

Consumer Evaluation of Brand Extension with Reference on CIC Brand

P.G.G. Wanigasekara, M.G.P.P. Mahindaratne
Uva Wellassa University, Badulla, Sri Lanka

and

S. P. Weyhenage
CIC Holdings PLC, Healthcare and Consumer Division, Colombo, Sri Lanka

Introduction

The ever changing market characteristics give huge impact on corporate decisions. Hence the companies constantly develop new marketing strategies to stay ahead in the market and reap more benefits for their stakeholders. In fact introduction of new product is necessary for any companies to stay ahead with competition. As a solution companies adopt brand extension strategy for increasing sales of the new product lines. Brand extension is a strategy adopt by companies having strong and establish brand names, as a means to enter in new product categories or classes (Aaker and Keller, 1992). Brand extension is one of the attractive growth strategies and it is low cost, low risk way to penetrate different target segments by utilizing establishes brands. Brand extension is widely used because of the fact that strongly positioned brand could build and communicate brand value successfully. Then the customers are motivated to do trail purchasing and averse the risk of new product.

Brand extension strategy needs a careful analysis of the market before adopting, because it has both positive and negative consequences. Brand extension strategies tasted success in the past, still brand extension success is uncertain. Literature, showed a wider variety of determinants for consumer evaluation of brand extension. But there is no any empirical evidence under Sri Lankan context. Therefore this study was conducted to analyze how consumer evaluate brand extension in the Sri Lankan context. The specific objectives of this study are identifying the factors influence in consumer evaluation of brand extension and find out the association between above factors with overall brand extension respectively. General objective is identifying the possible brand extensions for future success by incorporating CIC brand name.

Methodology

Survey method was used to collect the required information for the study. Sampling frame was middle income level households consumers in Sri Lanka. 200 households' were selected from Udunuwara, Yatinuwara, Kundasale and Harispattuwa divisional secretariat area for the survey. Stratified proportionate random sampling technique was used to select sample. Each divisional secretariat area was considered as strata. Structured questionnaire was used to collect data by interview method. CIC (Chemical Industries Colombo) brand name was used as stimuli alone with three hypothetical brand extensions to achieve defined objectives. According to the literature survey six independent variables were identified as determinants of extension namely parent brand reputation, perceived quality, and parent brand experience, parent brand conviction, similarity sit and consumer innovativeness. Six explanatory variables have been evaluated with overall evaluation of brand extension as dependant variable. Each variable was measured by using behavioral and attitudinal statements. Chi-square analysis was employed as analytical tool to find out association among independent and dependent variables. Finally data were analyzed using MINITAB statistical package.

Results and Discussion

Based on the result of pretest, the researcher identified two hypostatical brand extensions as close extensions such as precooked meal (rank-01), personal care item (rank-02) in addition biscuit extension was taken as distant extension. According to the result of descriptive analysis 84% (167) consumers have CIC brand experience. Other CIC brand characteristics such as CIC brand conviction, perceived quality of CIC brand and CIC brand reputation have positive mean value (mean value between 1-1.4). Similarity fit was varied according to the type extensions. For personal care and precooked meal extension, similarity fit variable has mean value 0.77 and 0.88 respectively. But for biscuit extension similarity fit variable has mean value -0.22. Consumer innovativeness has mean value 0.6450.

Table 1: Result from the Chi-square Analysis for Each Extensions

Hyp	Description	P-value		
		Personal care	Precooked meal	Biscuit
H1	There is significant association among parent brand experience and overall evaluation of brand extension	0.000	0.021	0.320
H2	There is significant association among perceived quality of parent brand and overall evaluation of brand extension	0.000	0.001	0.237
H3	There is significant association among Parent brand conviction overall evaluation of brand extension	0.000	0.006	0.159
H4	There is significant association among reputation of parent brand and overall evaluation of brand extension	0.593	0.013	0.358
H5	There is significant association among brand similarity sit and overall evaluation of brand extension	0.000	0.049	0.000
H6	There is significant association among consumer innovativeness and overall evaluation of extension	0.000	0.000	0.030

Decision rule- $P \leq 0.05$ (95% Confidence Level) null hypothesis is rejected

According to the chi-square analysis, all variables were significantly associated with precooked meal extension. Therefore all hypotheses were accepted in relation to the precooked meal extension. But for biscuit extension all variables except similarity fit and consumer innovativeness were not significantly associated. For biscuit extension, only H5 and H6 were accepted. The entire variables except parent brand reputation were significantly associated with overall evaluation of personal care brand extension. Only H4 is rejected in relation to the personal care extension.

Conclusion

This research augments existing literature on consumer evaluation of brand extension in the FMCG category. This examines the importance of parent brand experience, parent brand conviction, parent brand perceived quality, parent brand reputation, similarity fit and consumer innovativeness in the FMCG.

CIC brand name as a parent brand shows consumer experience, high parent brand conviction, and high parent brand reputation and high parent brand perceived quality. Similarity fit variable was positive for close extension and negative for distance extension because distance extension was deviated from its brand identity. CIC brand has high awareness through advertising and radio promotions. Because CIC Company mainly used advertising and radio as promotional tool.

Interestingly, this study strengthens the earlier literature in terms of findings in the similarity dimensions. Similarity between the core products and extended products are considered most important whenever the consumer evaluates the brand extensions. Similarity fit were positively associated with close extension. But similarity fit variable were negatively associated with distant extension. Overall close extensions have high possibility to success in the future but in distant extension that should be more innovative and support from the ATL (Above the Line) and BTL (Below the Line) promotion for success in the future.

Reference

Aaker, David, A. and Keller, K.L, 1992. 'Consumer evaluations of brand extensions', *Journal of Marketing* 54, 27-41.