strategies. Park and Lessig (1981) argued that subjective knowledge could provide a researcher better understanding toward the preferences of a decision maker.

An individual with high subjective knowledge can identify the degree of congruence between an established brand name and a product class in which the brand proposes to enter. For instance, such a consumer can find the link between 'Maggi' brand name and 'ice cream' product category and then evaluate the extension product Maggi ice cream. While making evaluations he will not rely on the Maggi brand name but rely on his confidence about his knowledge on ice cream product category. Besides, he will be in a position to make quick decisions when compared to those who have a low subjective knowledge.

The low knowledge level group, due to their low level of confidence, attaches more importance to the brand name while taking purchase decision. For instance, when a consumer who has less or no knowledge about colour film will not be in a position to compare the features of a colour film such as speed of the film, grain size, adaptability to different light sources and colour contrast. Because of his inability to
evaluate the features of different brands of a colour film, he normally takes asylum to a well-known brand name. Hence, the influence of a well-known brand name will be higher than an unknown brand name.

The success of brand extension depends on consumers' 'product knowledge' as new product evaluation is a function of familiarity (Alba and Hutchinson, 1987) and expertise in a particular product category. Muthukrishnan and Weitz (1991) explored the role of product knowledge on consumer evaluation. Based on their research, they pointed out that experts and novices differed in their reactions toward brand extensions on the basis of the type of relationship between the original product and the new product with the same brand name.

Smith and Park (1992) have analysed the extent to which the effects of brand extension on market share and advertising efficiency are moderated by the extension market characteristics, which is one of the basic elements common to all brand extensions. Extension market characteristics refer to the level of knowledge consumers have about the product class to which the extension belongs and number of competitive brands from which consumers can choose. The authors have used perceived knowledge, that is, subjective knowledge rather than actual knowledge, because the former tends to drive information search and various decision-making methods i.e. rational or impulsive buying
behaviour. Their study supported the prediction that the relative effect of
brand extension on market share and advertising efficiency diminish as
consumers' knowledge on extension product class increases.

**Effect of brand awareness**

Another factor contributing to brand equity and subsequently to
brand extension is brand awareness. Hoyer and Brown (1990) defines
brand awareness as rudimentary level of brand knowledge involving, at
least, recognition of the brand name. Awareness represents the lowest end
of a continuum of brand knowledge that ranges from simple recognition of
a brand name to a highly developed cognitive structure based on detailed
information.

Aaker (1995) highlights that brand awareness provides a sense of
familiarity, a signal of substance and brand recall when purchase (of a
brand) is being considered. The salience of a brand will determine the
selection, if it is recalled at a key time in the purchase process.

Saxena (1997) adds that brand awareness is the ability of a potential
buyer to recognise that a brand is a part of a particular product category.
Brand awareness has to be thought of as 'a continuous range from an
uncertain feeling that a brand is recognised to a belief that it is the only
one in the product class'. High awareness creates strong associations in
the customer's mind and this in turn can help to generate customer's liking for it.

In situations involving common, repeat-purchase products, the consumer may select a brand on the basis of a simple heuristic (e.g. awareness, pricing, packaging) and then evaluate the brand subsequent to purchase. Results of a controlled experiment (Hoyer and Brown, 1990) on the role of brand awareness in the consumer choice process showed that awareness provides a convenient cue for choice. Results indicate that customers used awareness as a decision criterion which proved that awareness has considerable effect on consumer's brand selection task.

Influence of satisfaction factor

In the present day Indian context, customer satisfaction has become a matter of survival for many organisations. The corporate world is making determined efforts on a continuous basis to explore the ways and means to improve customer satisfaction. Shocker, et al. (1994) strongly points out that satisfied customers buy more, willing to pay more for their favourite brand and become potential audience for the firm’s future products.

Ralph E. Anderson (1973) cites Random House Dictionary and defines satisfaction as, 'What falls short of one's wishes or expectations'. Howard and Sheth (1969) have also defined customer satisfaction as a
result of the interaction of (a) expectation about anticipated performance of and (b) evaluation of perceived performance.

Consumer researchers are interested in identifying the effects of customer satisfaction on repeat purchase. Various studies have been carried out and researchers have explored the different facets of customer satisfaction.

Customer satisfaction is an attitude in the sense that it is on evaluative orientation which can be measured. It focusses on the consumer’s subjective evaluation of the benefits obtained from the consumption of a specific product or service.

LaTour and Peat (1979) elaborates that satisfaction is an outcome of purchase and use results from the buyer’s comparison of rewards and costs of the purchase in relation to the anticipated consequences. Operationally, satisfaction is an attitude and it can be assessed as the sum of satisfaction a consumer experienced with various attributes of a product or service.

Churchill and Surprenant (1982) have concluded that a high correlation exists between performance and satisfaction. Prior to purchase and use of a brand, the consumer forms certain expectations of its performance. After using the brand, the consumer compares the actual performance with the expected performance. Satisfaction emerges when
the two performances match and any mismatch results in dissatisfaction.
If the consumers are less satisfied, they are less favourable towards the
brand and abandon their repurchase intention and switch over to other
competitive brands. Therefore, it becomes imperative that a satisfied
consumer not only goes for repeat purchase but also willing to buy new
products marketed by the same firm.

CONCEPTUAL FRAMEWORK AND
FORMULATION OF HYPOTHESES

To investigate several issues posed, the research started with a
conceptual framework that identifies the important factors that influence
brand extension success like relevance of brand associations, degree of
perceived similarity, the fit between parent and extension brand, brand
affect, product class knowledge, reciprocal effects, intervening extensions,
brand extension typicality, consistency of brand and so on. This study
mainly focuses on the role of brand association when brands are extended
to 'within' and 'across' the product categories.

Findings from the experiments carried out by Broniarczyk and Alba
(1994) served as one of the key inputs in the development of conceptual
framework. They postulate that brand specific association is likely to
dominate brand affect and product category similarity, provided the
brand’s association is relevant in the extension category. Further, they
argue that brand specific association enables a brand to extend to dissimilar product category.

The researcher has conceptualised ‘degree of similarity’ and ‘brand association’ in the following manner: (i) ‘similarity’ is operationalised by extending the core brand within its category like a brand belonging to durable product segment is extended into another product category within the durable segment and ‘dissimilarity’ is operationalised by extending the core brand across the product category. That is, a durable brand is extended into non-durable segment and (ii) brand associations are divided into specific association, product-category association and abstract association.

Farquhar and Herr (1933) argue that the ‘affect’ associated with category dominant brands appears to transfer to an extension only when the target category is closely related to the parent category. Thus high category dominant brands have sharper boundaries than less dominant brands. Hence, it is easier for brands having specific association to extend into closely related categories than to distantly related categories.

The researcher’s view is further strengthened by considering the arguments of Nakamoto and Jung (1993). They speculated that when the strength of the original brand is based on the specific attributes of the
brand, any transfer of equity to a new product is successful but limited to products in adjacent fields that share common attributes. This is similar to the researcher’s prediction that brands with specific association would get more favourable evaluation in most similar category.

However, researchers have argued that a brand loses its identity and its strength as the number of products affiliated to it increases (Tauber, 1981; Farquhar, et al., 1990; Aaker, 1991). This disassociation results in less favourable judgements of future brand extensions. But, many firms intentionally follow a strategy of focussing on a particular abstract dimension than specific associations as in the case of BPL, Parry’s group and Tata. Contradicting these views, Dacin and Smith (1993) argued that increase in number of products affiliated to a brand increased the strength of that brand. They emphasized that no dilution of brand strength occurred if consumers could use these abstracted association as bases for making judgements about the brand and its subsequent extension. Another study conducted by Dacin and Smith (1994) supported the idea that a brand could be strengthened through systematic and strategically sound multiple extensions.

Based on the above, the researcher predicts that the extendibility of brands with specific association would be influenced by the degree of perceived similarity. That is, customers are more favourable to brand
extensions belonging to most similar or similar product categories than extensions belonging to dissimilar product categories, even though the association is relevant in the dissimilar product category. Similarly, the extendibility of brands with abstract associations is not likely to be influenced by the degree of perceived similarity between the core and extension product category. In other words, consumers may be more or less equally favourable to the extensions of both similar and dissimilar product categories or equally favourable to extensions of ‘within’ and ‘across’ the product categories.

It has been found that when the parent brand’s equity is based on general characteristics like quality, it is easier to extend the brand to a wide range of disparate categories. This is similar to the researcher’s prediction with respect to brands having ‘abstract association’.

According to Boush, et al. (1987) ‘brand affect’ is a construct which indicates as to what extent the brand is liked in its original category. The researcher predicts that for brands with specific association, the degree of brand affect is likely to diminish when the proposed extensions move from most similar to dissimilar product category. Similarly, it is predicted that for brands with abstract association, the degree of brand affect is not likely to diminish when the proposed extensions move away from most similar to dissimilar product category.
Product class knowledge has an influential effect on the judgement of similarity and attitude towards extension. Product class knowledge is measured in terms of the amount of knowledge that a consumer is believed to have about the proposed extension product class. The knowledge can be both perceived knowledge or actual knowledge. According to Brucks (1985) these are also known as subjective and objective knowledge.

When a consumer’s knowledge about a particular product class is less, the perceived risk involved in making a purchase decision is high. As the perceived risk increases, obviously the consumer looks for a well known brand name to assure himself that he has made a right choice. Hence the importance of brand name tends to go up as the knowledge level decreases (Bettman and Park, 1980; Alba and Hutchinson, 1987). Moreover, consumers who believe that they possess some knowledge about the extension product class may give less importance to the brand name, because they tend to process information about a particular product class that they have gained through actual usage experience. According to Muthukrishnan (1991), these consumers are termed as ‘experts’ and their judgement towards the extensions might arise from deep cues. Deep cues are the factors that may account for the performance of product, which include similarity in terms of technology, design and fabrication. ‘Non-
experts' who are perceived to possess less knowledge tend to evaluate the extension on the basis of surface level cues like package, colour, shape etc., and normally these factors have nothing to do with the performance of the product.

Chaiken (1980), Petty and Cacioppo (1981) and Muthukrishnan (1991) proposed that consumers were able to judge or identify the degree of similarity between the core brand and extensions on the basis of deeper cues and surface level cues. Experts use both cues whereas non-experts use the later only. Low-knowledge consumers may evaluate a brand on a more general holistic basis (Nakamoto and Jung, 1993).

It is predicted that both experts and non-experts may have similar judgements when a core brand is extended within its category, i.e., most similar and similar category as these require mostly surface level cues. But when the same brand name is extended to dissimilar category deep cues play a significant role in evaluating the extensions. This is because deep cues would help to identify the association that has been transferred.

So, the researcher proposes that judgement between experts and non-experts may differ for dissimilar extension evaluations, because non-experts may not be able to process deep cues. For brands with specific association, experts may exhibit less favourable evaluation towards
dissimilar extension than the non-experts. For brands with abstract association, there may not be any significant difference in the judgement between these two types of consumers. Both experts and non-experts may have more or less equal evaluations towards dissimilar extension.

**Hypotheses**

With the above basic conceptual framework, the following hypotheses of the study are framed and listed.

1. There will not be any significant difference between the mean scores of purchase intention of high awareness group and low awareness group.

2. The mean scores of purchase intention will be equal for both high satisfaction and low satisfaction groups of consumers.

3. Brands with specific association are likely to evoke less favourable evaluations, when they are extended to dissimilar product category than to similar product category.

4. Brands with product category association are likely to be evaluated equally for ‘most similar’ and ‘similar’ extensions.

5. For brands with product category association, consumer evaluations towards ‘similar’ extension would be higher compared to ‘dissimilar’ extension.
6. Corporate brand names with abstract association are likely to get equal evaluations in the extended categories irrespective of the degree of similarity.

7. Brand affect is likely to weaken, when extensions move away from ‘most similar’ product category to ‘similar’ category and then to ‘dissimilar’ product category.

8. When brands with specific association are extended into dissimilar product category, experts are likely to be less favourable towards the extension than non-experts.

9. When brands belonging to product category association are extended into dissimilar product category, non-experts are likely to be less favourable towards that extension than experts.

10. When names with abstract association are extended, experts and non-experts are likely to have equal evaluations toward all extensions.

11. For brands with specific association, consumers purchase intention toward extension products will be influenced by the perceived quality rating of the core brand.

12. Product class knowledge is likely to influence the purchase intention when a brand is extended to dissimilar category.

13. Brand image will influence the purchase intention in all extensions.
Summary

Review of Literature is made to find out the determinants of purchase preferences of consumers toward brand extensions. Previous research works revealed that degree of similarity and perceived fit heavily influence consumer judgements on brand extension. It is further inferred that variables like transferability, confidence, difficulty are the important factors in the formation of consumers’ attitudes toward the extended products. It is understood that factors such as product class knowledge, product concept consistency or degree of congruence, affect, perceived variance in brand strength also play major roles in deciding the success or failure of brand extensions. The reciprocity effects of unsuccessful extensions warned the development of ‘dilution’ effects. The concept of ‘composite branding’ in the context of brand extension has also been explored. It should be noted that most of the studies have been done in laboratory settings using student population as samples or subjects of the study. Based on the literature available, hypotheses have been formulated.

The forthcoming chapter deals with research design explaining the methodology adopted for the conduct of pretests and main study.