CHAPTER 2

REVIEW OF LITERATURE

In this chapter the review of earlier researches done at national and international level are presented and the gaps that existed in earlier researches are discussed.

Aaker and Keller (1990) studied the attitude towards six brands and 20 extensions of the six brands. In the first study, respondents provided a set of open-ended associations with the brand name and each of the 20 extensions, three measures of fit between the two product classes involved and the perceived difficulty of making the extension. In the second study on extension positioning, more information was provided about the extension, such as cues to the positive attributes of the brand and then consumer reaction were again assessed. Seven point scales were used for various measurements. The authors made the following observations.

1. Attributes beliefs enhanced and harmed the evaluation of brand extensions. Abstract attributes often had favourable belief associations while concrete attributes often had unfavourable belief associations.

2. Subjects’ perception of the quality of the original brand and the relationship or fit between the original and extension product had an interactive effect on evaluation of an extension.
3. Among the three dimensions of fit between the original and extension product classes, the dimensions of COMPLEMENT (perceived product class complementary) and SUBSTITUTE (perceived product class substitutability) interacted with the perceived quality of the original brand to predict brand extension evaluations. TRANSFER (skills of the manufacturer for making the extensions) had a primarily direct impact on the evaluations. Overall TRANSFER and COMPLEMENT were more important as predictors than SUBSTITUTE.

4. Subjects' perceptions about the difficulty of making the extension had a positive relationship with evaluation of an extension, supporting the hypothesis that an extremely easy to make extension is less likely to be accepted by consumers. In the second study, cueing subjects about positive qualities of the original brand did not affect evaluations for extensions that made the extension easier to make. Experimental evidence also suggests that the predictability of the manufacturer's skills of the manufacturer (SKILLS) on the manufacturer's perceived quality of the original brand is predicted brand performance. Product class substitutability (INTERACTED) interacts with the predicted product class substitutability (INTERACTED) on the dimensions of COMPLEMENT.
Miniard et al. (1990) examined the influence of brand cognition on the formation of attitude after exposure to an advertisement under condition of high or low involvement. An experiment was conducted to study the above feature. After the subjects were seated, they were told that the purpose of the study was for joining their reactions to two new products being considered for launch. The subjects were asked to go through six folders containing advertisements. The second folder contained a questionnaire which assessed subjects' reactions to an advertisement in the first folder. The third folder contained an advertisement for a fictitious soft drink, the fourth one contained a form asking the subjects to indicate which brand they would like to believe, and the fifth folder consisted of two advertisements for fictitious disposable razors. A total of 689 responses were received, and 396 thoughts were recorded for the five folders. A total of 689 responses were received, and 396 thoughts were recorded for the five folders. The result indicated that the impact of brand cognition on brand attitudes was found to be present in the study. The strength relationship between brand cognition and attitude, expected unobservable, the result indicated that use of cognitive responses did reduce involvement moderation of the impact of brand cognition on brand attitude.

Sullivan (1990) researched the effect of spillover in umbrella branding. The practice of labeling more than one product with a single brand name, commonly used by multi-product companies, is termed as umbrella branding. Otherwise called brand extension, spillovers occur when information about one product affects demand for other products with the same brand name. She felt the need to study the impact of brand extensions on the long-term profitability of the products. She outlined a methodology and launched the practice of labeling more than one product with a single brand name, commonly used by multi-product companies. The study made the following conclusions: a) negative spillover effects have repercussions for all products with the same brand name, and management should avoid extension into markets characterized by negative spillover effects. The study made the following conclusions: a) negative spillover effects have repercussions for all products with the same brand name, and management should avoid extension into markets characterized by negative spillover effects.
incidents that are not favourable, c) using extensions affect demand by leading consumers to believe that the new product is a substitute for another product in the brand's line.

Muthukrishnan and Weitz (1991) examined the role of product knowledge in consumer evaluations of brand extension. Subjects in the study were undergraduate students of a Southeastern University. 106 subjects took part in the study. The subjects were asked to fill up a questionnaire with four sections, each section distributed and collected separately. The information was sought in the following order: a) attitude towards the brands in the original product category, b) attitude towards hypothetical brand extensions, c) judgment of similarity between original and new products, and d) level of product knowledge at two levels (expert vs. novice). The three factors in the study were product knowledge at two levels (expert vs. novice), basis of similarity at two levels (deep vs. shallow), and attitude towards brands in the original category at two levels (positive vs. negative).

It was found that expertise had a significant effect on surface level vs. deep level of similarity, confirming the hypothesis that experts gave deeper level reasons for similarity. Tennis racquets were taken as the product under study. It was found that expertise had a significant effect on surface level vs. deep level of attitude towards brands, and attitude towards brands in the original category at two levels (positive vs. negative). Tennis racquets were taken as the product under study. It was found that expertise had a significant effect on surface level vs. deep level of similarity, confirming the hypothesis that experts gave deeper level reasons for similarity while novices gave surface level reasons.

Park et al (1991) examined two factors that could possibly differentiate between successful and unsuccessful extensions – namely, product feature familiarity and brand concept consistency. They examined the reaction of 195 students enrolled in the MBA programme in a large Eastern University, to a variety of extensions to two different brand names. The results revealed that, in identifying brand extensions, consumers take into account not only information about product level feature similarity between the new product and the brands in the original product category, but also information about product level feature similarity between the new product and the other functional brand. The results revealed that, in identifying brand extensions, consumers take into account not only information about product level feature similarity between the new product and the brands in the original product category, but also information about product level feature similarity between the new product and the other functional brand.
and the products already associated with the brand, but also the concept consistency between the brand and the extension. For both functional oriented and prestige oriented brand names, the most favourable reactions occurred when extensions are made with high brand consistency and high product feature similarity. In addition the relative impact of these two factors was found to be different depending on the nature of the brand name concept. It was found that when a brands’ concept is consistent with that of its extension products, the prestige brand had greater extendibility to products with low feature similarity than the functional brand does.

Farquhar et al (1992) in their article discuss about strategies for leveraging master brands. Most brands evoke several types of associations and the first task in brand leveraging is to determine the core associations. They noted that building brands involved three activities namely; a) developing favourable brand associations with customers, b) making these associations accessible in customers’ mind, and c) establishing a unique point of difference. Brand associations tend to be more concrete (i.e., attribute related) than abstract. Concrete associations restrict the brands’ extendibility. Extensions if used effectively can reposition the brands’ meaning. The second task in brand leveraging was to understand the brands’ boundaries. The third step was to examine the case with which customers learn new associations. Extendibility depends at least on two factors, a) The dominance from the core associate of the parent category, and b) the relatedness of the parent and target category. Master brands enjoyed widespread customers’ recognition often have resistance to extend very far. The authors suggested four strategies to leverage master brands; a) Sub branding, b) super branding (adding new elements to an existing brand hierarchy above the level of the master brand), c) horizontal branding where someone else’s established brand is used in the product, and d) brand bridging where the master brand is used to endorse a new brand from the company.
Keller and Aaker (1992) undertook a laboratory experiment to examine factors affecting evaluation of proposed extension from a core brand, especially to investigate the effects of sequential introduction of brand extension on consumer evaluation of the proposed extensions and the core brand. Firstly, the dependents of single extension evaluation on perceived quality of the core brand and on the similarity of the core brand were studied. Then, the effects of successful and unsuccessful intervening extension on evaluations were considered. The effects of all those factors on evaluations on core brands were considered later. Subjects of the study were 340 University employees out of which ninety percent of the samples were female. It was found that high quality brands stretch farther than the average quality brands. A high level of perceived core brand quality and similarity of fit between original and extension product categories was necessary for a favourable evaluation. It was also found that successful intervening extensions improved evaluations of a proposed extension for an average quality core brand and successful extension decreased the evaluations of the proposed extension for a high quality core brand.

Smith (1992) studied brand extensions and advertising efficiency. In the first phase of the study, 188 questionnaires from product managers of consumer goods companies were used for the study. Information from this survey was used to construct questionnaires that were administered to consumers. A total of 1383 interviews were conducted with respondents for the second survey. The result showed that the advertising efficiency of brand extensions did not improve as brand strength increased. Having multiple products affiliated with a brand did not help or harm advertising efficiency but increased as the degree of fit between parent brand and extension increased. Advertising efficiency decreased as the products were established in the market and increased as the products’ relative price increased. Advertising efficiency increased as the distribution intensity increased and
was not affected by the number of competitors in the market but diminished as the consumers’ knowledge of the product increased.

Smith and Park (1992) examined the effect of brand strategy i.e., brand extension vs. Individual brands on new product market share and advertising efficiency, the degree to which these effects are moderated by the characteristics of the brand, the product to which it is extended and the market in which the product competes. The authors gathered data in two phases. In the first phase, data was collected through a survey of product managers. A total of 188 questionnaires were collected from respondents. Information obtained from the survey of product managers were used to construct questionnaires, which were administered to consumers. A consumer survey was administered by door to door interviews in the suburban areas of a large Midwestern city. A total of 1383 interviews were conducted. It was found that the brand extensions captured greater market share and realised greater advertising efficiencies than individual brands. The strength of the parent brand is related positively to market share of brand extensions but has no effect on advertising efficiency. Neither the market share nor the advertising efficiency of the extensions is affected by the number of products affiliated with the parent brand. The relative effect of brand extension on market share is not moderated by the extension and other products affiliated with the brand. Advertising efficiency effects are elevated when the similarity is high but only when it is based on intrinsic attributes. Both market share and efficiency effects diminish as the extension becomes established in the market.

Sullivan (1992) in her study on timing of brand extension examined the performance of brand extension in relation to their order of entry. The study investigated one dimension for the brand extension entry strategy namely “When to Enter”. It checked out the pros and cons of early entry or late entry on one hand and use of new names or extension on the other.
Survival for six years was taken as a measure of performance. 95 brands in 11 non-durable consumer goods categories with the entry and exit dates formed part of the data set for the study. Brands that failed in the test market stage, small regional brands and house brands and generics were excluded from the study. The results indicated that early entering brand extensions do not perform well on an average as either early entering new name products or late entering brand extensions. It also showed that brand extensions garnered more market share than new products but extension obtained smaller market share premia from early entry than new products.

Loken and Roedder John (1993) undertook an experimental investigation into the situations in which brand extensions are more or less likely to dilute beliefs associated with the brand name. The study sample included 196 women between the age 18 and 49, with at least high school education and $10000 or more income who received information about a fictitious new brand extension. The first factor in the study was the type of information received, with extensions described at varying levels of attributes that were strongly associated with the family brand name. The second factor was the product type (category to which product belongs) and the third factor was order of dependent measures (beliefs and typicality). The research confirmed that firms are at risk in launching brand extensions that contain attributes that are incompatible with or negate favourable family brand beliefs. Moreover, it was found that dilution appeared to be greater when extensions were viewed as moderately typical.

Broniarczyk and Alba (1994) experimented to check the relative importance of brand effect and similarity between the original and extension product categories. In the first experiment, a 2(brand effect) x 2(relevance of the brand specific association in the extension category) x 5(product category) x 2(set) mixed design was used. In the second experiment a 2(brand specific
association) x 4(product category) design was used. The results of the first and second experiments do not suggest that affect and similarity are uninfluential, rather they pointed out to be the influence of brand specific associations. In the third experiment, a 2(brand effect) x 2(relevance of the brand specific extension in the extension category) x 2(brand knowledge) mixed design was used. The authors found that brand specific associations may dominate the effects of brand effect and category similarity, particularly when consumer knowledge of the brand is high. It also appeared that subjects evaluated each extension after assessing the ability of the extended brand to deliver the design benefits in the extended category.

Dacin and Smith (1994) examined the effects of several brand portfolio characteristics on consumers’ confidence in the favourability of their evaluations of subsequent brand extensions using two laboratory experiments and a survey. The first experiment used a 2x2x2 between subjects factorial design. The three factors were number of products affiliated with the brand, portfolio quality variance and the product category of the proposed extension.186 subjects participated in this experiment and the results showed that the number of products affiliated with a brand was positively related to subjects’ confidence in their evaluation of an extension of that brand. The results also showed that the confidence diminished as the portfolio quality variance increased. In the second experiment 80 subjects were assigned to the four cells randomly i.e., two levels of portfolio relatedness and two extension products. It was found that the effects of similarity on both the variables decreased as portfolio relatedness decreased. The survey was done on 98 subjects, using a questionnaire that incorporated measures of the experimental variables and allowed respondents to consider a wide cross section of brands. The results of the survey did not replicate that of the experiment. However both supported the prediction that a negative relationship between portfolio
quality variance and subjects’ confidence and favourability of their judgments of extension quality.

Reddy et al (1994) studied the extent to which the firm, brand and extension characteristics affected the success of line extensions. The authors took the cigarette industry for the study as there were many line extensions in that industry. Data on 75 line extensions during the period 1950-1984, by 34 regular filter brands were compiled. Brands without extensions or with extensions for less than two years were excluded. Annual sales information was obtained from Maxwell Reports (1985). Annual advertising information was obtained from LNA Media Reports. The impact of market and environmental factors were also considered. The results showed that the data on extensions from Philip Morris and R J Reynolds were significantly different from the other firms. It was found that line extensions of strong brands were more successful than extensions of weak brands. Line extensions of symbolic brands enjoyed greater market success than those of less symbolic brands. Line extensions that receive strong advertising and promotional support and those entering earlier into a product subcategory were more successful.

Bottomley and Doyle (1996) undertook a study to further check the empirical evidence and scope of Aaker and Keller’s (1990) propositions before brand extension strategies could be made with confidence, since, there was a lack of agreement between Aaker and Keller’s (1990) original study (consumer evaluation of brand extension) and Sunde and Brodie (1993) replication. They provided an additional data set and analysed it with data sets of Aaker and Keller, Sunde and Brodie replications. The authors have gone in for a close replication of the original study. A questionnaire was administered to students of the MBA programme at Bath, Cranfield and Glasgow and final year Business Administration undergraduates of Bath University. They found
that this study replication provided strong support for Aaker and Keller’s original hypothesis with the exception of difficulty in designing and manufacturing the extension product class. They have analysed the data from extension studies (one original and seven replications). Aaker and Keller’s model hypothesize the evaluations of brand extensions were based on quality of the original brand, fit between the parent and extension categories and the interaction of the two. The authors found support for this full model despite earlier published results which had given mixed support for the interaction of quality with each of the three fit variables. The analysis was based on 131 sets of data from various studies. To determine the impact of cross cultural effects the authors performed a series of F test. They concluded that transferability and complementarities appear to be relatively more important than substitutability. Cultural differences do not change the fact that the main effect of quality and fit contributed significantly to evaluation of brand extensions.

Krishnan (1996) studied consumer based brand equity and its underlying characteristics. The study was a memory model which is supposed to be organised as a network of connections with each piece of information represented as a node, the study focused on brands with high levels of equity. The author used a list of brands from the Landor Survey (1993), as the starting point. After an initial study with 35 students to assess the level of brand awareness and familiarity for the brands, about 240 students were taken as subjects for the study. Subjects were told to code the responses for valence or origin to avoid fatigue. The results showed that valence of brand associations is an important indicator of brand equity.

Siew Meng Leong (1997) examined the effects of extending master brands - brands which dominate a product category that they are almost synonymous with it. Three factors were experimentally manipulated -
category dominance, the success of an extension, and the similarity between
the extended and original products. The results indicated that a brands’
association with its original product category was diluted when an extension
failed. This effect was moderated by category dominance prior to the
extension. Specifically, the dilution effect was less pronounced for master
brands than for brands which were less dominant in a product category.
However, the similarity between the extended and original product categories
did not moderate the dilution effects of master and less dominant brand
extensions.

Han (1998) researched brand extension strategies in a competitive
context to find out, a) whether the brand should be compared against the
prototypical brand of the extension category or whether a comparison should
be avoided, and b) whether typical attributes of the extension category should
be highlighted. The author used a 2(perceptual fit) x 3(type of advertisement)
between subjects’ design. Subjects were 120 undergraduate and graduate
students of a large US University. Actual brands available in the market place
were selected as stimuli to increase the validity of the study. In the first study,
it was found that when consumers thought that, when a new product provided
an appropriate fit for the established brand, they evaluated the brand
extensions quality to be higher, when the extension was not compared to a
competitive brand - whether prototypical or non prototypical competitor.
When they saw lack of fit, consumers evaluated the extension more positively
when the brand was compared to the prototypical brand in the new category,
and when the brand was advertised in a non comparative format or when it
was compared to a non prototypical target. In the second study, a 2(perceived
fit: high/low) x 2(type of advertisement: comparative/non comparative) x
2(attitude of comparison: typical/atypical) between subjects’ design was used.
It was found that in cases in which the brands’ attributes in the extension
category are typical, positioning the brand against the category prototype was
generally preferable to the non comparative format.

Kevin Pryor and Roderick Brodie (1998) carried out a replication
of Boush’s exploratory study which provided further evidence about how
advertising slogans prime evaluations of brand extensions. Two hypotheses
are investigated. First, that a brand extension will be rated as more similar to
existing family-branded products if the advertising slogan primes attributes
that the brand extension shares with existing products than if the slogan
primes attributes that the brand extension does not share with the existing
family-branded products. Second, given a positively evaluated brand, a brand
extension will be evaluated more positively if the advertising slogan primes
features that the extension shares with existing family-branded products than
if the slogan primes attributes that the brand extension does not share with
existing family-branded products. The research showed priming can play an
important role in supporting or undermining a brand extension strategy by
drawing attention to attributes either that a new product has in common with
existing products or that conflict with existing products.

Subodh Bhat et al (1998) investigated consumer reactions to the use
of different brand names. They examined consumer reactions to new products
introduced under four different brand naming scenarios. The results suggested
that when consumers see a high degree of fit between the new product and the
existing brand, brand extensions, sub-brands, and nested brands are about
equally preferred. But when consumers perceive little fit, a new brand name is
the most preferred, followed by nested brands, sub-brands, and extensions, in
that order.

Morrin (1999) examined the impact of brand extension on the
consumer memory for parent brand information. 39 graduate business
students participated in the experiment and were exposed to a set of either
dominant or non dominant parent brand stimuli. Extension number and fit were crossed within subject so that all subjects were exposed to all levels of these variables as well as to unextended parent brand stimuli. The study demonstrated that exposure to brand extensions facilitates the speed with which subjects can categorize parent brands correctly and this result is moderated by parent brand dominance, such that non dominant brands benefit more from such exposure.

Arthur Cheng-Hsui Chen and Shaw Chen (2000) examined the negative impacts of brand extension failure upon the original brand by calibrating the difference of brand equity. Using data collected from college students in Taiwan, they established four hypotheses to identify various effects of a failed brand extension in diluting the original brand’s equity. Analysed the different effects among four types of equity-source brands for both close and distant extensions. Equity-source and equity level of the original brand is identified first. All components of brand equity-source were then used to evaluate the performance of a brand extension. They found that an unsuccessful brand extension dilutes the original brand for all three high equity-source brands. Effects of brand dilution differ according to the type of equity source possessed by the original brand, but there is no difference in brand dilution effects from close and distant extension failures.

George Low and Charles Lamb (2000) tested empirically a conceptualisation of brand associations that consists of three dimensions: brand image, brand attitude and perceived quality. A better understanding of brand associations is needed to facilitate further theoretical development and practical measurement of the construct. Three studies were conducted to test a protocol for developing product category specific measures of brand image; investigate the dimensionality of the brand associations construct; and explore whether the degree of dimensionality of brand associations varies depending
upon a brand’s familiarity. Findings confirm the efficacy of the brand image protocol and indicate that brand associations differ across brands and product categories. The latter finding supported the conclusion that brand associations for different products should be measured using different items. As predicted, dimensionality of brand associations was found to be influenced by brand familiarity.

Hem et al (2001) in their study on factors influencing successful brand extensions, chose three brands, each from different product categories. They were Maarud Snack, Ford car and Telenod Telecom form the FMCG, durable and services sector respectively. The effect of similarity between parent and brand extension, parent brand reputation, perceived risk and innovativeness as overall evaluation of extension was studied using a sample of 701 consumers. It was found that perceived similarity between parent brand and extended brand was a crucial factor in the evaluation of services brand extension. Reputation of parent brand was important in the evaluation of brand extensions for all categories. Perceptions of risk associated with new product categories are important in influencing judgments for durable goods and services. Innovative consumers evaluate services brand extensions more favourably and hence, targeting more innovative consumers could be an efficient way of developing brand extension strategies.

Lye et al (2001) studied the effects of the type of the brand, i.e., prestige brands and financial brands, on brand extension attitude formation, following the Park et al (1991) concept of prestige and financial brands. Unlike the earlier studies, this study used New Zealand residents of age 18 and above as samples. Eight brand extensions for each of the two types were selected to evaluate extension attitude formation to different product categories. It was found that brand type was an important factor for brand extension attitude formation and these brand names representing prestige
brands were perceived to be of higher quality than functional brands. Product category also had an effect on consumer attitude formation. It was found that prestige brand suffered greater dilution than functional brands when extended. Extension category also interacts with a brand type to influence consumers’ perception of the extended product. This suggests that there are limits to what consumer find acceptable for brand extension across categories.

Rio et al (2001) studied the dimensions for brand functions and image on the value of the brand as perceived by the consumers. Sports shoes were taken as the product to test the hypotheses since it was difficult to evaluate them prior to purchase and brand associations played an important role in their purchase. 400 individuals were interviewed for brands which they had used and had sufficient knowledge. Six brands were finally chosen. The information was collected in Spain through face to face interviews accompanied by a survey questionnaire. A total of 1054 interviews were conducted and 1726 brand assessments were collected. It was found that guarantees enhanced the willingness to pay a price premium and also recommended and accepted brand extensions. Personal identification function was found to increase consumers’ willingness to recommend the brand. The status function was found to have significant effect on the acceptance of brand extensions.

Taylor (2002) investigated the price effect on brand extension quality evaluations. This study was a replication of Taylor and Bearden’s (2002) study, which found that higher priced dissimilar extensions are more likely to receive a perceived quality boost in a new product category, i.e., grocery food. It also examined the process by which price information may influence extension evaluation. The study was a 2(dissimilar vs. similar extension) x 2(low vs. high brand extension price) x 2(moderate vs. high core brand quality) between-subjects’ design. Similarity was manipulated by
varying the core product categories. Price manipulation was done by adding and subtracting 40% of the category average market price. A total of 279 undergraduate business students at a large public University participated in the experiment. It was found that when the extension was found to be dissimilar to the core brand, price had a significant positive effect on extension evaluations. It was also found that more price-related thoughts and price-quality inferences occurred in the processing of dissimilar than similar extensions.

Balachander and Ghose (2003) investigated the existence of reciprocal spillover effect emanating from the advertising of a brand extension. The authors used A. C. Nielson scanner panel data for the two products namely, yogurt and powdered detergents for the period September, 1987 to August, 1988 during which household exposure to advertising was recorded. The results showed strong support to a positive spillover effect from advertising an extension to the parent brand. It was also found that forward spillover effect was absent.

Eva Martínez and Jose Pina (2003) analysed the influence that brand extensions had on brand image. For this analysis, an experiment was performed that examined the most important variables to be considered in using the brand extension strategy. After analysing the information obtained they reached the conclusion that brand extension strategies influenced the brand image after the extension and that variables such as the brand image prior to the extension, the perceived quality of the extension and the fit between the parent brand and the new product also affected the image.

Joo Young Kim (2003) studied the communication message strategies for two distinct brand extension types: close and remote brand extensions. An experiment was conducted with four cells which were exposed to different communication strategies for five extension types.
Communication strategies used were brand essence cue, extension attribute cue, extension dissonance reducer cue, and some combinations of the named cues. Results showed that different communication strategies are necessary for extension situations that differ in distance from parent brand territories.

Patro and Jaiswal (2003) have replicated Aaker and Keller’s (1990) original study in India in order to test the generalisability and robustness of their model in the context of developing economies. The authors tested four hypotheses. Five Indian brands were chosen using Aaker and Keller’s criteria (i.e., relevance to the respondents, high quality, having strong brand image, and not being extended broadly before). They attempted to select identical product class categories for parent and extension brands. Five brands were chosen for their study. Out of these five brands four were well known multinational brands and one was an Indian brand. A questionnaire using similar rating scales as those used by Aaker and Keller was developed and administered to 106 Indian students who were enrolled for the MBA programme at XLRI Jamshedpur, India. Subjects were in the age group 18 to 26 years. 50% were male and 20% were female respondents. The authors used the residual centering method of regression in their analysis. The study provided support for four hypotheses of Aaker and Keller’s model. Quality of the original brand and three fit variables (i.e., transfer, complement and substitute) have strong positive effect on consumers’ attitude towards brand extensions. However, the interactions of quality and transfer are possible and significant and hence, one hypothesis is partially supported. The relationship of difficulty in making the extension with customers’ attitude towards brand extensions could not be supported. The authors found support that brand extensions are primarily driven by the main effects.

Taylor and Bearden (2003) studied the effects of information about advertisement spending on extension evaluation over different levels of
similarity. This laboratory study used a 3(similar/dissimilar) x 2(low/high ad spending) x 2(moderate/high core brand quality) between subjects’ design. The brand extension product category was held constant between the similar and dissimilar extensions and similarity was manipulated by varying the core product categories. Perceived quality and purchase intentions were measured as dependent variables. A total of 190 adults of whom 49% were female participated in the study. The results showed that information about advertisement spending had a significant positive impact on the quality evaluations of similar extensions but not dissimilar extensions. This relationship helped good for purchase intentions also but only when the extension was from a moderate quality core brand. When the extension was from a higher quality core brand advertisement spending did not affect purchase decisions.

Eva Martínez and Leslie de Chernatony (2004) analysed the effect that a brand extension strategy has on brand image. Specifically, the study analysed how variables related to the parent brand and the extension influenced brand image after the extension. From a sample of 389 consumers the paper demonstrated that the extension strategy diluted the brand image. Through a regression analysis it is shown that the perceived quality of the brand and consumers’ attitudes towards the extension positively influenced both the general brand image and the product brand image after the extension. While familiarity with the products of the brand only affects the general brand image, the perceived degree of fit affected the product brand image.

Kuang-Jung Chen and Chu-Mei Liu (2004) studied the impact of a parent brand on the trial of the extension and the reciprocal effect of a successful trial of new brand extensions positioned horizontally and vertically on the parent brand. Results showed positive influence of the parent brand on the trial of the extension. Successful trial also helped the parent brand on a
reciprocal basis, particularly among the non-loyal users and non-users of the parent brand. Another finding was the moderating effect of category positioning on the magnitude of the reciprocal effect of the brand extension on the parent brand. There was also an indication that prior parent brand experience acted as a moderator of reciprocal effects.

Meyvis and Janiszewski (2004) studied the benefit accessibility and brand extension category similarity, using 115 undergraduate students who participated in an experiment with a 2(product: similar or dissimilar) x 2 (number of products in the portfolio) x 2(order and brand name counter balancing factor) x 8(category replicates) design. They found that benefit accessibility and brand extension category similarity, both contribute to brand extension success. In the second experiment 106 undergraduate students participated and it was found that preference for similar and dissimilar brand extensions did not depend on the number of products in the brand’s portfolio. This study suggested that if consumers used a similarity based inference process, broad brands will be at a disadvantage. Consumers are more likely to generalise the benefits associated with the similar narrow brand than those associated with less similar brand.

Zimmer and Bhat (2004) examined the reciprocal effects of extension quality and fit on parent brand attitude. Dominance of the brand in its category was taken as a moderating factor. An experiment with a 2 x 2 x 3(fit x quality x brand), design was done. Fit and quality were between subject factors and brand was within subjects’ factor. Parent brand dominance was a measured variable. In addition to four experimental groups, a central group not exposed to any information about extensions was also used. Three brands identifying with varying range of products associated with the name were chosen. An exploratory study with 92 undergraduate students was conducted to identify suitable stimuli for manipulating fit and quality of
extensions in the experiments. For the main study the sample was 157 University employees in the age group ranging from 19-69. The respondents completed a questionnaire at their convenience. All factors were measured using seven point semantic differential scales. The study found that attitude towards the parent brand was similar for both high and medium quality extensions. Attitude towards the parent brand was similar regardless of whether the proposed extension was a good or poor fit. It was also found that extensions fitting well and those fitting poorly enhanced attitude towards parent brands compared to the central group. The results also demonstrated that dominance of parent brand in its category enhanced the attitude towards the parent brand when an extension with a good fit is introduced. Contrary to anecdotal evidence no dilution effects were observed.

Helge Thorbjornsen (2005) in his study examined the effects of congruent and incongruent brand extensions on consumer attitudes towards the parent brand. The author chose the wrist watch category for the study. Consequently, a 2x2x2 factorial design with parent brand concept (symbolic vs. functional), and brand familiarity (high vs. low) as between subject factors. Eight different questionnaires were sent to 800 respondents randomly selected from a phone register of a medium sized Scandinavian city, of which 205 were completed and returned. 15 questionnaires were rejected and a final count of 190 samples were taken for the study. The findings of the study reemphasise the importance of investigating the parent brand feedback effects when launching category extensions. The study found general support for the importance of brand concept consistency when it comes to feedback effects. No significant differences between congruent and incongruent extensions were found for attitudes to the extension itself. Brand familiarity is found to be an important moderator on parent brand feedback effects.
John Story and Peggy Sue Loroz (2005) proposed and tested a series of precepts which explained the role of technology and technology congruence in consumers' perceptions of brand extensions. A series of relationships between technological congruence and consumer evaluations of brand extensions were proposed. Regression analysis and a series of planned contrasts were employed to test these relationships. In general, extensions that are higher in overall technology content are perceived as being higher in quality. Higher technology brands benefit from a super ordinate brand technology effect. However, this technology content effect is moderated by the congruence/incongruence of the levels of technology of the brands, products, and attributes.

Jun Sung (2005) studied the formation and impact of price perceptions on brand extension evaluation. One hundred and ninety one business school students were randomly assigned to eight conditions comprising the 2(parent brand price: high vs. low) x 2(parent category price relative to the extension category price: upward vs. downward price extension) x 2(extension category price variation: narrow vs. wide) between subjects experimental design. Cell sizes ranged from 21-26. Subjects were asked to respond to a set of questions that assessed their familiarity with, ownership of the perceived relevance of the parent and extension categories. They then responded to a set of questions regarding the expected price of brand extensions, their evaluations of it and their perceptions of its quality. Subjects had also answered several manipulation check questions. It was found that, a) price of parent brand and price of parent category has a critical impact on the expectations of consumers on brand extension’s price and their evaluation of brand extension, b) parent category price moderated the effect of parent brand price on price expectations, c) price variations in the extension category moderated consumers’ expectation of brand extension’s price, d) expected price played a significant role in affecting the evaluation of
consumers on brand extension, and e) effect of the expected price of the brand extension on consumers’ extension evaluation was greater when the actual price of the extension was given than when it is not.

James Oakley et al (2005) did a study on simultaneous effects of category fit and order of entry on consumer perceptions of brand extensions. They attempted to maintain its pioneering advantage. The authors also checked the concept of category fit as a factor in consumer evaluation of brand extensions. Participants in the study were engaged in a three stage market simulation. The experiment consisted of a 2(order of entry) x 3(category fit) mixed factorial design. A total of 369 undergraduate students participated in the study. The results showed that high fit brands were preferred over low and moderate fit brands, regardless of the order of entry. High fit brands also had the strongest pioneering advantage. For low fit brands to compete they must be first to market, but a high fit brand has a lot of flexibility in deciding when to enter. However from both consumer evaluation and choice perspective a high fit brand performed the best when it entered the market.

Panda (2005) in his book Branding Paradigms and Prognostications included his study on the impact of category similarity, brand image and consumer innovations in the success of extensions in the FMCG and service sectors. He chose one brand in each sector and extended them to three hypothetical products. Twenty individuals for each of the three hypothetical products of the two brands (20x3x2) were chosen making the total sample size to 120. A structured questionnaire was constructed for data collection. It was found that perceived similarity was a crucial factor in the evaluation of brand extensions. The image of the parent brand was a crucial factor influencing the success of brand extensions. It was also found that targeting
innovative consumers could be an effective way of developing brand extension strategies.

Cohen Wu and Yung-Chien Yen (2007) explored how the strength of brand associations, different brand breadths, and the similarity between a parent brands’ product categories and its extension product categories influenced consumers' attitudes towards brand extensions. An experimental research design was applied to testing the set of hypotheses. A total of 384 respondents participated in the main study. This study analysed experimental results using analysis of variance. It was found that when a brand was extended to similar product categories, only when the association was strong (trust or affect) consumers preferred the extension of the narrow brand to that of the broad brand. Conversely, when a brand was extended to dissimilar product categories, regardless of the brand associations (trust or affect), consumers preferred the extension of the favorable broad brand to that of the narrow brand.

Yu Henry Xie (2008) examined the relationship between consumer innovativeness and consumers' acceptance of brand extensions. A number of research propositions were developed in this thought-provoking work. It was proposed that consumer innovativeness exerts considerable influence on consumers' acceptance of brand extensions when extension distance and types of extensions were examined. In addition, product information availability and interpersonal communication/influence (i.e., informative and normative) moderate the relationship between consumer innovativeness and consumers' acceptance of brand extensions.

Isabel Buil et al (2009) examined the impact of perceived fit, brand type and country's culture on the consumers' attitude towards brand extensions and on the parent brand equity. Data were collected in three European countries: Spain, UK, and Norway. A series of analyses of variance
were conducted to test the hypotheses. It was found that brand extensions with high fit receive more favourable consumer evaluations and decrease the negative feedback effects of extensions on parent brand equity. Results also revealed that parent brand equity dilution is higher when the brand used to launch the extension has high equity. Finally, findings indicated different consumers' responses to extensions and effects on parent brand equity across countries.

Isita Lahiri and Amitava Gupta (2009) examined situations in which brand extensions are likely to dilute beliefs associated with family brands. Hypotheses are developed and tested in a consumer survey that included experimental and control groups. The findings show the congruity of the extension with the family brand is an important factor, the absence of which increases the chances of dilution of the family brand. Perceived success/failure of the extension is a more important factor that also enhances or dilutes the image of the family brand.

Eva Martínez and Jose Pina (2010) studied the reciprocal spill-over effects of brand extensions by testing a comprehensive model that gathers both the brand extension evaluation process and the later influence on brand image. Data were obtained from 699 face-to-face interviews conducted in Spain. Structural equation modelling was used to test the proposed hypotheses. The results indicated that brand extensions have feedback effects on brand image depending on the attitude toward the new product and perceived image fit. Consumer attitude depends, in turn, on initial brand associations, perceived category fit, perceived image fit and consumer innovativeness. Brand familiarity also showed indirect effects.

Hongwei He and Yan Li (2010) conducted a study to explore how consumers evaluate technology based brand extension and how technologic direction interacted with brand loyalty and fit in affecting brand extension
evaluation. A field experiment (n=200) was conducted. Participants were assigned to two equal-number groups that differed in the technological direction of brand extension (i.e., upward extension vs downward extension). This field study found that downward brand extension is generally evaluated more favourably due to its positive effect on perceived fit; technological direction moderated the effect of fit on brand extension - fit had stronger positive effect on downward brand extension than on upward brand extension; fit moderated the effect of brand loyalty on brand extension - when fit was high, brand loyalty's effect was positive, whereas, when fit was low, brand loyalty had negative effect on brand extension; and the moderating effect of fit on brand loyalty was further moderated by technological direction of brand extension - for upward brand extension, the moderating effect of fit on brand loyalty was as general, but for downward brand extension, fit enhanced the effect of brand loyalty.

Jean Boisvert and Suzan Burton (2011) carried out a study to test and model the effect of parent brand salience, branding strategy and extension innovativeness positioning on the extent of transfer of associations from the parent brand to a brand extension. A field experiment based on a 2×2×2 between-subjects completely randomised factorial design involving 808 consumers was conducted. Three factors were manipulated: parent brand salience, product innovativeness, and the branding strategy. The study found that, in addition to the main effects of salience and the branding strategy, all three factors jointly influenced the extent of transfer of associations from a parent brand to an extension.

Muhammad Shakil Ahmed et al (2011) conducted a study to check the impact of brand extensions on brand image. For this purpose Johnson was selected as parent brand for research. The targeted brand extensions were Johnson shampoo, Johnson’s isotonic drinks, Johnson’s sportswear and
Johnson’s Suntan Lotion. Sample consisted of graduate students including males as well as females from Bradford, UK. Total sample size was 60 and data was collected through self-administered questionnaires. For each brand 15 respondents were selected. Convenient sampling was selected as sampling technique. Results showed that Johnson’s had high brand awareness and perceived quality. While there was negative correlation results for brand fit on brand image for those product extensions which were not in same brand category i.e. Johnson’s sportswear and Johnson’s isotonic drinks. It was concluded from the study results that launching new product in same parent brand category have high chance of success while in different category was at risk.

The Review of the literatures presented in this chapter provides a review of prior researches pertaining to brand extensions and identifies gaps in our knowledge. Towards this end researcher reviewed prior researches in the area of brand extension. Based on the review, researcher identified those areas that have received much attention, at least in the Indian context.

Gaps in the Research

Research on brand extensions has gained momentum only in past decade and half. A look at the past researches suggested the exact nature of influence of various factors on consumer evaluations on brand extension and their impact on parent brands’ image. But there is a lot of scope for further research into unexplored areas.

Firstly, most of the earlier researches have been done using only students as the subjects. Hence, a proper representation of consumers may not have been possible. This study may lead to a very biased opinion because, in the actual market place students form only a part of the consumer base.
Secondly, most of the earlier researches have been in the lab settings where hypothetical brands and products have been used as stimuli and using data bases. These methods could have their own shortcomings since evaluation may have been done in a restricted environment. Databases may give information regarding members but may not reflect the actual psychological process that a consumer undergoes while evaluating brand extensions. It is these psychological processes that are important for the marketer.

Thirdly, past studies have taken into consideration only less number of factors at a time. This again may not capture the broader mindset of consumers.

Fourthly, most of the earlier researches on brand extensions have been conducted in the western settings particularly in the United States of America and few studies have been carried out in other countries. Empirical studies have shown that there are differences in consumer evaluations from country to country due to cultural differences. But, such a study in the Indian context is lacking. This study focuses on the negative effect of brand extensions on parent brands’ image. Considerably less attention has been devoted to examine the potentially diluting impact of successful brand extensions especially in the Indian context.

Lastly, previous researches have not focused on consumer evaluation based on various socioeconomic factors and experience (in number of years) in using brand extensions.