

Abstract

Brand extensions are more and more common as companies attempt to leverage their brand assets and equity to introduce new products, increase sales and grow profits. While there can be significant benefits in brand extension strategies, there can also be significant risks, resulting in a diluted or severely damaged brand.

A lack of understanding of the consumer and the marketplace can lead to failures that range from minor to catastrophic. The wrong category extensions can create the perception of diminishment of the value of the brand. Brand owners need to understand the power of their brands, where they can go; and where they cannot venture, without diluting core brand image.

This paper seeks to shed insights into how South African consumers evaluate brand extensions within an *fmcg* environment. How significantly different are they in respect of their evaluations compared to the evaluations of their counterparts around the world? Most importantly how well does the extant literature on the topic of consumer evaluations of brand extensions fit within the context of the South African consumer.

The key issues that were identified as essential components within the context of the topic of brand extension evaluation were *perceived fit* between the extension category and the core brand; the perceived *quality* of the core brand; strength of the *core brand image*; *congruency & incongruency* of the *extension categories* relative to the core brand product category and the relative degree of *establishment of the core brand* within its core product category.

There is general consensus within the literature that consumers will more readily accept a close brand extension in a brand category because image congruity will be high. This was supported by the findings in this survey. What is clear from research is that a favourable core brand image for older established brands limits the ability of these brands to extend into unrelated or more distant categories. The converse is true for newer brands whereby a favourable core brand image allowed greater stretch into unrelated categories.

There was a vast degree of incoherence between the participants in the survey and the literature survey on a number of key issues specifically related to the area of dilution of the core brand image as well as on the impact of core brand image on the

‘stretchability’ of the brand. Contrary to the general consensus in the literature incongruent brand extensions can be evaluated favourably under certain conditions. Incongruent brand extension evaluations are moderated by how well the core brand is established in its original product class. The research did not support previous findings in the literature that the more distant the extension category the greater the negative impact on core brand image. Additionally it found that dilution of core brand image exists among loyal users as a result of the introduction of a negatively evaluated brand extension.

The findings indicate that there are great opportunities for brand extensions within the South African *fmcg* industry. A key recommendation is that South African brand owners ‘gear up’ on their knowledge and expertise concerning the area of brand extensions, and proactively leverage their brands into new categories.

This should not be done haphazardly, as there are severe ramifications for those who get it wrong. A well researched approach will minimize the chances of failure, protecting the core brand from unnecessary exposure to image dilution.

South African consumers are open to positively evaluating and purchasing brand extensions into new categories, provided that these extensions deliver on performance in the same manner that the core brands have managed to over the decades. They are ready for it!

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Consumer Evaluations of Brand Extensions in an FMCG Environment

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1. Preface

Choice of topic

The topic of brand extensions has been chosen as it is a dynamic and evolving area of branding which is not very well understood. Brand extensions are becoming more common as companies attempt to leverage their brands in order to achieve growth.

An established brand name tends to already be well known by consumers so the risks and costs often associated with launching a new brand are minimized. An established brand is more likely to receive trial in a new category, with initial sales off-take likely. In an *fmcg* environment this is critical as the trade requirement is one of immediate performance or the product is removed.

The key reason for choosing the topic is to understand how South African consumers evaluate brand extensions in an *fmcg* context. This is relevant given the significant economic growth that the country is experiencing. South Africa's economy has been on a growth phase since September 1999, and continues to do so at a current GDP of 4.8% as reflected by Investec Bank (www.investec.com/GroupLinks/EconomicResearch/SouthAfrica/). As demand for consumer goods increases, local brands will find themselves competing against imported brands new to this market. Leveraging the strength of their brands through sound brand extension strategies offers local brands an opportunity to grow within this dynamic environment.

Motivation for choice of topic

Ted Mininni writes that it takes years to build equity and loyalty in brands - and a few missteps to destroy them. He goes on to say the following:

“Companies have far more at stake than the failure of new products. The wrong category extensions can create the perception of diminishment of the value of the brand”.

But to what degree do the wrong category extensions impact on dilution of the core brand image, and does this differ from brand to brand?

This paper seeks to provide answers as to which brands are more likely to succeed as brand extensions into new categories within the South African packaged consumer goods environment. For instance can certain established South African *fmcg* brands be extended into other *fmcg* categories that they do not currently compete in more successfully than newer emerging brands? How do South African consumers evaluate brand extensions and does this differ from the extant literature on this topic?

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5. *Introduction*

Globally it is evident that many companies are starting to gain confidence in stretching their brands across different product areas. In South Africa this remains a somewhat new territory but one which is getting increasingly more attention.

The paper examines the influence of the type of brand on consumer perception of the proposed brand extensions and how far each brand can be extended. It is known that a large percentage of brand extensions end up as failures. Even worse, they have the potential to damage the established core brand. The paper therefore investigates both the extant literature on the topic as well as how South African consumers evaluate brand extensions.

5.1. *Strategic context of Brand Extensions*

Brand extensions as a launch strategy are more and more common as companies try to leverage their brands assets and equity to introduce new products, increase sales and grow profits. A lack of understanding of the consumer and the marketplace can lead to failures which can create negative consumer perceptions that result in a dilution of the image for the core brand, diminishing brand strength. A number of brand owners do not understand what makes a brand extension succeed, or indeed the dynamics of this area. Many refuse to stretch their brands into new categories, despite the equity held by their brands. They choose instead to launch under new brand names into new categories, often failing in the process. Others leap in without effectively understanding the power of their brands, or into which categories they can extend into, undertaking minimum research and thus ‘flying by the seat of their pants’. It’s as good as playing the lottery. Then there are those few who truly do understand the power of their brands, and how to leverage these to the benefit of their consumers, effectively building a masterbrand portfolio, with their core brand stretching across numerous categories, creating brand value. Launching a new product will always require a decision as to which branding strategy to use, and with the speed at which new brands are being introduced and established in the market today, the key focus among brand owners is increasingly moving toward leveraging those brands in their existing brand portfolio.

5.2. Key area of Investigation

This paper examines how consumers view the stretchability of existing South African *fmcg* brands across multiple product categories. ‘Can established and emerging South African *fmcg* brands be extended successfully into new product categories not currently related to the core brand’?

5.3. Key Words

Key words around which this paper is based are; Brand extensions, fmcg, brand stretching, extension incongruity, congruity, fit and brand image dilution. A definition for each of these key words follows:

Brand Extension - Addition of a new product to an already established line of products under the same Brand Name. **Brand extension** is a marketing strategy in which a company that markets a product with a well-developed image uses the same brand name but in a different product category.

FMCG – Fast Moving Consumer Goods An expression used to describe frequently purchased consumer items, such as foods, cleaning products and toiletries.

Brand Stretching – Same definition as for Brand Extension.

Extension Incongruity – Direct contrast between the aspects of the brand extension to the core brand image

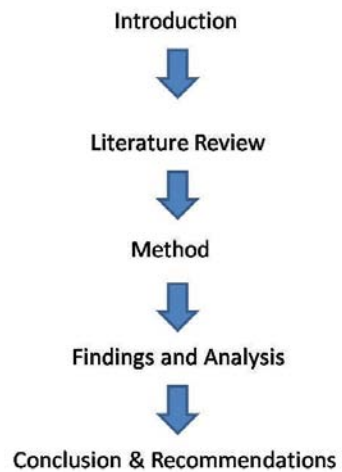
Congruity – Consistency of the aspects of the brand extension to the core brand image

Fit – Product category and brand image similarity

Brand Image Dilution – The tarnishing of the perception consumers have of the brand

5.4. *Dissertation Structure*

The basic structure of this paper is reflected in the diagram below:



5.5 *Limitations*

This paper is limited to investigating whether there is coherence between the recommendations in the literature and the findings from the research on how consumers evaluate brand extensions in the South African *fmcg* environment.

6. *The Literature Review*

6.1. *The aim of the literature review*

The aim of the literature review is to capture the important theories pertaining to the topic of consumer evaluations of brand extensions leading up to the latest thinking in this dynamic field. As such the focus will be on understanding the key drivers that impact upon a brand extensions acceptance or non-acceptance in a new product category, the dilution/enhancement of the brand image as a result of the new extension and the effect that congruent and incongruent brand extensions have on consumers perceptions of the core brand. The literature review will be a critical evaluation of preceding works, seeking to find clarity of coherence of thought on this topic. As such it will provide the reader with a theory base pertaining to my investigation.

Hofstee (2006) proposes that a good literature review shows that:

- ❑ The author is aware of what is going on in the field
- ❑ That there exists a theory base for what the author is proposing to do
- ❑ How the work fits in with what has already been done
- ❑ That the work has significance
- ❑ That the work will lead to new knowledge

6.2 *Introduction to Brand Extension*

Across the literature one finds a number of definitions of brand extensions and their derivatives.

The earliest form of extension is line extension, the practice of taking an existing brand name in a product category and transferring this name to another product within the same product category. Aaker and Keller (1990) describe a line extension as a situation whereby a current brand name is used to enter a new market segment in its product class.

Tauber (1981) termed the phrase “franchise extension” to explain the phenomenon of leveraging existing brands into new categories.

Aaker and Keller (1990) define brand extension as the use of a current brand name to enter a completely different product class.

The current brand is known as the core, or parent brand, and where the brand extension occurs across a number of product categories, a family of brands is

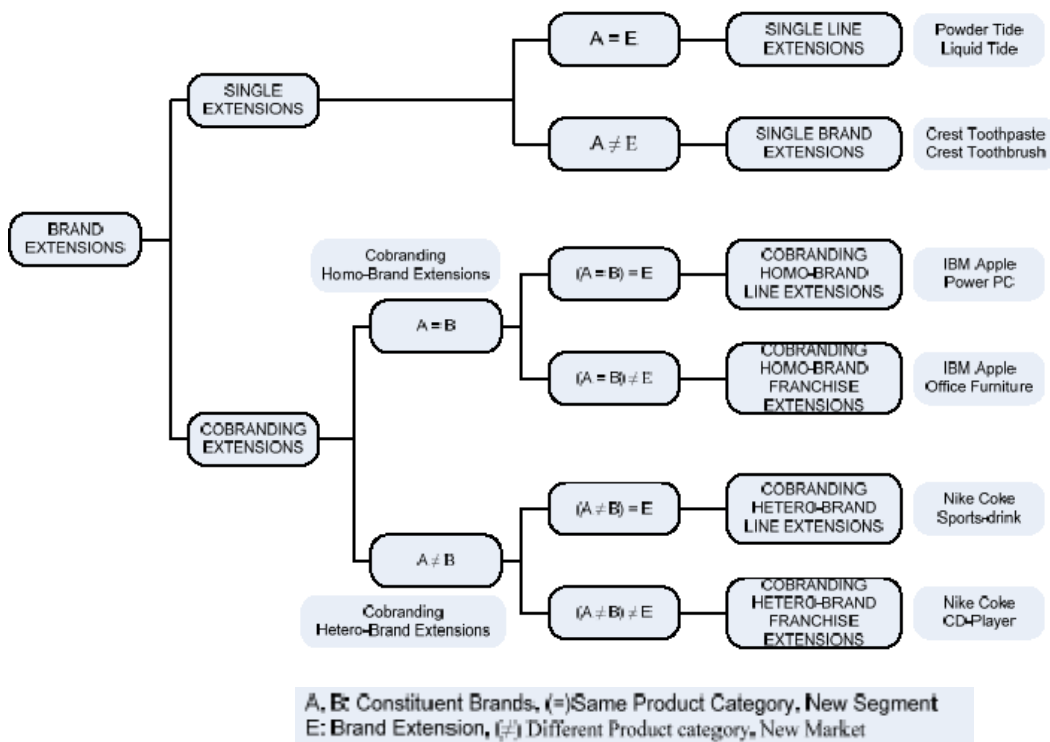
established (Dynamics of Branding, p 34). Tauber (1988) list 7 types of brand extensions:

- ❑ **Same products in a different form:**
Mars Ice-Cream Bar or Cadbury's Chocolate Milk Shake
- ❑ **Distinctive taste/ingredient/component in the new item:**
Taking an ingredient or component that the company owns and making it part of an item in a new category e.g. Tim Tams and Ice Cream.
- ❑ **Companion products :**
Where products are used with other products. Dorito's chips introduced a Dorito's range of chip dips, thereby leveraging into a related category.
- ❑ **Same customer franchise:**
Where a brand extension represents a marketer's effort to sell something else to its customer base. This is a consumer franchise leveraging strategy.
- ❑ **Expertise:**
Offering extensions in a category where consumers believe the company has special knowledge or experience. Apple computers extended into the Apple ipod. Microsoft delivered the Xbox gaming console.
- ❑ **Benefit/attribute/feature owned:**
Where brands own a benefit or property. Some brands clearly stand out as owning a property and this then becomes the dominant leveraging point. Dove soaps, body wash and roll on deodorants own "moisturizing".
- ❑ **Designer image/status:**
Brands can offer status and hence create an image for the new item and its user. Harley Davidson watches, clothing etc.

Co-branding is a more recent form of brand extension, which seems more prevalent in the area of technology but is becoming increasingly evident in the *fmcg* environment (Pyott's Sakata Rice Crackers; Tia Maria and Arnotts Tim Tam Biscuits; Blue Ribbon and Arnotts Tim Tam Ice-Cream; Simba Chips and Mrs Balls Chutney).

Co-branding occurs when there is a pairing of two or more constituent brands to form a separate and unique product, a composite brand. Figure 1.1. reflects the different types of brand extensions that exist.

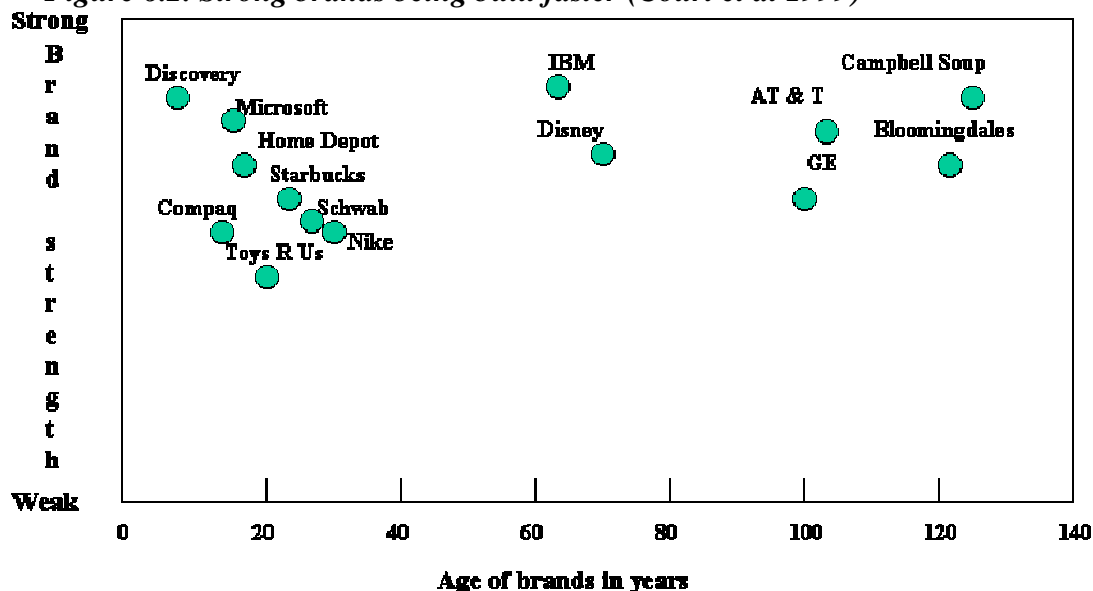
Figure 6.1. Typology of Brand Extensions (Hadjicharalambous2006)



6.3 Branding – A new Paradigm

According to Court, Forsyth, Kelly & Loch (1999) the process of brand building is speeding up. There is a swift emergence of new brands today that is matched only by the speed at which they are being built. A process that once took decades now only takes a few years as per figure 6.2.

Figure 6.2. Strong brands being built faster (Court et al 1999)



In the past, many brand positionings were kept tight and narrow as a way to find distinctiveness. All marketing initiatives sought to reinforce a narrowly defined functional benefit for the brand in its core category. Thus for example, Gillette kept its focus on razors for over 30 years, seeking distinctiveness through new functional product performance. The new paradigm is that brands develop far beyond core functional benefits, letting brands support multiple product categories. In the past decade Gillette has leveraged its brand far beyond razors, into deodorants and other personal care products, with the promise of “the best a man can get”. The new rule is thus – nurture the brand as an asset that can be profitably leveraged across product segments, geographies and/or channels (Court, Forsyth, Kelly & Loch 1999). It thus stands to reason that with shortening product life cycles and speed at which new brands are being established in the marketplace, their brand owners will be tempted to leverage the equity of their fledglings into new categories much sooner than in the past, accelerating the brand extension process. The VitaSnack wholewheat biscuit brand was only launched four years ago, yet to date we have seen the brand extend into low fat chips (unsuccessfully) and into Rice Crackers (successfully). The failure of the extension into the chip category suggests that the brand owners may have been a little too hasty in their beliefs that sufficient equity was built by the core brand for transfer of positive affect to occur.

Figure 6.3 Vutasnack Brand Extension Evolution



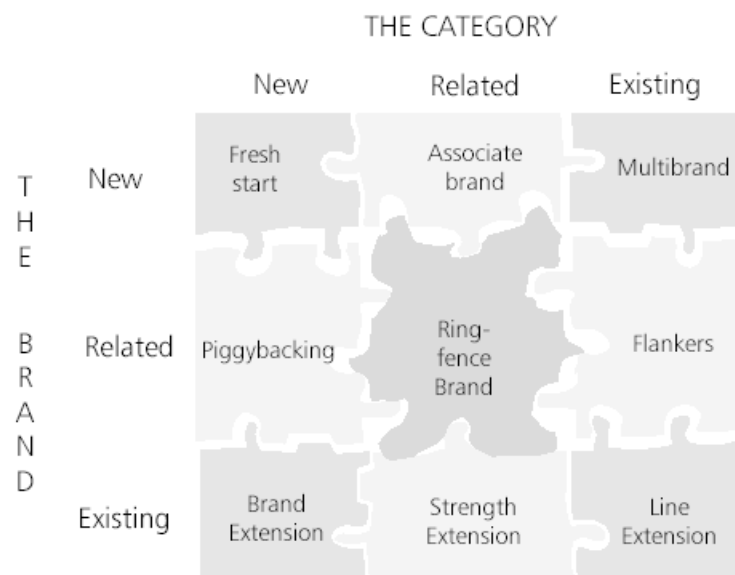
6.4 Brand Extensions in Context

Taubers Growth Matrix (1981) differentiated brand extensions from other new product forms by viewing opportunities from the perspective of the brand owner. Four

opportunity types are open to a company when launching a product, characterised according to whether the company is in a new product category or whether the brand name used is new or already familiar to the consumer (Tauber 1981). Whilst groundbreaking at the time the evolution of brand extensions has been such that the growth matrix is no longer adequate to guide brand strategy given the fast pace of change that has taken place in the area of brand extensions.

Lane and Sutcliffe (2006) proposed an updated model to guide brand strategy, which they refer to as the Jigsaw Brand Matrix (Figure 6.4). They found that brand strategy can no longer be divided into four distinct boxes as proposed by Taubers Matrix as many extensions cannot be categorised as definite line extensions, brand extensions or multibrand, some can have elements of each.

Figure 6.4. Jigsaw Brand Matrix



The “Jigsaw Brand Matrix” is an adaptation of Taubers Growth Matrix, with four additional growth options and five additional strategic categories. The four additional growth options are described by Lane and Sutcliffe (2006) as follows:

- ❑ Piggybacking – for products entering a new product category with a related brand name, where the related brand name is used as a launch pad into the new category. National Brands, South Africa’s leading biscuit manufacturer attempted to enter the confectionary market with the Bakers Notta bar, using the Bakers name as a launch pad.

Figure 6.5 Bakers Piggybacking Strategy



- Associate brand or side-kick – involves the launch of a product in a related product category with a new brand name, the new product working side by side with the parent and can extend to new consumer segments. A fine example of this approach is illustrated by global brewer SAB Miller's extension from Beer into the flavoured alcoholic beverage market through the brand Redd's Premium Cider, and the Brutal Fruit brand.

Figure 6.6 SAB Millers Example of an Associate Brand Strategy



- Strength Extension – a strategy of using an existing brand name in a related product category in order to capitalise and strengthen the parent brand.

Figure 6.7 Doritos Strength Extension



The introduction of Dorito's range of chip dips is a perfect example of this strategy.

- ❑ Flanker – a product with a related brand name in an existing product category, which can fight for a focused niche within its parent category. Proctor and Gamble are masters at developing flanker brands, and often will have three or more products under the same brand name targeted at different consumer segments as with the Cascade dishwashing brand.

Figure 6.8 P&G's Flanker Extension Strategy with Cascade



The two dimensions of product category and brand name have been retained with relatedness being introduced.

The five additional strategy directions are:

- ❑ Matrix Branding – utilises elements of brand and category extension without adopting a fully diversified or multi-branding category approach.
- ❑ Diversified Branding – unrelated brands in a partly related or non-related segment.
- ❑ Elastic Branding – developing a wide range of related and unrelated product extensions centred around the core brand name.
- ❑ Focus Strategy – The development of any product or service centred around the existing core brand and category
- ❑ Multi-branding Strategy – the frequent development of new brands focused on the company's core product category.

Whilst the “Jigsaw Brand Matrix” still requires to be empirically validated and tested across a number of different industries, it does go a long way forward in capturing the current dynamics of brand strategy and the management of extensions. One criticism

is that it fails to address another element of brand extensions which is gaining increasing popularity – co-branding.

6.5 *Benefits of Brand Extensions*

Brand extensions, if successfully executed and adopted by consumers, can capitalise on one of the company's most valuable assets, its brand names. Thus the company moves into a new category from a position of strength, the immediate consumer awareness and impressions communicated by the brand (Tauber, 1981).

Extensions capitalise on the equity built up from the core brand (Aaker & Keller, 1990).

Brands that can be successfully leveraged earn superior shareholder returns – on average companies with strongly leveraged brands – those that are leveraged across different products and categories – earn 5% more than their industry averages, while more narrowly focused (but still strong) brands earn only 1.9% more (Court, Forsyth, Kelly & Loch 1999).

Furthermore there may be a reduced risk of failure of the new item when the brand name already strongly conveys benefits desired in the new category (Tauber 1981).

An established brand name tends to already be well known by consumers and can therefore reduce initial advertising outlay normally necessary when trying to position a new brand in the consumers mind.

Brand extensions capture greater market share and realize greater advertising efficiency than individual brands (Smith & Park 1992).

The role of brand extensions in enhancing the appeal of the parent brand among prior non-users of the parent brand is another significant advantage of adopting the brand extension route (Swaminathan, Fox & Reddy 2001).

According to Smith and Park (1992) brand extensions are generally assumed to facilitate market entry by obtaining greater levels of trial (i.e., initial market share) with less investment than would be needed to introduce a completely new brand.

Their findings indicate that brand extensions do indeed confer such financial benefits on new products. However, the magnitude of the effects varies across the three basic elements of brand extension decisions: (1) the brand, (2) the product to which it is extended, and (3) the market in which the extension competes.

A brand extension can also add new life to the core brand. Lane and Sutcliffe (2006) have postulated that due to the intensely competitive nature of certain markets extension strategies are necessary in order to extend the life of a brand and drive growth.

According to Taylor (2004) there are 3 distinct advantages to stretching the brand

- ❑ *Consumer knowledge*: using an existing, strong brand to promote a new product or service means that there is less need to create awareness and imagery.
- ❑ *Consumer trust*: beyond merely being known, strong brands are trusted by consumers to deliver against a particular promise.
- ❑ *Lower cost*: the extension advantages of awareness and reputation mean that you do tend to get 'more bang for your buck' compared to new brands.

A further benefit is that prior consumer experience with the parent brand has a significant impact on trial of the brand (Swaminathan, Fox & Reddy 2001). Therefore initial sales off-take is likely. This is important because trade expectations are that new products must perform almost immediately or be removed. There is substantial evidence in the market place that product life cycles are shortening, creating greater pressure on brand owners to leverage the positive equity of their brands through line and brand extensions in order to grow the business. Intense competition in a number of fmcg categories suggests that new products launched these days do not have time on their side and have to effectively achieve trade hurdle rates or face de-listing, resulting in failure (Lane & Sutcliffe, 2006).

Given shortening product life cycles and the speed at which new brands are being established in the marketplace, established brands that are trusted by consumers and which have a loyal following can fight back and enter new categories with greater ease and achieve success in a far shorter space of time than new brands.

When leading Australian Rice Cracker brand Sakata extended into the premium adult flavoured snacking category with Sakata Aperio, the deep levels of consumer trust and brand loyalty to the core Sakata brand were easily transferred onto the product extension, allowing the extension to achieve success within eight weeks of launch, as reflected in the Aztec scan data figure 6.9.

Figure 6.9. Aztec Scan Data for Sakata Apero launch into Woolworths Australia



Brand extensions can also be used as a strategy to increase the number of consumption occasions that a brand can target (O’Bornick 2004).

It is fair to say that in today’s increasingly turbulent competitive environment, companies with well-known and established brand names, are capitalising on the strength of these names, and are using them to enter new product categories.

The findings of a survey across retailers, manufacturers and ingredients companies from Europe and the US found that the primary role of a brand is to increase sales and profits of the brand owner. Of secondary importance is the brands ability to engender and improve customer loyalty (O’Bornick 1994).

It is equally clear, however, that brand extensions should not be viewed as guarantees against product failure (Smith & Park 1992). Despite all the benefits of adopting a brand extension strategy, the failure rate is high, with as many as one in two extensions failing (Taylor, 2004).

6.6 Pitfalls of Brand Extensions

There are a number of disadvantages to adopting a brand extension strategy. Specifically, the "extension mindset" gives rise to a subtle cost in the form of lost opportunities to develop new brands that might enhance the long-term value of the firm by building its brand portfolio (Smith & Park 1992).

So whilst the business may be growing the equity of its existing brands, it is foregoing the opportunity to build new brands, which may have greater equity, and brand stretching potential in the long term.

Taylor (2004) cites the main reason for such a high brand extension failure rate as '*brand ego tripping*': being too big for your brand boots and underestimating the challenge of creating a truly compelling and credible extension. Brand ego-tripping leads companies to lose sight of what made them famous in the first place, what helped them deliver differentiation, relevance and value. They end up focusing internally on the needs of the business and its management rather than externally on the needs of the consumer (Taylor, 2004). This is supported by Blichfeldt (2005) who found that some companies think brands whilst others do not.

Early findings suggest that brand extensions can create dilution of the image consumers have of the core brand.

An extension, (either successful or unsuccessful) may potentially dilute the equity built up by the brand (Aaker, 1990). Specifically the new product may create confusion or negative connotations in the minds of consumers and thus weaken the core values of the brand (Tauber, 1981, 1988; Roedder John et al, 1998).

More recently however there have been conflicting studies that suggest that the core brand is unlikely to be harmed. We will investigate this in detail further in the thesis.

Scattergun stretching is another potential pitfall involved in the pursuit of brand stretching. Effectively it can lead to a fragmentation of financial and human resources, which can be to the detriment of other brands in the company portfolio (Taylor, 2004). It is also true to say that some extensions, specifically line extensions, can cannibalise sales from the core brand, leading to no nett gain for the brand owner.

A brand name can also harm the potential success of the extension.

6.7 Steps to ensuring a Successful Brand Extension

Taylor (2004) lists four key steps to ensuring brand extension success:

- ❑ Strong Core Brand – Understand the core brand promise and stick to it.
- ❑ Clear Vision – Have a clear vision of what you want the brand to be famous for.
- ❑ Focus for Added Value – Enter those product categories where you can add value.

- ❑ Deliver the Goods – Ensure that the extension does what it is intended to do.

Sullivan (1992) found that early entering brand extensions do not perform as well on average as either early entering new name products or late – entering brand extensions. Therefore product category development plays an important role in the success of a brand extension introduction.

6.8 How do Consumers Evaluate Brand Extensions?

Aaker & Keller's (1990) early study on how consumers evaluate brand extensions set the tone for researching this area. They proposed that consumer evaluations of brand extensions were based on the interaction between the perceived quality of the original brand and the fit between the original and extension product categories. They focused on measuring three fit variables – transfer, complement and substitute:

- ❑ Transfer – perceived applicability of the skills and assets of a competent manufacturer in the original product class for making the product extension.
- ❑ Complementarity – The degree to which the extension and the existing product share similar usage contexts.
- ❑ Substitutability – the extent to which one product can replace the other in fulfilling the same need.

Perceived quality of the original brand and its effect on consumers' evaluation of the extension was also measured. Finally they introduced a measure of difficulty of making the extension to see how this affected consumer evaluations of the extension. Subsequent studies were replicated around the world to assess if the original findings could be supported (Sunde and Brodie 1993; Alexandre-Baurhis 1994; Nijssen and Hartman 1994; Holden and Barwise 1995 and Bottomley and Doyle 1996). Bottomley and Holden's (2001) study of empirical generalizations of Aaker and Kellers original study including seven replications found sufficient evidence that support the original study. The original study found that consumer attitudes toward extensions are higher when:

- ❑ There was both a perception of fit between the two product classes against one of three dimensions (complement, substitute and transfer) and a perception of high quality for the original brand or,
- ❑ The extension was regarded as not too easy to manufacture.

Bottomley and Holden (2001) further found that the level of contribution of each of the variables varies by brand and by culture.

Barrett, Lye & Venkateswarlu (1999) postulated that whilst consumer evaluations of brand extensions appear to be primarily driven by the main effects of quality, transfer, complementarity and substitution, difficulty of making the extension is not a factor in determining consumer attitudes toward the extension.

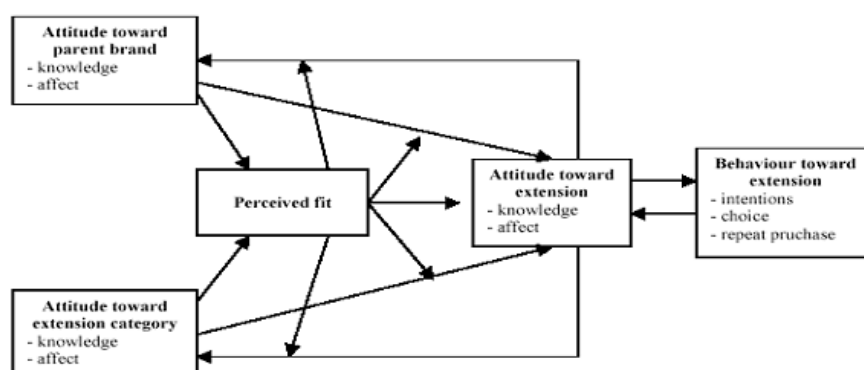
Broniarczyk & Alba (1994) found that evaluation of an extension is a joint function of how much the brand is liked in its original category and the similarity between the original and extension categories.

If there is a high fit between the established image of a brand and the extension category, a brand extension with attributes that are perceived to be typical in the extension category is judged to be of higher quality when consumers evaluate the brand extension on its own grounds rather than in comparison with brands in the extension category (Han, 1998).

When the new extension is launched, consumers evaluate it on the basis of their attitude towards the parent brand and the extension category. If a consumer does not know the parent brand and its products at all, she will evaluate the new extension solely on the basis of her experience with the extension category (Sheinin, 1998).

Czellar (2003) proposes a conceptual model of consumer attitude toward brand extension based on theoretical and empirical developments, as per figure 6.10.

Figure 6.10. Basic model of the extension evaluation process



Czellar (2003) notes that four themes correspond to the major stages of the extension evaluation process:

- ❑ Fit perception.
- ❑ Formation of primary attitudes toward the extension.
- ❑ Link between brand extension attitude and behaviour.
- ❑ Reciprocal effects of brand extension attitude on parent brand / extension category attitude.

6.9 *Factors influencing Consumers brand extension evaluations*

In addition to fit several other factors have been identified as contributing to consumers brand extension evaluations. Brudvig and Raman (2006) have listed the following:

- ❑ Company characteristics, such as consumers' perceptions of the company's skill and capabilities (Keller and Aaker 1992; Sundeland Brodie 1993);
- ❑ Product variables, such as perceived quality (Keller and Aaker 1992).
- ❑ Transferable attributes (Keller and Aaker 1992).
- ❑ Feature similarity (Park, Milberg and Lawson 1991).
- ❑ Marketing mix variables, such as advertising influences (Bridges, Keller and Sood 2000; Lane 2000).
- ❑ Placement (Desai and Keller 2003).
- ❑ Individual difference variables, such as attitude to the brand (Broniarczyk and Alba 1994) and brand familiarity (Desai and Keller 2003).

We will address the more common and generally agreed to factors that influence consumers' evaluations of brand extensions below.

6.9.1 *Fit*

Perceived fit is achieved when the consumer accepts the new product as logical and would expect it from the brand (Tauber 1988).

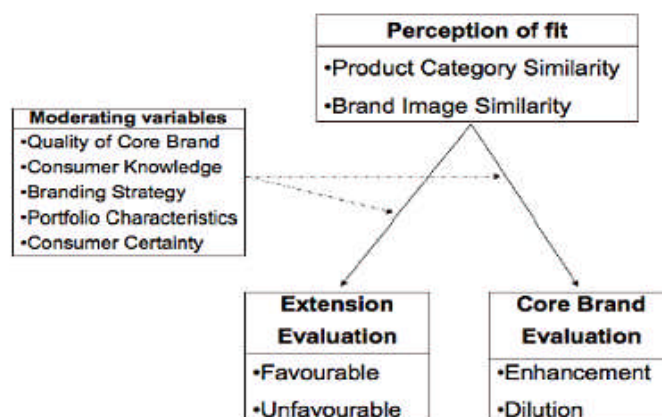
Park et al (1991) went one step further by proposing that perceived fit of an extension is not only dependant on product feature similarity perceptions, but on brand concept consistency perceptions as well. They found that evaluations of brand extensions depend on the perceived fit of the new product in relation to the existing brand, and that this fit is a function of two factors, product feature similarity and brand concept consistency.

Bridges, Keller & Sood (2000) argue against a strictly attribute-similarity based view of perceived fit and proposed a definition of perceived fit, which suggested that any parent brand association, including category, brand concept or brand specific association, can connect the parent brand with an extension and serve as the basis for perceived fit. Findings in their study suggest that explanatory links can be an effective measure of perceived fit. Consumers need to be able to find compelling explanatory links between the parent brand and the extension in order for extension attitudes to be based on attitudes toward the parent brand.

Where there appears to be a lack of perceived fit between the parent brand and the extension product category, communication strategies that establish explanatory links that connect the parent with the extension can improve this. This suggests that communication strategies that raise the salience or credibility of explanatory links can increase the number of potential product extension categories for a brand (Bridges, Keller & Sood 2000).

It is fair to say that the empirical research on the topic of consumer evaluations of brand extension has indicated that there are a number of factors that may play an influencing role. Figure 6.11 reflects the main effects that perceptions of fit have on extension evaluations as well as core brand evaluations (Ries and trout, 1986; Aaker and Keller, 1990; Aaker, 1990, as in Grime et al, 2002).

Figure 6.11. Perception of Fit (Grime et al, 2002)



There appears to be general agreement in the literature concerning the importance of fit, however there also appear to be differences of opinion as to the dimensions of fit. Similarity between an original brand and an extension category is perhaps the most essential criterion for success in brand extensions. Extensions into categories more similar to the original brand tend to be more readily accepted. Any brand, which is extended into similar categories, should receive high consumer evaluations (Hem & Iversen 2002; Hem, De Chernatony & Iversen 2003). The greater the similarity between the current and new product, the greater the transfer of positive or negative affect to that new product (Boush et al, 1987).

Monga and Houston (2002) proposed that all the seemingly different fit measures of Aaker and Keller (1990), Boush and Loken (1991) and Park et al (1991) are based on the concept of similarity of associations

A high level of both perceived core brand quality and similarity or "fit" between the original and extension product categories was necessary for favourable extension evaluations (Aaker and Keller, 1990). These findings were however contradicted in Aaker and Keller's (1992) study where they found that favourable extension evaluations were still evident for a high quality core brand, but not for an average quality core brand, when the extension product category was the most dissimilar, suggesting a high quality brand can be stretched farther than an average quality brand. Grime et al (2002) therefore propose that the higher the level of quality of the core brand the lower the impact of fit on consumer evaluations of the extension and the core brand, thus suggesting that the impact of fit on extension and core brand evaluations is moderated by the level of quality of the core brand.

Product knowledge is also seen as having a moderating effect. Brand specific associations may dominate the effects of brand affect and category similarity, particularly when consumer knowledge of the brands is high (Broniarczyk and Alba, 1994). Muthukrishnan and Weitz (1991) found that there exists a difference between novices and experts in terms of the way in which they evaluate brand extensions, specifically if the brand and the new extension share a commonality in technology. Czellar (2003) postulates that the higher the consumers expertise with the parent brand or extension category the lesser is the impact of perceived fit on extension attitude, and that knowledge transfer increases with consumer expertise with the parent brand and/or category. Consumer knowledge can be divided into familiarity and expertise. The first refers to the how many times the customer has been in contact

with the brand. Expertise in its turn concerns the customers' ability to use the actual branded product. If the consumer's knowledge is high, it may supposedly restrict the distance a company can extend their brand. If the customer has a fixed idea of what a certain brand is about, a distant category extension may not be accepted as easily as if the consumers knowledge is low (Grime et al. 2002 in Carlson and Johannsen 2006). Another moderating factor is that of the branding strategy used. Brand extension management, is not a simple management procedure but must take into consideration the parent brand and other related brands as well as view perceptions against the backdrop of a segmentation criteria which can guide the brand personality positioning towards the desired marketing objectives (Lane & Sutcliffe, 2006).

The successful introduction of brand extensions can have two important secondary benefits--they may make it more likely that consumers will (1) evaluate any additional brand extensions more favourably and (2) view the core brand itself more favourably (Aaker & Keller, 1992). The introduction of a co-branding strategy can reduce the negative impact of an extension with a poor fit on consumer evaluations of both the extension and the core brand (Grime, Diamantopoulos and Smith 2002).

The concept of fit plays a pivotal role in the evaluation of co-branded products. When fit is present, the more positive is the evaluation of the co-branded offering.

Quantitative results showed that each of the dimensions — original brand attitude, fit and difficulty of manufacture — were all significantly related to consumer co-brand evaluations.

This has a significant impact on choice of partner in co-branding efforts as well as the selection of brands to be used (Dickinson & Heath 2005). Partner selection is vital for positive co brand consumer evaluations.

Highly rated brand extensions considered to be a good fit with the parent brand are not evaluated as favorably in the presence of competing brands as when they are evaluated on their own. Most notably, the measures of fit that make an extension relevant with the parent brand may no longer be sufficient in a competitive setting.

This means that a brand extension must fit not only with the parent brand, but it must also be introduced with a good understanding of the effect of the competing brands in the target category (Kapoor & Heslop 2005).

The impact of fit can also be moderated by portfolio characteristics. Companies that have developed a broad portfolio of products by extending into a wide variety of product categories can find themselves at an advantage. Broad brands usually do not

have strong category associations that can interfere with their benefit associations. Thus if the brand benefits are desirable in the extension category, consumers will prefer the broad brand extension (Meyvis and Janiszewski 2004). Fit will have a lesser impact upon consumer evaluations of the extension and the core brand when the portfolio of products is more diverse (Grime, Diamantopoulos and Smith 2002). They further confer that when consumers believe that the company has the ability to provide the new product, the fit between the core brand and the new extension should have less of an impact on consumer evaluations of the extension and the core brand. Thus the effect of fit on consumer evaluations of an extension is moderated by consumer certainty.

Where there appears to be a lack of perceived fit between the parent brand and the extension product category, communication strategies that establish explanatory links that connect the parent with the extension can improve this. This suggests that communication strategies that raise the salience or credibility of explanatory links can increase the number of potential product extension categories for a brand (Bridges, Keller & Sood 2000).

Klink and Smith (2001) find evidence to suggest that the more product related information is made available to consumers the less the importance of fit in extension evaluation.

The perceived quality of the core brand influenced brand extension evaluations only when there was some basis of fit between the core brand and proposed extension products. When there was little basis of fit, extension evaluations were low regardless of the perceived quality of the core brand (Aaker & Keller, 1990).

Unique brand specific associations can assist in ensuring the successful transfer of an extension into a seemingly non-related product category. Sweet flavour Froot Loops association transferred more readily to physically dissimilar categories such as lollipops than to physically similar categories such as hot cereal because of the relevance of the unique brand specific associations in the dissimilar extension category (Broniarczyk and Alba, 1994).

The reputation of the original brand is an important factor influencing the success of the extension. Building a favourable reputation for a parent brand is an important contributor to the success of brand extensions (Hem, De Chernatony & Iversen 2003).

6.9.2 Impact of brand extensions on the dilution of the core brand image

Do failed or unfavourable brand extensions have the power to dilute the core brand or parent brand image? Across the literature there are conflicting findings of the dilution of image or belief changes on the parent brand as a result of a negative or failed extension. John and Loken (1990) argue that the parent brand's reputation could be damaged if the extended product fails, if the positioning of the extended product is inconsistent with the positioning of the parent brand, or if too many products are extended from a given brand name. Well-established brand names can be hurt in the eyes of the consumer, by certain kinds of brand extensions. Extensions delivering attributes that are at odds with what consumers expect from the family brand can produce dilution of the specific beliefs associated with the family brand name (Lokken & Roedder John, 1993). Conversely Keller and Aaker (1992) concluded that the core brand image is *not* affected by unsuccessful brand extensions, regardless of how the brand extensions are perceived as typical of the core brand. They note the fact that the core brand image is relatively unaffected by even multiple extension failures and that this is another demonstration of the strength of the core brand image when those failures are in different categories.

It may be that unless the extension failure can be related in some very direct sense to the core brand, the core brand image is fairly immune to extension failure. Consistent with this judgement is the finding by both Sullivan (1988) and Roedder-John and Loken (1990) that negative feedback effects on the core brand occurred only when an unsuccessful extension was very similar to the core brand (e.g., a line extension in the same product category) (Aaker and Keller, 1992).

Leong, Ang & Liao (1997) reported that the risk of dilution for master brands is high regardless of whether the extension is successful or not. However the outcome of the extension has a more variable impact for less dominant brands

Roedder John, Loken and Joiner (1998) found that beliefs about the flagship product appear to be resistant to change and less vulnerable to dilution than beliefs about the parent brand in general.

Extensions delivering attributes that are at odds with what consumers expect from the family brand can produce dilution of the specific beliefs associated with the family brand name.

- ❑ 1st the risk of brand name dilution appears to be greater for brand extensions that are perceived to be moderately typical of the family brand.
- ❑ Risk of brand name dilution appears to be more evident for some types of beliefs than others
- ❑ Brand extensions perceived to be clearly different from products offered under the family name brand, as a result of delivering atypical product attributes carried a more moderate degree of risk with virtually no dilution in cases where the brand extension's typicality was salient to consumers.

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 (Chen & Chen 2000).

A family brand image is diluted by an unfavourable brand extension, regardless of the category similarity of brand extension. However, an original brand image is not diluted by an unfavourable brand extension, regardless of the category similarity of brand extension. Favourability, instead of the category similarity, of brand extension determines the dilution effects on the family brand image in a direct experience scenario (Chang, J. W. 2002).

Martinez & Pina (2003) posit that extensions inconsistent with the brand image are likely to create new associations in buyers' minds or to confuse their current brand feelings and beliefs. The brand extension strategy might dilute the brand image after the extension. Distant extensions negatively affect the brand image. Also, the lower the perceived quality of the extension, the worse the brand image will be after the new product has been launched.

A brand extension that seemingly and isolated is performing fine, might still transfer negative affect and associations to the parent brand (Thorbjornsen 2005).

Brands that have not developed strong, cross-category performance or personality dimensions that cut more easily across categories risk diluting their core equities when they shift their propositions to enter new businesses (Court, Forsyth, Kelly & Loch 1999).

Kumar (2006) found evidence to suggest that a successful extension can indirectly dilute a brand by reducing the perceptual separation between the parent and extension

categories and by improving customer evaluation of a counter extension. The findings suggest that successful brand extensions serve to build “bridges” across product categories that lower the entry barriers for counter extensions.

Ahluwalia & Gurhan-Canli (2000) identified accessibility of extension information as a factor that moderates the effect of extension on the family brand name. Under higher accessibility they found that dilution and enhancement effects emerged regardless of category similarity. Under low accessibility dilution and enhancement effects occurred in response to more diagnostic information. They also found that dilution effects could be observed even in far extensions.

As the original (or core) brand image is not diluted by an unfavourable brand extension, brand leveraging for established core brands should be encouraged, because brand extending helps market penetration for profit-maximizing and the threats to the original brand image and attribute beliefs, which are induced by unsuccessful brand extensions, are extremely low (Chang 2002).

6.9.3 Impact of brand extensions on the core brand personality

A brand personality can be defined as the set of human characteristics associated with a given brand (Aaker, 1997). It has long been recognised that brands could be said to have a personality, as any person has a personality (Azoulay, Kapferer 2003).

Brand personality is one of the four brand identity perspectives (Aaker pg.78). It can therefore be viewed as an important part of the brand and can serve to evoke positive feelings toward a brand, specifically if the consumers perception of self on the basis of human characteristics is aligned with that of the human characteristics of the brand (Malhotra in Aaker,1997).

In the same way that brand extensions may impact on enhancing or diluting the image of the core brand can a brand extension shift or impact upon the existing personality of the core brand, thereby diluting the positive feelings that consumers held toward the core brand? Diamantopoulos, Smith and Grime (2005) found that there exists no adverse impact on brand personality of the core brand as a result of introducing brand extensions, irrespective of their perceived fit. Their study was the first to explicitly investigate the impact of brand extensions on brand personality. One of the limitations of their study was that it involved a high risk, high involvement product. It is not clear

however whether the same results would be obtained for low risk products, such as typical *fmcg* brands.

Aaker (1997) developed a five-dimension brand personality scale used to describe and measure the personality of a brand in five core dimensions. Each dimension is further divided into a set of facets. Each facet is in turn measured by a set of traits. The dimensions, their facets and traits are described as follows:

- ❑ Sincerity: Down to Earth (Family oriented; small town); Honest (Sincere; real); Wholesome (Original); Cheerful (Sentimental; friendly);
- ❑ Excitement: Daring (Trendy; exciting); Spirited (Cool: young); Imaginative (Unique); Up to date (Independent; contemporary).
- ❑ Competence: Reliable (Hard working; secure); Intelligent (Technical; corporate); Successful (Leader; confident).
- ❑ Sophistication: Upper class (Glamorous; good looking); Charming (Feminine; smooth).
- ❑ Ruggedness: Outdoorsy (Masculine; western); Tough (Rugged).

6.9.4 Transfer of affect to the extended brand

The greater the similarity between the current and new product, the greater the transfer of positive or negative affect to that new product. Product similarity (between new and existing products) strongly influences the effects of brand evaluation transfers to the new product (Boush et al, 1997).

In addition the affect associated with a strongly category dominant brand transfers to an extended product best when the target category is closely related to the parent category (Herr, Farquhar and Fazio 1996). They therefore surmise that a strong category to brand association appears to restrict a brands ability to transfer affect across categories, highlighting the need for caution in extension decisions for brands that might appear to be natural platforms for building equity. Alba and Van Osselaer (2003) found that there exist conditions under which the use of specific product associations to promote the product in the extension categories in which those associations are not relevant or cannot be used can actually have a harmful effect on the extension product.

They suggest that success depends not only on specific brand-benefit associations but also on specific attribute-benefit associations, and moreover that consumers

evaluations of extension products depend on the locus of brand equity. Any equity that the attribute draws from the brand reduces brand equity and the likely success of the extension products when the attribute is not suitable for those extension products. They further state the converse is also true, namely that in the event of consumers lacking reliable quality information, the positive associations carried by a product's attributes in the original category, may generalise to the brand through a simple associative transfer process, thus boosting brand equity and at the same time having a positive affect on the extension products.

6.9.5 Impact of Congruent and Incongruent Brand extensions on consumer evaluations

Meyers-Levy, Louie and Curren (1994) found that moderate levels of incongruity between the extension and the parent brand resulted in more favourable evaluations than either a high level of congruity or incongruity. Their study involved participants evaluating three Kellogg extensions, (1). Kellogg Peanut Butter Cereal – congruent; (2). Kellogg Corn Chips – moderately incongruent and (3). Kellogg Peanut Butter covered crackers – extremely incongruent.

A congruent brand extension is judged more favourably than either a moderately incongruent brand extension or an extremely incongruent extension when involvement in the task is low.

Furthermore when involvement is high, a moderately incongruent brand extension may only be judged more favourably than a congruent one if the extension is undifferentiated. If the extension is differentiated, the differentiation may provide a basis for favourable evaluation irrespective of the level of congruity with the brand (Maoz & Tybout 2002).

Campbell & Goodstein (2001) provides strong evidence that evaluations of moderately incongruent products are dependent upon the risk associated with the product. Their study demonstrates that perceived risk is one consumer behaviour variable effecting product evaluation. Only in conditions where subjects perceived no real risk did the positive effect of moderate incongruity appear.

Zhang & Sood (2002) found that for adults, brand extension evaluations reflect category similarity judgements, resulting in evaluations that are far more favourable for near extension than for far extension categories.

Thorbjørnsen (2005) found no significant differences between congruent and incongruent extensions for attitudes toward the extension itself.

Maoz and Tybout's (2002) study qualifies the previously observed finding that a moderately incongruent brand extension is evaluated more favourably than a congruent or extremely incongruent brand extension.

Thorbjørnsen (2005) finds general support for the importance of brand concept congruity when it comes to feedback effects, whereas no significant differences between congruent and incongruent extensions are found for attitudes to the extension itself.

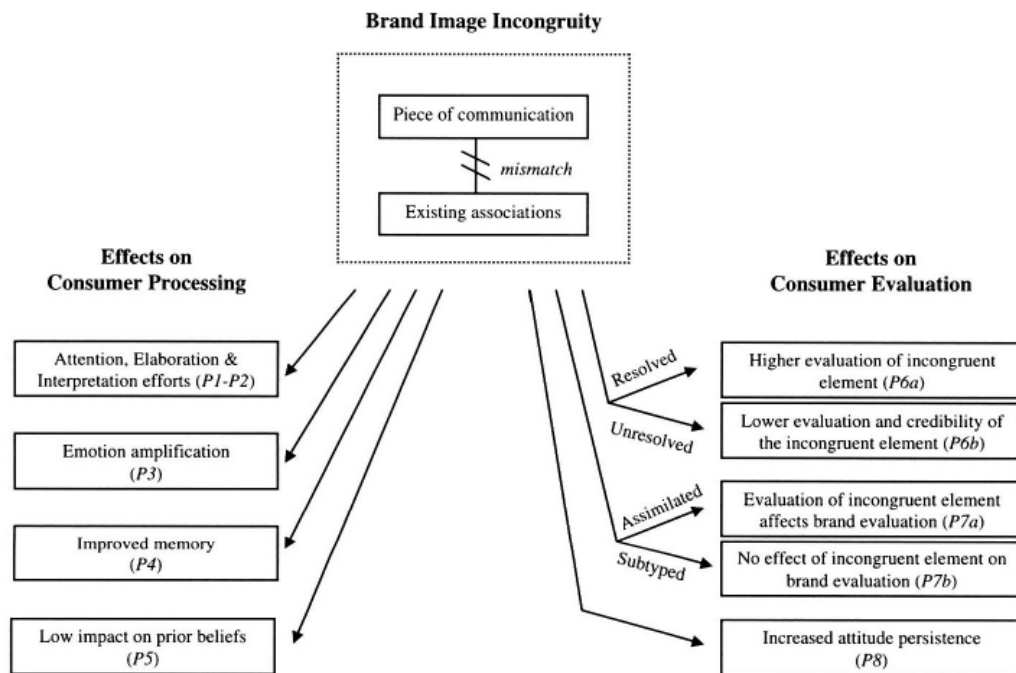
The core function of a brand is to provide consumers with a reliable rule of thumb as to what they can expect, but at times it may be essential to challenge consumer perceptions if mature brands are to remain relevant and vigorous (Sjodin and Torn 2006). Brand extension incongruity in this context is a plausible approach for mature brands.

6.10 Brand Extension Evaluations and Brand Image

Companies often do communicate in a way that challenges existing associations when launching brand extensions. When a surprising brand extension is introduced consumers find themselves facing a new and even confusing piece of information about the brand, which does not fit comfortably with the image that they have learned to associate with the brand. Brand image incongruity can be defined as a discrepancy between a particular piece of communication about a brand and the brand image already established with consumers (Sjodin and Torn 2006).

Hem and Iversen (2002) argue that based on previous findings reflecting that consumers prefer brands that are associated with a set of personality traits congruent with their self-image, consumer perceived relevance of an extension category (product category involvement) will most likely increase the perceived self-image/brand image similarity and then again influence evaluations of brand extensions. Figure 6.12 reflects the proposed effects of brand image incongruity on consumer processing and evaluations of brand extensions.

Figure 6.12. Proposed Effects of Brand Image Incongruity (Sjodin and Torn 2006)



6.11 The effects of brand image incongruity on consumer processing

6.11.1 Attention

People require more time to evaluate atypical brand extensions (Boush and Loken 1991 in Sjodin & Torn 2006). Sjodin and Torn go on to argue that the incongruity is not immediately understood and early reactions include confusion and attempts to understand the incongruity. They thus propose that brand incongruity attracts attention and increases elaboration. Furthermore brand incongruity begs resolution so consumers try to interpret available cues to dispel confusion.

6.11.2 Emotion

Surprise, caused by incongruity may pave the way for a stronger amplified reaction than a non-surprising stimulus would evoke. Brand image incongruity amplifies the emotional response to the communication (Sjodin and Torn 2006).

6.11.3 Memory

As consumers come across incongruity, they try to come to terms with it, making associative pathways to brand knowledge already in memory. When the set of brand associations is highly developed, as should be the case for familiar and well-established brands, detection and use of incongruity is to be expected (Fiske and Taylor 1991 in Sjodin and Torn 2006). Brand incongruity therefore facilitates recall of information (Sjodin and Torn 2006).

6.11.4 Beliefs

Sjodin and Torn (2006) state that even though consumers elaborate on brand image incongruity, they do not necessarily change their beliefs about the brand, since mature brands resist change. They propose that consumers tend to assimilate brand image incongruity or view it as a special case leaving prior beliefs largely unchanged.

6.12 The effects of brand image incongruity on consumer evaluation

6.12.1 Attitude towards the stimulus

The attitude towards an incongruent piece of communication such as an advertisement or a brand extension will be affected by the incongruity. Meyers, Levy et al (1994) found that moderate levels of incongruity between the extension and the parent brand resulted in more favourable evaluations. Conversely other studies have found that congruent brand extensions are judged more favourably than either a moderately incongruent brand extension or an extremely incongruent extension (Maoz and Tybout 2002).

Sjodin and torn (2006) propose that the effect of evaluation on incongruent stimuli is contingent on the individual succeeding in resolving the incongruity. Therefore resolved brand incongruity leads to higher evaluations of the incongruent element, whilst unresolved brand image incongruity leads to lower evaluations and lower perceived credibility of the incongruent element.

6.12.2 Attitude towards the brand

The attitude towards the brand will also be affected by brand image incongruity. However depending on whether the individual successfully resolves the incongruity or not the influence of incongruity on brand evaluation can be exerted through two routes. A favourable evaluation of the incongruent element will lead to a positive evaluation of the brand if the incongruity is assimilated whilst in the case of an unresolved incongruity, the incongruent element will be sub-typed and regarded as an exception in relation to existing brand knowledge. Thus the negative evaluation of the incongruent element will not affect the evaluation of the brand (Sjodin and Torn 2006).

6.12.3 Attitude persistence

Goodstein (1993) in Sjodin and Torn (2006) argues that an attitude towards an advertisement or a brand formed by incongruent communication may be less susceptible to change. Therefore Sjodin and Torn (2006) propose that brand image incongruity leads to stronger attitude persistence.

6.13 Factors that enhance brand equity through category extension

Carlson & Johannsen (2006) have identified the following factors as enhancing brand equity when extending the brand into new categories.

6.13.1 Brand Context Distance

Through category extensions the brand becomes more visible and acts in several contexts. Each subsequent category extension will create an overall image of the brand further away from product attributes. A wide spread of brand context enables the brand image to be clearer as product features are not limiting it. In this way brand context distance can enhance brand equity through category extensions, creating a clear and abstract brand image.

6.13.2 Lifestyle

Brand context distance enables the brand to offer components to a lifestyle and

therefore enhances brand equity through creating a clear and abstract brand image. Since a few brands' versions of a specific lifestyle can constitute the means by which a consumer defines herself, she can become dependent on these specific brands. The brands become a necessary tool for expressing a lifestyle and a dependency that enhances brand equity emerges.

6.13.3 Brand Awareness

A high level of abstraction in the consumers' associations to the brand enhances the transferability, which increases the possibilities to conduct future extensions that enhance brand equity.

6.13.4 Fit

Fit is about brand image similarity between the original brand and the product extension. Fit is achieved through the transfer of favourable associations from the core brand to the extension. When this happens brand equity is enhanced.

6.13.5 Guarantee Function

If the extended product lives up to, or even exceeds, the expectations raised on the brand, it will benefit from positive associations and the perceived quality of the brand will be higher. This gives the consumer an increased notion of the brand, as a trustworthy provider of quality and the guarantee function is thus a factor that enhances brand equity.

6.13.6 Personality

If a brand is denoted as trustworthy, it is perceived as having a personality and if this perception is of a single and unified nature, it will strengthen the brand image and increase the possibility of identification and the identification process consequently enhances the brand equity.

6.13.7 Relationship

If the brand image is highly correlated with the consumer's self-image, there is a strong intention to buy the brand. When the abstraction level increases through category extension, the brand image becomes easier for a consumer to identify with. A category extension can thus increase the correlation between self-image and brand

image and thereby enhance brand equity. Status is also an aspect within the relationship factor that enhances brand equity if the extended product contributes to an enhancement of the status in the brand image.

6.14 *Impact of cultural differences*

Studies undertaken suggest that cultural differences do impact on the manner by which consumers evaluate brand extensions. Bottomley and Holden (2001) found evidence that the level of contribution of fit between the parent and the extension category and quality of the original brand as measures of brand extension evaluations, vary by culture. Monga and Roedder John (2006) found that cultural differences do exist in consumers' response to brand extensions. Consumers from Eastern cultures perceive higher levels of brand extension fit and evaluate brand extensions more favourably than do consumers from Western cultures. They found support for styles of analytic and holistic styles of thinking as drivers of cultural differences in brand extension evaluation. Cross-cultural studies on consumer evaluations of brand extensions are required for generalisability of findings in the literature thus far. This thesis will focus on consumer evaluations of brand extensions in the South African market, and will add to the empirical literature by identifying whether South African consumers evaluate brand extensions any differently to their European and American counterparts.

6.15 *Summary of key points and specific issues*

The speed of brand building is accelerating dramatically. The product lifecycle is also shortening and as a result brands need to be constantly reinvented within the *fmcg* environment in order to maintain their relevance. The new paradigm is that brands develop far beyond core functional benefits, letting brands support multiple product categories. As a result many companies are nurturing the brand as an asset that can be profitably leveraged across product segments, geographies and/or channels, hence the rapid rise in brand extensions.

A review of the volumes of the extant literature on consumer evaluations of brand extension concludes that the majority of these are based on the American, European

and Asian setting. Despite a comprehensive search the author has been unable to locate published work on brand extension evaluations within the context of the South African consumer.

Consumer evaluations of brand extensions are influenced by the perceived fit between the core brand and the extension category together with the influence of the quality of the core brand. Whilst there is no question about the importance of fit as a moderator of consumer evaluations, differences of opinion exist concerning the dimensions of fit. Apart from fit a number of additional variables have been identified as having an influence on consumer evaluations, although their weighting relative to the importance of perceived fit and quality are questionable. Co-branding strategies can overcome the negative impact of an extension with a poor fit on consumer evaluations of both the extension and the core brand.

Across the literature there are conflicting findings concerning the dilution of image or belief changes on the parent brand as a result of a negative or failed extension. Initial thinking propagated that the parent brand's reputation could be damaged through extension failure, inconsistent positioning relative to the parent brand, or if too many products were extended from a given brand name. Other findings suggest that the original (or core) brand image is not diluted by an unfavourable brand extension, and therefore brand leveraging for established core brands should be encouraged.

There is only one piece of literature empirically testing the impact of brand extensions on brand personality therefore this area of investigation can be said to be in its infancy and deserves greater investigation, specifically relating to the *fmcg* industry, where the products tend to be of a low risk, low involvement nature.

Brand extension incongruity also appears to be a topic of contention. Whilst early findings postulated that moderately incongruent brand extension are evaluated more favourably than a congruent or extremely incongruent brand extension, recent findings suggest no significant differences between congruent and incongruent extensions for attitudes toward the extension itself.

Cultural differences do impact on the manner by which consumers evaluate brand extensions. Within the South African context cultural differences are likely to impact on brand familiarity, as consumers tend to be more conservative and hence brand loyal, possibly restricting the distance a company can extend their brand.

Successful brand extensions drive shareholder value, guaranteeing substantial returns for their stakeholders.

7. Hypothesis

The table below reflects previous findings on certain key areas concerning consumer evaluations of brand extensions and leads us into the areas of investigation that this thesis will focus on.

Table 7.1 Hypotheses Statements and Prior Findings

Hypotheses	Who Tested Previously?	What did they find?
H1. A favourable core brand image allows greater stretch into unrelated categories	Grime et al. 2002 in Carlson and Johannsen 2006 Hem, De Chernatony & Iversen 2003	If the customer has a fixed idea of what a certain brand is about, a distant category extension may not be accepted as easily as if the consumers knowledge is low. The reputation of the original brand is an important factor influencing the success of the extension. Building a favourable reputation for a parent brand is an important contributor to the success of brand extensions
H2. Incongruent brand extensions are not evaluated favourably.	Lokken & Roedder John, 1993 brand (Tauber, 1981, 1988; Roedder John et al, 1998).	Extensions delivering attributes that are at odds with what consumers expect from the family brand can produce dilution of the specific beliefs associated with the family brand name Specifically the new product may create confusion or negative connotations in the minds of consumers and thus weaken the core values of the core brand
H3. There is a negative correlation between the level of incongruity and perceived core brand image.	Martinez & Pina 2003 Chang 2002	Extensions inconsistent with the brand image are likely to create new associations in buyers' minds or to confuse their current brand feelings and beliefs. The brand extension strategy might dilute the brand image after the extension. Distant extensions negatively affect the brand image Unfavourable incongruent extensions did not cause negative evaluations of the parent brand
H4. Consumers will more readily accept a close brand extension in a brand category because	Herr, Farquhar and Fazio 1996 Hem & Iversen	The affect associated with a strongly category dominant brand transfers to an extended product best when the target category is closely related to the parent category. Extensions into categories more similar to the original

image congruity will be high.	2002; Hem, De Chernatony & Iversen 2003	brand tend to be more readily accepted. Any brand, which is extended into similar categories, should receive high consumer evaluations.
	Zhang & Sood 2002	For adults, brand extension evaluations reflect category similarity judgements, resulting in evaluations that are far more favourable for near extensions than for far extension categories
	Thorbjornsen 2005	No significant differences exist between congruent and incongruent extensions for attitudes toward the extension itself.
H5. Incongruent brand extensions from younger brands are evaluated more favourably		
H6. Parent brand image is not diluted by an unfavourable brand extension	Chang 2002	Chang 2002 demonstrated that unfavourable incongruent extensions did not cause negative evaluations of the parent brand

This paper investigates the impact of similarity and dissimilarity between the original brands and the extension, brand reputation, core brand image dilution, the impact of brand extensions on brand personality and the effects of co-brands on the consumer evaluations of brand extensions in the *fmcg* sector within the context of the South African environment. Three (3) specific research areas are considered:

1. How does brand extension congruity or incongruity affect consumer evaluations of the core brand image, and how does this differ amongst established and newer brands
2. What is the likelihood of consumer acceptance of the brand extension at different levels of extension incongruity? Is co-branding viewed more favourably?

- Is it that the greater the level of incongruity the less the likelihood of the extension succeeding?
 - How do consumers evaluate whether a brand extension fits or not?
 - Which brands are more likely to end up as brand extension failures?
3. Are older high profile established brands held back by their success from extending easily into other categories more so than emerging brands?

Empirical studies on consumer evaluations of brand extensions for the South African domestic market are scarce and yet are urgently needed if South African brand owners within the *fmcg* sector are to remain relevant to local consumers given the increasing number of imports entering this market.

8. Research Design

8.1 The aim of the research

The aim of the research is to investigate the impact of similarity and dissimilarity between the original brands and the extension, brand reputation, core brand image dilution, and effects of co brands on the consumer evaluations of brand extensions in the *fmcg* sector within the context of the South African environment.

8.2 Methodology

The research method used was that of quantitative research study using a questionnaire with face to face interviews. Concept boards were introduced depicting visual designs of each of the 6 brand extensions per brand, 30 extensions in total, as well as visual designs and concepts for each of the co branded extensions and their 'stand alone' alternatives. The objective was to understand the "stretchability" of the surveyed brands by measuring the attitudes, beliefs and behaviours of respondents toward the brand extension concepts. Focus groups would not have delivered quantifiable results and would have resulted in group bias, with persuasive individuals influencing the outcome; hence the effectiveness of questionnaires using close ended questions mainly through the use of Likert scales in this context. The majority of the scales used were five point Likert scales (9 questions). Six point and seven point Likert scales were also used. A total of 8 demographic questions were asked, followed by 6 questions relating specifically to the core brand, and a further 12 questions focused on the actual extensions themselves. A detailed copy of a questionnaire can be found in *Appendix 2*. The use of a structured questionnaire meant that all respondents were asked the same questions in the same order, which facilitated data analysis. According to Sudman and Blair (1998) the disadvantages of using surveys are as follows :

- Structured interview reduces flexibility
- Deep feelings and hidden motivations cannot be probed very well
- Questions are limited to items that have short, direct answers

Sudman and Blair (1998) also state that the flexibility of personal surveys in terms of questionnaire design is unrivalled among the possible methods of data collection.

Specifically the face-to-face nature of the interview allows the interviewer to show the respondent products, packaging or advertisements. As respondents had to be exposed to visual concepts of congruent and incongruent brand extensions this method was most appropriate if in reflecting respondent views as accurately as possible

The key steps undertaken in the process were as follows:

- ❑ Brainstorming all the possible ways to test and probe my stated hypotheses
- ❑ Arriving at the optimum research approach
- ❑ Drawing up a timeline for the various research tasks
- ❑ Developing brand extension concepts and finalising their design
- ❑ Testing for categorisation of extensions ranging from congruent to incongruent relative to existing categories for each brand
- ❑ Developing the questions for the questionnaire, referring back to my literature review, as well as to the extant literature concerning my stated hypotheses
- ❑ Preparing interviewer instructions and protocols
- ❑ Finalising the questionnaire
- ❑ Piloting the survey among a group of 6 people per brand in order to reveal any potential problems with the questionnaire and the brand extension concepts, specifically testing the questionnaire for length, comprehensibility, and flow.
- ❑ Launch of survey
- ❑ Conduct the empirical survey data collection and structuring into Exel and SPSS
- ❑ Generating tables and graphs concerning findings
- ❑ Analysis
- ❑ Conclusions and recommendations

8.3 *Face to face Interviews*

Structured personal surveys (face to face interviews) were undertaken in both a shopping mall and in an in-home environment, measuring respondent's familiarity and attitudes towards the surveyed brands, exposing them to the range of proposed brand extensions visually. Each subject was asked to respond to six possible extensions, congruent and incongruent, for one of the five brands, of which three of

the brands (Bakers; Black Cat & Appletiser) have been in the South Africa market for a number of decades. The other two brands (Viatsnack and USN) have been in the South African market for less than a decade.

The survey measured the appeal of the new product concepts, propensity to purchase, brand fit, frequency of purchase, and reasons for non-fit. Additionally the survey tested respondents shift in attitude toward the core brand to determine whether a negatively perceived brand extension had the potential to damage the core brand.

8.4 *Establishing Congruent, Moderately Incongruent and Incongruent Extensions*

One of the key challenges was to ensure that each brand surveyed was represented by extensions that ranged from congruent through to incongruent relative to the existing brand product category.

In a dipstick survey a panel of existing regular users of the brands concerned (use the brand at least once per month) determined categorisation of the extensions in terms of levels of incongruity using a quantitative measure. A total of 6 respondents were used for each brand, amounting to 30 respondents in total. The following question was posed: “On a scale of 1 to 6, where 1 = extremely appropriate and 6 = extremely inappropriate relative to Brand X, please rank each of the 6 products in order of preference”. These respondents were not used again in the main survey.

A summary of findings is reflected in the following table.

Table 8.1 Brand Extension Concept Congruency Ranking

Brand	Congruent to Core brand			Incongruent to Core brand		
Bakers	Bisc Mix	Choc Bar	Milk drink	Ice cream	Cheese	Nuts
Black Cat	Cookies	Ice-Cream	Energy Drink	Chips	Milk Drink	Sauce Mix
VitaSnack	Fruit Juice	Pancake Mix	Noodles	Peanut Butter	Cereal	Fruit Bar
Appletiser	Yoghurt	Water	Lipstick	Cereal	Ice cream	Muesli Bar
USN	Noodles	Ice Cream	Cereal	Rice crackers	Energy Drink	Yoghurt

The categorisation of extensions was determined by calculating the mean for each of the extensions under each core brand. The raw numbers for each brand can be viewed in *Appendix 1*.

8.5 Respondent Profile and Quotas

A total of 500 regular users of the surveyed brands were interviewed in the Gauteng area of South Africa. In order to qualify respondents had to be:

- Regular users pertaining to the brand they were being interviewed on (at least once a month)
- Eighteen (18) years of age and over

Each respondent evaluated the “stretchability” of only 1 of the 5 brands covered in the survey. A sum of 500 completed questionnaires was obtained in total (100 responses per brand).

Quota sampling was applied to obtain 500 urban grocery consumers, 18 - 60 years; no requirements were set in terms of race or gender. Of the total respondents, 265 (53%) were Black.

The respondents’ demographic profiles in terms of age are reflected below:

Figure 8.1 Number of Respondents Falling Under Categorised Age Groups

age	18 - 30	31-45	46+	Total
Bakers	35	30	35	100
Black Cat	35	30	35	100
Vitasnack	35	30	35	100
USN	35	30	35	100
Appletiser	35	30	35	100
Total	175	150	175	500

Quota sampling is often used in market research because it does not require a list of potential respondents, rather the interviewer is given quotas to fill. It is not based on random selection. Instead, interviewers find respondents who fit into predetermined categories, based on their judgement, until their quotas are filled. The advantage of quota sampling is that it is quick and cheap to organise. Key disadvantages is that it is not as representative of the population as other sampling methods and because the sample is non-random it is impossible to assess the possible sampling error

(www.mis.coventry.ac.uk/~nhunt/meths/quota.html).

Of the total group of 500 respondents, 465 (93%) were involved in the shopping for and selection of brands.

The respondents were relatively well educated, with over 80% having achieved at least a higher school certificate (matric) or tertiary education. This is significantly higher than the national average.

A total of 40.8% of respondents fell between LSM's 5 – 7 on income measures, the remainder falling into higher LSM and income brackets. Of the group, 4.6% (23 respondents) refused to disclose their household income levels.

A detailed breakdown of the demographic profile of the respondent base can be found in Appendix 2.

8.6 Limitations

1. Sample size across each brand – A total of 100 respondents per brand is not statistically significant when broken down into sub groups, such as age and ethnic profile. The bases are small hence caution should be exercised when drawing large scale conclusions.
2. Respondents are regular users of the respective brands and as such they had positive attitudes toward these. They are generally loyal toward these brands. As a result dilution effects of unfavorable brand extensions on core brand image may differ among different consumers with different levels of brand loyalty. It may well be that extensions evaluated negatively by respondents may well have been rated differently by non-users, and may have drawn them back to the brand concerned as a result.
3. The sample is based on regular users (as defined by the question used to identify the respondents) within a general population context - Results can be trusted fairly well to represent regular users - only slight concern would be that we have users who meet a specific demographic profile which may be slightly different from that of the brand. However the profile of each brand is the same so there is academic merit in that.

Whilst the limitations have been addressed above a key positive of the research would be that respondents were all regular or heavy users of the respective brands that they

were interviewed on. This differs from the majority of studies undertaken previously and included in the literature, where respondents were predominantly students, not necessarily users of the products under study.

The research procedures as well as the sample group used provide the likelihood that the results would be objectively rigorous delivering validity (findings representative of research measurement objectives), reliability (independent and objective results) and generalisability (the results apply to a wider group of people).

9. Analysis of Research

This research presents an analysis based on 500 completed questionnaires across five *fmcg* brands (100 respondents per brand) encompassing twenty product categories in the South African market. The brands and extensions surveyed are tabulated below:

Figure 9.1 Brand Extensions Evaluated in the Research

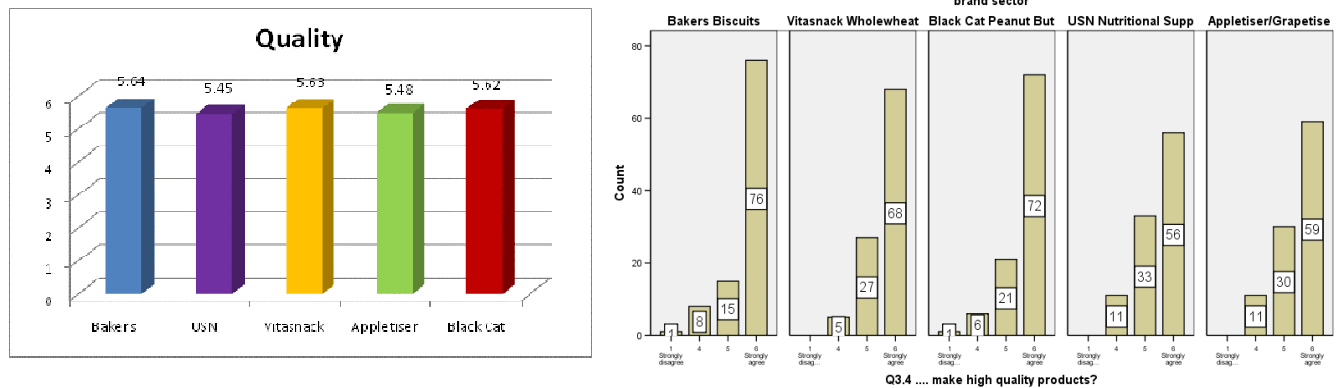
Core Brand	Brand Extensions					
Bakers	Biscuit Mix	Ice Cream	Choc Bar	Milk Drink	Nuts	Cheese
Black Cat	Biscuits	Ice Cream	Breakfast Drink	Sauce Mix	Energy Drink	Corn Chips
VitaSnack	Fruit Bar	Yoghurt Drink	Noodles	Cereal	Peanut Butter	Pancake Mix
Appletiser	Bottled Water	Yoghurt	Ice Cream	Breakfast Bar	Cereal	Lipstick
USN	Energy Drink	Yoghurt	Cereal	Ice Cream	Rice Crackers	Noodles

The results from the research were analysed using Excel spreadsheets and SPSS data analysis software. What follows in this chapter is a summary of my findings. Detailed findings can be referred to in *Appendix 4*.

9.1 Core Brand Quality

With each brand investigated across 100 regular users respectively, respondents rated core brand quality very high for each of the brands evaluated, with the mean being 5.56, suggesting a significant consensus amongst respondents that each of the core brands was associated with the delivery of high quality products. Only USN and Appletiser were found to fall marginally below the mean score, with 56 & 59 respondents respectively agreeing that they make products of the highest quality, as reflected in the figures 9.2 and 9.3. Quality of the core brand is a key measure in evaluating brand extensions, as for an extension to be evaluated successfully; quality transfer from the core to the extension product must take place. Aaker & Keller (1990) found that consumer evaluations of brand extensions were based on the interaction between the perceived quality of the original brand and the fit between the original and extension product categories. Of the brands surveyed Bakers had the highest quality rating with 76 Bakers users strongly agreeing that bakers make high quality products.

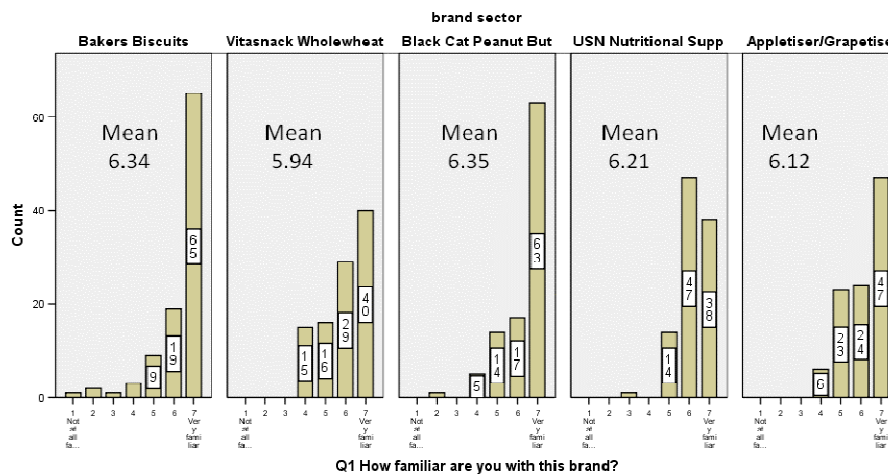
Figure 9.2 Mean Quality Ratings Figure 9.3 Quality Ratings by Number of Respondents



9.2 Brand Familiarity

The extant literature identifies product knowledge as having a moderating effect on brand extension evaluations. If the consumer's knowledge is high, it may supposedly restrict the distance a company can extend their brand. Consumer knowledge can be divided into familiarity and expertise.

Figure 9.4 Familiarity by Brand by Number of Respondents



Core brand familiarity for each of the brands was high, with only Vitasnack and Appletiser falling below the mean score of 6.19. The high brand familiarity scores suggest that these brands may well be restricted by loyal consumers in terms of how far they can be stretched. Specifically Bakers had the single highest rating of familiarity among their users with 65 respondents stating that they were very familiar with this brand. This was followed by Black Cat with 63 users being very familiar

with this brand.

9.3. Brand Satisfaction, Appeal and Superiority

Each of the brands was evaluated in these areas with the most favourable results reflecting for Bakers and Black Cat brands. With Bakers and Black Cat being household names, it is evident that they appeal to their regular users, deliver on satisfaction, and are viewed as being superior to competing brands within their respective categories.

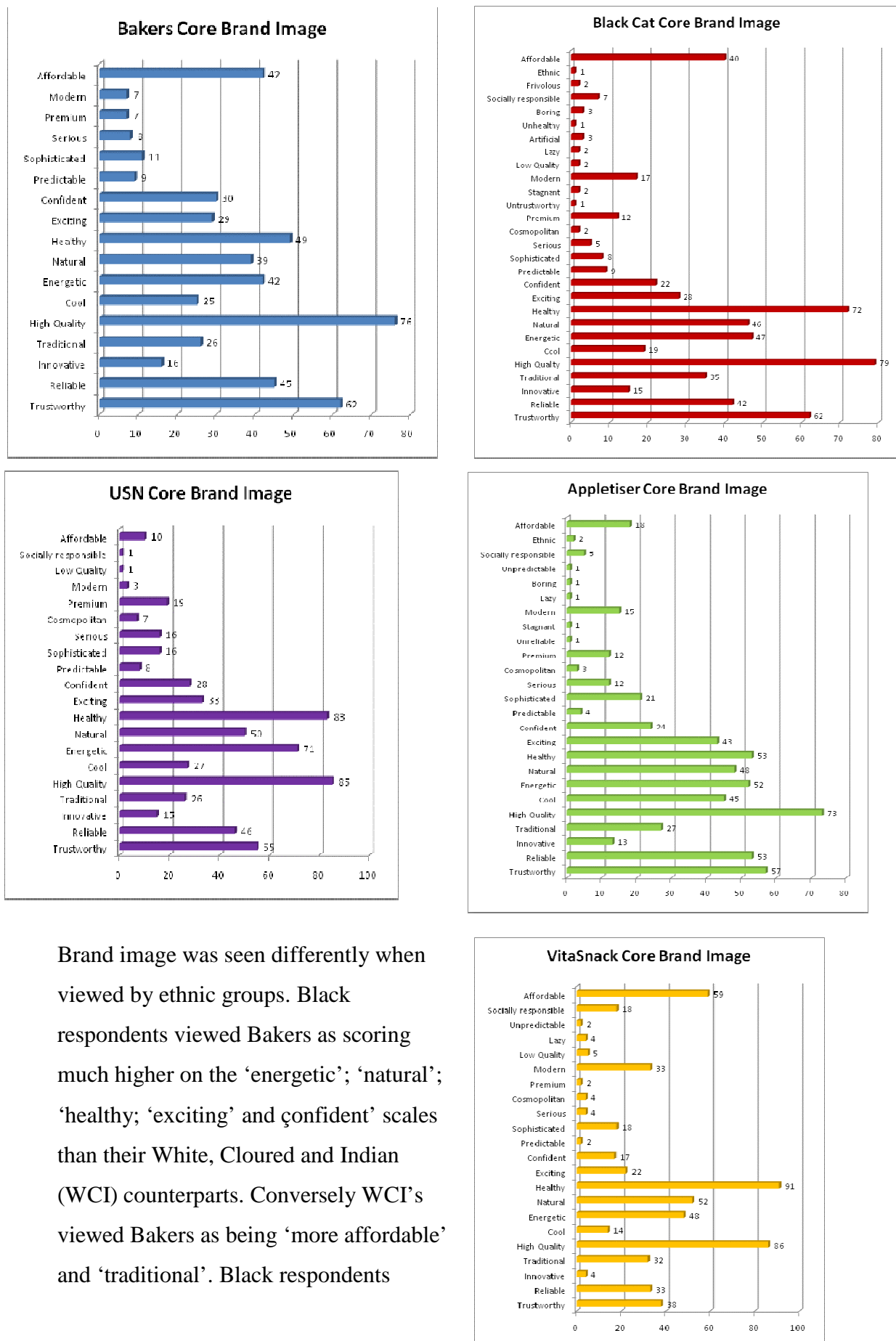
Figure 9.5 Satisfaction, Appeal and Superiority by Number of Respondents

Brand Satisfaction, Appeal and Superiority		brand sector				
		Bakers Biscuits	Vitasnack Wholewheat	Black Cat Peanut But	USN Nutritional Supp	Appletiser/ Grapetise
Q3.2 How satisfied are you with the ... brand	3	2				
	4	4	6	9	18	9
	5	24	31	23	25	39
	6 Strongly satisfied	70	63	68	57	52
Q5 How appealing do you find	1 Unappealing					1
	3	3	4	2	1	6
	4	17	31	21	28	26
	5 Appealing	80	65	77	71	67
Q6 How do you find ... products relative to other brands	3	4	7	4	1	8
	4	15	26	25	26	34
	5 Superior	81	67	71	73	58

9.4 Brand Image

Regular users of the respective brands viewed each brand positively from an image perspective. Respondents were given a choice of 32 image descriptors, and asked to record up to 6 descriptors each, concerning their feelings toward their chosen brand. Each of the respective brands was seen to be of high quality and trustworthy. Core brand images for each individual brand can be viewed in the respective core brand image charts. Of particular interest was the fact that Vitasnack was seen to be the healthiest brand by its users, even healthier than USN, with the 'health' descriptor scoring higher than the 'high quality' descriptor. This would suggest that the brand could be stretched into a number of product categories, on the back of a 'healthier for me' consumer proposition.

Figure 9.6 Brand Image Number of Mentions by Respondents



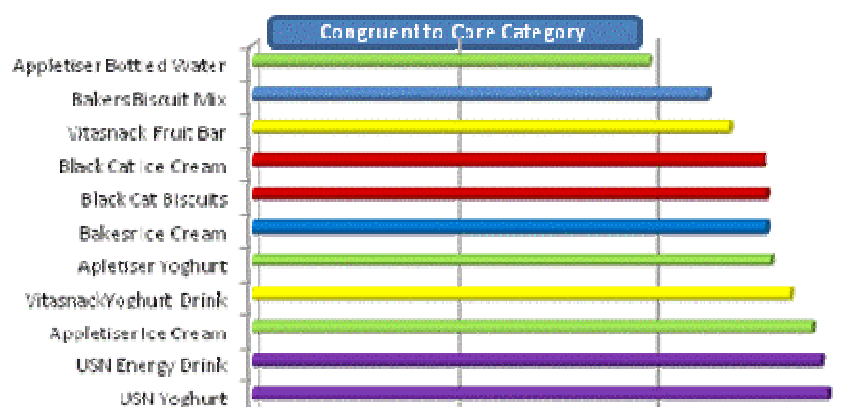
Brand image was seen differently when viewed by ethnic groups. Black respondents viewed Bakers as scoring much higher on the ‘energetic’, ‘natural’, ‘healthy’, ‘exciting’ and ‘confident’ scales than their White, Cloured and Indian (WCI) counterparts. Conversely WCI’s viewed Bakers as being ‘more affordable’ and ‘traditional’. Black respondents

viewed Appletiser being of far ‘higher quality’ than WCI’s. Detailed charts can be found in *Appendix 4, pages 33 – 41*, which highlight the key differences by ethnic group across each of the 32 image descriptors, for each brand.

9.5 Brand Extension Congruency

When asked to rank each category from closest to the core brand product category, to furthest away from the core brand category, the findings revealed that the majority of the extensions fell within the moderately congruent to moderately incongruent area. Only bottled water (Appletiser) was viewed as being highly congruent, whilst 10 extensions (30%) were deemed to be moderately congruent to their respective core brand product categories.

Figure 9.7 Brand Extensions Congruent to Core Category



A total of 11 extensions (37%) were viewed as being moderately incongruent, with a further 8 extensions being judged as being incongruent. Appletiser Lipstick; USN Noodles; Bakers Nuts and Bakers Cheese were viewed as being significantly incongruent to the core brand category by respondents. A detailed graphic depiction of those extensions seen by respondents as being moderately incongruent to highly incongruent can be found in figure 9.8. Detailed congruency frequencies for each extension are reflected in figure 9.9.

Figure 9.8 Brand Extensions Incongruent to Core Category

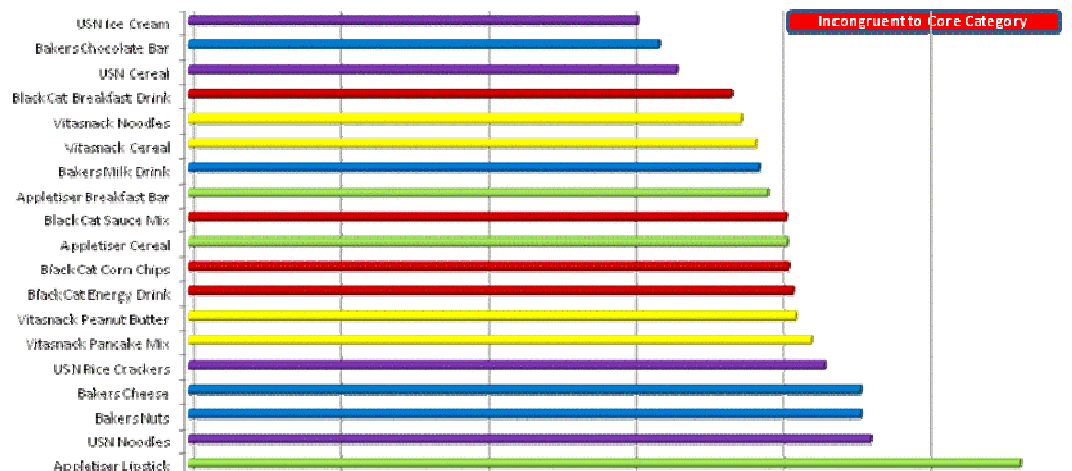


Figure 9.9 Brand Extension Congruency by Number of Respondents

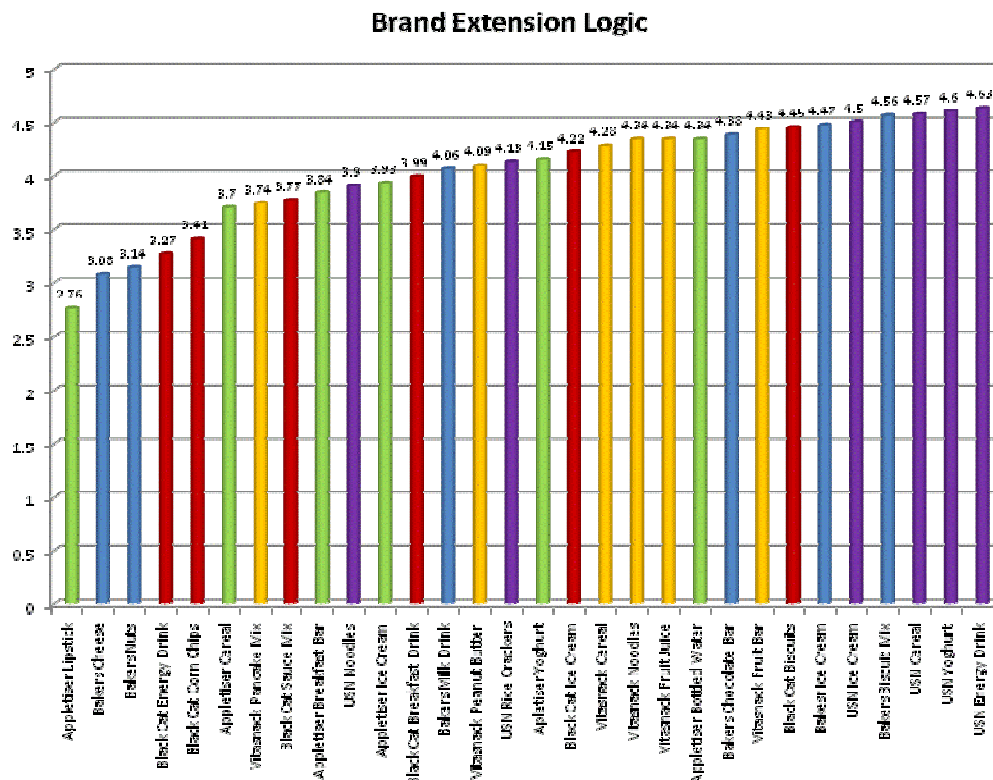
Brand Extension Congruency—Number of Respondents		brand sector				
		Bakers Biscuits	Vitasnack Whole Wheat	Black Cat Peanut But	USN Nutritional Supp	Appletiser/ Grapetise
Q11 Please rank each categories from closest to the ... category to furtherest away from the existing ... category	1 Closest	29	29	35	20	15
	2	25	29	10	19	29
	3	20	14	21	25	33
	4	14	11	12	18	8
	5	8	5	10	8	13
Q11 Please rank each categories from closest to the ... category to furtherest away from the existing ... category	6 Furthest away	3	12	4	9	2
	1 Closest	4	37	8	40	2
	2	12	23	13	7	13
	3	22	19	11	15	36
	4	30	10	21	13	29
Q11 Please rank each categories from closest to the ... category to furtherest away from the existing ... category	5	20	7	24	16	5
	6 Furthest away	12	4	23	9	15
	1 Closest	18	9	5	13	42
	2	18	13	12	38	25
	3	24	0	10	15	8
Q11 Please rank each categories from closest to the ... category to furtherest away from the existing ... category	4	20	16	24	17	6
	5	14	25	19	4	4
	6 Furthest away	7	29	22	9	3
	1 Closest	39	6	14	21	0
	2	25	10	12	10	13
Q11 Please rank each categories from closest to the ... category to furtherest away from the existing ... category	3	19	18	11	12	37
	4	7	22	14	21	35
	5	6	21	17	23	4
	6 Furthest away	4	23	32	7	2
	1 Closest	5	11	9	1	4
Q11 Please rank each categories from closest to the ... category to furtherest away from the existing ... category	2	4	10	17	13	6
	3	19	19	19	22	5
	4	36	26	22	35	03
	5	26	15	13	10	65
	6 Furthest away	7	8	29	5	6
Q11 Please rank each categories from closest to the ... category to furtherest away from the existing ... category	1 Closest	15	15	28	8	10
	2	5	22	19	17	5
	3	10	22	10	14	12
	4	15	18	8	14	2
	5 Furthest away	48	17	6	48	

9.6 Brand Extension Fit Relative to Core Brand

Perceived fit is achieved when the consumer accepts the new product as logical and

would expect it from the brand (Tauber 1988). Similarity between an original brand and an extension category is perhaps the most essential criterion for success in brand extensions. Extensions into categories more similar to the original brand tend to be more readily accepted.

Figure 9.10 Brand Extension Logic Mean Ranking



Any brand, which is extended into similar categories, should receive high consumer evaluations (Hem & Iversen 2002; Hem, De Chernatony & Iversen 2003). Figure 9.10 reflects the mean scores in ascending order encompassing all 30 extensions from least logical to most logical whilst Figure 9.11 depicts the extensions that respondents deem logical and expected from each of the 5 brands.

Figure 9.11 Logical Brand Extensions

Bakers	Vitasnack	Black Cat	USN	Appletiser
Bakers Biscuit Mix	Vitasnack Peanut Butter	Black Cat Ice Cream	USN Rice Crackers	Appletiser Yoghurt
Bakers Ice Cream	Vitasnack Cereal	Black Cat Biscuits	USN Ice Cream	Appletiser Bottled Water
Bakers Chocolate Bar	Vitasnack Noodles		USN Cereal	
Bakers Milk Drink	Vitasnack Fruit Juice		USN Yoghurt	
	Vitasnack Fruit Bar		USN Energy Drink	

Respondents were asked to determine how well each of the extensions fitted to the brand they were being interviewed on. The correlation between fit and logic was relatively close, with only the Bakers Milk Drink and Black Cat Ice Cream deemed to not fit, even though respondents had evaluated these two extensions as being logical.

Figure 9.12 Brand Extension Fit

Bakers	Vitasnack	Black Cat	USN	Appletiser
Bakers Biscuit Mix Bakers Ice Cream Bakers Chocolate Bar	Vitasnack Fruit Bar Vitasnack Noodles Vitasnack Cereal VitasnackYoghurt Drink Vitasnack Peanut Butter	Black Cat Biscuits	USN Energy Drink USN Cereal USN Yoghurt USN Ice Cream USN Rice Crackers	Appletiser Bottled Water Appletiser Yoghurt

From figure 9.13 it is evident that there is a corresponding relationship between fit and logic, with those extensions deemed to fit well also making good sense.

Figure 9.13 Correlation between Brand Fit and Brand Logic

		Q15 In your opinion how much sense does each of these new products make for the ... brand					Total
		Extremely good sense	Good sense	Indifferent	Bad sense	Extremely bad sense	
Bakers Cheese	Does not fit at all	5	0	0	4	31	41
	Fits poorly	0	2	2	3	1	11
	Indifferent	0	3	0	1	0	4
	Fits well	5	10	1	0	0	16
	Fits very well	24	3	0	0	1	28
		35	10	3	0	36	100
Vitasnack Noodles	Does not fit at all	0	0	0	1	4	5
	Fits poorly	0	0	1	1	0	2
	Indifferent	0	2	6	0	0	8
	Fits well	7	15	2	0	0	24
	Fits very well	52	9	0	0	0	61
		59	26	9	2	4	100
Black Cat Biscuits	Does not fit at all	4	0	0	0	1	5
	Fits poorly	1	0	1	2	1	5
	Indifferent	1	0	5	0	0	6
	Fits well	8	18	3	0	0	29
	Fits very well	51	3	1	0	0	55
		65	21	10	2	2	100
USN Noodles	Does not fit at all	0	0	0	2	4	6
	Fits poorly	0	0	1	3	0	4
	Indifferent	0	2	11	1	1	15
	Fits well	5	33	1	0	1	40
	Fits very well	23	7	0	0	0	30
		33	42	13	6	6	100
Appletiser Water	Does not fit at all	2	0	0	0	1	3
	Fits poorly	0	1	0	3	0	4
	Indifferent	2	5	3	0	0	10
	Fits well	12	14	0	0	1	27
	Fits very well	35	18	1	1	0	55
		52	38	4	4	2	100

Using the Pearson Chi-Square calculation to measure the strength of association of the fit and logic variables it is evident that there is a definite association. We find that the Pearson Chi-square value is 726.265. We have 16 degrees of freedom and our

significance is 0.000. Our significance level is less than .05. Therefore it is most likely that whether or not an extension makes good sense is dependent on whether or not it is deemed to fit well.

Figure 9.14 Pearsons Chi-Square Test

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	726.265 ^a	16	.000
Likelihood Ratio	520.516	16	.000
Linear-by-Linear Association	301.382	1	.000
N of Valid Cases	500		

a. 8 cells (32.0%) have expected count less than 5. The minimum expected count is 1.14.

9.7 Brand Extension Purchase Intent

Respondents purchase intent is essentially a key measure on evaluating whether the extension is likely to be well accepted or not as it is at this stage that the consumer will convert the information received concerning the extension (evaluation) into a direct meeting of a need where money is imparted in exchange for receiving the goods. Respondents were asked how likely they would be to purchase any of the extensions they were exposed to, should these be available at the place where they shopped.

Figure 9.15 Propensity to Purchase Brand Extensions

Propensity to purchase Number of Respondents		Brand sector					
		Bakers Biscuits	Vitasnack Wholewheat	Black Cat Peanut But	USN Nutritional Supp	Appletiser/ Grapetise	
Q10 How likely would you be to buy any of these products if they were available where you shopped	Definitely would buy	88	77	83	80	81	
	Probably would buy	23	14	22	34	27	
	Indifferent	Ice 7	Fruit 2	Ice 7	Ice 2	Ice 7	
	Probably would not buy	Cream 7	Drink 1	Cream 1	Cream 1	Cream 2	
	Definitely would not buy	2	6	7	3	3	
Q10 How likely would you be to buy any of these products if they were available where you shopped	Definitely would buy	50	75	43	71	34	
	Probably would buy	22	20	16	18	45	
	Indifferent	Milk 17	Fruit 1	Energy 11	Energy 9	Breakfast 14	
	Probably would not buy	3	2	12		5	
	Definitely would not buy	8	2	18	2	2	
Q10 How likely would you be to buy any of these products if they were available where you shopped	Definitely would buy	57	41	39	68	60	
	Probably would buy	24	32	19	25	31	
	Indifferent	Choc 11	Pancake 13	Corn 13	Yoghurt 4	Yoghurt 6	
	Probably would not buy	Bar 4	Mix 1	Chips 9	1	2	
	Definitely would not buy	4	13	20	2	1	
Q10 How likely would you be to buy any of these products if they were available where you shopped	Definitely would buy	69	56	51	70	33	
	Probably would buy	17	28	11	25	35	
	Indifferent	Biscuit 8	Peanut 9	Sauce 13	1	22	
	Probably would not buy	Mix 3	Butter 3	Mix 8	Cereal 2	Cereal 9	
	Definitely would not buy	3	4	17	2	1	
Q10 How likely would you be to buy any of these products if they were available where you shopped	Definitely would buy	37	62	54	43	14	
	Probably would buy	15	28	15	38	15	
	Indifferent	Nuts 15	Cereal 5	18	11	42	
	Probably would not buy	18	1	Breakfast 5	Crackers 5	Lipstick 13	
	Definitely would not buy	15	4	Drink 8	3	16	
Q10 How likely would you be to buy any of these products if they were available where you shopped	Definitely would buy	39	71	69	37	60	
	Probably would buy	16	19	15	42	26	
	Indifferent	8	3	9	9	6	
	Probably would not buy	Cheese 12	Noodles 4	Biscuits 5	Noodles 5	Water 6	
	Definitely would not buy	25	3	2	7	2	

Using the mean score as a basis for evaluation, any extension receiving a mean score above 4 is deemed likely to be successful. On this basis a total of 21 extensions have been evaluated favourably, with respondents positively predisposed toward purchasing these.

There is a definite positive correlation between extension logic and extension fit. However from the results obtained this is not a determinant for an extension succeeding in the market place.

Figure 9.16 Extension Purchase Intent Mean Rankings

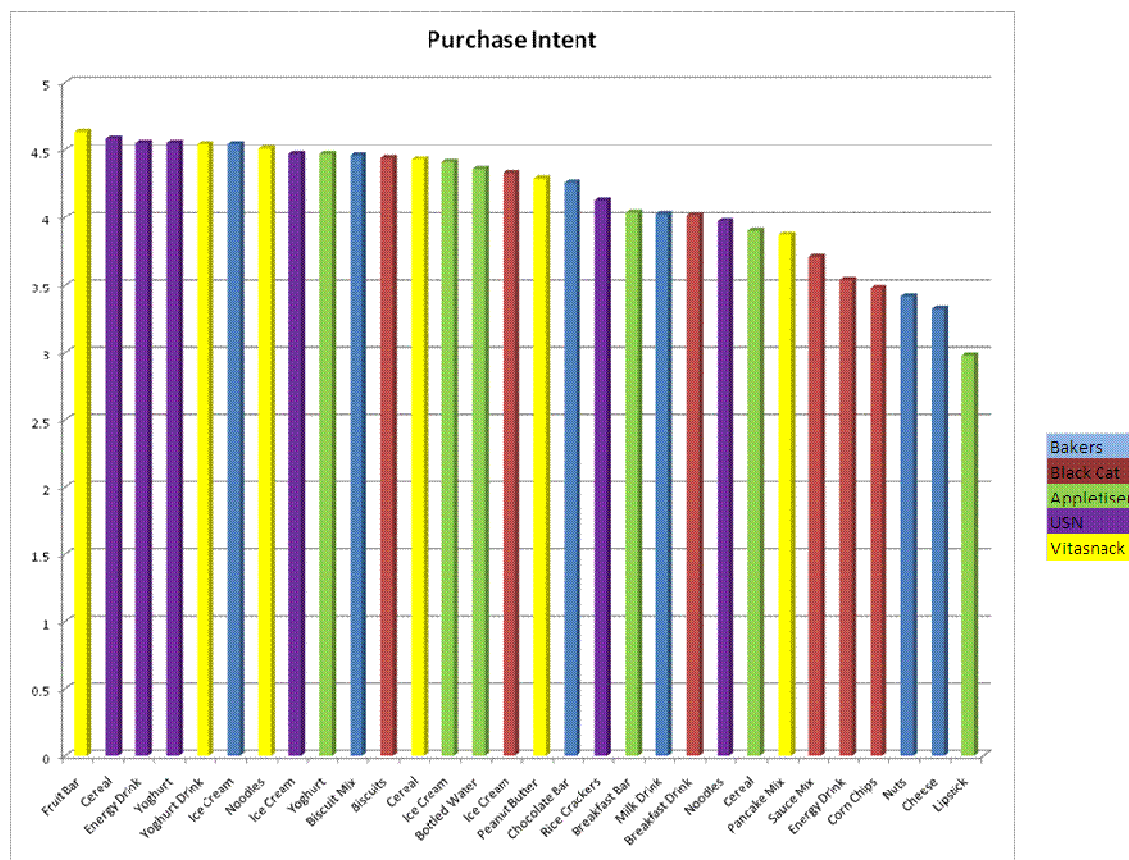


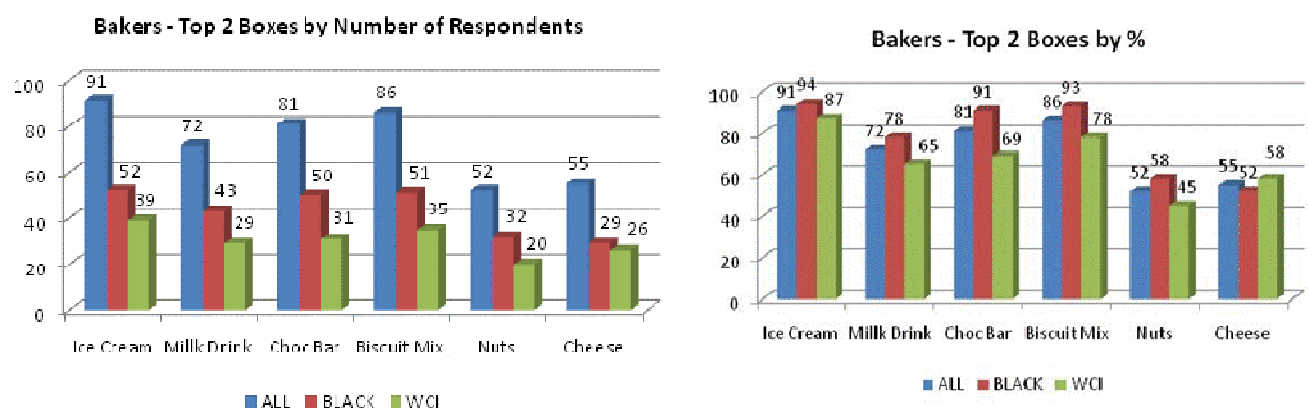
Figure 9.17 Successful Brand Extensions by Core Brand

Bakers	Vitasnack	Black Cat	USN	Appletiser
Ice Cream	Fruit Bar	Biscuits	Cereal	Yoghurt
Biscuit Mix	Yoghurt Drink	Ice Cream	Yoghurt	Ice Cream
Choc Bar	Noodles	Breakfast Drink	Energy Drink	Bottled Water
Milk Drink	Cereal		Ice Cream	Breakfast Bar
	Peanut Butter		Rice Crackers	

When evaluating respondents' likelihood of purchasing certain extensions it is clear

that whilst some extensions may score low results on either logic or fit (or both), respondents may still evaluate the extension positively and decide to purchase it. How does this differ between ethnic groups? When purchase intent is investigated it is evident that Black respondents evaluated the Bakers Milk Drink, Chocolate Bar and Nut extensions far more favourably than their WCI counterparts, suggesting that these extensions are more likely to succeed with the former group. Top box scores (definitely and probably would buy) show significant differences in both frequencies and percentages. Similar findings were evident when investigating purchase intent for Black Cat Peanut Butter, with WCI's evaluating the Black Cat Milk Drink extension negatively compared to Black respondents. This is significant when developing segmentation strategies for these brands. No significant differences were found between respondents of different race groups when evaluating range extensions for Vitasnack, Appletiser and USN brands.

Figure 9.18 Purchase Intentions by Ethnic Group

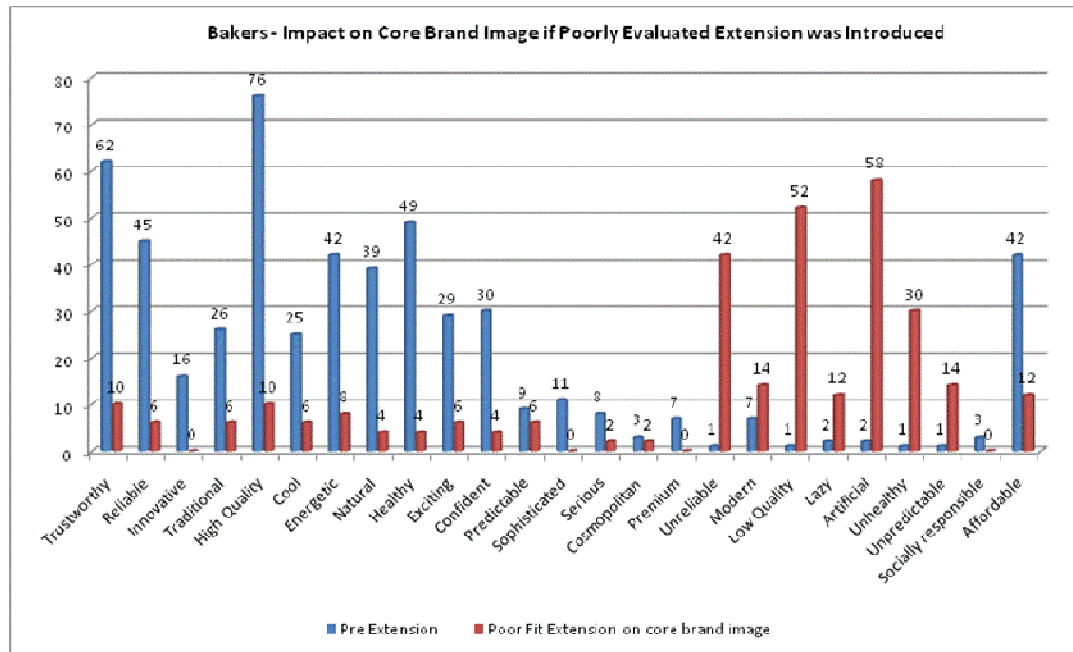


9.8 Impact of Negative Brand Extensions on Core Brand Image

Can the introduction of a negatively evaluated brand extension result in dilution of the core brand image? Across the literature there are conflicting findings of the dilution of image or belief changes on the parent brand as a result of a negative or failed extension. Findings from this survey indicate that there is indeed dilution of core brand image among loyal users as a result of the introduction of a negatively evaluated brand extension, but that the degree of dilution is moderated by various

factors, including the type of brand; its level of establishment in its core category; how strongly it is positioned within its core category; as well as whether certain of its stronger image attributes are transferable across multiple categories. Respondents were asked if the extension that they said did not fit at all was launched how would they describe their feelings toward this brand?

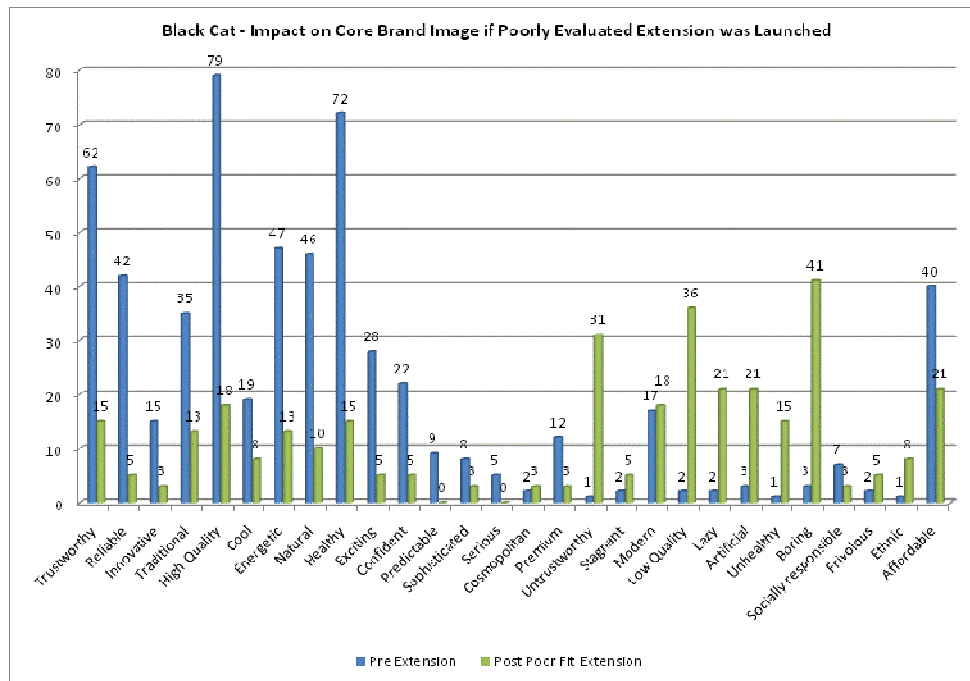
Figure 9.19 Brand Image Attributes by Percentage of Mentions



Respondents were given a choice of 32 image descriptors, (the same descriptors that were used to evaluate their image of the core brand pre exposure to the brand extensions). A total of 50 (50%) Bakers users indicated that the introduction of an extension that they deemed did not fit the brand, would result in the dilution of the core brand image. This is depicted in the figure 9.19, whereby there would be a significant impact on how the core brand would be viewed from a perspective of reliability; quality; artificialness and health.

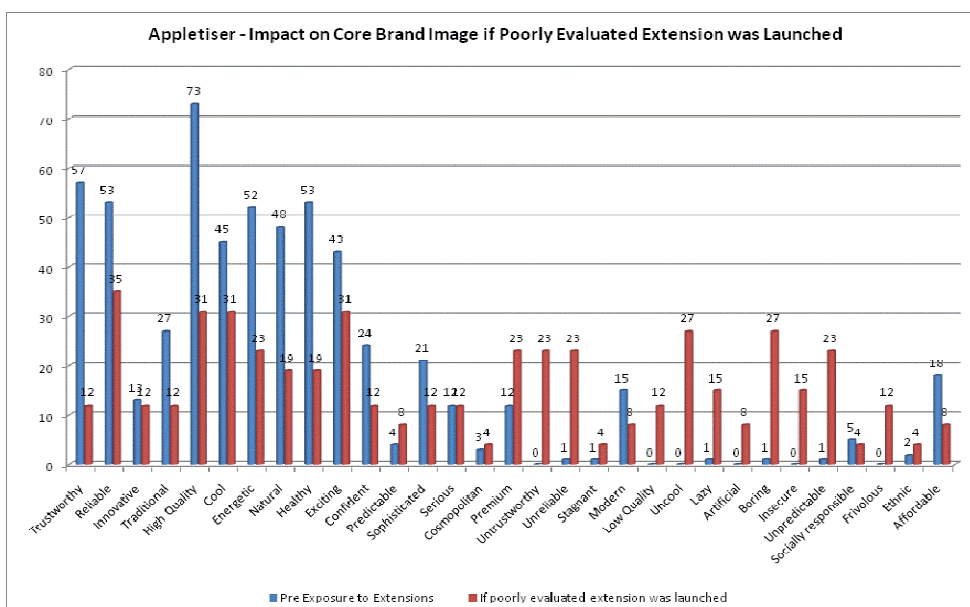
A total of 26 (52%) of these users believed that their perceptions of core brand quality would be diluted, whilst 29 (58%) believed that the core brand would be artificial. A total of 21 (42%) users believed that the core brand would be unreliable.

Figure 9.20 Dilution of Core Brand Image by Percentage of Mentions



A total of 39 (39%) regular Black Cat users believed that their image of the core brand would weaken if an extension that they evaluated negatively (poor fit) was introduced. There would be significant increases in perception of the core brand being seen as boring; of low quality and untrustworthy. The Appletiser brand, a brand that has been in existence in South Africa for over 40 years, is less prone to undergoing dilution of the core brand image in the event of the introduction of an extension with a poor fit.

Figure 9.21 Dilution of Core Brand Image by Percentage of Mentions



A total of 26 (26%) regular users felt that their image of the brand would shift negatively were a poorly evaluated extension introduced. Interestingly enough this brand would in addition to dilution of its core brand image, also experience positive reciprocal effects on brand image as a result of an extension with a poor fit being introduced.

This would occur specifically in the areas of 'quality'; 'coolness' and 'reliability'. Vitasnack, a brand that was established in 2002, would experience lower overall shifts in dilution of core brand image, with 23 (23%) of the brands loyal user base moving in a negative direction as a result of the introduction of an extension with a poor fit, with more than half of these users viewing the core brand as being boring; unreliable and uncool!

USN is a brand that has been on the market in South Africa since 1999. Core Brand Image dilution would occur among only 9 regular users of the brand suggesting that this brand is well suited to attract new users by broadening its product category base.

10. Discussion

In this discussion chapter the various hypotheses presented earlier will be tested and the elements pertaining to consumer evaluations of brand extension within the context of the hypotheses will be analysed and discussed, based upon the literature review and the research findings. Key areas of difference between the literature and research findings will be explored in detail.

10.1 Hypotheses 1. A favourable core brand image allows greater stretch into unrelated categories

Grime et al. 2002 in Carlson and Johannsen 2006 found that if the customer has a fixed idea of what a certain brand is about, a distant category extension may not be accepted as easily as if the consumers' knowledge is low. All *five* brands surveyed were evaluated by regular users of these brands. In addition three of the selected brands have been present in the South African market for over forty years, and dominate their respective categories.

Figure 10.1 Incongruent Extensions

Distant product extensions from Core Brand Categories				
Bakers Biscuits	Vitasnack Adult Snacks	Black Cat Peanut Butter	USN Supplements	Appletiser Beverage
Nuts	Pancake Mix	Energy Drink	USN Noodles	Lipstick
Cheese	Peanut Butter	Corn Chips	USN Rice Crackers	Cereal
Milk Drink	Cereal	Sauce Mix	USN Cereal	Breakfast Bar
Chocolate Bar	Noodles	Breakfast Drink	USN Ice Cream	

In each instance respondents familiarity with their selected brand is high, with only Vitasnack and Appletiser falling below the mean score. In each instance the core brand image is favourable, with high mean scores obtained on brand positivity; brand satisfaction; positive brand associations; quality and brand appeal. Additionally each brand was evaluated favourably relative to competing brands in its respective category segment.

A distant category is one that is physically dissimilar to the core brand product category. Figure 10.1 on the previous page reflects those product extensions deemed to be incongruent. viz. furthest away from the existing brand product category. Results indicate that 10 of these incongruent extensions (53%) were very likely to be purchased by respondents.

Those extensions that failed (were poorly evaluated by respondents) are tabulated below.

Figure 10.2 Poorly Evaluated Extensions

Failed Extensions				
Bakers Biscuits	Vitasnack Adult Snacks	Black Cat Peanut Butter	USN Supplements	Appletiser Beverage
Nuts Cheese	Pancake Mix	Energy Drink Corn Chips Sauce Mix	USN Noodles	Lipstick Cereal

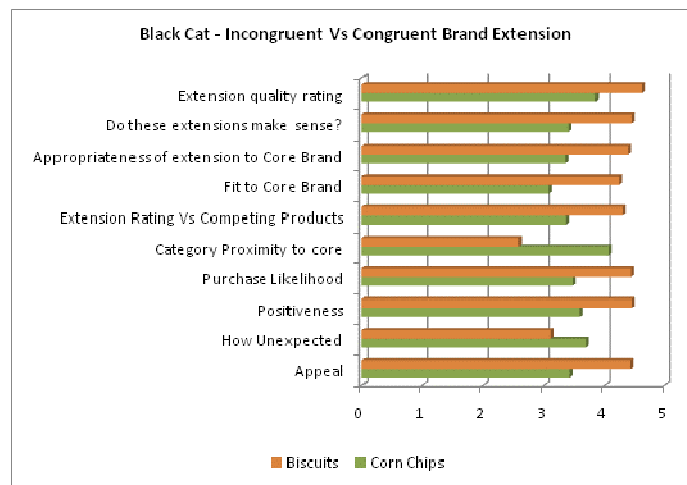
The findings suggest that consumers who have a fixed idea of what a certain brand is about are likely to accept brand extensions into distant categories more easily for newer brands than for older established brands.

Thus whilst there is support for Grime et al's (2002) findings for older established brands, there is no support for their findings when it comes to newer brands. *A favourable core brand image allows greater stretch into unrelated categories for newer fmcg brands.*

10.2 Hypotheses 2. Incongruent brand extensions are not evaluated favourably.

The findings indicate that incongruent brand extension evaluations are moderated by how well the core brand is established in its original product class. A well established brand that has dominated its respective category for years, even decades, will find it more difficult to move too far beyond its core product category, with consumers holding it back by not evaluating incongruent brand extensions favourably. Black Cat is a good example of such a brand. Regular users of Black Cat did not evaluate incongruent extensions favourably, as can be seen in figure 10.3, where a comparison is drawn between a brand extension which is closer to Peanut Butter (Choc chip cookies) , to an extension that is distant to Peanut Butter (Corn Chips).

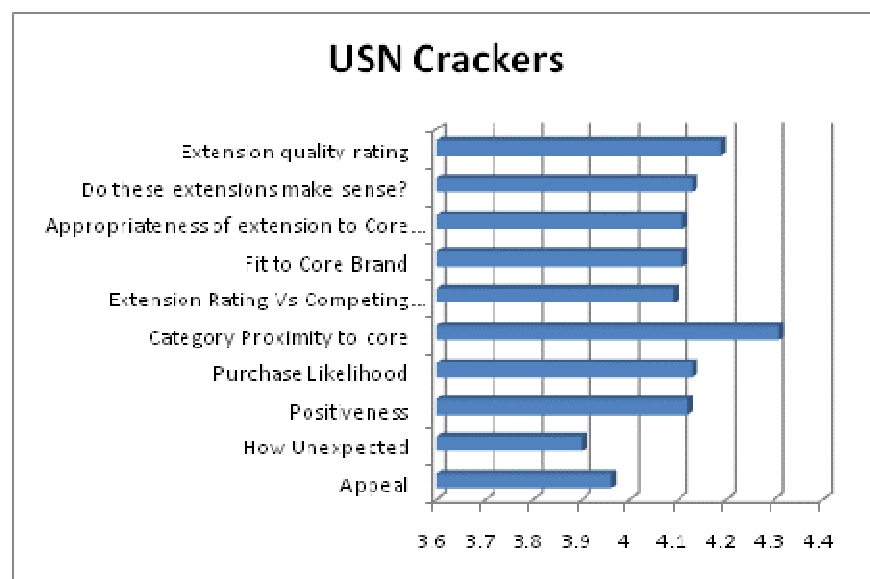
Figure 10.3 Black Cat Extension Comparison – Mean Scores



The Black Cat Corn Chips received an unfavorable evaluation, with poor quality; appeal; fit and positivity ratings, resulting in a low likelihood of consumers purchasing this extension. Similar results were found with the Bakers and Appletiser brands, where brand extensions incongruent to the core category were evaluated negatively by users.

Conversely incongruent brand extensions were evaluated positively by users for newer, less established brands as seen with the USN Rice Crackers user evaluation in figure 10.4.

Figure 10.4 USN Cracker Extension Evaluation – Mean Scores



Using the Pearson Chi-Square calculation to measure the strength of association of the purchase likelihood and congruency variables it is evident that there is a weak

association. We find that the Pearson Chi-square value is 37.399. We have 20 degrees of freedom and our significance is 0.10.

Undertaking similar evaluations for the Vitasnack brand yielded even stronger association deficiencies between the purchase likelihood and congruency variables.

Figure 10.5 Correlation Between Category Congruency and Purchase Intent

Vitasnack Cereal		Q10 How likely would you be to buy any of these products if they were available where you shopped					Total
		Definitely would buy	Probably would buy	Indifferent	Probably would not buy	Definitely would not buy	
Q11 Please rank each category from closest to the ... category to furthest away from the existing ... category	1 Closest	6	4	0	0	1	11
	2	8	2	0	0	0	10
	3	12	6	1	0	0	19
	4	16	2	0	1	0	19
	5	12	10	1	0	3	26
	6 Furthest away	8	4	3	0	0	15
Total		62	28	5	1	4	100

When evaluating the Vitasnack Cereal extension the findings supported the lack of association between the purchase likelihood and congruency variables with the Pearson Chi-square value at 27.071; with 20 degrees of freedom and a significance level of 0.133.

Figure 10.6 Vitasnack Cereal Pearson Chi – Square Tests

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.071 ^a	20	.133
Likelihood Ratio	26.740	20	.143
Linear-by-Linear Association	1.358	1	.244
N of Valid Cases	100		

a. 21 cells (70.0%) have expected count less than 5. The minimum expected count is .10.

10.3 Hypotheses 3. There is a negative correlation between the level of incongruity and perceived core brand image

Martinez & Pina (2003) found that extensions inconsistent with the brand image are likely to create new associations in buyers' minds or to confuse their current brand feelings and beliefs. The brand extension strategy might dilute the brand image after the extension. Distant extensions negatively affect the brand image. The more distant the extension category the greater the negative impact on core brand image.

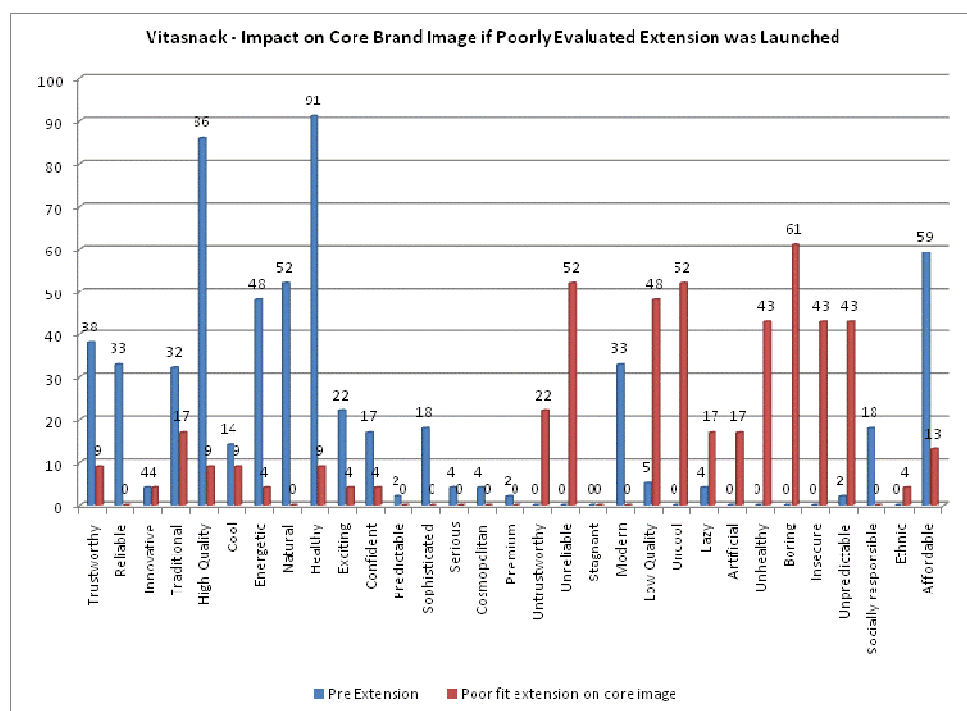
Extensions delivering attributes that are at odds with what consumers expect from the family brand can produce dilution of the specific beliefs associated with the family brand name (Lokken & Roedder John, 1993).

Specifically the new product may create confusion or negative connotations in the minds of consumers and thus weaken the core values of the core brand. When respondents were exposed to Appletiser Lipstick, their evaluation was negative, with the extension failing on all key measures. Of the 100 Appletiser users, 26% indicated that their perception of the core brand image would be weakened, with the core brand being perceived as uncool and boring. Bakers users indicated that should a incongruent brand extension be launched, such as Bakers Cheese or Bakers Nuts, the core brand image would be significantly weakened , with 50 users (50%) believing that the core brand would be seen as artificial; low quality and unreliable.

A total of 39 Black Cat users (39%) indicated that should an incongruent brand extension be introduced, such as a Black Cat Energy Drink; Black Cat Corn Chips or a Black Cat Peanut Sauce their image of the core brand would be diluted, with the brand being perceived as untrustworthy; low quality and boring.

Even with a newer brand – Vitasnack – 23 regular users (23%) would view a shift in their perception of the core brand image, as reflected in the following chart.

Figure 10.7 Vitasnack Percentage Attribute Mentions by Respondent



According to these users, were a Vitasnack Pancake Mix to be introduced, the core brand would be perceived as boring; unreliable; low quality and unhealthy. The hypotheses is therefore supported in part, in that attributes that are at odds with what consumers expect from the family brand can produce dilution of the specific beliefs associated with the family brand name. However no evidence was found to support the notion that the more distant the extension category the greater the negative impact on core brand image. Appletiser Lipstick was found to be the most distant extension category by respondents, yet the negative impact on the core brand image was not nearly as severe as for Vitasnack Pancake Mix, or USN Noodles, which experienced far greater dilution effects in the area of perceived quality; reliability and excitement.

10.4 Hypotheses 4. Consumers will more readily accept a close brand extension in a brand category because image congruity will be high.

Hem & Iversen 2002; Hem, De Chernatony & Iversen 2003 found that extensions into categories more similar to the original brand tend to be more readily accepted. Any brand, which is extended into similar categories, should receive high consumer evaluations. This is supported by the findings in this thesis, with each of the close extensions in the following table receiving favourable consumer evaluations.

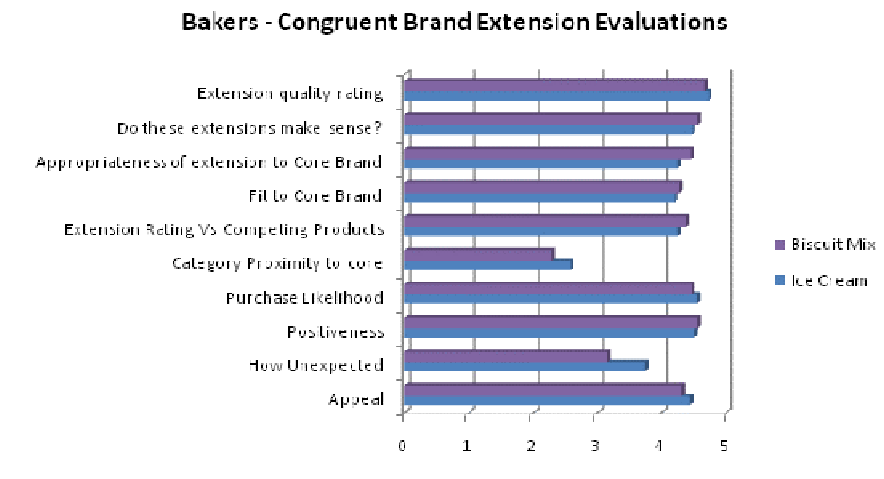
Figure 10.8 Congruent Product Extensions

Congruent product extensions				
Bakers Biscuits	Vitasnack Adult Snacks	Black Cat Peanut Butter	USN Supplements	Appletiser Beverage
Biscuit Mix Ice Cream	Fruit Bar Yoghurt Drink	Ice Cream Biscuits	Energy Drink Yoghurt	Bottled Water Yoghurt Ice Cream

Each of these congruent brand extensions were evaluated strongly across all key measures, including those of quality; appropriateness; fit; good sense; positiveness; appeal and purchase likelihood. In addition each one of these extensions was believed to be better than or superior to existing products in each of the extension product categories. According to Herr, Farquhar and Fazio (1996) the affect associated with a strongly category dominant brand transfers to an extended product best when the target category is closely related to the parent category.

This can be seen quite clearly in figure 10.9 for Bakers Congruent Brand Extensions, with quality and extension performance rating Vs. competing products scoring on par with the Bakers core brand.

Figure 10.9 Bakers Congruent Brand Extension Evaluation Comparison – Mean Scores



Taking the example of the Bakers Biscuit Mix extension and using the congruency relative to fit measures, we see that there exists a definite relationship. The more congruent the extension, the greater the fit between the extension product and the core category.

Figure 10.10 Bakers Biscuit Mix Correlation Between Category Congruency and Fit

		Q13 How well does each of the products in the product range fit to the ... brand					Total
		Does not fit at all	Fits poorly	Indifferent	Fits well	Fits very well	
Q11 Please rank each categories from closest to the ... category to furthest away from the existing ... category	1 Closest	0	0	0	2	37	39
	2	5	0	2	2	16	25
	3	4	0	2	3	10	19
	4	1	0	2	1	3	7
	5	0	1	1	0	4	6
	6 Furthest away	0	0	3	1	0	4
Total		10	1	10	9	70	100

The Chi – square tests reveal that there is a definite significance of association between these two variables as reflected in figure 10.11.

Figure 10.11 Bakers Biscuit Mix Pearsons Chi – Square Test

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	60.588 ^a	20	.000
Likelihood Ratio	50.062	20	.000
Linear-by-Linear Association	11.615	1	.001
N of Valid Cases	100		

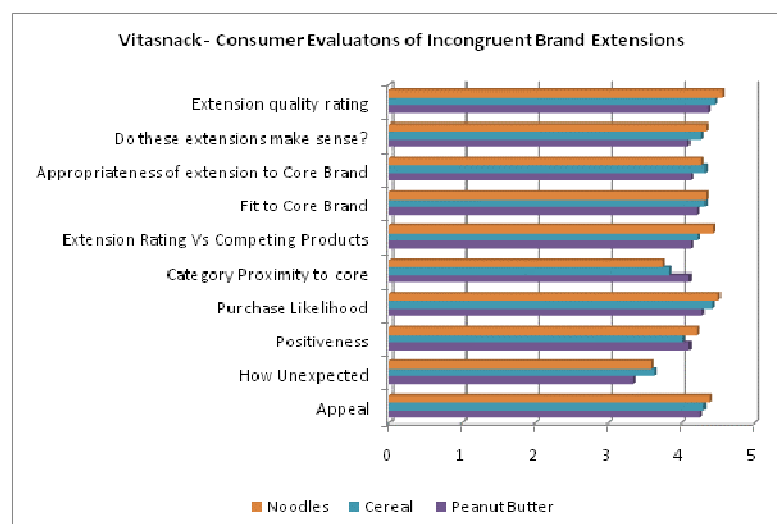
a. 27 cells (90.0%) have expected count less than 5. The minimum expected count is .04.

The results support the hypotheses that consumers will more readily accept a close brand extension in a brand category because image congruity will be high.

10.5 Hypothesis 5. Incongruent brand extensions from younger brands are evaluated more favourably.

Further to the findings under hypotheses (2), where it was found that incongruent brand extensions were evaluated more positively by users for newer, less established brands let us look at how users evaluated incongruent extensions for Vita Snack. From the following chart it is apparent that despite each of these 3 extensions being evaluated as far removed from the existing core brand category, each one has been evaluated favourably, with users recording a significantly high likelihood of purchase, at the same time believing that each of these extensions would outperform competing products in the extension product categories, being either better than or significantly superior to these.

Figure 10.12 Vitasnack Incongruent Brand Extensions Evaluation – Mean Scores (N=100)



But why are incongruent extensions from newer (younger) brands evaluated more favourably than those from established (older) brands? Certainly they do not carry the decades of baggage often associated with established brands. Could it be that regular users of established brands carry an entrenched and rigid idea of what a certain brand is about, and because of this rigidity are less inclined to positively evaluate any extension that is far removed from the core brand category? Are they so strongly resistant to change that they will restrict the brand from stretching into distant categories? Both Vitasnack and USN are seen to be 'healthy' by their users. It could be speculated that their 'health' association can therefore be transferred more readily to physically dissimilar categories such as Noodles, Peanut Butter; Rice Crackers or Cereal because of the relevance of these 'health' associations in the dissimilar extension category. Unique brand specific associations can assist in ensuring the successful transfer of an extension into a seemingly non-related product category (Broniarczyk and Alba, 1994).

Whatever the reason it is concluded that incongruent brand extensions from younger brands are evaluated more favourably.

10.6 Hypothesis 6. Parent brand image is not diluted by an unfavourable brand extension

Chang (2002) demonstrated that unfavourable incongruent extensions did not cause negative evaluations of the parent brand. Keller and Aaker (1992) concluded that the core brand image is *not* affected by unsuccessful brand extensions, regardless of how the brand extensions are perceived as typical of the core brand. Loken and John's (1993) and John, Loken, and Joiner's (1998) studies find that dilution effects on brand beliefs *do* emerge when brand extension attributes are inconsistent with the family brand, regardless of the category similarity of brand extensions. The findings from this survey indicate that there is indeed dilution of core brand image among loyal users as a result of the introduction of a negatively evaluated brand extension, but that the degree of dilution is moderated by various factors, which tends to differ by brand as has been demonstrated in this paper. Please refer to section 9.8 pages 69 – 73.

11. Conclusions and Recommendations

11.1 Conclusions:

This paper has thoroughly investigated how South Africa consumers evaluate brand extensions within an *fmcg* context. It confirms that there are indeed some differences between South African consumers and their American and European counterparts around this subject.

11.1.1 The original (or core) brand image is diluted by an unfavourable brand extension, countering Chang's (2002) findings that unfavourable incongruent brand extensions did not cause negative evaluations of the parent brand. Therefore extreme caution should be encouraged by companies wishing to enter new categories with an existing brand. **This holds greater weight for established, older brands**, who will find it difficult to move into distant and unrelated categories, without significantly diminishing the core brand image, specifically in the areas of quality, reliability, trustworthiness and coolness. A favourable core brand image is by no means a guaranteed license to successfully extend the brand into unrelated categories, supporting Grime et al (2002) findings that distant category extensions may not be accepted as easily if consumers knowledge of the brand is high and they have a fixed idea of what the brand is about.

11.1.2 Incongruent brand extensions from younger brands are evaluated significantly more favourably than incongruent extensions from older, established brands.

Older, established brands are held back from travelling too far by their existing users. Decades of driving a single minded consumer proposition, entrenching the positioning of the brand, through effective use of advertising, has created inflexible loyal users, resistant to change. This finding for older established brands supports the findings of Lokken & Roedder John (1993) that extensions delivering attributes that are at odds with what these consumers expect from the family brand can produce dilution of the specific beliefs associated with the family brand name, hence their unfavourable evaluation. The findings on established brands are aligned with those of Boush et al (1997) who found that product similarity (between new and existing products) strongly influences the effects of brand evaluation transfers to the new product. Newer brands are not shackled by such limitations; they are free to extend well

beyond their core, with their loyal user base being far more open to accepting brand extensions into distant categories. Consumers who have a fixed idea of what a certain brand is about are likely to accept brand extensions into distant categories more easily for newer brands than for older established brands.

11.1.3 A favourable core brand image allows greater stretch into unrelated categories for newer fmcg brands only. South African consumers will more readily accept a close brand extension in a brand category because image congruity will be high. This was found across each of the 5 brands. Knowledge and affect transfer with ease, as such extensions do not challenge convention, leaving the image construct intact.

11.1.4 Brand extensions that are negatively evaluated by consumers will dilute the core brand image if they are introduced. Brand extensions inconsistent with the brand image will shift certain brand feelings and beliefs amongst a number of existing users of the core brand, resulting in a poorer overall image of the core brand. Whilst not all regular users will react in this manner, the findings are relevant for both older, established brands as well as for newer, younger brands. This contradicts Keller and Aaker's (1992) and Chang's (2002) findings whereby an original brand image is not diluted by an unfavourable brand extension, regardless of the category similarity of brand extension.

It was found that the more established the brand in its core category, the more likely that a greater number of regular users of that brand would perceive a dilution of the image of the core brand, were a poorly evaluated brand extension introduced. For a brand such as Bakers, this would impact significantly, with core brand image dilution experienced by up to 50% of the brands regular users. For a newer, younger brand such as Vitasnack, core brand image dilution would only be experienced by 23% of regular users, whilst for certain brands, such as USN, this would be restricted to 9% of regular users.

11.1.5 There is neither a negative nor positive correlation between the level of incongruity and perceived core brand image. Irrespective of how close or how far the extension category to the core brand, a poorly evaluated brand extension diluted the core brand image. The severity of dilution of core brand image was not directly

related to the distance between the extension category and the core brand category, as seen in the research results. This supports Chen and Chen's (2000) findings that there is no difference in brand dilution effects from close and distant extension failures

11.1.6 Cultural differences are the exception rather than the rule, however they do exist and cognizance must be taken to minimize the possibility of a negative evaluation of a brand extension, particularly if the brand has a dominant ethnic user base. The findings reflected some differences in terms of how consumers from different ethnic backgrounds evaluated brand image. There were distinct differences in how certain extensions were evaluated, with divisions appearing for certain brands.

11.2 Recommendation

This paper recommends that South African brand owners 'gear up' on their knowledge and expertise concerning the area of brand extensions, and proactively 'get up off their assets'! Understand the power of your brands, where they can go; and where they cannot venture without diluting core brand image. Understand who the regular users of your brands are. There exists substantial growth opportunity by extending into not too distant product categories. Consumers will embrace brand extensions from both established and newer brands. South African consumers are starved of meaningful brand extensions from established brands. They are open to positively evaluating and purchasing brand extensions into new categories, provided that these extensions deliver on performance in the same manner that the core brands have managed to over the decades.

A **Bakers** extension into ice – cream and biscuit mixes will work as it would be supported by regular users of the Bakers brand, as both products are in close categories and are deemed to fit very well. However a Cheese extension is unsuitable as this category is too distant to the core, the fit being poor, with most users unlikely to try this product.

A **Black Cat** Choc Chip cookie extension would work as it had high appeal and positivity amongst users, in addition to being a good fit to the core brand and making good sense. Black Cat Corn Chips would not work as the chip category is seen as being too far away from Peanut Butter, with poor fit and low purchase likelihood.

Appletiser, being a premium, high quality soft drink brand, should extend into the premium water category. The fit is perfect, with the extension category being very close to the core brand category. Despite having a predominantly female sample base for the research, the Appletiser Lipstick was not evaluated favourably and would not work. The lipstick category is seen as being too distant from the core, and both appeal and fit are low for this extension.

A *Vitasnack* Fruit Bar would work as would a Fruit Juice and a Peanut Butter. My recommendation for Vitasnack would be to extend into a Fruit Bar given the healthier snacking profile of the core brand. The Vitasnack Fruit Bar extension had the highest overall mean score out of all 30 extensions for purchase likelihood. A Pancake Mix would not work for this brand, as users did not see the logic for this, with the category being too far away from the core, and purchase likelihood low.

My recommendation for *USN* would be to extend into low fat yoghurts. Consumers see a strong fit, find this extension appealing and would purchase it. Noodles would not work for this brand with the category being too distant from the core brand with extension quality and appeal being low.

11.3 Limitations of Findings

Findings are restricted to regular users of each of the core brands evaluated. Results can be trusted fairly well to represent regular users – a limitation being that the sample of regular users who meet a specific demographic profile may be slightly different from that of the brand. However the profile of each brand is the same so there is academic merit in that. Sample size is small and should be at least doubled in order to allow for greater generalisation of results.

11.4 Personal Development as a Result of this Dissertation

My main personal goal was to become significantly more proficient in understanding the topic of brand extensions, by gaining greater insight from a consumer perspective into which South African brands have the potential for stretching into categories well beyond their core. Through the dissertation I have significantly increased my knowledge and expertise on the topic of brand extensions. My aim is to ultimately develop and undertake research surveys for my clients on the suitability of their launching products into new categories under existing brand names. I want to be able

to offer my clients a valuable strategic input that will minimise their risk of brand extension failure, thereby adding significant value to the future success of my consultancy. The process I have undertaken in completing this thesis has armed me with the skills necessary in order to achieve my objectives.

11.5 Future research areas

This paper has investigated how consumers evaluate brand extensions. A future research area could be to investigate why it is that incongruent brand extensions from younger brands are evaluated significantly more favourably than incongruent extensions from older, established brands? Can a successful brand extension enhance the overall image of the core brand for established brands, and how does this differ between regular and infrequent users of the brand? Why is it that so many of South Africa's leading *fmcg* brands have been held back from extending into closer, related categories? A further area of exploration could examine the differences between ethnic groups when evaluating brand extensions to determine whether there are product categories outside of milk based brand extensions that are evaluated significantly more favourably by specific groups.

Clearly the area of brand extensions is a very rich area with much left unanswered, both from a perspective of the consumer as well as that of the brand owner.

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