

# Addis Ababa University

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## CONSUMERS EVALUATION OF BRAND EXTENSIONS: DURABLE GOODS MARKET

by

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June 2014

Addis Ababa

**CONSUMERS EVALUATION OF BRAND  
EXTENSIONS: DURABLE GOODS MARKET**

**by**

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**A Thesis Submitted To the Department of Marketing Management of Addis Ababa  
University School of Commerce in Partial Fulfillment of the Requirements for the  
Degree Masters of Arts in Marketing Management**

**June 2014**

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**Consumers Evaluation of Brand Extensions: Durable Goods Market**

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### **Statement of Declaration**

**I, Ashenafi Anteneh Weldesenbet, have carried out this study independently entitled “Consumers Evaluation of Brand Extensions: Durable Goods Market” in partial fulfillment of the requirement of the MA program in Marketing Management with the guidance and support of the research supervisor.**

**This study is my own work that has not been submitted for any degree or diploma program in this or any other institution.**

**Ashenafi Anteneh**

**Sig. -----**

**Date -----**

**June, 2014**

### **Statement of Certification**

**This is to certify that Ashenafi Anteneh has carried out this research work on a topic entitled “Consumers Evaluation of Brand Extensions: Durable Goods Market”. The work is original in nature and is suitable for submission of the reward of the MA Degree in Marketing Management.**

**Thesis supervisor: Dr. Birara Tesfaye: \_\_\_\_\_**

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## Acknowledgments

Almighty God is always the first I should be thanking for letting me have the strength I needed so bad during all the challenges that I went through. Thanks to him!

I then would like to express my appreciation to my supervisor Dr. Birara Tesfaye for his comments and support during my study.

Grand ma, I am always overwhelmed with gratitude because you are always the reason for the start, the process, and the successful end for everything I do. *Antehun and Jemanesh, I hope I have reached somewhere you always wished and told me to.*

Abega, No Comment! Wish god help you achieve what you want in your life as he helped me through you. All my family, you offered me what I needed and here, I am offering you my heartfelt thank you.

My sincere appreciation again goes to you -Ibrahim Mohammed for being willing to help all the time during my study. Students of AAUSC, undergraduate regular session, thank you for your willing participation.

Everyone who one way or the other took part, I thank you a lot!

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## **Organization of the Paper**

This study comprises five chapters in total, with Chapter One being the introduction and Chapter Five the conclusion. The three chapters that follow the introduction and precede the conclusion constitute the literature review, the research methodology, and the core analysis. They are the chapters in which a wide and detailed presentation of brand extensions along with a framework that shows consumers' attitude formation toward brand extensions, explanation of the research methods employed, and statistical analysis of the data takes place. The introductory chapter contains background of the study, statement of the problem, research questions, objectives of the study, research hypotheses, definition of terms, significance of the study, delimitations of the study, and limitations of the study. The second chapter takes us through review of pertinent literature on brand extension and consumers evaluation of brand extensions. The third chapter is concerned with the research design, method of data collection, sampling design, and analysis. The fourth is about the conclusion, recommendation, managerial implications, and future research recommendations.

## ***Abstract***

*In developing and introducing a new product to a market, there is an evident possibility that the new product may or may not be accepted. This situation has made many firms in the world engaged in a struggle to overcome the uncertainty through brand extensions. In Ethiopia, there are domestic firms involved in producing products by means of this strategy and again there are lots of firms that import extended brands and sale in the domestic market. Despite this, a lack of study around how these extensions are being evaluated by consumers has been noticed. Again, researches conducted so far around the world addressed the issue with brands of all types of products i.e. Services, FMCG, & Durable Goods. This study therefore is conducted to touch the untouched area of interest and makes a conclusion of how Ethiopian consumers' evaluate brand extensions from the perspective of durable goods market. Five hypotheses were developed and tested to find out the relationship between consumers attitude (dependent variable) and Parent Brand Reputation, Perceived Fit between the parent and the extended brand/product, and Difficulty of producing the extension (independent variables). The subjects achieved by a statistical formula (115) and used as a sample for the study were undergraduate regular session students of Addis Ababa University School of Commerce. The data collected from them through a questionnaire was analyzed via correlations and multiple regressions by using IBM.SPSS. V.21. Concerning the findings, all independent variables were confirmed significant and predictors of favorable consumers' attitude except substitute that resulted with a negative correlation coefficient that may indicate the reverse.*

*Key words: Brand extension, attitude, parent brand reputation, perceived fit, difficult, correlations, multiple regression*

## CHAPTER ONE: INTRODUCTION

### 1.1. Background

With the aim of reducing costs of introductory and follow-up marketing programs and avoiding costs of developing a new brand as noted by Keller (2003), brand extensions have become prevalent. According to him, brand extension occurs when the parent brand is used to enter a different product category from that currently served by the parent brand (Keller, 2003). The motivation behind brand extensions is assumed that what a consumer knows and prefers about a brand can be transferred to the new product consequently leading to favorable associations, reduced perceived risk, and extensions acceptance. Some brands, Tauber (2014) stated, are extended just to save money that would be needed to establish a new brand. In other instances, companies want to stretch a brand to as many categories as possible in hopes of just adding sales. So the rationale for an extension is that the contribution of the brand name to the extension will be positive.

A strong brand name that is used on new products increases the probability of this new product being accepted because it bears a name already well-known and offers what consumers expect. Brand extension makes the new product introduction less costly and easier as consumers can easily recognize the brand. In the 14<sup>th</sup> edition of their book Kotler and Armstrong (2012) mentioned that brand extension gives a new product instant recognition and faster acceptance and saves the high advertising costs usually required to build a new brand name. In the marketing of products there is often a challenge faced by many producers. Difficulty of obtaining distribution channels that will carry their brands is the one. Aaker and Keller (1990) remarked that a new brand always brings some risk in terms of the cost of introducing a new brand in some consumer markets and more extensive and aggressive use of promotions by established firms. According to Keller (2003) again, brand extension is aimed at increasing the probability of gaining distribution and trial, reducing risk perceived by customers, and increasing efficiency of promotional expenditures.

In spite of what has been discussed, several unsuccessful extensions have been observed over the past years in the world. This increase in the use of already established brand names to introduce a new product and the question of why firms fail when using extended brands for

growth has drawn a significant attention to several researchers worldwide recently. Because extension failure has a potential to create a negative reciprocal effect to the original brand and the company, many studies are being conducted focusing on distinguishing consumers evaluation of extensions. This is because, Aaker & Keller (1992) commented, the presence of one unsuccessful extension from the high quality core brand is enough to tarnish the credibility image of the company to the detriment of subsequent extension evaluations.

Consequently, Aaker and Keller (1990) conducted an exploratory study to find out how consumers actually evaluate brand extensions which was set in US. This study put forth an attitude-based model. This model of Aaker & Keller (1990) outlines how consumers form attitudes that serve in the evaluation of extensions composed of variables termed parent brand quality, fit between the parent brand and the extension, and difficulty of making the extension. Fit constitutes other three dimensions/components which are Transfer, Complement, and Substitute. Consumers' attitude from then on has been focused. Smith and Park (1992) have also formulated parent brand reputation that serves in the evaluation of consumers' attitude but has received lesser attention so far. This variable has been conceptualized as a combination of a) product quality b) firm's marketing activities and c) acceptance in the market place (Jalees and Ali, 2008). Marconi (2001) pointed out reputation as a cumulative, taking into account how people come to regard an entity over time.

Services, durables and FMCG/ Fast Moving Consumer Goods of real or hypothetical brands have been considered together in many of the researches. Regarding the findings of the original study by Aaker and Keller in the US (1990), they did not find support for the first variable parent brand quality hypothesized as having a relationship with consumers' favorable attitude toward extended brands. Transfer and Complement showed more importance as predictors while Substitute was confirmed to be less important. The last variable Difficulty of making the extension was also supported. Reputation was also confirmed to have positive relationship with consumers' attitude.

Concerning brand extensions in Ethiopia, the market is filled with several extended brands both domestic and foreign by means of either line or category extensions. Whether it be manufactured within or outside and imported, both ways consumers attitude toward the extension and the parent brand is undeniably associated with consumers' extension evaluation influencing their purchase intention. This is emphasized by the Czellar (2003)

statement that brand extension attitude leads to concrete consumers' behavior in the marketplace in terms of intentions, choice, and repeat purchase. The use of same brand on existing product for a new product in a different category increases the rate of acceptance and purchase intention of consumers (Utama, 2013).

To be successful in the marketing of these products then, marketing/brand managers need to have access whereby they can ascertain how of consumers' attitude toward their extensions actually is. They need to have clear informational inputs to make decisions with regard to developing or/and marketing of new products. Broniarczyk and Alba (1994) stated that brand extension is inherently a managerial topic. Nicolino (2001) also explained that brands have a life of their own and yet always reflect the attitudes, strengths, and skills of their managers. So the more tangible information is available about how consumers may perceive new products with established brand names, the more managers will adequately be equipped with strengths and necessary skills. Then, through brand extension strategies managers can save cost and reduce risks associated with new products development. Despite this, it can be said that how consumers in Ethiopia evaluate brand extensions has not drawn attention to researchers so far and is an area of interest which needs a research.

With this in mind, the purpose of this study was interdependent on two perspectives: to find out the extent to which positive attitude formation is explained and predicted by the variables (parent brand reputation, perceived fit between the two product classes, and difficulty in designing and making of the extension) thereby answer the question of how extensions are evaluated by Ethiopian consumers in the Durable Goods market. This will provide manufacturers and marketers with the knowledge about the vital conditions consumers tend to accept about extended brands. As a result companies' can design strategies accordingly and benefit from market opportunities. Regarding the methodological techniques, correlation and multiple regression analysis were applied. This enabled to identify which variables are significant in predicting a favorable consumers' attitude.

## **1.2. Statement of the Problem**

There are a number of brand extensions widely available in the market in Ethiopia but then again there is a deficiency of researches in the area to show how consumers evaluate them. This becomes a problem since it is obvious that these consumers are users of products available in the market where a single brand can be found on different products that are whether produced domestically or a number of imported products from abroad. Hence, beyond financial capability to produce or import extensions, a firm is expected to have a knowledge acquired through a reasoned study as to what the consumers' need and real inclination is with respect to extensions. A desire by the company alone to grow sales volume through extensions does not yield success as Burkitt and Zealley (2006) remarked in that extensions shall be rooted in consumer needs. This shows that the understanding and knowledge of how consumers evaluate extensions helps managers to be conforming to what consumers actually need before taking any steps. If these firms are to success with their extension building strategy or sales of new products, knowing how these consumers evaluate these extended brands matter. Kotler and Armstrong (2012) stated that building and managing brands are perhaps the marketer's most important tasks. If it is so, brand extension decision is crucial to the manager. This can further be emphasized by Aaker & Keller (1990) statement that the brand extension decision is strategically critical to an organization and this decision usually involves an important strategic growth thrust. Brand extensions bring up strategic questions such as its appropriateness to a company's corporate structure, applicability of capital resources, and ability of personnel in the new market as noted by Boush and Loken (1991). But beyond that, success in manufacturing and marketing extensions can further be associated with brand\marketing managers knowledge with respect to how possibly consumers will form mental reactions to the new extension subjecting its success to doubt. This mental reaction is the attitude used to evaluate extensions.

So basically where there are no implications as to the possible attitude consumers may have, there is no a certain ground for marketers to predict whether the extension they are to produce or import and sell will be favorably evaluated and be a success. This is because brand extension decision is a very critical decision since, as Aaker & Keller (1990) commented, if the judgment about extensions is wrong, substantial time and resources are lost, and other market opportunities may be missed.

Regardless of this, except a research made on service brand extension by Demlie (2012), the research area is deprived of the attention it should have received. It is pointed out (Degu and Yigzaw, 2006) that whether a problem requires research depends on conditions such as a perceived difference or discrepancy between what it is and what it should be. For what it should be, there should have been researches done on the area but as for what it is only one related research is conducted.

The other issue is that of the studies made so far (including Aaker and Keller, 1990) which were done with FMCG, Durable Goods, and Services brands/products together. That means the findings obtained by a FMCG and Services extension have been generalized to extensions of durable goods. These are two different markets where different consumer perceptions may exist since a good that does not quickly wear out and yields utility over time and a good that can completely be consumed in one or two uses may be different. The authors that formulated the variables (Aaker & Keller, 1990) carried out their research in a comprehensive manner with twenty different brands as stimuli (from FMCG, services, and durables) and generalized the findings to all. Researches that came out then after about brand extensions and consumers evaluation were with the same nature. What the current study sought to find out was consumers' attitude measured from durable goods perspective only to specifically be generalized to durable goods only.

### **1.3. Research Questions**

1. Can parent brand reputation be used to predict consumers' attitude toward extended brands?
2. Does the existence of fit between the two product classes help to predict consumers' attitude toward extended brands?
3. Are brand extensions into categories that are perceived to be difficult to make the new product useful in predicting consumers' attitude toward extended brands?
4. Can useful managerial implications be offered with this research?

#### **1.4. Objectives of the Study**

- General Objective

The researcher's overall objective in carrying out this study is to establish a comprehensive understanding of the way Ethiopian consumers of the Durable Goods evaluate brand extensions

- Specific objectives of the thesis are to:
  - ✓ Find out the extent to which parent brand reputation can be used to predict favorable extension evaluation.
  - ✓ Find out the extent to which perceived fit can be used to predict favorable extension evaluations.
  - ✓ Find out the extent to which the difficulty involved in producing the extension can be used to predict favorable extension evaluations and,
  - ✓ Come up with some significant managerial implications.

#### **1.5. Research Hypotheses**

Five hypotheses were designed for a test with five independent variables termed Parent Brand Reputation, Complement, Substitute, Transferability, and Difficulty. The dependent variable was Attitude. The researcher began with the idea that there might be a positive relationship between these variables and Ethiopian consumers' attitude toward extensions. The variables except the parent brand reputation are developed by Aaker & Keller (1990). They formulated three variables named Parent Brand Quality, Perceived Fit, & Difficult. In a research they conducted, they did not find support for the variable Parent Brand Quality to have any relationship with consumers' evaluation of brand extensions. The variable resulted to be non-significant in their study. Perceived Fit and Difficulty were supported. Instead of parent brand quality then, parent brand reputation is taken for the purpose of this study. This is because in addition to the point made, according to Jalees and Ali (2008); Hem, Chernatony, and Iversen (2001), parent brand reputation is a result of three combinations; parent brand quality perception, marketing activities of the firm and the parent brand's acceptance in the market. Tauber (2014) stated that having a great quality alone is not enough for an extension. He remarked that in addition to quality brands shall be extended when they are well-known, have high awareness and a good reputation. Naturally, "good reputation" is considered to be a core

issue (Branders Group, 2011). Brands with higher perceived reputation tend to provide consumers with greater risk relief and so encourage more positive evaluations than brands of lower reputation (Binh, 2010). Further, Marconi (2001) pointed out reputation as a cumulative, taking into account how people come to regard an entity over time.

For the reason that parent brand reputation is also explained by parent brand quality along with other important perspectives that are briefly indicated above, the variable termed Parent Brand Quality was omitted and replaced by a variable termed Parent Brand Reputation.

***Reputation of the Parent Brand:*** the tendency consumers accept extended brands has been advanced to be based on the belief that a parent brand perceived to have reputation for its quality will lead to associations that the extended new product will also own same characteristics. Brand reputation has been stated in terms of consumer perception of quality associated with a brand (Aaker and Keller, 1990). Reputation of the parent brand is important since it appears that a firm is only as good as its last transaction or two according to Milewicz and Herbig (1994). Perceived reputation is one of the elements believed to be the means consumers use to evaluate brand extensions because this reputation is not built overtime but through a longer period of time that creates a positive attitude in consumers mind. A product's failing reputation can cause customer concerns about the company and its other products. So the reputation element (Heding, Knudtzen and Bjerre, 2009) requires more focus on the long-term interaction between the brand and the consumer. When a parent brand has a reputation, consumers are expected to favor the extended brand. The following hypothesis is so proposed;

***H1.*** *The higher the parent brand is perceived to have reputation the more it is associated with positive attitudes toward the extension.*

***The extent to which the two product classes are perceived to be fit:*** fit is consumers' perception of similarity between the product category of the extension and that of the parent brand (Ramanathan, 2013). A particular interest has been devoted to the concept of perceived fit or similarity of the original and extension product. This variable has been conceptualized in many studies. As to Aaker & Keller (1990), perceived fit is defined in terms of three dimensions which are transfer, complement and substitute.

**Complement:** is about the extent to which the parent and the extended brand in the two product classes can be used jointly in some usage situations. This refers to whether the two product classes have some product features that have somehow a complementary nature. From this the following hypothesis will be tested;

*H2. Consumers' attitude toward an extension is favorable when the two product classes have a complementary nature.*

**Substitute:** refers to the extent to which the two product classes are substitute in that the one can replace the other in certain usage situations. This is to say that the extension can be used in place of the parent brand product and vice versa. The hypothesis we have is;

*H3. Consumers' attitude toward an extension is favorable when the two product classes have a substitute nature.*

**Transfer:** the extent to which skills, assets and facility used in making the original product can be transferred in manufacturing the new product. Transfer refers to the perceived ability of any firm operating in the first product class to make a product in the second product class. The basic assumption with this is that extension acceptance is higher when there is a perceived fit in terms of transferability between the parent brand and the extension. This is about the extent to which common manufacturing methods and expertise is involved (Aaker & Keller, 1992). So the hypothesis developed for this is;

*H4. When there is a relationship between the two product classes in terms of transfer, consumers' attitude toward the extension is positive.*

**The difficulty in designing and making the new product/extension:** this implies the assumption that an extremely easy-to-make extension is on average less likely to be accepted than other extensions. Difficult refers to how consumers will evaluate brands with respect to <sup>1</sup>the concept of not being extended into categories where the designing and making of the extension is viewed as too easy. The following hypothesis is proposed from this;

*H5. The relationship between the difficulty of making the product class of the extension, difficult, and the attitude toward the extension is positive.*

---

<sup>1</sup> H5: Adapted from Aaker & Keller (1990)

## 1.6. Definition of Terms:

*Parent brand:* an existing brand that gives birth to a brand extension (Keller, 2003)

*Extended brand:* a new product introduced with an established brand name (Keller, 2003)

*Brand extension:* is when a current brand name is extended into new or modified products in a new category (Kotler and Armstrong, 2012)

*Attitude:* refers to a complex mental state involving beliefs and feelings and values and dispositions to act in certain ways. This is operationalized in this study as the perceived overall quality of the extension and the likelihood of trying the extension (Aaker and Keller, 1990)

*Reputation:* refers to the belief or opinions that are generally held about the brand. Reputation is as a cumulative, taking into account how people come to regard an entity over time Marconi (2001).

*Durable goods:* durable goods or a hard good is a good that does not quickly wear out, or more specifically, one that yields utility over time rather than being completely consumed in one use. Durable products are products used over an extended period of time and normally survive for many uses (Kotler, Wong, Saunders, and Armstrong, 2005). Sikkim Manipal University (2009) explained Durables as refrigerator, TV set, washing machine, car, clothing etc. Russel, (2010) again defined durable goods as goods that are purchased infrequently as opposed to Non-durable goods which are consumer products that are normally consumed in one or a few uses and purchased frequently. These are normally used over and over again – such as a car, a refrigerator, a camera, clothing or household tools such as a pair of scissors. Dwivedi (2009) also classified durables goods as durable consumer goods and producer durable goods where he stated durable consumer goods as clothes, shoes, house, furniture, refrigerators, cars, cell phones, etc.

## 1.7. Significance of the Study

The theoretical significance offered by this research is via the tested theory and model which dealt with brand extension evaluations and attitude formation by combining a theory developed by two scholars. So this research contributes to the literature in the field by examining the subject with two different theories, in a durable goods market only, and from

Ethiopian consumers' viewpoint. Beyond the theoretical contribution, practical managerial implications that will create opportunities for firms are provided as well. This topic being studied, as a result, benefits firms who are involved with durable goods and are concerned with building extensions or are engaged in importing and selling extensions. The study attempted to cover the deficiency of studies in the area wherein it can serve as a reference and paves the way for further studies. Overall, decision making is the most risky aspect when it is specifically about whether proceeding with an extension concept or not. So this thesis facilitates the decisions to be made and provides strategically vital points organizations can refer.

### **1.8. Delimitations of the Study**

This study is delimited to:

*First*, subjects used as a sample are from Addis Ababa University School of Commerce who are regular undergraduate students. The reason for using undergraduate students is primarily their representativeness of the broad population and accessibility to deal with the time and cost constraints.

*Second*, actual parent brand with which consumers are familiar and have full information about along with a hypothetical extension is considered.

*Third*, the brand chosen for the research is from Durable Goods only, i.e. Services and FMCG brand extensions are not included.

### **1.9. Limitations of the Study**

The first limitation of this study is that only a single parent brand and extension are considered as stimuli which might lead subjects to solely centralize their responses on the stimuli. This may limit its generalizability to other durable goods brand extensions. Substitute for instance, has been found relatively less important than the other three dimensions in many of previous researches including Aaker and Keller (1990) and even was not supported at all in some others. But this may be, according to Barrett, Lye and Venkateswarlu (1999), due to the limited number of brand extensions of substitute nature used as stimuli.

Second, only three major variables (parent brand reputation, perceived fit, and difficulty) were considered in the current study even though there are several other variables that can be included. Despite the fact that these are the most frequently addressed variables in previous researches, generalizing consumers' evaluation from these perspectives only may also limit the findings.

Third, hypothetical extensions were considered to meet Keller's (1990) criteria. This may also be the limitation for this research since consumers attitude may differ to extensions that actually have existed. Mao, Mariadoss, Echambadi, and Chennamaneni (2011) pointed out that characteristic of the extension marketing program plays a role in consumers' attitude. Furthermore, Keller and Aaker (1992) stated that information that consumers have about the extension may facilitate inference-making and produce more favorable evaluations.

Fourth, the stimuli taken are a Suit with a hypothetical extension Shoe. Whether such goods are durable or not have been an issue about which different scholars have made comments that reflect different views. This initially seems making the findings less generalizable to other durable goods. The researcher however, went through available resources (some are cited under the definition of terms, ch. 1) and found out that the goods are not in fact FMCG but rather as indicated by Dwivedi (2009) more of semi-durables or durables, particularly with respect to the stimuli. Because the Suit and the Shoe by their very nature are expected to last years and people don't usually consider purchasing a suit and the shoe that goes along with it frequently. Many goods such as shoes and clothing classified as nondurables have characteristics of durables (Engel and Wang, 2010). Furthermore, the items in the questionnaire (Q4, Q6, Q8, Q10, and Q12) could somehow help to take respondents' attention from the stimuli and guide to look at and comprehend the meaning from durable goods perspective as a whole. Responses are gained through questions that particularly ask about the stimuli and responses obtained through questions that ask about extensions as a whole. This may help to deal with the first limitation as well and enhances the findings generalizability to other durable goods.

**CHAPTER TWO: REVIEW OF RELATED LITERATURE**

**2.1 Brand Definition**

The word ‘brand’ is used by firms around the world in order to identify their offer from the offers of others. This ‘brand’ has been defined as a distinguishing name and/or symbol (such as a logo, trademark, or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors (Marconi, 2000). American Marketing Association in 1960 as referred by Keller (2003), is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition According to him, brand may refer to a physical good, a service, a store, a person, a place, an organization, or an idea. Brands differentiate companies and products from their competitors.

In the definition Heding et al. (2009) provide, the brand is linked to the identification of a product and the differentiation from its competitors, through the use of a certain name, logo, design or other visual signs and symbols.

**2.2. New Products, Brand Development, and Brand Extension**

Table 2.1: Asnoff’s four product-market strategies

	Present product	New product
Present market	Market Penetration Strategy	Product Development Strategy
New market	Market Development Strategy	Diversification Strategy

Source: Fundamentals and Practice of Marketing, John Wilmshurst & Adrian Macay (2002)

The above table shows the options/sources organizations can employ. According to Wilmshurst and Mackay (2002) product development strategy is when a company develops

new products or services (or ‘enhancements’), or takes its existing products to serve new markets. There is a risk with this strategy – new products require investment and learning new markets. Finding new distribution channels also requires investment. Overall, there is a risk, i.e. the money involved.

Within the concept of new products, how buyers decide on buying new products has been put in a process of five stages (Kotler and Armstrong, 2012):

*Awareness:* The consumer becomes aware of the new product but lacks information about it.

*Interest:* The consumer seeks information about the new product.

*Evaluation:* The consumer considers whether trying the new product makes sense.

*Trial:* The consumer tries the new product on a small scale to improve his or her estimate of its value.

*Adoption:* The consumer decides to make full and regular use of the new product

The concept pertinent to this study can then become clear at this point i.e. the new product option where the firm develops a new product with or without the current brand that the firm is known for. New product introductions are often vital to the long run success of the firm (Keller, 2003). However, as Russell (2010) stated, with a failure rate upwards of 80%, managing new product development is both costly and risky. This is true especially when the new product is totally new in terms of its brand name. According to him new products and new brands are the growth engine of every successful marketer. So any firm that wants to develop a new product may opt to implement Product Development Strategy from among the four strategic options either creating a new brand or using the existing brand for the newly developed product. Using the existing brand refers to the term to be discussed next which is Brand Development. The point here is that a company manufactures a product or a service and gives a particular brand name in one of the forms of brands as defined by the American Marketing Association with the aim of identifying and differentiating it from other products. When the brand becomes valuable in terms of uniqueness, strength, and reputation, the opportunity for growth of the brand through different means becomes apparent.

Tauber (1988) stated extension capitalizes on the company’s most valuable assets- its brand names. He added that the company moves into a new category from a position of strength.

This strength can be of the immediate consumer awareness and impressions communicated by the brand. Brand development might be required when the market and the general environment require it. Heding et al. (2009) noted about this by stating that extensions can be used to underpin and develop the brand to meet market changes. The consumers' buying decision in the five stages of new product adoption, the desire for information about the new product in the awareness and interest stage may be satisfied by the already available information about the parent brand and also the likelihood for trial may be influenced by the presence of the parent brand name.

When taking the new product development strategy with existing brand name, it is very helpful to see Kotler and Armstrong's (2012) brand development matrix. In their 14th edition, they pointed out four choices a company has in developing brands. It can introduce line extensions, brand extensions, multibrand, or new brands.

Table 2.2: Brand Development Strategy

	Product category		
		<i>Existing</i>	<i>New</i>
Brand name	<i>Existing</i>	Line Extension	Brand extension
	<i>New</i>	MultiBrand	New brands

Source: P. Kotler & G. Armstrong, Principles of Marketing (2012)

*Line extensions* occur when a company extends existing brand names to new forms, colors, sizes, ingredients, or flavors of an existing product category. A company might introduce line extensions as a low-cost, low-risk way to introduce new products. Or it might want to meet consumer desires for variety, use excess capacity, or simply command more shelf space from

resellers. This method can be used to deal with situations that evolve with changing needs. Examples could be cited of soups coming into different flavors, biscuits in different tastes and packs, and detergents in powder and liquid forms.

*Multibrands* are when companies market many different brands in a given product category. Multibranding offers a way to establish different features that appeal to different customer segments, lock up more reseller shelf space, and capture a larger market share.

*New Brands* a company might believe that the power of its existing brand name is waning, so a new brand name is needed. Or it may create a new brand name when it enters a new product category for which none of its current brand names are appropriate. For example, Toyota created the separate Scion brand, targeted toward millennial consumers.

*Brand Extensions* where growth is sought through brand extension, it is said that the company extended a current brand name to new or modified products in a new category. A brand extension gives a new product instant recognition and faster acceptance. It also saves the high advertising costs usually required to build a new brand name. When a brand introduces a new product under their brand name, this is referred to as a brand extension (Russell, 2010). This strategy can be used to deal with situations that offer an opportunity to enter a new market altogether. E.g. manufacturers of juices getting into milk and yogurt, tea getting into soups, chocolate getting into ice cream and cameras into photocopying machines etc. brand-extension strategy offers many advantages. A well-regarded brand name helps the company enter new product categories more easily as it gives a new product instant recognition and faster acceptance. Extending brands can take several forms in all are referred to the brand extension (Kotler, Wong, Saunders, and Armstrong, 2005).

Brand extensions are used for different reasons. Some brands as Tauber (2014) stated are extended just to save money that would be needed to establish a new brand. In other instances, companies want to stretch a brand to as many categories as possible in hopes of just adding sales. The rationale for an extension is that the contribution of the brand name to the extension will be positive. The critical question here is the extent to which the brand name can provide a point of differentiation, including a quality association (Ducham, 2014). Companies can also reduce risk through this strategy. Brand extensions allow companies to leverage the equity to in already established brand names, and thereby reducing risk associated with launching new products (Phang, 2004). In his book 2003, Keller mentioned

that brand extension is when a firm uses an established brand name to introduce a new product. According to him a brand extension can also be called sub-brand when a new brand is combined with an existing brand. When the brand gives birth to a brand extension it is referred as parent brand. When the parent brand is associated with multiple products through brand extensions it is called a family brand.

Brand extension can be broadly classified into two general categories (Keller, 2003):

- Line extension: the parent brand is used to brand a new product that targets a new market segment within a product category currently served by the parent brand. A line extension often involves a different flavor or ingredient form or size, or a different application for the brand.
- Category extension: the parent brand is used to enter a different product category from that currently served by the parent brand growth strategies can be categorized according to whether they involve existing or new customers or markets a brand extension gives a new product instant recognition and faster acceptance. It also saves the high advertising costs usually required to build a new brand name.

The use of same brand on existing product (parent brand) for a new product in different category (extension brand) increases rate of new acceptance and purchase intention to consumer (Utama, 2013). According to him, the strategy maintains efficiencies on advertising and promotion expenditures.

### **2.3. Types of Brand Extensions**

Tauber (2014) classified seven types of brand extensions firms can apply. Some of them share the basic idea of the dimensions of fit developed by Aaker & Keller (1990) about how consumers evaluate brand extensions:

*1. Same products in a Different Form:* one of the simplest ways to leverage a product into a different category is to change its form. If it's a food, make it a beverage. If it's frozen, offer it shelf stable. Similar products in a different form from the original parent product. An example is (frozen) Snickers Ice Cream Bars. The original Snickers bar is a shelf stable candy. The brand extension is a similar product, but in a different form. Jell-O Portable Pudding and Pudding Cups is Jell-O pudding in a different form and section of the store.

2. *Distinctive taste/Ingredient/Component in the new item:* an alternative to offering a new form of an existing product is to take an ingredient or component of the product a firm owns and make it part of an item in a different category. When a brand “owns” a flavor, ingredient or component, there may be other categories where consumers want that property. Peanut butter is a characteristic ingredient in Reese’s Peanut Butter Cups candy. Chocolate is a characteristic ingredient of Hershey. Brand Extension Research identified Reese’s Peanut Butter as a logical extension that capitalizes on this association. Research also suggested Hershey chocolate milk.

3. *Component Products:* Some brand extensions are a “natural” companion to the products the company already makes. Some products are used with other products. These natural companions lend themselves to leverage in the other category. E.g. Coleman is primarily known for its camping stoves and lanterns but successfully moved in to tents and other camping gear that go along with the stove.

4. *Same Customer Franchise:* many brand extensions represent a marketer’s effort to sell “something else” to its customer base. In effect, this is a strategy to leverage the consumer franchise. This works particularly well when that customer base is large and to some extent captive. VISA launched travelers checks directed to its credit card customers.

5. *Expertise:* over time, certain brands may gain a reputation for having an expertise in a given area. Offering extensions in a category where consumers believe you have special knowledge or experience. BIC was an expert in a disposable plastics and offer disposable lighters and razors. What brand comes to mind when we think of baby products? – Gerber. As a result of this acceptance of their expertise, they successfully launched Gerber Baby Powder, Gerber Baby Bottles, etc. Sara Lee is known for baked desserts, so why not other baked goods like bread.

6. *Benefit/Attribute/Feature Owned:* Many brands own a benefit, attribute, or feature that can be extended. E.g. Ivory is mild and people want a mild shampoo when they use it daily-hence ivory shampoo.

7. *Designer Image/Status:* Certain brands convey status and hence create an image for the

user. Brands can offer status and hence create an image for the new item and its user. E.g. Puke frozen desserts are fancy. Designer clothing labels have been extended to furniture, jewelry, perfume, cosmetics, and a host of other items. Some brands promote a lifestyle and can extend to items that people “wear,” as a badge of identifying themselves with that lifestyle.

8. *Vertical extensions*: some brand extensions are vertical extensions of what they currently offer. A brand can use their “ingredient/component” heritage to launch products in a more (or sometimes less) finished form. Nestlé’s Toll House chocolate refrigerated cookies is an example. Most Toll House chocolate chips are used in cookies, so why not make a brand of Toll House chocolate chip cookies. Mrs. Fields Cookies were ready-to-eat. They offered frozen cookie dough, moving backwards as a vertical extension. Rice Krispies has always been used in kids' treats. Kellogg offered Rice Krispies Treats ready-to-eat.

#### **2.4. Why Extensions Are A Very Useful Strategic Options:**

Extensions as Aaker (April 5, 2012) are useful for different reasons:

First, an extension can enhance the brand associations rather than detract from it

Second, an extension that is successful can provide energy, visibility, and momentum

Third, customers are capable of having brand perceptions that are different in different product contexts

Fourth, product relevance should not be affected by an extension

Finally, if there is a perceived risk to the brand, a sub brand can serve to provide some distance

#### **2.5. Advantages and Disadvantages of Brand Extension**

The other fundamental reason behind the usefulness of brand extensions may also be to seize the advantages the strategy is associated with. These advantages have been described by Keller (2003). They can broadly be categorized as those that facilitate new product acceptance and those that provide feedback benefits to the parent brand or company as whole.

**Advantages associated with facilitating new brand acceptance**

- Improve brand image
- Reduce risk perceived by customers
- Increase the probability of gaining and trial
- Increase the promotional expenditures
- Reduce costs of introductory and follow-up marketing programs
- Avoid cost of developing a new brand
- Allow for packaging and labeling efficiencies
- Permit consumer variety-seeking

**Advantages associated with providing feedback benefits to the parent brand and company**

- Clarify brand meaning
- Enhance the parent brand image
- Bring new customers into brand franchise and increase market coverage
- Revitalize the brand
- Permit subsequent extension

Advantages described by Tauber (2012):

- Identify logical new product possibilities
- Capitalize on the paid-for equity in established brand names
- Enable a company to enter new categories at significantly lower cost
- Reduce the risk of failure given the already established awareness and trust
- Create a positive synergistic effect with the efficiencies of umbrella branding and advertising
- Reinforce the consumers' perceptions of the parent brand name
- Bring news to existing brands when there is otherwise nothing new to say about them

This strategy though is not without pitfalls at all because brand extension has disadvantages well (Keller, 2003).

### **Disadvantages associated with brand extensions**

- Can confuse or frustrate consumers
- Can encounter retailer resistance
- Can fail and hurt parent brand image
- Can succeed but cannibalize sales of parent brand
- Can succeed but diminish identification with any one category
- Can succeed but hurt the image of parent brand
- Can dilute brand meaning
- Can cause the company to forgo the chance to develop a new brand

### **2.6. Ten Principles of Good Brand Extensions**

Tauber (2014) summarized brand extension researches and has identified 10 principles that characterize a GOOD brand extension. These principles according to him are useful in order to increase the probability of extension success.

1. Brand should not be extended unless they are well-known, have high awareness and a good reputation among the new target market.
2. Brand extensions must be a logical fit with consumers' expectations.
3. Brand extensions must have leverage in the new category- a transfer to the new product of a distinctive property associated with the parent brand that gives the brand extension an edge in the new category. The test: "just knowing the brand name, customers of the new category should be able to identify why they might prefer the new brand extension to existing competition.
4. Brand extensions that could create confusion or a negative image for the parent should not be undertaken.
5. Brands that consumers use synonymously with a category (generic) should not be extended to other categories.
6. Brand should not be stretched to too many diverse categories risking dilution in the long run. (There are cases, however, where a brand dominates a modest sized category and has no room to grow. In these instances, the upside potential of extending is worth the risk of dilution – e.g., Arm & Hammer.)

## 2.7. Brand Extension Success

Volckner and Sattler (2006) pointed out five essential determinant factors for brand extension success among the vast presence of potentially important success determinants which are Fit, Marketing support, Retailer acceptance, Parent brand conviction, and Parent-brand experience.

- *Fit between parent brand and extension product:* Appropriate selection of the parent brand and extension product category can directly affect fit. Extension advertisements can also increase the salience of crucial brand associations that help consumers infer extension features and benefits and thus understand how an extension fits. Consumers will likely infer judgments of fit and consistency when an advertisement illustrates how parent-brand attributes improve the extension's ability to provide benefits.
- *Parent-brand conviction and parent-brand experience:* Although extension products do not guarantee success on the basis of the brand name alone, parent-brand characteristics, such as consumers' parent-brand experience and conviction, play an important role in driving brand extension success. Managers frequently cannot influence these two factors in the short or medium term, because both factors reflect specific characteristics of the parent brand. However, building customer based brand equity and/or acquiring strong brands are favorable strategies because they represent a prerequisite for the successful leveraging of an existing brand to reap some financial benefit. Moreover, managers who have access to a portfolio of parent brands might consider influencing parent brand conviction and parent-brand experience by selecting an appropriate brand that performs favorably in terms of these factors.
- *Retailer acceptance:* There are various possible ways to influence retailers' acceptance of a new product. Promotional allowances reduce retailers' costs of telling consumers that the extension product can be obtained in a given store, thus strengthening interstore competition. Consumer advertising also builds demand and therefore should have a positive effect on retailers' decisions to accept new listings.
- *Marketing support:* The marketing support that the extension product receives plays a critical role in determining the success of the new product. This factor is of specific interest for managers because it is under a company's direct control and, in general,

can be influenced in the short term. However, the financial well-being of the company represents a boundary condition regarding the total support that new introductions may receive

The critical factor in a brand's extension success is whether the distinctive property owned by the brand is important in the new category and provides a competitive edge (Tauber, 2012). He said that parent brands considered for extension must own some distinctive properties. Brand extension success, Keller (2003) stated, can not only contribute to the parent brand image but also enable a brand to be extended even farther.

Another interesting point to raise here is that a parent brand is not the only factor that is associated with the success of the parent brand. The extension itself becomes associated with the success of the parent brand. Keller (2003) again pointed out that when consumers do not have strongly held attitudes, the successful introduction of a brand extension improves evaluation of a parent brand that was originally perceived to be of only average quality.

## **2.8. Key Things to Consider In Extending Brands**

Brand extensions can be a big boost to a company's bottom line, but only if the right category is chosen (Tauber, 2014). According to him, when choosing the right new category for the brand a company is extending, it is vital to consider the following three points:

- Is the market size big enough to bother? This is one case where bigger is definitely better. Look for a category that's large enough to create a sizable business even if you only achieve a modest share of the total business. Any brand extension enters an existing category, where you'll be competing for market share owned by long established competitors. The category's customers probably already have a favorite brand, and it isn't yours. It's unlikely your brand extension, or new product entry, will achieve a major market share in the early period after launch. In fact, order-entry models show that late entry products typically capture limited market share unless they offer a significant improvement over existing products. Launching in a small category dooms you to a small future. But launching in large categories gives even late entrants a chance to survive and thrive.

- Is the category dominated by a handful of major players? That's probably bad news for your brand extension prospects. Just imagine trying to compete in the soda category against Coke and Pepsi. Attempting to find significant success when you're up against these established giants is next to impossible. Fragmented categories, on the other hand, are a brand extension's best friend. Many brands own a small market share, so no brand is dominant and few are well known. These categories, such as shampoo and deodorant, leave room for a new player to claim share.
- Is there room in the category to launch more than one product? When selecting a new category, it's important to examine the potential for eventually developing a line of products. Launching one product into a category leaves that product as an orphan without the advantages of scale and advertising clout. If you get a foothold in a category with room for line extensions, you'll be able to support the whole line of new products more heavily.

## **2.9. Brand Extension Research and Brand Extension Strategy**

Guneliun, (2014) has provided a noteworthy suggestion that focus on two major points which, if appropriately implemented, help a lot. These two points are brand extension research and brand extension strategy.

### **2.9.1. Brand Extension Research**

There are a few things that need to be ensured that is consumers need to believe about the brand before it can be successfully extended, and these are things that a firm can learn through research. Brand extension research requires a comprehensive understanding of brand fit. If consumers don't perceive that a brand will fit in a new category, then the company either has to invest in re-educating consumers and repositioning the brand or the company needs to choose a different brand extension.

Therefore, during a research process, she commented that a firm asks consumers some questions that will reveal consumers' answers to questions like the following:

- What position (or word) does the parent brand own and what makes it unique to you? Parent brands have to be distinctive and own a position in the markets where they exist.
- What does the parent brand's promise provide or deliver to you? Parent brands have to have a solid brand promise that consumers understand, recognize, and believe.
- Does the parent brand elicit any negative feelings for you? Parent brands must not pass on any negative perceptions to extensions.
- What do you need or want that existing brands and products are not providing? Extensions have to fill a need, void, or consumer want. There must be consumer demand for the extension.
- What unique feature or benefit would a new product or brand need to offer for you to consider buying it? Extensions should bring something new and different to the category.
- Does your existing perception of the parent brand fit the new category or market that the brand plans to enter? Extensions have to be introduced in categories and markets where consumers believe those brands will fit.

### **2.9.2. Brand Extension Strategy**

As a brand extension strategy is developed, it is worthy to look for the sweet spot in terms of which extension best enables leveraging the existing brand equity in a manner that fits with consumer expectations and perceptions. However, there are opportunities to extend a brand into areas that aren't a natural fit for that brand. Therefore, it is good to understand the difference between the two primary brand extension strategies — centralized or decentralized.

- A centralized brand extension strategy is one where extensions leverage the parent brand name, reputation, and position to drive new revenues for a business. These can be both line and category extensions where all new products are introduced under the same brand umbrella. This is a great strategy that gives companies the cost savings they want and can be very successful as long as those requirements mentioned above related to fit and perception are in balance. Amazon and Google are great examples of companies that use centralized brand extension strategies.
- A decentralized brand extension strategy is one where extensions leverage manufacturing, distribution, and other economies of scale but they do not share the

parent brand name. This is a good strategy for companies that want to protect their parent brands while pursuing significant expansion into multiple categories and markets. Automobile manufacturers use this strategy with extensions into different categories (e.g., Toyota has extended into the luxury vehicle market with Lexus and into the youth-oriented market with Scion). Johnson & Johnson and Procter & Gamble are excellent examples of consumer product companies that follow a decentralized brand extension strategy launching separate brands to appeal to specific markets.

- It's up to each company to determine how far its brand extensions should be distanced from one another, and this decision affects whether the company pursues a centralized or decentralized strategy. However, even a decentralized brand extension strategy can vary in terms of brand distance. For example, it's not unusual to find multiple American car brands sold in the same dealership such as Dodge, Jeep, and Ram vehicles on the same Chrysler dealership lot. This is less likely for Toyota and Lexus.

## **2.10. Attitude Formation and Evaluation of Brand Extensions**

Earlier a definition was given for attitude which stated it as a mental state that involves beliefs, feelings, values, and dispositions to act in certain ways. So anyone exerting some effort to know about a particular extended brand/product he is after before making a decision to purchase it, has engaged himself in the process defined above whereby he tries to form an outlook about the brand. In doing so, the attitude which might be positive or negative toward that extension product influences the decision he will make whether to purchase it or not. It is obvious here that the consumer/purchaser has been evaluating the brand through the attitude he formed. The consumers' decision bases on his attitude. The question that rises at this point is that what builds the positive attitude that makes the consumer favor that particular extended brand. To answer this, the first study of Aaker & Keller (1990) and many subsequent other researchers developed and tested variables they believe plays the role.

In January 1990, Aaker and Keller's study came out with explored new findings about how consumers evaluate brand extensions. Their findings concluded that consumers' evaluations of brand extensions are based primarily on two variables. First, the extent to which there is a perceived fit between the original and the extension product categories. Second, the extent to which consumers perceive creating the extension product category is difficult. For the

perceived fit, they formed three dimensions: complementarity<sup>1</sup> (Complement) of the parent and the extension being used together, substitutability<sup>2</sup> (Substitute) of the parent and the extension categories being used replacing one another and transferability<sup>3</sup> (Transfer) of skills from the parent brand to the extension. They found support for their hypothesized relationships with respect perceived fit and difficult whereas they did not find support parent brand quality.

Their first hypothesis states that higher quality perceptions toward the original brand are associated with more favorable attitudes toward the extension. Parent brand quality alone hypothesized as having association with consumers' evaluation of brand extensions was not supported.

The second deals with the transfer of a brand's perceived quality being enhanced when the two product classes in some way fit together specifying when the fit is weak, the transfer is inhibited. In this hypothesis, the interaction effects of quality with the three fit variables were statistically significant. Parent brand quality with the evaluation of a brand extension was strong and significant only when there was a basis of fit between the two product classes.

The third is about the fit between the two involved product classes having a direct positive association with the attitude toward the extension. As highlighted above they found support for this hypothesis. Transfer and complement fit dimensions were concluded as having more influence while substitute dimension was less important. They commented that a fit on either Transfer or Complement may be adequate and a good fit on all is not necessary. The concept of fit has been the focus in past research on brand extension attitudes.

The final tests the relationship between the difficulty of making the product class of the extension, Difficult, and the attitude toward the extension. Aaker & Keller (1990) supported this hypothesis with attitude formation that a positive relationship exists between positive attitudes with evaluations of an extension concluding an extremely easy-to-make extension, on average, is less likely to be accepted. As to their findings, consumers may attribute the act of placing a quality brand into what is viewed as a trivially easy-to-make product class as a blatant effort to capitalize on a brand name image to command higher than justified prices or they may feel it is incongruous to introduce a quality brand name in a trivial product class. Kapferer (1994) stated that among the factors that affect the acceptability of a brand extension is the perceived difficulty in manufacturing the extension.

Concerning the Reputation variable taken under this study, Smith and Park (1992) confirmed reputation to have a relationship with consumers' positive attitude toward brand extensions. Jalees and Ali (2008) also found strong relationship between parent brand reputation and consumers' evaluation of extensions. They commented that consumers while evaluating brands that have higher perceived reputation would feel that purchasing the extension would be comparatively less risky, thus their evaluation would be more positive towards these brands. According to Smith and Park (1992), reputation of the parent brand has a stronger relationship with how consumers evaluate extensions. Utama (2013) again remarked that a strong reputation of parent brand can minimize risk of new product launch by taking advantages on consumers' knowledge and experiences of the established brand.

Summing up, according to the findings of previous researches, consumers are predicted to have a positive attitude toward brand extensions leading to favorable evaluation when Parent brand reputation is stronger. The perceived fit was also confirmed to be predictor of consumers' positive attitude, primarily perceived fit in terms of transfer and complement. Czellar (2003) noted that the higher the perceived fit between the two, the more positive the consumer's attitude toward the extension. It is also possible to say from Aaker & Keller's (1990) original study that positive extension evaluations are also expected to take place when the extension is believed to be difficult to be designed and made.

### **2.11. Theoretical Framework of Attitude Formation**

The foundation of this thesis is a conceptual model containing variables as outlined by Aaker & Keller (1990) and Smith and Park (1992). These variables serve as the basis on which the entire project relies. Jonker and Pennink (2010) noted that the first function of a conceptual model is relating the research to the existing body of literature.

The graphical representation of the variables in a model is as the following:

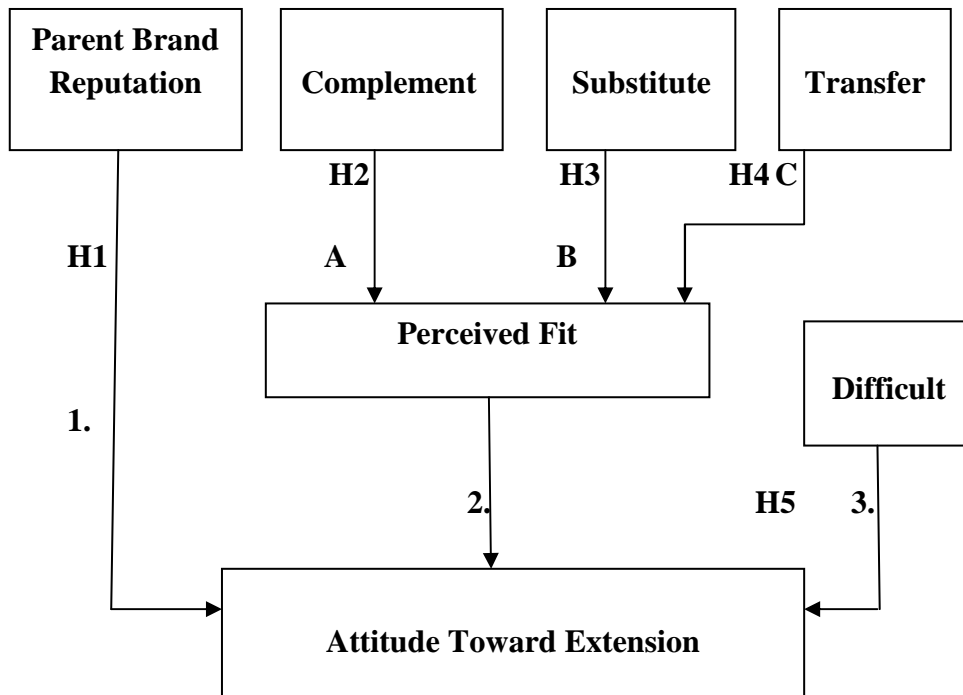


Figure 2.1: a theoretical framework of attitude formation

Source: Aaker and Keller (1990) & Smith and Park (1992).

- 1 Shows Parent Brand Reputation relationship with attitude toward brand extension
- 2 Shows the relationship Perceived Fit has with attitude toward brand extension
  - a shows Transfer dimension relationship with Fit
  - b shows Complement dimension relationship with Fit
  - c shows Substitute dimension relationship interaction with Fit
- 3 Shows Difficulty's relationship with attitude toward brand extension

a, b, and c arrows are directed towards one box because according to Aaker & Keller (1990) a fit on either of the one is enough i.e. a good fit on all is not necessary.

The model tested was:  $Y (Att) = \beta_0 + \beta_1 R + \beta_2 T + \beta_3 C + \beta_4 S + \beta_5 D$

Where; R= Reputation, T=Transfer, C=Complement, S=Substitute, and D=Difficult

In this equation,  $Y$  (*Att*) is the predicted attitude on the criterion variable.  $R$ ,  $T$ ,  $C$ ,  $S$ , and  $D$  are the predictor variables and the  $\beta$ s are the weights or coefficients associated with the predictors.

The framework shows the relationship the three main variables Parent Brand Reputation, Perceived Fit, and Difficult have with the variable attitude formation. The H's associated with the relationship lines in the framework are formulated hypotheses. Such a framework (Arya and Yeshpal, 2005) is a set of structural equation designed to represent a system or process in whole or in part, showing therein the interrelationships between variables. This thesis is structured essentially with the above theoretical model from which the five drawn hypotheses were tested to find out whether they can be verified statistically to have any associations with consumers' evaluation of brand extensions. These variables were used to formulate the questionnaire to collect the data from the selected samples. This data then was dealt with quantitatively and how significantly variables are correlated was analyzed through statistical techniques.

### **2.11.1. Discussion of Variables Constructing the Model**

**Attitude:** attitude may be defined for this study as an orientation or specifically a belief by which positive or negative feelings toward a brand extension may be held by a person. Kotler & Armstrong (2012) described attitude as a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea. Attitudes put people into a frame of mind of liking or disliking things, of moving toward or away from them. Khan (2011) explained attitude as the overall value that a customer thinks about a brand.

Attitude in this study is the dependent variable which has been operationalized as the perceived quality a consumers have of the hypothetical brand extension and their likelihood of trial if they were planning to purchase a product type of the extension category.

**Parent Brand Reputation:** refers to consumers' perception of the quality of a certain product, the marketing activities performed by the firm, and the acceptance of the brand by consumers (Jalees and Ali, 2008); Hem et al. (2001). Branders group (2011) also pointed out the ingredients of reputation such as Quality and Innovation. This means that the reputation of the core brand that gives birth to the extension is a factor that interacts with consumers'

attitude formation in extensions evaluation. When we see what reputation means, the parent brand has its own quality consumers appreciate and like. This quality is expected to be associated with favorable feelings about the extension that will eventually make it evaluated positively. There are marketing activities also the organization performs that makes the parent brand well known and makes it possible positive associations to be created. This includes (Keller, 2003) programs such as the product design, pricing policies, distribution channels and communication campaigns. Because according to him, in consumers exposed to brand extension information parent brand associations in memory are strengthened. Eventually, the question of acceptance of the extension takes place as a result of the two just mentioned and other factors. The more the parent brand is accepted by consumers and it satisfies what they need, the more the brand's reputation becomes enhanced. So by definition the more the parent brand is perceived as having high reputation, the more it serves as a cue that forms consumers' attitude for evaluation of products with extended brand names. The extension attitude is positively related to the perceptions of reputation, prestige, and the consumers' affection for the brand (Martinez and Pina, 1994).

The product developed with the established brand is believed to do good when the parent brand is perceived as quality. According to Aaker & Keller (1990), an extension should be benefited if the parent brand is associated with high quality, and should be harmed if it is associated with inferior quality. The more associated with high quality shows the more reputation of the brand is developed. Reputation is assumed to be key determinant of consumers' brand choice (Heding et al., 2009). Reputation eases the effort consumers make in evaluating extended brands while purchasing new products. As expressed by Milewicz and Herbig (1994), reputation of the established brand name can facilitate the introduction of a new product. There is a tendency as to RõÂo, VaÂzquez, and Iglesias (2001) that a positive relation exists between brand reputation and the consumer's willingness to pay a price premium and accept brand extensions. So the reputation of the parent brand is a crucial factor influencing the likelihood of a successful brand extension. Building a favorable reputation for a parent brand is an important contributor to the success of brand extensions (Hem et al., 2001).

Tauber (2014) remarked that in addition to quality, being widely known, having high consumers' awareness and a good reputation greatly helps to create a favorable consumers attitude toward the brand extension. Brands with higher perceived reputation than brands

with lower reputation tend to provide consumers with greater risk relief encouraging a more positive evaluation (Binh, 2010). This reputation is a cumulative perception consumers have taking into account how they come to regard the brand over time.

The basic idea of this theme is that the higher consumers perceive the parent brand to have good reputation, the more likely a positive association with the extension exists so that its acceptance becomes more evident. Aaker (1991) indicates that the consumers will evaluate brand extensions more favorably in the case of leading brands that enjoy a good reputation and that are purchased by many people.

***Perceived Fit:*** when original brands are used to produce new products that appear to be somewhat similar, it is called fit. Fit has been defined by Tauber (1988) as the extent to which a consumer accepts the new product as a logical and expected extension of the brand. This fit is with other three components. Aaker and Keller (1990) indicated three measures which are from a demand-side and supply side perspective. The demand-side perspective explains the economic notions of substitute and complement in product use.

Perceived fit is all about how similar the two product classes are particularly in their function and demand satisfaction. Are the two products possible to be used together, one in place of the other? Or is it possible to use what has been used to produce the first product in the production of the second one? Perceived fit refers to the similarity between the original and extension product categories, Nkwocha, Bao, Jhonson, and Brotspies (2005). The three dimensions of fit are discussed next.

***Complement:*** was defined as two product classes consumers consider as complementary. The two product classes can be considered as complements when the two products can be consumed jointly to satisfy some certain need. Tauber (1998) put complement in a different term when he identified the seven types of brand extensions- 'Component Products'. Even though this term is derived to identify brand extension types, the core meaning can still be shared. Consumption-based fit focuses on the parent-extension relationship in usage and includes both complementarity and substitutability dimensions which mirror the product class distinction of complements and substitutes (Mao et al., 2011). For instance, Duracell batteries that offered Duracell flashlights might be considered as complementary extensions. Complement reflects the extent to which consumers view two product classes as

complementary. Chowdhury (2006) noted that products are considered complementary if they are consumed jointly to satisfy some particular need

**Substitute:** refers to the manner to which consumers consider two product classes as having a similar application and use context such that one product can be replaced by the other in usage and satisfy the same needs (Aaker & Keller, 1990). Tauber (1988) again used a different term to point out a type of brand extensions which shares the basic idea of substitute named- Same products in a different form/Distinctive Taste/Ingredient. An example for the common application and use context (substitutability) can be what Aaker & Keller brought up (1990) Rossignol, which makes downhill skis might produce a substitute extension which may be Rossignol cross-country skis or ice skates. In the case of the stimuli in this study, a substitute extension for the outerwear Ambassador Suit might be a jacket or just trousers or clothes such as semiformal evening cloths as a Tuxedo. A substitute extension is an alternative to the parent brand and hence possesses similar physical or functional properties (Mao et al., 2011). What Tauber (1988) explained in the types of brand extensions applies here that owning a taste or ingredient allows ownership of a distinctive new product in a different category. The Substitute reflects the consumers' view of two product classes as alternatives to be used to perform the same function.

**Transfer:** refers to a situation where the firms' skill and facilities can be transferred from the parent to the extension. This is the supply-side perspective formulated by Aaker & Keller (1990). This refers to the firm's manufacturing ability which is termed "Transfer". This is to mean that the companies' manufacturing skill and operating ability to making of the original product that could be transferred and employed to the making of the second/extended product class. Perceived applicability of the skills and assets of a manufacturer in the original product class for making the product extension can take place where the two product classes are in a similar category fit. According to Tauber (2014), this is termed as Expertise where offering extensions in categories consumers believe the firm has special knowledge or experience is important. When it is either complementary, substitute, or transferable, the extension is said to be a logical fit that the brand is extended where it should be. Transfer reflects the perceived ability of any firm operating in the first product class to make a product in the second product class. If consumers feel that the people, facilities, and skills a firm uses to make the original product are helpful, the favorable attitude or associations about the original product may transfer to the extension (Chowdhury, 2006).

To sum up the concept with perceived fit, Tauber's (2012) statement is crucial. Brand can successfully be extended to new categories only if the consumer believes that the brand is a logical fit and conveys some benefit wanted in the new category. So this to happen, consumers need to perceive that the brand is extended where it actually can be extended. Brand extensions are more likely to be favorably evaluated by consumers if they see some bases of fit or similarity between an extension and the parent brand (Keller, 2003). He added that a lack of fit may doom a potentially successful brand extension to fail.

*Difficulty:* refers to the perception of not-easy. A product class which consumers think is very easy to design or make, they may feel that combining the quality brand with a less requiring product class as inconsistent. The term difficult shows a positive relationship between the perception of the difficulty of making the extension and evaluation which directly implies that an extremely easy-to-make extension is less likely to be accepted. Aaker & Keller (1990) stated this with respect to the possible association that can be created from this. He said consumers may attribute the act of placing quality brand into what is considered as an insignificant easy-to-make product class as blatant effort in order to capitalize on a brand name image to charge higher than a fair price or they may think it is inappropriate to introduce a quality brand name in an inferior product class. Easy to make brand extensions may be perceived either as incompatible with the parent brand or as attempts to exploit the consumer by means of a premium pricing strategy (Bottomley and Doyle, 2001). When consumers consider products as requiring great physical or mental effort to be accomplished, the brand extension is to become more positively associated with positive attitudes that results in positive evaluation. The difficulty of making the extension has a role in determining consumers' attitude toward the brand extension (Guoqun and Saunders, 2002).

Some seemingly appropriate extensions, according to Keller's (2003) remark, may be dismissed because of the nature of the extension product involved. If the product is seen as comparatively easy to make – such that brand differences are hard to come by – then a high quality brand may be seen as incongruous; alternatively consumers may feel that the brand extension will attempt to command an unreasonable price premium and be too expensive.

### **2.12. Stimuli Selection**

A number of products with extended brands are in the market nowadays toward which consumers might have differing perception and purchase experience. It is as a result inefficient to select brands by the researcher to which subjects were to be exposed. So in order to select brands for consideration in the research that are relevant to the sample subjects, thirty four post-graduate extension students were involved in a pre-test questionnaire. The responses then were counted and the result has been put in a frequency table to determine which of the brands have gained more votes. The brands to be used in the main questionnaire then were determined. Accordingly, Ambassador Suit which was established in 1980 has been selected.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1. Research Design

The research design used is quantitative that helps (Jonker and Pennink, 2010) to know whether something occurs or not and if it does, to what degree. Particularly co-relational research design (Kumar, 1996) was employed since the research aimed to find out whether the existence of the independent variables can explain the degree of a relationship existing and (Clarke, 2005) whether the existence can help predict a presence of a favorable attitude. Both descriptive and inferential statistic have been utilized in this study through the use of such statistical tools as descriptive statistics, correlation and multiple regression analysis, and reliability analysis using Cronbach's alpha to examine the state of connectedness between attitude and parent brand reputation, perceived fit and difficult.

### 3.2. Sampling Methodology

#### 3.2.1. Target Population

The interest of the researcher to which this research is aimed to study and draw a conclusion about is consumers in the durable goods market. The population is the group the researcher wants to generalize to (Bhattacharjee, 2012).

#### 3.2.2. Sampling Frame

Because the population is so large, the researcher cannot access all consumers. So a sample frame is addressed first. The sample frame is the accessible section of the target population from where the sample is drawn which is Addis Ababa University School of Commerce (Emory, 1980). 1128 undergraduate regular session students from all departments constitute the sample frame.

The use of students as a sampling frame in this thesis can be justified through the following points:

1. It is hardly possible to access consumers in the entire Ethiopia and select the sample out of that. But universities are places where it is possible to access consumers/students that

represent the total consumer since they come from different regions with different cultural, social, and economic backgrounds. University students are fairly representative of the general population (Demlie, 2012). Moreover, these students are students and consumers at the same time.

2. As it has been noticed so far, various researchers have used students as a sample. E.g. Aaker and Keller (1990), Demile (2012), etc. The use of students has been assumed a way of representing a very broad population of interest and same goes with this research.
3. More to what has been said, using students as a sample removes constraints of time and cost to some extent faced by the researcher that would have otherwise be very consuming and impractical.

### **3.2.3. Sample Size**

The sample size (Adams, Khan, Raeside and White, 2010) is associated with time and cost. With the point made under consideration, the sample selection from the sampling frame is carried out based on a formula by Israel (2013).

This formula is written as ( $n_0 = Z^2 pq/e^2$ );

Where  $n_0$  is the sample size,

$Z^2$  is the statistic that defines the level of confidence desired. The value for  $Z$  is found in statistical tables which contain the area under the normal curve.

$e$  is the desired level of precision (acceptable margin of error for the estimate) or the amount of precision or allowable error in the sample estimate of the population to determine how close to the actual rate the estimate should be,

$p$  is the estimated proportion of an attribute that is present in the population, and

$q$  is the opposite point to the presence of the attribute i.e.  $P$  and is gained by  $1-p$ .

This calculation is for populations that are very large.

Because the sample frame is small (less than 10,000, according to Degu and Yigzaw, 2006) sample size required is adjusted with the following given formula:

$$n = \frac{\frac{n_0}{1 + (n_0 - 1)}}{N}$$

Where n is the sample size, N is the population size

Thirty four pre-test questionnaires were delivered which helped to determine the proportion (One method to determine P is a result of a pilot study, Kothari, 2004) by gathering information to a question that seeks the proportion indicating the percentage of consumers actually evaluate extended brands. The question was ‘I try to evaluate a new product even though it is called by the brand name of the first product I am familiar with’. The two answering options for this question were ‘in many instances’ and ‘in few instances’. Out of the thirty four questionnaires, thirty one (31), i.e. 91% questionnaires were marked at ‘In many instances’. The proportions among the samples that evaluate extensions regardless of their familiarity with the parent brand before purchasing are (P) is 91%. So P is 0.91 where it leaves q (1-p) at 0.09.

Then,  $Z^2=1.96$  (for 95 percent confidence interval). P = 0.91, q = 0.09, and e = 0.05 (margin of error).

Substituting the numbers in the first formula;  $n_0 = Z^2pq/e^2$ :

(3.8416 of 1.96<sup>2</sup>) (0.0819 of 0.91\*0.09) / (0.0025 of 5% precision)

0.3146/0.0025= 125.84 ≈ **126**

With the adjustment formula;

$$n = \frac{\frac{n_0}{1 + (n_0 - 1)}}{N}$$

$$\frac{126}{1 + \frac{126-1}{1128}} = 113.43 \approx 114$$

The actual sample size was determined to be **114** which according to the formula is a very representative sample.

### **3.2.4. Sampling Technique**

The sampling technique used is a probability sampling approach named sampling with Probability Proportional to Size. This method is an alternative design to the simple random designs (Emory, 1980).

So with this technique, rather than taking all subjects in the sampling frame to participate in the process individually, the sections they belong to will be considered. The students taken as a sample will be from those selected sections by means sampling with probability proportional to size (PPS). In situations where the sections are all the same size, or approximately so, there would no advantage to using PPS sampling (Turner, 2003). But the sections here do not constitute equal number of students and for that reason the selection was carried out with a detailed procedure explained next.

### **3.2.5. Sampling Procedure**

Elaboration of how the method is worked out;

First, all the students were represented through the sections they belong to. These sections were given numbers which range from 1 up to 34 (overall sections are 34). The numbers of sections required was then determined to be four. This is required to have a sampling interval which will be used in the selection process. The required number of sections is reached simply by taking the sample size and dividing it by the number of sections i.e.  $114/34 = 3.353$ .

#### *Procedure for Sampling with Probability Proportional to Size*

The following were first met to apply PPS sampling method:

- A list of all regular undergraduate students in every section in the campus
- Then the population size or the number of students in each section
- The number of sections wanted

Having those met, the process is as below:

First a table with four columns is prepared; then

In column (1) sections under their departments are listed.

In column (2) a sequential number to each section is assigned.

In column (3), the population of each section is listed.

In column (4): the cumulative populations of each section i.e. the sum of the population of the first section plus the populations of all the subsequent sections in the table is cumulated.

Order of departments has been made through a kind of random selection where the nine departments were written in a piece of paper and a colleague selected out one after the other. The paper selected first has been put first, selected second put second, and the like.

Table 3.1: sections selection for the sample

<b>Sections</b>	<b>Number of Sections</b>	<b>Population Size</b>	<b>Cumulative</b>
Departments	Sequential numbers	No. of students in each section	Total number of students
Marketing dep't			
R1 sec 1	1	32	32
R1 sec 2	2	31	63
<b><u>R2 sec 1</u></b>	<b><u>3</u></b>	<b><u>35</u></b>	<b><u>98 (75)</u></b>
R2 sec 2	4	28	126
R3 sec 1	5	38	164
R3 sec 2	6	43	207
Business Administration and Information Systems dep't (BAIS)			
R1 sec 1	7	32	239
R1 sec 2	8	31	270
R1 sec 3	9	33	303
R2 sec 1	10	20	323
R2 sec 2	11	20	343
<b><u>R2 sec 3</u></b>	<b><u>12</u></b>	<b><u>26</u></b>	<b><u>369 (357)</u></b>
R3 sec 1	13	43	412
R3 sec 2	14	42	454
R3 sec 3	15	42	496
R3 sec 3	16	14	510

**CONSUMERS EVALUATION OF BRAND EXTENSIONS: DURABLE GOODS MARKET**

Economics dep't			
R1 sec 1	17	29	539
R2 sec 2	18	29	568
Management dep't			
R1 sec 1	19	20	588
R1 sec 2	20	23	611
Logistics dep't			
R1 sec 1	21	14	625
R2 sec 2	22	9	634
Finance and Development Economics dep't (FNDE)			
<b><u>R2 sec 1</u></b>	<b><u>23</u></b>	<b><u>28</u></b>	<b><u>662 (639)</u></b>
R3 sec 1	24	61	723
Procurement & Supply mgmt dep't			
R3 sec 1	25	26	749
Administrative Service Management dep't			
R2 sec 1	26	21	770
R3 sec 2	27	43	813
Accounting & Finance dep't			
R1 sec 1	28	39	852
R1 sec 2	29	39	891
<b><u>R2 sec 1</u></b>	<b><u>30</u></b>	<b><u>33</u></b>	<b><u>924 (921)</u></b>
R2 sec 2	31	31	955
R2 sec 3	32	37	992
R3 sec 1	33	65	1057
R3 sec 2	34	71	1128

Source: AAUSC registrar. *Purple highlighted rows indicate the selected sections*

After the table is filled the appropriate data as in the table above, the sampling interval determination continues.

***Sampling interval = cumulated total population ÷ number of sections required***

The sampling interval is  $1128/4 = 282$

A number between 1 up to 282 is selected randomly to serve as a starting point. This was done using a web site that generates random numbers. This randomly (the Random Start (RS)) selected number turned out to be 75.

At the beginning of the method, this 75 is used to select a point which determines the section to be included. The section whose cumulative population exceeds this random number (75) is found first and then the first section/cluster is located where the cumulative population is 98, in section number 3 Marketing Management department. Number of students in the section are **35**

- ✓ The sampling interval is then added to the random number which becomes  
 $75+282=357$

The section whose cumulative population just exceeds or equals this number i.e. 369 is chosen. That makes the second cluster located in section number 12- BAIS department. Number of students in the section are **26**.

- ✓ The previous reached number is then added to the sampling interval which becomes  
 $357+282=639$

The section whose cumulative population just exceeds or equals this number i.e. 662 is chosen. That makes the third cluster located in section number 23- FNDE department. Number of students in the section are **28**.

- ✓ And finally, the previous reached number is added to the sampling interval which becomes  
 $639+282=921$

The section whose cumulative population just exceeds or equals this number i.e. 924 is chosen. That makes the third cluster located in section number 30- Accounting and Finance department. Number of students in the section are **33**.

The total number of the sample constituting from the four sections cumulated 122.

### **3.3. Data Sources and Method of Collection**

#### **3.3.1. Sources of Data**

Both primary and secondary data sources are used for this research. Primary source refers to the data the researcher collected from the students whereas the secondary source refers to the use of the compiled information by others.

#### **3.3.2. Data Collection**

As a primary data collection method, structured questionnaires were used. These questionnaires are divided in to two sections. The first deals with respondents profiles i.e. gender and age. The second section has fourteen items, scaled in five (1=strongly disagree & 5=strongly agree, 1=strongly unlikely & 5=strongly likely, 1=very low &5=very high and, 1=too easy to make & 5=too difficult to make).

This questionnaire was distributed to 115 student sample subjects by hand. The actual sample size achieved through the previous formula is 114. The four sections constitute 122 students from which, at the time of the questionnaire distribution, only 115 of them were found. 115 of them were considered for the research. As a secondary instrument, Journals, Books, and URL's were used.

##### **3.3.2.1. A pre-test questionnaire**

This pre-test was necessary to be carried out for two very important points which are, to identify a brand for the main questionnaire to be used as stimuli and to determine the proportion to be used in the sample size calculation.

### **3.4. Methods of Data Analysis**

The data gathered is analyzed by using methods and statistical techniques called descriptive statistics and inferential.

#### **3.4.1. Descriptive Analysis**

Descriptive statistics has been used to deal with demographic variables of the respondents, to

measure consumers' familiarity with the selected stimuli, and their tendency to evaluate extended brands.

### 3.4.2. Inferential Analysis

The inferential statistics such as correlation and regression analysis were used because the research objectives, questions, and hypotheses sought to make inferences and predictions with regard to consumers' positive attitude based on the data gathered. IBM SPSS V. 21 was used to do this.

Specifically, the following measure of associations was employed during the data analysis (Emory, 1980)

- *Regression Analysis*: was applied to be able use the result of the study of the independent variables to predict the dependent variable. This method of analysis helped to predict consumers' attitude by the use of the independent variables.
- *Correlation Analysis* was applied to point out the amount or degree of association between attitude and the independent variables.

For the correlation analysis a coefficient by the closeness of association between the independent variables and attitude was examined. With the multiple regression analysis an estimating equation were developed and subjected to test.

*In doing the multiple regression analysis, predictors and predicted variables were entered.*

*The Variable Being Predicted*: The variable that is the focus of the multiple regression design in this study was consumer's Attitude. This variable is known as the *criterion variable* but is referred as the *dependent variable* in the analysis.

*The Variables Used as Predictors*: the variables used as predictors are Parent brand reputation, Perceived fit, and Difficulty which are known as *predictor variables* and are referred as *independent variables* in the analysis.

### 3.5. Validity and Reliability

The construct validity of this research is checked by the theoretical model itself since validity (Jonker & Pennink, 2010) is the degree to which the conceptual model accurately reflects the specific theoretical concepts (Parent brand reputation, Perceived Fit, and Difficulty) that the researcher attempted to measure. The validity was again confirmed by the method brands were chosen. Subjects that participated in the research were familiar with the brand and know what it was meant by the five variables after being briefed. The items in the questionnaire so, met the commonly called requirements (Jonker & Pennink, 2010) of ‘comprehensibility’, ‘traceability’ and, communicability that helps to maintain construct validity.

Reliability is the degree to which the measure of a construct is consistent or dependable. Bhattacharjee (2012) suggested that by simplifying the words and avoiding ambiguous items, reliability can be improved. So the researcher has attempted to boost reliability by avoiding difficult words whose meanings subjects may not know so that the items in the questionnaire could not be misinterpreted. Based on the commonly used reliability scale (e.g. Cohen, Manion, and Morrison, (2007) and Shukla (2008), Cronbachs’ Alpha value that is between 0.60-0.69 is marginally reliable and a value that is between 0.70-0.79 is reliable. The reliability for all items in questionnaire for this study has been confirmed being reliable by means of Cronbach’a Alpha which is greater than 0.7 (82.1).

Table 3.2: Cronbach’s Alpha showing items reliability

<b>Item-Total Statistics</b>				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
Familiarity	47.74	41.142	.814	.764
Aptness	47.81	41.086	.822	.763
Attitude	44.36	49.495	.478	.811
Reputation	44.04	40.691	.651	.783
Complement	45.03	41.815	.511	.808
Substitute	44.72	48.080	.293	.835
Transfer	44.56	45.302	.437	.815
Difficult	44.29	45.891	.460	.811

Source: Survey Data

CHAPTER FOUR: RESULTS AND DISCUSSION

*This chapter presents results of the pre-test in study one and the results of the main research in study two.*

4.1. Results of the Study

4.1.1. Study One

The qualitative analysis for the outcome of the pre-test conducted to identify a brand to be used as stimuli in the research is summarized in the table below.

Table 4.1: List of brands obtained through a pre-test

No	Brands listed	Count	% age	No	Brands listed	Count	% age
1.	Ambassador Gar. (Suit)	12	21.43%	6.	Rainbow Foam	5	8.93%
	Shoe	8			Blanket	8	
	Wallet	4			Bed Sheet	6	
	Luggage	2			Furniture (bed only)	4	
	Sports Wear	1					
2.	Anbessa Shoe	10	17.86%	7.	Dell Computer	5	8.93%
	Wallet	6			Printer	5	
	Bags	5			Fax Machine	2	
	Belts	1					
3.	WOW Fashion	7	12.50%	8.	DH Geda Corrugated Iron	4	7.14%
	Wallet	5			Roofing Nail	3	
	Belts	1			Screw	2	
4.	Techno Mobile Phone	6	10.71%	9.	Sketchers Shoe	2	3.57%
	Camera	4			Sports Wear	2	
	Tablet Computer	1					
	Television	2					
5.	Kangaroo Foam	5	8.93%	Total (PB)		9	
	Blanket	1		(EX)		21	

PB- Parent Brand EX- Extension

Source: Survey Data

Thirty four questionnaires were distributed to 20 (58.82%) male and 14 (41.18%) female post graduate students who were accidentally found in the campus. The above table shows hypothetical extension associations for every actual parent brand the sample subjects mentioned. Accordingly, nine parent brands and twenty one extensions were able to be obtained from the sample respondents. The questionnaire was designed to enable them write any of two parent brands along with two potential extension products for each (see appendix one). This could generate 68 times of parent brand names mentioning (only 56 mentioning is counted) and 136 times of extensions (only 73 mentioning counted). Respondents were offered a brief explanation as to the reputation and familiarity with the brand they need to have to mention it. As we can easily observe from simple frequency table above, the parent brand name Ambassador Suit was mentioned 12 times having the large amount of percentage (21.43%). So the main questionnaire was designed with it and its hypothetical extension Ambassador Shoe which also received a large mentioning (8). Hypothetical extension has been used because of a fear that pre-existing knowledge bias may exist if a real extended brand is chosen. Keller (2003) also suggested that in analyzing potential consumer responses to a brand extension, it is useful to start with a baseline case in which it is assumed that consumers are evaluating the brand extension based only on what they already know about the parent brand and the extension category. Further adding, before any advertising, promotion, or detailed extension product information is made available.

The parent brand was selected based on the criteria of consumer familiarity, positive reputations, and not having been broadly extended (Aaker and Keller, 1990). This was asserted by the means the brands are chosen as they are generated by consumers themselves. This criterion has further been statistically confirmed (found in study two) after the collection of the study that consumers' familiarity is still maintained.

#### **4.1.2. Study Two**

##### **4.1.2.1. Demographic Profile of Respondents**

Out of the 115 participants, 72 of them were male students constituting 62.61% of the total respondents. The remaining 43 were women making up the 37.39% of the total. Regarding their age group, 101 (87.82%) of them are in the range of 18-24 while 14 (12.18%) of the respondents are in the age range of 25-30. The summarized gender and age group is available next.

Table 4.2: Gender and Age group of respondents

Gender	Freq.	Percentage	Age Group	Freq.	Percentage
Male	72	62.61	18-24	101	87.82
Female	43	37.39	25-30	14	12.18
Total	115	100		115	100

Source: Survey Data

#### 4.1.2.2. Statistical Outcomes of the Study

*Descriptive Analysis:* Because the research was intended to be carried out with sample subjects who are familiar with the stimuli offered in the questionnaire, a single item question that asks their familiarity with the parent brand was introduced. This is because the researcher wanted to make sure that the established working criteria (Aaker and Keller, 1990), the original brand should be selected on the criteria of being relevant, and familiar to subjects, is met.

The Ambassador brand is selected based on the outcome of a pre-test which is believed to contribute to the fulfillment of the criteria since the respondents listed high quality brands that are relevant to them and perceive as having high reputation. In addition to that, check out was necessary that the 115 subjects are familiar with the stimuli as well. The descriptive statistics that shows the mean and standard deviation as to the consumers' familiarity with the brand is as follows:

Table 4.3: Descriptive statistics indicating respondents' familiarity with the stimuli

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Familiarity	115	1	5	4.05	1.290
Valid N (listwise)	115				

Source: Survey Data

There is pretty much a firm ground to say that subjects are familiar with the brand offered as stimuli. The statistics output above affirms this with a Mean of 4.05 and a Standard deviation of 1.290 indicating that the criterion of Aaker and Keller (1990) (stimuli should be relevant and familiar to subjects) has been complied with. To put in another way, the descriptive statistics for frequency showed that 89 (77.4%) out of the 115 respondents are familiar with the stimuli (see appendix).

Respondents were also examined as to whether they have an inclination to evaluate a new product that has been made available with a brand name of which product they are familiar. This item was brought forward to get a clear and deep perception of the current state of actual consumers' beliefs and feelings. The descriptive statistics below shows their responses.

Table 4.4: Descriptive statistics of consumers' tendency for evaluation

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Aptness to Evaluate	115	1	5	3.98	1.284
Valid N (listwise)	115				

Source: Survey Data

As seen in the table, the mean and the standard deviation implied that consumers are more inclined to evaluate new products even if they are familiar with the parent brand ( $M=3.98$ ,  $SD=1.284$ ). Put it another descriptive statistical way, 86 (74.8%) of the respondents have the tendency to actually evaluate brand extensions regardless of their familiarity with the parent. This output confirms the necessity of this research being conducted having the consumers propensity as explained above since very important findings could be obtained that indicate how these consumers tend to evaluate extensions through the use of the variables examined.

#### **4.1.2.3. Correlation and Multiple Regressions**

Correlation and multiple regression analyses were conducted to examine the relationship between attitude and various predictor variables for the data collected through the remaining items in the survey instrument. The items were intended to measure the main five variables and then collected responses of each item were averaged and put into SPSS.

**Correlation Analysis:** The SPSS correlation output that points out the amount or degree of association between variables and calculated coefficients by which we measure the closeness of associations among these variables and attitude is presented in the table below

Table 4.5: Correlation between the dependent and independent variables

		Correlations					
		Attitude	Reputation	Complement	Substitute	Transfer	Difficult
Pearson Correlation	Attitude	1.000	.522	.266	-.156	.452	.352
	Reputation	.522	1.000	.318	.286	.335	.393
	Complement	.266	.318	1.000	.359	.219	.332
	Substitute	-.156	.286	.359	1.000	.060	.195
	Transfer	.452	.335	.219	.060	1.000	.187
	Difficult	.352	.393	.332	.195	.187	1.000
Sig. (1-tailed)	Attitude	.	.000	.002	.047	.000	.000
	Reputation	.000	.	.000	.001	.000	.000
	Complement	.002	.000	.	.000	.009	.000
	Substitute	.047	.001	.000	.	.261	.018
	Transfer	.000	.000	.009	.261	.	.023
	Difficult	.000	.000	.000	.018	.023	.
N	Attitude	115	115	115	115	115	115
	Reputation	115	115	115	115	115	115
	Complement	115	115	115	115	115	115
	Substitute	115	115	115	115	115	115
	Transfer	115	115	115	115	115	115
	Difficult	115	115	115	115	115	115

Source: Survey Data

What we can see from the above outcome is that all the five variables are correlated with the criterion - and all correlations are positive except the perceived fit dimension ‘substitute’ which has a negative coefficient. These correlation coefficient for Reputation with Attitude is .522 (sig. =.000) which is positive and significant, Complement with Attitude=.266 (sig. =.002) which is positive and significant, Substitute with Attitude=-.156 (sig. =.047) which is negative but significant, Transfer with Attitude= .452 (sig. =.000) which is positive and significant, and Difficult with Attitude= .352 (sig. =.000) which again is positive and significant. All are significant (a =.01 & =.05) predictors of attitude. The correlation between the independent and the dependent variables indicates that changes in the five predictor variables are correlated with changes in the criterion variable- Attitude. The changes for the four variables are positive in that as the independent variables increase in value, the variable attitude toward the extension also increases in value. And similarly, as the independent variables decrease in value, the variable attitude toward the extension also decreases in value. For the variable substitute, since we have a negative coefficient, as the independent variable

increases in value, the variable attitude toward the extension decreases in value. Concerning the correlation among all variables, the correlation coefficient observed is positive for all.

**Multiple Regression Analysis:** The following model has been subjected for a test through multiple regression. The model is  $Y (\text{Att}) = \beta_0 + \beta_1 R + \beta_2 C + \beta_3 S + \beta_4 T + \beta_5 D$ .

Where, as explained in the second chapter, Y (Att) is the predicted criterion variable attitude. R (Reputation), T (Transfer), C (Complement), S (Substitute), and D (Difficult) are the predictor variables and the  $\beta$ s are the weights or coefficients associated with these predictors.

All the variables in the equation were entered into SPSS and analyzed. The results obtained are presented in the following tables.

Table 4.6: SPSS output of the model summary for R, C, T, and S, D

<b>Model Summary<sup>b</sup></b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.709 <sup>a</sup>	.502	.479	.642

a. Predictors: (Constant), Difficult, Transfer, Substitute, Complement, Reputation

b. Dependent Variable: Attitude

Source: Survey Data

What the Model Summary table shows is the outcome for the five variables (Parent Brand Reputation, Complement, Substitute, Transfer, and Difficult) entered into the SPSS. The multiple correlation coefficients between all of the predictor variables and the dependent variable attitude is .709 indicating a strong relationship between attitude and the five predictor variables in the equation.

The multiple regression also produced a coefficient of multiple determination ( $R^2$ ) = .502 showing the amount of variance explained by the predictor variables. This means that 50% of the variance in the dependent variable attitude is accounted for through the combined linear effects of the five predictor variables (R, C, S, T, & D) in the model. However, which of the predictors have contributed significantly to the variance that occurs in the predicted outcome -consumers' attitude is not yet evident. Table 4.8 gives a detailed explanation of this.

Table 4.7: SPSS output of ANOVA for R, C, T, S, D

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.310	5	9.062	21.974	.000 <sup>b</sup>
	Residual	44.951	109	.412		
	Total	90.261	114			

a. Dependent Variable: Attitude

b. Predictors: (Constant), Difficult, Transfer, Substitute, Complement, Reputation

Source: Survey Data

The F-test in the ANOVA table confirmed that the model developed is statistically significant (F=21.974, p<.01). This indicates the fact that the overall regression model is a good fit of the data and so the five predictor variables put in the model can predict the dependent variable attitude toward the extension.

Table 4.8: SPSS output of variables showing individual Coefficients

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.719	.471		10.023	.000
	Reputation	.243	.045	.431	5.425	.000
	Complement	.080	.040	.156	2.016	.046
	Substitute	-.230	.045	-.382	-5.156	.000
	Transfer	.160	.043	.267	3.680	.000
	Difficult	.101	.049	.155	2.049	.043

a. Dependent Variable: Attitude

In order to identify which predictors are significant contributors to the 50 percent of explained variance in Attitude and which ones are not, the standardized coefficients shown in the table above are important to look at. This also addresses the research hypotheses substituted into the equation and the solution thereof.

As seen in the table, reputation, transfer, complement, and difficult were the only independent variables found to be positive and significant predictors of consumers attitude toward brand extensions (b=.431, p<.01), (b=.267, p<.01), (b=.156, p<.05), and (b=.155, p<.05) respectively. The other variable ‘substitute’ being statistically significant, turned out

with a negative coefficient ( $b = -.382, p < .01$ ). These coefficients indicate how much the dependent variable varies with an independent variable, when all other independent variables are held constant. The issue of multicollinearity was examined where all condition indexes are below 30 (Lin, 2007) which indicates nonexistence of multicollinearity problem (full report is available in the appendix).

Consequently, the final model appears:

$$Y_{\text{Attitude}} = 4.719 + (0.243 \times \text{reputation}) + (0.080 \times \text{complement}) - (0.230 \times \text{substitute}) + (0.160 \times \text{transfer}) + (0.101 \times \text{difficult})$$

This means, controlling for other variables constant, any increase with respect to the four any independent variables in the model makes consumers' favorable attitude toward the extension increased by the amount of the given weight associated with it, i.e. favorable attitude will be enhanced. Concerning substitute, even though the hypothesis was not fully answered that an increase in the substitute nature of the extension with the parent brand will predict a favorable attitude, it may indicate that the increase may be associated with a decrease in consumers' favor toward the extension.

#### 4.1.2.4 Summary of Correlation and Multiple Regression Outputs

Table 4.9: Summary of main statistical findings

Variables	Correlation with attitude	Sig.	Multiple regression weights		Sig.
			B	B	
Parent Brand Reputation	.522	.000	.243	.431	.000
Complement	.266	.002	.080	.156	.046
Substitute	-.156	.047	-.230	-.382	.000
Transfer	.452	.000	.160	.267	.000
Difficult	.352	.000	.101	.155	.043

The standardized coefficient of each independent variable as seen in the table above varies suggesting their comparative effects. Accordingly, parent brand reputation analyzed via H1 is the first best predictor of attitude i.e. having the existence of a parent brand's high reputation; we can estimate whether consumers' attitude toward an extension is favorable or not. From among the three fit dimensions, transfer that was examined by means of H4 is the first best predictor being the second from the overall variables in the equation. The results revealed make the variable complement third from the model and second within perceived fit followed by difficult. The variable substitute (H3) did not contribute to predict a favorable attitude (since it has a negative coefficient suggesting the opposite to the prediction of the hypothesis). According to Aaker & Keller (1990), a negative relationship suggests that fit on one of the variables is adequate. That is a positive support is found for H2 and H4 i.e. a fit on the two dimensions of transfer and complement. So the second research question with respect to perceived fit is answered through these findings. Difficult addressed through H5, as indicated above, is the fourth positive and significant predictor of attitude answering the third research question that difficult can serve to predict a favorable consumers' attitude.

In summary, consumers' attitude of extended brands has been statistically confirmed to have a strong relationship with the variables summarized above which can effectively be utilized to predict how a given extension may be evaluated.

## **4.2. Discussion**

### ***Parent Brand Reputation***

One of the most important predictor of a favorable attitude in this equation is parent brand reputation. Reputation of a parent brand is comparatively more influential in the process of consumers' attitude formation toward extended brands/products. This result provided sufficient statistical evidence that makes us accept the prediction that parent brand reputation is associated with consumers' attitude and so can be used to determine how consumers actually evaluate brand extensions. What is answered through this statistical test is also the research question the study begins with that asks; can parent brand reputation be used to predict consumers' evaluation of extended brands? Basing the reasoned outcome, the more the parent brand is perceived to have a reputation, the more it is associated with positive attitude which in turn indicates positive consumers' evaluation of brand extensions.

Reputation of the parent brand serves as an evaluation point from which consumers decide whether a particular product they are up to is capable of meeting their need. The 10 principles for extension success described by Tauber (2014) which is discussed in chapter two commented that a brand should not be extended unless it is well-known, has high awareness and a good reputation among the new target market. Products new in the market but offered with a brand name that has a high reputation for quality, a brand that has been emphasized through different marketing activities and a brand that has widely been accepted, have more opportunity to be accepted by consumers because of the reputation opinion they have towards the parent brand. Binh (2010), after conducting a study also concluded that brands with higher perceived reputation quality tend to have a more positive evaluation by consumers.

Coming into the marketplace with a good reputation is an advantage. The advantage is that the product's likelihood for acceptance in the marketplace is great. Marconi (2002) commented that the successful introduction of a new extension of an established brand relies totally on the public's knowing the name and reputation of the core product.

Firms that have a reputable brand in the market and are planning to introduce a new product through brand extension are advised to go for the strategy after finding out how their products are being viewed by consumers through their own research. The way the strategy works well and leads to extension acceptance is when consumers feel that the brand is long familiar and reputable. Milewicz and Herbig (1994) stressed by noting that for a firm expanding its product line, a well-known brand name can be advantageous in facilitating user acceptance of the new product because of its existing brand reputation. So at the very least, as Marconi (2002) remarked, it is important to create a perception of being the best.

This leads us to the subject matter that new products bearing a parent brand name are more favorably evaluated by consumers when the parent brand reputation can cast a positive shadow far and wide. So, according to the results, this variable is concluded to be greatly associated with acceptance of a newly introduced extension product.

### ***Perceived Fit: (Complement, Substitute, Transfer)***

#### ***Complement***

The prediction that consumers' attitude toward an extension product is positive when there is

a situation where the parent and the extension can be used together in some usage situations is the other variable statistically and positively confirmed to hold true via the test of hypothesis two. What this explains is that two product classes' nature of being complements does contribute to the theory that defines perceived fit. When the parent brand and the extension are perceived to be fitting, the expected result is a positive attitude toward the extension.

According to Tauber (2014), some brand extensions are a "natural" companion to the products the company already makes. Meaning that, parent brands/products lend themselves to leverage in the other category. Brand extensions, especially those with features of making the parent brand complete, are more favorably evaluated by consumers. E.g. Coleman is primarily known for its camping stoves and lanterns but successfully moved in to tents and other camping gear. Camping stoves and lanterns are products that go along with the tents and camping gears. Consumers who need the camping stoves and lanterns are those who want to camp. By the time the extensions came in to existence, the original product previously consisting of one entity became complete. That is those who purchase the tents and the gears are more likely to purchase the camping stoves and lanterns since they go together. Taking the stimuli in this study, Ambassador Shoe is perceived to complete the Suit in that the suit goes along with the shoe. The research question asks; Does the existence of fit between the two products classes help to predict consumers' evaluation of extended brands?

The study outcome has confirmed that this dimension of fit is useful means whereby firms can determine how consumers are going to build an attitude and evaluate the new extension they are to introduce. This leads us to the subject matter that new products bearing a parent brand name having a complement nature are more favorably evaluated by consumers.

### ***Substitute***

The other dimension of fit that has statistically been verified to be significant is the variable termed 'substitute' but unfortunately with a negative coefficient. What the proposed hypothesis stated was consumers' attitude toward an extension is favorable when the parent and the extension product classes have a substitute nature, and can be used together in some usage situations. The resulted significance (P-value) was .000. But the relationship indicated through the beta coefficient has a negative sign ( $r = -.382$ ) indicating the opposite to the

interpretation if it did result with a positive coefficient. Therefore, the significance does not mean that substitute does predict consumers' favorable attitude. The outcome may rather be explained otherwise in that it may give the picture that the variable can be used to explain the less favorable attitude consumers may develop toward the extension. Bottomley and Holden (2001) after their finding of such negative coefficient outcome, commented that consumers may find brand extensions launched in substitute product categories confusing. One of the disadvantages of brand extensions pointed out by Keller (2003) discussed in the literature section also emphasizes this particular point that extensions can confuse or frustrate consumers.

Aidin and Akbar (2013) found a coefficient of correlation that is negative for the variable difficult but significant. They concluded that the implication the negative coefficient has an inverse correlation. That means consumers may feel irrational to see an extension product competing with the parent brand for which they have a strong 'specific' association and preference. Brand extensions, basing the statistical output, extended from more prominent brands into product categories perceived to be substitutes tend to be less favorably accepted let alone linking and enhancing consumers' attitude and positive evaluation for the substitutability feature of the product. This may also mean that since this dimension is (Mao et al., 2011) an alternative to the parent brand and hence possesses similar physical or functional properties, consumers do not consider an extension with such a nature to be any close to fit with the parent brand.

The research question goes asking 'Does the existence of fit between the two products classes help to predict consumers' evaluation of extended brands?' Perceived fit from the dimension of the research question, yes. Consumers' attitude toward the extension is favorable when the two product classes have a substitute nature was the hypothesis. Does it also comply with the research hypothesis? No. The outcome suggests the opposite to the hypothesis but clearly answers the question since the question addresses whether the variable can be used to predict consumers attitude as a whole whereas the hypothesis addresses whether the variable can be used to specifically predict consumers favorable attitude. Assigning the result a meaning, when the independent variable substitute increases in value, the value attributed with the dependent variable attitude decreases. That means when products tend to have a common application and use context such that one product can replace the other in usage and satisfy the same need, consumers are expected to respond in a less favorable manner. Taking the hypothetical extension brought up for Ambassador as an example, what may consumers'

attitude toward the extension Sports Wear likely be? But the variable hypothesized, 'Consumers' attitude toward the extension is positive when the two product classes have a substitute nature' found to be not exactly conforming. This finding, after all, shows how consumers may evaluate indicating firms shall be aware of consequences when producing or importing extended brands with substitute nature for the market. This is because an extended brand must be a logical fit with consumers' expectations (Tauber, 2014).

### *Transfer*

This variable analyzed via hypothesis four helped in answering whether a positive attitude can be formed by consumers owing to companies' manufacturing capability transferability which is addressed through a predictor variable termed 'transfer'. This variable takes a production-based view of extension fit and focuses on how specific resources, skills, and capabilities of the company can be utilized to make the new extension product. And it proved to be the second best predictor of attitude from among all the variables entered in the equation. That means when consumers perceive that the firm's ability involved in the production of the first product class can be passed on and so is helpful in the production of the second product class, consumers attitude toward that extension product is favorably influenced.

To put it another way, when consumers feel that the people, facilities and skills a firm uses to make the original product is helpful, the favorable attitude and associations they have for the original product will be transferred to the extension. Tauber's (2014) statement brought up earlier in chapter one is useful to mention it here as well. His concept which is similar with the concept of Aaker & Keller's (1990) transfer is termed as Expertise where he states, "Offering extensions in categories consumers believe the firm has special knowledge or experience is important". The knowledge or the experience applied and developed in the original product, according to him can be transferred to the extension. Consequently, when consumers perceive that manufacturers can use what they use in developing, refining, and making the original parent product, their attitude toward the extension becomes positive. BIC for instance, is known for stationary plastics that offered lighters and razors made from plastics. This answers the research question; Does the existence of fit between the two products classes help to predict consumers' evaluation of extended brands? From the dimension of transfer perspective, it certainly does help. A firm can benefit from brand

extensions into categories where possibilities of transfer of the performance in the making of the original product are conveyed. Then consumers will have a positive evaluation of the extended brand/product. This is because, as pointed out by Milewicz and Herbig (1994), consumers' perception of high quality performance on the first product can also be transferred to the extension via the brand name.

This leads us to the subject matter that new products bearing a parent brand name are more favorably evaluated by consumers where it is likely that consumers will perceive the company is capable of transferring what it has used to produce the parent brand to the production of the extension.

### *Difficult*

Difficult in this study is a concept which refers to the difficulty involved in producing any given product. What it connotes is that brands extended into a category perceived to be difficult or that require a particular effort and are somehow regarded as not easy to work on and accomplish the production of the extension are generally viewed and evaluated positively by consumers. This is associated with the extent to which consumers actually feel that the parent brand name that they favorably consider is lending its name to a product that is not something easy to be manufactured or copied. The argument for this given by Aaker & Keller (1990) is that consumers may feel that it is incongruous to introduce a reputable brand name in a trivial product class. And they added that the association of a reputable name with an easy-to-make product class may suggest to consumers the likelihood of an overpriced product.

The idea really holds true in that the outcome of this study remains consistent with what Aaker & Keller (1990) conceptualized and confirmed through their research. That means an extension that creates a perception of being demanding is positively associated and so can be used to predict consumers' attitude toward brand extensions. According to the tested hypothesis in this study, the difficulty of designing and making the extension product class is found statistically significant suggesting difficulty as a means to predict the dependent variable attitude. Meaning that consumers do favor not easy to make extensions or have positive attitudes toward extensions requiring more than usually expected or thought production effort and skill. Guoqun & Saunders (2002) after conducting a study concluded

that new offerings are more likely to elicit suspicions or negative associations when evaluating extensions that are too easy to make. He added that consumers feel a more complex item as less likely to be a fake. So the research question that asks whether brand extensions into categories that are perceived to be difficult to make the new product are useful in predicting how consumers evaluate extensions received an affirmation. When producing new products with an already established brand name, making sure that the category it is to be extended into is not regarded as too easy and not requiring an extended effort is quite advisable. This strategy then, considered from the stand point of this variable, becomes successful.

## **CHAPTER FIVE: CONCLUSIONS, RECOMMENDATIONS, MANAGERIAL IMPLICATIONS, AND RECOMMENDATIONS FOR FURTHER RESEARCH**

### **5.1. Conclusion**

To recapitulate, four research questions concerning prediction of consumers' favorable evaluation of brand extensions were set to be addressed through five hypotheses in this paper. The explanatory variables were parent brand reputation, perceived fit between the original and the extended product (in terms of complement, substitute, and transfer), and the difficulty perceived to exist in the making of the extension. In order to answer the research questions by discovering the fundamental connection between these variables and consumers attitude, the five hypotheses were considered and subjected to correlation and multiple regression analysis. The dependent variable consumers' attitude was operationalized by the average of consumers' perceived quality of the extension and their likelihood of trying it.

Accordingly, what variables are useful predictors in understanding how consumers actually evaluate brand extensions of durable goods has been verified through this research. As a result, parent brand reputation has been confirmed to be the predominant aspect of a parent brand useful to predict consumers' favorable attitude toward an extension brand/product. The perceived fit was also found statistically significant and so defines favorable consumers' attitude. Substitute from among the three dimensions was proved to be not useful in predicting favorable consumers' attitude, nevertheless may become helpful in predicting the reverse implying a due care. But a fit on either of the three is adequate (Aaker & Keller, 1990) since the dimensions, particularly complement and substitute are mutually exclusive (Mao et al., 2011).

Positive attitude is also explained by the degree of difficulty the extension requires. Meaning that when the extension is perceived to be demanding consumers' attitude toward it becomes favorable.

The special emphasis attached to the findings is that consumers form perceptions about an extended brand based in part on the parent brand's reputation, the perceived fit between the parent brand they already know and the new extension, and the perceived difficulty involved in producing the extension product and they make decisions accordingly.

Despite what's been said, there is an important issue that needs to be addressed here. Aaker and Keller's (1990) comment points out the fact that consumers may not always accept an extension of a high quality/reputable brand to a product class that is by comparison trivial or very easy to make, even if fit is good. Meaning that even if the parent brand has the reputation needed and the extension fits well to the parent brand, if extended into too-easy-to-make categories, consumers may still perceive it inappropriate to see the reputable brand in a small and of little importance product class. And again the extension may still suggest to them the likelihood of being too costly for the value.

Hence, what is learned from the output produced and discussed so far is that the more the extension is endowed with the variables proved to be predictors in this study, the more the likelihood for the brand to be a successful extension. This is essentially true for both who exactly know what brand to buy and even those who lack either the motivation or ability to judge extended brand related concerns. This is because, as Keller (2003) pointed out, consumers' evaluation of the new product extension would be influenced by the extent to which consumers held favorable association about the parent brand. To sum up, the high the reputation of the parent brand, the more the likelihood that consumers associate it with the extension leading to a favorable attitude. Again, the more the perceived fit exists, the more consumers' attitude become positive. The favorable attitude also results from the perception consumers have in terms of the level of effort the extended brand requires. It is then appropriate to conclude that consumers evaluate extensions favorably by the presence of these variables.

In a nutshell, the findings of this research provided very important and helpful points from where consumers' evaluation of brand extensions shall in part be viewed. Two entities, domestic manufacturers who may be involved in producing extended brands and firms involved in importing foreign made extensions for the domestic market, are those who specifically can benefit from this study. The study also paves the way for future researches in the area and the findings it has come up with may serve them as an input.

## **5.2. Recommendation**

Recalling the overall findings, parent brand reputation, perceived fit (transfer & complement) and difficult are crucial ingredients firms should be pursuing so that they can prevent their new extended brands/products from the occurrence of failure.

Firms, before endowing their new products with an established brand name then, better give care and check out whether the expected extension has any of the characteristics from perceived fit.

It is again desirable to beforehand examine the reputation the parent brand does have so as to determine how consumers may react to the new extension introduction. Existing brand names can better be exploited when it has high reputation. Also, furnishing the extension with a complement feature that enables it go along with the parent brand leads to success. Firms can further make an attempt to create a perception in consumers mind that it can impart the knowledge and materials used in the first well known brand in the making of the extension. This attempt may be by creating a marketing program to support the extension. It is also advisable to make sure that the category the brand is expected to be extended is not perceived as too easy. Put differently, in influencing or shaping consumers' likelihood of trial of their new brand extension, it is better to create and develop the favorable attitude-predicting aspects proved significant in this study due care given not to employ the strategy for a brand extension that may possess a substitute type. Tauber (2014) remarked that brand extensions that could create confusion or a negative image for the parent should not be undertaken.

## **5.3. Managerial Implications**

The results obtained and the conclusions offered provide several implications to marketing practitioners that can create greater understanding between firms' decision to introduce a new product through brand extension and the success of these extensions.

As Marconi (2002) put it, the public today, more than the year he actually did comment in, is exposed to a myriad of images and brand marketing messages every day. This same public is the consumer firms produce and offer products for. They then, need to be aware of the fact that what these consumers look for in the new extension are in part the variables discussed in

this study. What the findings suggest is that concentrating on building and enhancing parent brand reputation, perceived fit, and the perception of difficulty involved in producing the extension eventually pays off.

#### **5.4. Recommendations for Future Research**

Since this study has used only one brand, further research is recommended to include additional more variety of brands as stimuli to ensure the generalizability of findings across different durable goods.

A research in the future shall also include additional variables, other than the variables put to use in the current study, that are theoretically valid and have been tested in several researches such as the perceived fit component Brand Concept Consistency by Park, Milberg, and Lawson (1991) and Consumers Innovativeness by Martinez & Pina (2009).

All the four variables have been confirmed to predict favorable consumers' attitude whereas the variable substitute is confirmed to predict the reverse. Further research is then recommended to testify this finding since as highlighted in the limitation of the study, the nature of the stimuli might have led to this.

Though the researcher is sure enough that the outcomes could be generalized to other durable goods, it is advised that further research shall be conducted with a more certain durable goods such as phones and refrigerators that could prove the findings of the current study.

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APPENDIX A: QUESTIONNAIRE (PRE-TEST)

**Addis Ababa University School of Commerce**

**Post Graduate Program, Marketing Management - April, 2014**

I am a student at AAUSC currently conducting my thesis as a partial fulfillment of the requirements for the Master of Arts Degree in Marketing Management.

*Please read the following summary of the concept before you go to the questions.*

Brand extension is the use of an existing brand name in a particular product category to name a new product in another category. E.g. **Yamaha** is a brand name used for the first product **Yamaha Musical Instruments (called Parent Brand)** which has been used to introduce **Yamaha Motor Bikes (the extension)**. The two products are in battery category & flashlights category.

The brands can be of domestic/imported/ both. It is advisable you do not mention brands that are part of services such as **Hotels** and **Banks** and brands that are Non Durable (products that are sold quickly and will be used few times) such as **Food items, cosmetics, soft drinks and the like**.

I honestly appreciate you are willing to participate in this study and thank you in advance for your genuine and valuable responses. I hereby assure you that all the answers you provide are aimed to be used for the study purpose only and are totally confidential. Your anonymity is guaranteed as well.

*Please write your Gender here -----*

*E.g. Brand/Product Type (Parent)*

*1. Yamaha Musical Instruments*

**Brand /Product Type (parent)**

1. -----

2. -----

*Brand/Product Type (Extension)*

*1. Yamaha Motor Bikes*

**Brand/Product Type (extension)**

1. -----

2. -----

1. -----

2. -----

3. Please truly indicate whether you will use your parent brand knowledge to evaluate when you purchase a new product (the extension) by putting ✓ mark only in one of the two for the question;

- I try to evaluate a new product even though it is called by the brand name of the first product I am familiar with

In many instances

In few instances

APPENDIX B: QUESTIONNAIRE (MAIN)

**Addis Ababa University School of Commerce  
Post Graduate Program, Marketing Management - May, 2014**

I am a student at AAUSC currently conducting my thesis as a partial fulfillment of the requirements for the Master of Arts Degree in Marketing Management.

The success of this thesis is obviously possible through your genuine, timely, and complete answers. So I thank you so much in advance because you are contributing to its success. I hereby assure you that your anonymity is completely kept and also all the information you provide will only be used for the purpose of this study.

My heartfelt appreciation goes to you as you are helping me!

**Section One:** please put  $\surd$  mark to indicate your answer

1. Gender      Male          Female
2. Age      Under 18     18- 24        25-30        Above 30

**Section Two:**

Ambassador Suit (Parent Brand) is to be used to produce Ambassador Shoe (Hypothetical Extension). Please **honestly** put  $\surd$  mark to indicate your answer for the following fourteen questions.

➤ (PB- Parent Brand & EX- Extension)

1. I am familiar with the brand name Ambassador

Strongly Disagree     Disagree     Not Sure        Agree        Strongly Agree   

2. I have a tendency to evaluate a new product even if it is called by a brand name of the first product I am familiar with

Strongly Disagree     Disagree     Not Sure        Agree        Strongly Agree   

3. How do you rate the parent brand (PB- Ambassador Suit) in terms of its positive reputation?

Very low        Low        Not Sure        High        Very High   

4. Your attitude toward an extension product (EX) can be/is influenced by the reputation of the parent product (PB).

Strongly Disagree  Disagree  Not Sure  Agree  Strongly Agree

5. The Suit and the Shoe are complements that I would be likely to use together in certain situations.

Strongly Disagree  Disagree  Not Sure  Agree

Strongly Agree

6. How likely you become influenced positively when you can use an extension product (EX) together with the parent product (PB) in some usage situations?

Strongly Unlikely  Unlikely  Not Sure  Likely  Strongly Likely

7. The Suit and the Shoe are substitutes that I would be likely to use the Shoe in place of the Suit in certain situations.

Strongly Unlikely  Unlikely  Not Sure  Likely

Strongly Likely

8. How likely you become influenced positively when you can use an extension product (EX) in place of the parent product (PB) in some usage situations?

Strongly Unlikely  Unlikely  Not Sure  Likely  Strongly Likely

9. How likely you think the people, facilities, and skills used in developing, refining, and making the original parent product (Suit) be helpful when the manufacturer makes the extension product (Shoe)?

Strongly Unlikely  Unlikely  Not Sure  Likely  Strongly Likely

10. I have a favorable attitude toward an extension where I think people, facilities, and skills used to produce the parent brand can be helpful in producing the extension.

Strongly Disagree  Disagree  Not Sure  Agree  Strongly Agree

11. What do you think the Shoe is?

Too Easy to Make  Easy to Make  Not Sure

Difficult to Make  Too Difficult to Make

12. When an extension (EX) is in a product category I perceive as too easy to make my attitude toward the extension is unfavorable.

Strongly Disagree  Disagree  Not Sure  Agree  Strongly Agree

13. Rate the overall perceived quality of the extension (Shoe)

Very Low  Low  Not Sure  High  Very High

14. What is the likelihood (probability) of you trying this extension (Shoe) assuming you have planned to purchase a product in this product class, i.e. Shoe?

Strongly Unlikely     Unlikely     Not Sure     Likely     Strongly Likely

*Question 7, 9 and 12 are adapted from Aaker, David A., & Keller, Kevin L. (1990) and question 1 is adapted from Mulusew Demile (2012), modified.*

**APPENDIX C:**

**SPSS OUTPUT**

Appendix Table 1: Overall Reliability for the Averaged Items

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.821	8

Appendix Table 2: Reliability for individual items before average

<b>Item-Total Statistics</b>				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
Familiarity	47.74	41.142	.814	.763
Aptness to Evaluate	47.81	41.086	.822	.762
Reputation of Ambassador	47.63	50.637	.380	.756
Reputation	48.20	46.039	.550	.737
Complementarity of Ambassador	48.43	49.055	.340	.760
Complement	48.38	48.712	.410	.752
Substitutability of Ambassador	48.26	54.633	.025	.788
Substitute	48.25	50.015	.317	.761
Transferability of Ambassador	48.29	52.961	.153	.775
Transfer	48.06	48.952	.337	.760
Difficulty of Ambassador	47.99	51.114	.294	.763
Difficult	48.09	51.238	.268	.765
Quality of the Extension	47.93	53.872	.229	.767
Likelihood of Trial	48.22	51.926	.399	.757

Appendix Table 3: Frequency table showing subjects responses as to their familiarity with the stimuli

		<b>Familiarity</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	10	4.3	8.7	8.7
	Disagree	8	3.5	7.0	15.7
	Not Sure	8	3.5	7.0	22.6
	Agree	29	12.6	25.2	47.8
	Strongly Agree	60	26.0	52.2	100.0
	Total	115	49.8	100.0	
Missing	System	116	50.2		
Total		231	100.0		

Appendix Table 4: The degree of relationship between familiarity and attitude

		<b>Correlations</b>	
		Familiarity	Attitude
Familiarity	Pearson Correlation	1	.446**
	Sig. (2-tailed)		.000
	N	115	115
Attitude	Pearson Correlation	.446**	1
	Sig. (2-tailed)	.000	
	N	115	115

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Appendix Table 5: Frequency table showing consumers' tendency to evaluate brand extensions

		Aptness to Evaluate			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	10	4.3	8.7	8.7
	Disagree	8	3.5	7.0	15.7
	Not Sure	11	4.8	9.6	25.2
	Agree	31	13.4	27.0	52.2
	Strongly Agree	55	23.8	47.8	100.0
	Total	115	49.8	100.0	
Missing	System	116	50.2		
Total		231	100.0		

Appendix Table 6: Correlation table showing relationships between attitude and independent variables, and among variables

		Correlations					
		Attitude	Reputation	Complement	Substitute	Transfer	Difficult
Attitude	Pearson Correlation	1	.522**	.266**	-.156*	.452**	.352**
	Sig. (1-tailed)		.000	.002	.047	.000	.000
	N	115	115	115	115	115	115
Reputation	Pearson Correlation	.522**	1	.318**	.286**	.335**	.393**
	Sig. (1-tailed)	.000		.000	.001	.000	.000
	N	115	115	115	115	115	115
Complement	Pearson Correlation	.266**	.318**	1	.359**	.219**	.332**
	Sig. (1-tailed)	.002	.000		.000	.009	.000
	N	115	115	115	115	115	115
Substitute	Pearson Correlation	-.156*	.286**	.359**	1	.060	.195*
	Sig. (1-tailed)	.047	.001	.000		.261	.018
	N	115	115	115	115	115	115
Transfer	Pearson Correlation	.452**	.335**	.219**	.060	1	.187*
	Sig. (1-tailed)	.000	.000	.009	.261		.023
	N	115	115	115	115	115	115
Difficult	Pearson Correlation	.352**	.393**	.332**	.195*	.187*	1
	Sig. (1-tailed)	.000	.000	.000	.018	.023	
	N	115	115	115	115	115	115

\*\* . Correlation is significant at the 0.01 level (1-tailed).

\* . Correlation is significant at the 0.05 level (1-tailed).

Appendix Table 7: A table showing confidence intervals for B and VIF

Coefficients <sup>a</sup>									
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	4.719	.471		10.023	.000	3.786	5.652		
Reputation	.243	.045	.431	5.425	.000	.154	.332	.722	1.384
Complement	.080	.040	.156	2.016	.046	.001	.158	.767	1.303
Substitute	-.230	.045	-.382	-5.156	.000	-.318	-.141	.832	1.201
Transfer	.160	.043	.267	3.680	.000	.074	.246	.867	1.154
Difficult	.101	.049	.155	2.049	.043	.003	.199	.796	1.256

a. Dependent Variable: Attitude

Appendix Table 8: A diagnostics table showing multicollinearity's nonexistence

Collinearity Diagnostics <sup>a</sup>									
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions					
				(Constant)	Reputation	Complement	Substitute	Transfer	Difficult
1	1	5.859	1.000	.00	.00	.00	.00	.00	.00
	2	.044	11.495	.01	.03	.52	.09	.24	.01
	3	.035	13.008	.01	.01	.46	.46	.17	.00
	4	.027	14.633	.00	.14	.00	.23	.35	.38
	5	.022	16.156	.07	.82	.00	.00	.00	.28
	6	.012	21.990	.91	.01	.02	.22	.23	.33

a. Dependent Variable: Attitude