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A Study on Consumer Perception and Brand Extensions

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Abstract

To build a strong Brand image in mind of customer is one of the major challenging task to the companies for successes of their business, and also its helps to retaining the customer towards their existing brands. A strong brand having customers trust towards the company. and its create expectations and feelings about product and services in customer mind, a strong brand extensions always help to the firm for establish customer loyalty, The major objective of this paper is to analyse the consumer perception on brand extensions. For that a structure questionnaire was used to measure the consumer perception, with sample size 417 respondents and tested via descriptive statistics, percentages ANOVAs. The results of the study showed that there is strong impact of Brand extensions on consumer perception.

Keywords Brand, Brand Image, Brand Extension, Customer Loyalty, Customer perceptions

1. Introduction

Nowadays, many companies are facing a difficult and complex competitive situation (Stenmark & Lindberg, 2003). To build a strong brand is one of the ways to the companies' successes for the most powerful companies. Moreover, some prosperous companies prefer to organize their brands because they think brands are chief property, in addition, the companies want to build an essential elements for their brands in the long-time policy. (Davis, 2002), According to the American Marketing Association (AMA), a brand can distinguish the goods and services among numbers of sellers; it includes name, sign and design. (Keller, 2003), A brand and a product are different. In proportion to Aaker (1991), a brand can help customers recognize an exact merchandise and service. According to Kevin Lane Keller (2003), brand is functioned as a differentiation from other bands of products when shopping around the shelf.

A brand contains two things. One thing is that the products are fulfilled with requirements of what customers need, and another thing is that customers provide satisfaction after they using the products. Consumers and firms can be benefited from brand. To consumers, brands can impact on their evaluation of products. For companies, brands can, in return, borrow many benefits. (Keller, 2003) So, to chase 2 down an available strategy is very crucial for intensifying the brand image. A strong brand name is helpful to develop the brand in a market (Czinkota & Ronkainen, 2009). A strong brand does help customers trust the company and create expectations and feelings about product without any judgment; a strong brand does help the firm establish customer loyalty, not just sell product (Dave Dolak, 2001). Therefore, a strong brand is important for the firm, because the firm can retain regular customers and attract new clients. Whether people can recognize the brand or nor is corresponding to the strength of the brand. Moreover, according to Stenmark, J. and Lidberg, M. (2003), in some industries, the products are becoming more similar. So in the current fierce competitive environment, how do companies make customers recognize the firm's brand? The solution is branding. Branding is a tool to differentiate the goods of one producer from those of another (Keller, 2003). According to Keller (2003), branding helps consumers to establish their knowledge about the products and services, and customers perceive differences among brands in a product category. However, it is impossible to retain the same

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brand in top, unless some action should be taken to keep pace with competition. Companies have realized the importance of brand extension in order to manage their brands (Chen & Liu, 2004). Brand extension has become much more attractive in the current environment, because the current environment needs a lot of money and consumes much more time to develop a new product. Moreover, a few reasons are indications of the popularity of brand extension, and one of the essential reasons is that it can raise the representation of a brand (Keller, 2003), and it can occupy more market shares because it arises new customers' interest, and also retains actual consumers.

2. Review of Literature

Brand extensions are the new products introduced under an existing brand name or a new entrant in a different category from the parent brand (Aaker and Keller, 1990). Brand extension involves utilizing and applying the established core brand name to new products to obtain the equity of the original core brand and also to capture new and unexplored market segments (Kerin, Kalyanaram et al., 1996). Extended brand both far and near with core brand are considered beneficial for core brand due to more profitability. Generally, it is assumed that recognized brand requires low cost and expenses of introduction such as advertising cost and sales promotions etc. (Collins-Dodd and Louviere, 1999). Nevertheless, the extended brand success is uncertain. Nielsen (1999) suggests that fast moving consumer goods have more failure rate of extension which is approximately 80%. Elements of brand extension provide insights of that may help to reduce the chances of failure of brand extension. These elements provide way to evaluate the attitude of consumers about extended brand and to know about their choices. Element's important insights influence the success of brand extension (Bottomley and Doyle, 1996; Swaminathan, Fox et al., 2001). Brand extension can reduce the beliefs associated with the flagship product but this dilution or reduction process is more serious with the parent brand name (John, Loken et al. 1998). Firms make relationships with customers through brand and effectiveness Journal of Business Administration and Education of brand extension (Davis and Halligan, 2002). Brand extension may also increase the likelihood that a brand come to mind and create easiness to understand the brand. It enhances and facilitates a brand's awareness to ease the recall; increase the value perceived by consumer (Keller, 2003).

3. Problems Discussion

Due to more competition, companies have to figure out feasible strategies in order to develop themselves. More and more companies have realized that brand names is one of valuable assets, because brand names connect with their products and services (Keller, 2003). So when a firm introduces a new product, it will use a new brand (Keller, 2003). However, firms should extensively invest in the popularizing of brands (Arslan & Altuna, 2010). But not all these companies have the abundant wealth to invest in creating a new brand. To launch a new product, it is not only time-consuming but also needs a well-rounded budget in order to create brand awareness and increase the

product's benefit (Tauber, 1981). Brand-extension is one of the new product development policies, because brand-extension can reduce financial risk by using the existing brand names to increase consumers' intuitive recognition (Muroma & Saari, 1996). A brand-extension occurs when a company wants to introduce a new product, and the company uses an existing brand name or sets up a new brand name (Keller, 2003). However, the ability of the brand extension depends on the parent brand in association with the minds of consumers (Keller, 2003).

4. Objectives of the Study

The objectives of the study are to realise the following

- To study the correlation between Demographical variables and Brand Extensions.
- To examine the Consumer perception towards Brand Extensions

5. Hypothesis of the Study

The following are the hypothesis designed with above objective

- H_0^1 : There is no significant correlation between Demographical variables and Brand Extensions
- H_0^2 : There is no significant impact of Brand Extensions on Consumer perception

6. Methodology

The study is concerned with the Brand Extensions towards consumer perception based on that source of the data collected from Primary source of data is collected from the respondents through structured questionnaire and interviews. Secondary data is collected from various Journals, Periodicals such as Magazines, Business newspapers, and from subject related books and websites. Convenience sampling method is used for the study, with 417 sample size from the selected area i.e. Hyderabad city. The Data collected from Primary and Secondary sources is analyzed with the help of appropriate statistical Package like SPSS 20. The Statistical tools used are Percentages, ANOVA. To test the reliability of the data, Cronbach's alpha test is conducted.

7. Results And Discussions

Table 1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.761	0.787	10

From the Table 1, it shown that the questionnaire is tested for its reliability and presented the results here under. The questionnaire developed is pretested and validated through face validity as it was sent to a carefully selected sample of experts and it also has a sufficiently good reliability score. The result given the value of the as **0.761**. It indicates that, the data has a high reliability and validity.

Summary Item Statistics: It is evident that the summary of the means, variances, covariance and inter-item correlations are presented in the following table.

Table 2: Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Item Means	3.468	2.586	4.515	2.421	2.108	0.275	10
Item Variances	0.43	0.184	1.599	1.419	16.324	0.098	10
Inter-Item Covariance's	0.025	-0.443	0.621	1.152	-1.121	0.021	10
Inter-Item Correlations	0.057	-0.532	0.682	1.41	-1.064	0.051	10

Source: Primary data

It is obvious the minimum and maximum mean, Range, and variance values for item means, item variances are positive. Maximum mean is witnessed for Item means is 4.515. Maximum variance is 1.599, maximum inter item covariance is witnessed is 0.621

and maximum inter-item covariance is found to be 0.682.

Demographic Variables: The frequency distribution of demographic variables is presented in the following table.

Table 3: Demographical Variables

Particulars	Classification	No of Responses	Percentage
Age	20-25	93	22.3
	26-30	116	27.8
	31-35	113	27.1
	36-40	71	17.0
	41 and above	24	5.8
Gender	Male	290	69.5
	Female	127	30.5
Education	SSC	33	7.9
	Intermediate	26	6.2
	Degree	179	42.9
	Pg degree	117	28.1
	PhD and above	62	14.9
Occupation	Student	49	11.8
	Govt Employee	96	23.0
	Private Employee	164	39.3
	Business	57	13.7
	Self Employed	51	12.2
Monthly income (in rupees)	Below 20,000	35	8.4
	20,001-30,000	143	34.3
	30,001 - 40,000	118	28.3
	40,001-50,000	73	17.5
	50,001 and above	48	11.5
Total		417	100%

Source: Primary data $n = 417$

The descriptive analysis of all the demographical variables is shown in Table 3, from that more than 28% of respondents in the group of 26-30 years and 27% of respondents in the group of 31-35 years, followed by 70% of the respondents belonged male and 30% of respondents belonged female, and 42% of respondents studied Degree and with followed 28% of respondents studied PG degree, 39% of respondents working as a Private Employees, 23% are the Govt. employees and 34% of respondents earned Rs.20,001-30,000 for month and 28% of respondents earned Rs.30,001-40,000 respectively.

ANOVA: The ANOVA is used to determine whether there are any statistically significant differences between the means of two or more independent (unrelated) groups. So it is conducted in order in order to understand whether there is any significant difference in opinions of respondents on Brand Extensions the results are presented in the following table.

- H_0^1 : There is no significant correlation between Demographical variables and Brand Extensions

Table 4: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Age in years	Between Groups	61.352	18	3.964	3.214	.009
	Within Groups	503.238	398	1.265		
	Total	564.590	416			
Gender	Between Groups	4.663	18	.259	1.124	.003
	Within Groups	84.659	398	.210		
	Total	89.322	416			
Education	Between Groups	26.472	18	1.471	1.302	.000

	Within Groups	453.389	398	1.114		
	Total	479.860	416			
Occupation	Between Groups	19.822	18	1.100	2.123	.001
	Within Groups	540.262	398	1.332		
	Total	560.084	416			
Income status	Between Groups	33.248	18	1.225	1.925	.002
	Within Groups	521.329	398	1.310		
	Total	554.577	416			

Source: Primary data

In order to understand whether there is any significant difference in opinion of respondents on Brand Extension, with respect of the demographics i.e. Age, Gender, Education, Occupation and Income status.

It is observed that from the above table, the sum of the squares of the difference between means of different respondents **Ag**es and customer value towards e -banking service of selected banks, and the **Between groups** variation 61.352 is due to interaction in samples between groups. If sample means are the close to each other. The **Within** variation 503.238 is due to difference within individual samples. The table also lists the F statistic 3.214, which is calculated by dividing the Between Groups Mean square by the Within Groups Mean Square. The Significance level of 0.009 is more than 0.05, so its indicating that null hypothesis can be accepted. so age is no

influence on Brand Extensions, followed with demographical variables like Gender, Education, Occupation and Income status of **Between groups** variations are 4.663, 26.472, 19.822 and 33.248, and their **Within group** variations are 84.659, 453.389, 540.262 and 521.329, and their F- statistics are 1.124, 1.302, 2.123 and 1.925. Followed with their significant levels are 0.003, 0.000, 0.001, and 0.002, so all variables significance levels are less than 0.005, so it indicating that null hypothesis can be rejected. So variables alike Gender, Education, Occupation and Income levels are significantly influenced on Brand Extensions.

- H_0^2 : There is no significant impact of Brand Extensions on Consumer perception

Table 5: ANOVA

Dimensions		Sum of Squares	df	Mean Square	F	Sig.
Brand extensions create brand awareness	Between Groups	3.426	13	.255	1.241	.000
	Within Groups	472.563	403	.922		
	Total	475.989	416			
Brand extensions increase the probability of gaining distribution	Between Groups	8.263	13	.635	.891	.002
	Within Groups	335.875	403	.784		
	Total	344.138	416			
Brand extensions reduce the risk of product failure	Between Groups	21.174	13	.851	.857	.000
	Within Groups	403.702	403	1.002		
	Total	424.876	416			
Brand extensions induce customer trial	Between Groups	7.863	13	.605	.757	.013
	Within Groups	333.783	403	.803		
	Total	341.646	416			
Brand extensions provide usage Convenience	Between Groups	4.259	13	.328	1.276	.000
	Within Groups	210.436	403	.249		
	Total	214.695	416			
Brand extensions reduce the cost of launching a new product	Between Groups	25.649	13	1.203	1.644	.002
	Within Groups	302.509	403	.751		
	Total	338.159	416			
Brand extensions reduce the risk perceived by customers	Between Groups	58.669	13	4.513	3.368	.000
	Within Groups	568.223	403	1.385		
	Total	626.892	416			
Brand extensions facilitate customer Satisfaction	Between Groups	24.328	13	1.871	2.491	.001
	Within Groups	325.424	403	.783		
	Total	349.752	416			
Brand extension shall take care of customers changing needs and preferences	Between Groups	40.145	13	3.088	2.695	.004
	Within Groups	462.928	403	1.146		
	Total	503.072	416			
Brand extensions are moderately priced	Between	12.127	13	.856	2.988	.007

	Groups				
	Within Groups	173.536	403	.431	
	Total	185.663	416		

In order to understand whether there is any significant difference in the two different variables like Brand Extensions and consumer perception, with respect of the Brand Extensions dimensions i.e. Brand extensions create brand awareness, Brand extensions increase the probability of gaining distribution, Brand extensions reduce the risk of product failure, Brand extensions induce customer trial, Brand extensions provide usage Convenience, Brand extensions reduce the cost of launching a new product, Brand extensions reduce the risk perceived by customers, Brand extensions facilitate customer Satisfaction, Brand extension shall take care of customers changing needs and preferences, Brand extensions are moderately priced. It is observed that from the above table, the sum of the squares of the difference between means of different respondents Brand extensions create brand awareness and customer perception, and the **Between groups** variation 3.426 is due to interaction in samples between groups. If sample means are the close to each other. The **Within** variation 472.563 is due to difference within individual samples. The table also lists the **F statistic** 1.241, which is calculated by dividing the Between Groups Mean square by the Within Groups Mean Square. The **Significance level** of 0.000 is less 0.05, so its indicating that null hypothesis can be rejected. so "Brand extensions create brand awareness" is influence on customer perception. And followed with Brand extensions increase the probability of gaining distribution, Brand extensions reduce the risk of product failure, Brand extensions induce customer trial, Brand extensions provide usage Convenience, Brand extensions reduce the cost of launching a new product, Brand extensions reduce the risk perceived by customers, Brand extensions facilitate customer Satisfaction, Brand extension shall take care of customers changing needs and preferences, Brand extensions are moderately priced of **between groups variations** are 8.263, 21.174, 7.863, 4.259, 25.649, 58.669, 24.328, 40.145, and 12.127 and followed with The **Within** variation are 335.875, 403.702, 333.783, 210.436, 302.509, 568.223, 325.424, 462.928 and 173.536. **F statistic values** of dimensions are .891, .857, .757, 1.276, 1.644, 3.368, 2.491, 2.695 and 2.988 and followed with **significant level** are .002, .000, .000, .002, .000, .001, .004. This all are less than 0.05. So this are indicating that null hypothesis can be rejected. So all the respected dimensions like 2,4,5,6,7,8,9 are significantly influenced on consumer perception, but 3rd dimension-.013 and 10th-.007 dimension values are not significant. This all are more than 0.05 so this are indicating that null hypothesis can be accepted. So all the respected dimensions are not influenced on consumer perception.

7. Limitations

1. The study will be carried out to understand the Brand Extension towards consumer perception.
2. The sample selected may not represent the whole population. Hence, the limitation of generalization will be there.

8. Conclusions

The present study concluded that, perception of consumers

towards Brand Extensions. The results have revealed a clear cut impact of the Brand Extensions on perceptions of consumers. As per results 28% of respondents in the group of 26-30 years and 27% of respondents in the group of 31-35 years, followed by 70% of the respondents belonged male and 30% of respondents belonged female, and 42% of respondents studied Degree and with followed 28% of respondents studied PG degree, 39% of respondents working as a Private Employees, 23% are the Govt. employees and 34% of respondents earned Rs.20,001-30,000 for month and 28% of respondents earned Rs.30,001-40,000 and The results of ANOVAs, H_0^1 found that there is significant correlation between demographical variables and Brand extensions, followed with H_0^2 : Brand Extensions dimensions having positive impact on the consumer perceptions, except 3rd and 10th dimensions.

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