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The impact of parent brand on the brand extensions on the purchase decision in the food industry

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ABSTRACT

Brand extension is one of the most used and successful expansion strategy that brands have used and can use to gain advantages in the market. This project focuses mainly on two brands- Cadbury and Kellogg's- and their brand extensions. Consumers' viewpoints about the two brand and their extensions were gathered and analysed. The main objective of this research was to understand whether parent brand consumption, parent brand visibility and awareness of brand extensions had an impact on the performance of brand extensions and the purchase decision of brand extensions by consumer.

Keywords— Parent Brand, Brand Extensions, Parent Brand Consumption, Parent Brand Visibility, Awareness of Brand Extensions, Purchase Decision of Brand Extensions, Performance of Brand Extensions

1. INTRODUCTION

Parent Brands are the existing brands that give rise to brand extensions by supporting the allied products and services by sharing their brand identity. All the brands created under the parent brand have some important features related to the existing brand along with certain differentiated factors. Usually, the supported products/services are from new product categories. The brand extension is the marketing strategy wherein a new product is launched under the existing brand name. The category in which product is launched may be related or unrelated to the brand's current category. The brand that gives rise to a new product under its name is called the parent brand.

1.1 Types of extension strategies

- Brand Extension
- Line Extension
- Extension of Customer Franchise
- Extension of Company Expertise
- Extension of Brand Distinction
- Extension of Brand Image or Prestige
- Distinctive Taste, Ingredient or Component Extension

1.2 Advantages of brand extension strategy

- Facilitates new product acceptance
- Improve brand image
- Reduce risk perceived by customers
- Brand Visibility, recognition and recall increases
- Permit consumer variety-seeking
- Revitalize the brand
- Increased market coverage

1.3 Disadvantages of brand extension strategy

- Can encounter retailer resistance
- Clarity of the parent brand is dissolved with too many extensions
- Can fail and hurt parent brand image
- Can confuse or frustrate customers
- Can succeed but cannibalize sales of the parent brand

- Can succeed but hurt the image of the parent brand
- Can cause the company to forego the chance to develop a new brand
- Can dilute the brand meaning

2. LITERATURE OVERVIEW

(Aaker, 1990) studied “Brand Extensions: The Good, the Bad, and the Ugly”. He stated that brand extensions have been the core of strategic growth for a variety of firms over the past decades. A strong brand name is an invaluable asset; managers must know when to exploit it, when to protect it, and how to tell the difference between the two. Because using an established brand name substantially reduces new-product introduction risks, there is an almost irresistible pull to “extend” brand names to new products. Doing so can be enormously profitable, but it can be dangerous, too: In the worst case, an ill-conceived brand extension may seriously damage the original product and preclude the establishment of another brand with its unique association and growth potential. The study by David Aaker examines both the advantages and disadvantages of brand extensions.

(Lozanova, 2016) studied, “To Extend or Not to Extend: Advantages and Disadvantages of Brand Extension Strategy”. She claimed that “With great power comes great responsibility.” Likewise, with great branding comes the great promise of quality. By putting a brand on a product, the company promises a certain level of quality and characteristics to the consumer and consumers to develop high expectations from the brand. If the product does not meet customers’ expectations, a negative perception of the parent brand is created. This might result in adding weak brand associations. Brand dilution is another such researched risk where there is a change in the initial consumer’s behavior regarding the brand after extension. Also, it can appear when both the extension and the parent brand are in the same categories (especially in the case of line extension) or they are in a closed market. ‘Cannibalization’ occurs when sales of the extension are increasing and this leads to a decline in the sales of the existing products of the brand. However, the author states that launching new products through line extension is less risky, brand extensions have proved to offer more opportunities for the business. The author further adds that even with disadvantages in the strategy, brand extension strategy has prevailed in business for decades now and is a long-lasting expansion strategy.

(David A. Aaker, 1990) and Kevin Lane Keller (1990) studied “Consumer Evaluations of Brand Extensions”. The authors of the research conducted two studies to obtain insights on how consumers form attitudes toward a brand extension. In one study, reactions to 20 brand extension concepts involving six well-known brand names were examined. Attitude toward the extensions was higher when (1) there was both a perception of “fit” between the two product classes along one of the three dimensions and a perception of high quality for the original brand or (2) the extension was not regarded as too easy to make. The second study examined the effectiveness of different positioning strategies for extensions. The experiment findings show that potentially negative associations can be neutralized more effectively by elaborating on the attributes of the brand extension than by reminding consumers of the positive associations with the original brand.

3. RESEARCH METHODOLOGY

3.1 Statement of problem

Although the brand extension strategy of business expansion for brands is advantageous, marketing managers are unable to perceive its benefits due to research conducted on limited factors of the expansion strategy. Also, there is a plethora of literature available with regard to ‘Brand extensions’ and ‘Parent Brands’. However, there is only a handful of literature which depicts a clear-cut difference between the impact of the former on the latter and vice versa. This study is designed as an attempt to provide clarity on ‘The Impact of Parent Brand on the Brand Extension on the Purchase Intention in the Food Industry’.

3.2 Aim of the research

The major aim of this research is to understand the pros and cons of the brand extension strategy for parent brands in the food industry and the purchase decision of the same by consumers. The research explains the same through the viewpoints of the respondents.

3.3 Objective of the study

- To explore the impact of parent brand consumption on the purchase decision of brand extension.
- To analyze the impact of parent brand visibility on the performance of brand extension.
- To evaluate the impact of awareness of brand extension on the purchase decision of brand extension.

3.4 Research variables

3.4.1 Independent variables

- Parent brand consumption
- Parent brand visibility
- Awareness of brand extensions

3.4.2 Dependent variables

- Purchase decision of brand extensions
- Performance of brand extensions

3.5 Hypotheses

Two sets of hypotheses were formed. The first set was to prove there is a positive impact of Cadbury as a parent brand on its brand extensions. Similarly, the second set of hypotheses was to prove that Kellogg’s as a parent brand does impact its brand extensions.

Set 1: Cadbury

- H1: There is a positive association between parent brand consumption and purchase decision of brand extension.
- H2: There is a positive association between parent brand visibility and performance of brand extension.
- H3: There is a positive association between awareness of parent brand and purchase decision of brand extension.

Set 1: Kellogg's

- H1: There is a positive association between parent brand consumption and purchase decision of brand extension.
- H2: There is a positive association between parent brand visibility and performance of brand extension.
- H3: There is a positive association between awareness of parent brand and purchase decision of brand extension.

3.6 Sample size and sampling method

With the exploratory nature of the study, it was ideal to choose a large sample size to provide better clarity and varied results along with detailed consumer viewpoints. For the purpose of this study, a sample size of 200 respondents was chosen. Data was gathered from individuals from different walks of life who are aware and can easily differentiate between parent brands and brands extensions prevalent in the food industry. The respondents belonged to the age groups of 18-60+ years. In order to enable great accessibility to respondents, the convenience sampling method was used for the study. The questionnaire was formed and circulated through Google forms and consisted of 16 close-ended questions which were compulsorily answered by respondents using a 5-point Likert scale ('1' being 'Strongly Disagree' to '5' being 'Strongly Agree').

3.7 Method of collection

In this study, the aim was to analyze the impact of parent brands on a brand extension on the purchase decision in the food industry. Hence, it was ideal that the data collected is of primary nature; collected by a questionnaire having multiple close-ended questions. This contains consumers' viewpoints on the purchase decision of the brand extension and their opinion of the performance of brand extensions in the market with respect to their viewpoints on the parent brand's consumption and visibility in the market and awareness of their brand extensions. This, therefore, gave clarity on the impact of parent brand on its brand extensions.

3.8 Statistical tool

For this study, a reliability test, correlation and regression analysis were conducted to identify the association and direction of the formulated sets of hypotheses. SPSS Software was used to perform the analysis as mentioned and the results were interpreted in detail to identify the association between the dependent and independent variables involved in both sets of hypotheses.

3.9 Limitations of the study

- The sample size can prove to be insignificant to come to a generalized conclusion.
- The impatience of people and casual attitude might lead them to fill the questionnaires without reading it carefully, giving manipulated results.

3.10 Contribution of the study

This research may be beneficial for researchers and students who want to conduct research under this topic of parent brands and brand extensions. Companies also can understand the effectiveness of the brand extension strategy for themselves in comparison to their competitors in the market. Since the focused industry is the food industry, further research work in this industry can also be executed.

(a) Data Analysis

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.894	16

The Reliability Statistics table that provides the actual value for Chronbach's alpha. Here, it is observed that Chronbach's Alpha is 0.894, which indicates a high level of internal consistency for the scale used.

(b) Correlation and Regression: Cadbury: Parent brand consumption and intention to purchase brand extensions

Table 2: Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	CadburyParentbrandconsumption ^b	.	Enter

Dependent Variable: I prefer and intend to purchase products under this parent brand's extensions.

All requested variables entered.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.413 ^a	.171	.166	.911

Predictors: (Constant), CadburyParentbrandconsumption

The first table of interest is the Model Summary table. This table provides the R and R^2 values. The R value represents the simple correlation and is 0.413 (the "R" Column), which indicates a positive weak correlation. The R^2 value (the "R Square" column) indicates how much of the total variation in the dependent variable, purchase intention of brand extension of Cadbury, can be explained by the independent variable, Cadbury's parent brand consumption. In this case, 17.1% can be explained.

Cadbury: Parent Brand Visibility and Performance of Brand Extension

Table 4: Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Cadbury Parentbrand visibility ^b	.	Enter

Dependent Variable: Cadbury Performance of brand extension
All requested variables entered.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. error of the Estimate
1	.426 ^a	.182	.178	.81249

Predictors: (Constant), Cadbury Parent brand visibility

The Model Summary table provides the R and R^2 values. The R value represents the simple correlation and is 0.426 (the "R" Column), which indicates a positive weak correlation. The R^2 value (the "R Square" column) indicates how much of the total variation in the dependent variable, performance of brand extension of Cadbury, can be explained by the independent variable, Cadbury's parent brand visibility. In this case, 18.2% can be explained, which is very less which means that the data are not close to the fitted regression line.

Cadbury: Awareness of Parent Brand and Intention to Purchase Brand Extension

Table 6: Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	The influence of this parent brand has made me aware of its brand extensions. ^b	.	Enter

Dependent Variable: I prefer and intend to purchase products under this parent brand's extensions.
All requested variables entered.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.532 ^a	.283	.279	.847

Predictors: (Constant), the influence of this parent brand has made me aware of its brand extensions.

The Model Summary table provides the R and R^2 values. The R value represents the simple correlation and is 0.532 (the "R" Column), which indicates a moderate degree of correlation. The R^2 value (the "R Square" column) indicates how much of the total variation in the dependent variable, intention to purchase a brand extension of Cadbury, can be explained by the independent variable, Cadbury's parent brand awareness and influence. In this case, 28.3% can be explained, which is less.

Kellogg's: Parent brand consumption and intention to purchase brand extensions

Table 8: Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Kelloggs Parent brand consumption ^b	.	Enter

Dependent Variable: I prefer and intend to purchase products under this parent brand's extensions.
All requested variables entered.

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.576 ^a	.332	.329	.825

Predictors: (Constant), KelloggsParentbrandconsumption

The first table of interest is the Model Summary table. This table provides the R and R^2 values. The R value represents the simple correlation and is 0.576 (the "R" Column), which indicates a moderate degree of correlation. The R^2 value (the "R Square" column) indicates how much of the total variation in the dependent variable, purchase intention of brand extension of Kellogg's, can be explained by the independent variable, Kellogg's parent brand consumption. In this case, 33.2% can be explained.

Table 10: Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Kelloggs Parent brand visibility ^b	.	Enter

Dependent

Variable: KelloggsPerformanceofbrandextension

All requested variables entered.

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.531 ^a	.281	.278	.75886

Predictors: (Constant), KelloggsParentbrandvisibility

The Model Summary table provides the R and R^2 values. The R value represents the simple correlation and is 0.531 (the "**R**" Column), which indicates a moderate degree of correlation. The R^2 value (the "**R Square**" column) indicates how much of the total variation in the dependent variable, performance of brand extension of Kellogg's, can be explained by the independent variable, Cadbury's parent brand visibility. In this case, 28.1% can be explained.

Kellogg's: Awareness of Parent Brand and Intention to Purchase Brand Extension

Table 12: Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	The influence of this parent brand has made me aware of its brand extensions. ^b	.	Enter

Table 13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.642 ^a	.412	.409	.775

Predictors: (Constant), The influence of this parent brand has made me aware of its brand extensions.

The Model Summary table provides the R and R^2 values. The R value represents the simple correlation and is 0.642 (the "**R**" Column), which indicates a moderate degree of correlation. The R^2 value (the "**R Square**" column) indicates how much of the total variation in the dependent variable, intention to purchase a brand extension of Kellogg's, can be explained by the independent variable, Kellogg's parent brand awareness and influence. In this case, 41.2% can be explained, which is moderate which means that the data is faintly close to the fitted regression line.

5. FINDING AND CONCLUSION

- It was observed that the maximum number of the respondents belonged to the age group of 18-30 years. Females constituted 56.2% of the total respondents.
- To summarize the findings of the respondents' viewpoints of Cadbury and its brand extensions from the questionnaire, it is observed that a maximum number of respondents strongly agree that:
 - They are aware of and consume Cadbury regularly.
 - They believe that the majority of the population are aware and consume Cadbury regularly.
 - Parent brand Cadbury has strong market coverage.
 - Parent brand Cadbury has a strong popularity base.
- Also, with regard to Cadbury, the respondents agree to the statements that:
 - The influence of parent brand Cadbury has made them aware of its brand extensions.
 - They prefer and intend to purchase products under Cadbury's brand extensions.
 - They believe that Cadbury's brand extensions have a brighter future because of the Cadbury as a parent brand.
 - They believe that Cadbury's performance as a parent brand influences the performance of its brand extensions.
- To summarize the findings of the respondents' viewpoints of Kellogg's and its brand extensions from the questionnaire, it is observed that a maximum number of respondents only agree that:
 - They are aware of and consume Kellogg's regularly.
 - They believe that the majority of the population are aware and consume Kellogg's regularly.
 - Parent brand Kellogg's has strong market coverage.
 - Parent brand Kellogg's has a strong popularity base.
 - The influence of parent brand Kellogg's has made them aware of its brand extensions.
 - They prefer and intend to purchase products under Kellogg's brand extensions.
 - They believe that Kellogg's brand extensions have a brighter future because of the Cadbury as a parent brand.
 - They believe that Kellogg's performance as a parent brand influences the performance of its brand extensions. However, certain questions did have a fair tie or leaning towards multiple answer categories from 1 being "Strongly Disagree" to 5 being "Strongly Agree".

- The primary data collected from 200 respondents were analysed with the help of IBM's SPSS software. First, the Reliability of Statistics was analysed. The reliability statistics table provided that Chronbach's Alpha is 0.894, which indicates a high level of internal consistency for the scale used.
- The next tests conducted on SPSS software was Correlation and Regression on the primary data gathered. The tests were based on the hypotheses and variables were analysed for both brands chosen, i.e. Cadbury and Kellogg's.
- The independent variable "Parent brand consumption" and dependent variable "Purchase intention of brand extensions" for Cadbury indicated a positive but weak correlation at 0.413. The "R Square" value i.e. regression value indicated that the independent variable can explain 17.1% of the dependent variable. Hence, the alternate hypothesis is accepted for Cadbury.
- Similarly, for Kellogg's, the independent variable "Parent brand consumption" and dependent variable "Purchase intention of brand extensions" depicted a moderate degree of correlation at 0.576. And "R Square" value i.e. regression value indicated that the independent variable can explain 33.2% of the dependent variable. Hence, the alternate hypothesis is accepted for Kellogg's.
- With regard to the second hypothesis, the independent variable "Parent brand visibility" and dependent variable "Performance of brand extensions" for Cadbury indicated a low degree of correlation at 0.426. The "R Square" value i.e. regression value indicated that the independent variable can explain 18.2% of the dependent variable. Hence, the alternate hypothesis is accepted for Cadbury.
- Similarly, for Kellogg's, the independent variable "Parent brand visibility" and dependent variable "Performance of brand extensions" depicted a moderate degree of correlation at 0.531. And "R Square" value i.e. regression value indicated that the independent variable can explain 28.1% of the dependent variable. Hence, the alternate hypothesis is accepted for Kellogg's.
- With regard to the third hypothesis, the independent variable "Awareness of brand extensions" and dependent variable "Purchase intention of brand extensions" for Cadbury indicated a moderate degree of correlation at 0.532. The "R Square" value i.e. regression value indicated that the independent variable can explain 28.3% of the dependent variable. Hence, the alternate hypothesis is accepted for Cadbury.
- Similarly, for Kellogg's, the independent variable "Awareness of brand extensions" and dependent variable "Purchase intention of brand extensions" depicted a high degree of correlation at 0.642. And "R Square" value i.e. regression value indicated that the independent variable can explain 41.2% of the dependent variable. Hence, the alternate hypothesis is accepted for Kellogg's.

6. REFERENCES

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