

# **Identification and investigation of effective factors on consumer's primary attitudes formation towards brand extension of pegah company of Kerman**

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## **Keywords**

Brand extension, Brand associations, Fit perception, External information , Consumer characteristics.

## **Abstract**

*Brand extensions have become a famous strategy for many of companies since many years ago. It's success depends on acceptance and evaluations of consumers about brand extension. Thus,our purpose is to identify the effective factors on consumers primary attitudes formation towards brand extension of Pegah company of Kerman .We understood that external information, knowledge about parent brand/extension category, affect toward parent brand/extension category and fit perception influence attitudes toward brand extensions .Also, increasing consumer expertise, increases the rate of effect of fit perception, consumer knowledge about parent brand/extension category, affect toward parent brand/ extension category and external information on attitudes towards brand extension. Increasing consumer self-monitoring increases the rate of effect of external information on attitudes towards brand extension .Increasing consumer age decreases the rate of effect of external information on attitudes towards brand extension.*

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## **Introduction**

Brand extension, which involves introducing new products under existing brand names, has become a popular strategy since the 1980s (Aaker ,1990).Brand extensions, which are seen as beneficial because of marketing efficiencies such as reduced new product introduction costs and increased chance of success(Aaker, 1990, Keller,1998).These benefits are mainly caused by the transfer of parent brand's awareness and associations to the new product (Keller,1998).However, the success of brand extensions is very uncertain. According to a comprehensive study conducted by Ernst& Young and Nielson (1999) for several European countries typical, rates of brand extensions are around 80%.Often 50 million us-dollars or more are spent for the introduction of these extensions (Aaker, 1990, Sattler, 1997).The success of brand extension is largely determined by how customers evaluate the extension (Klink and

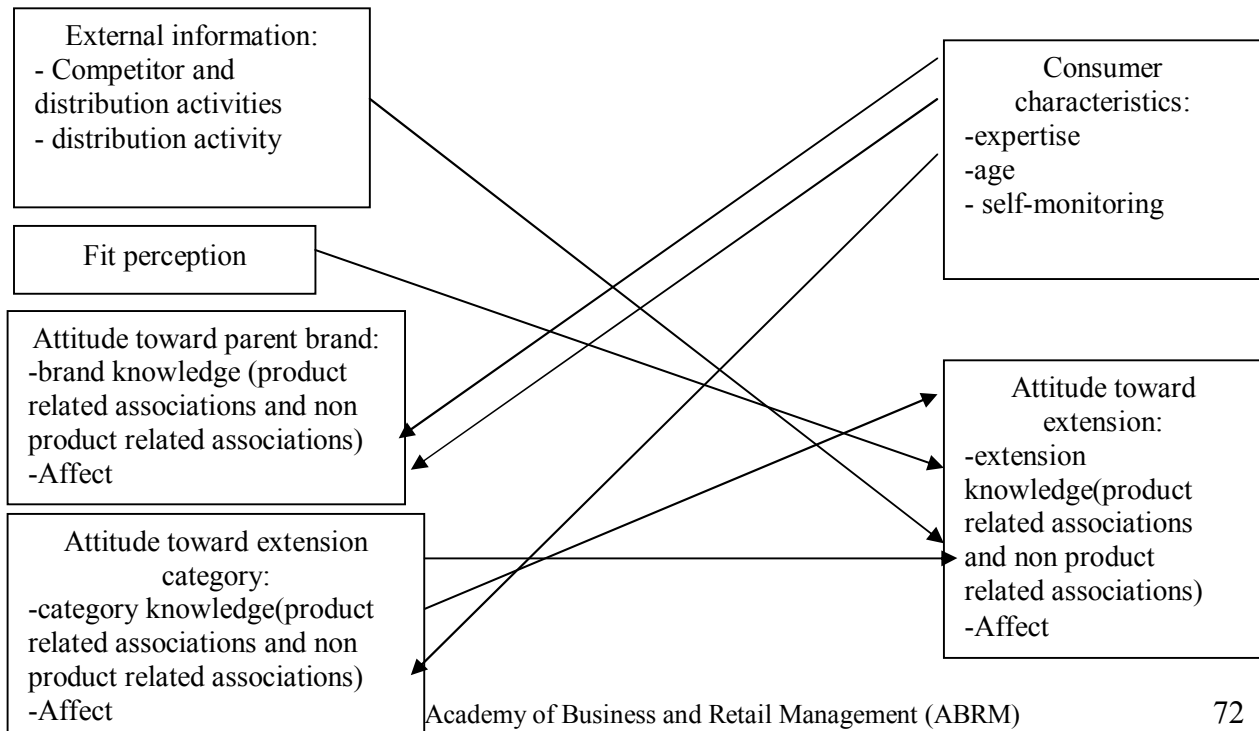
Smith,2001). Consumer evaluations of brand extensions have been investigated in a number ways. However, one of the widely accepted of fit between a new extension and its parent brand is the most important factor in determining brand extension (Aaker& Keller,1990, Muroma&Saari,1996, Zhang &Soos,2002).In order to improve success rates of brand extensions, it is important to measure the significance and relative importance of factors affecting consumer evaluations of brand extensions (Sattler,Völckner and Zatloukal,2002).Thus, we want to identify the effective factors on consumers' attitudes formation towards brand extension of Kerman Pegah company and the rate of these factors with considering consumer characteristics.

**1-Literature**

**1-1- Background:**

Many researchers have conducted about consumer evaluations of brand extensions. Aaker and Keller (1990) indicated that the perceived high quality of the parent brand results in positive extension evaluation. Bhat &Reddy(2001)concluded that positive feelings are directly transferred from the parent brand to the extension. Yun Ma (2005) investigated the knowledge of consumer on brand extension evaluations in his study.Henry(2008) studied the relationship between consumer innovativeness and consumer acceptance of brand extensions. Sattler, Völckner and Zatloukal (2002) examined some affecting factors on brand extensions evaluations. Bhat &Reddy(2001) studied the effect of parent brand attribute associations and affect on brand extension evaluation. Boush et al(1987) and Aaker&Keller(1990) concentrated on information process and affect transfer. Czellar (2003) proposed a model of consumer's primary attitudes towards brand extensions. We just consider apart of this model according to below:

Figure 1- consumers primary attitudes formation towards brand extensions



### **2-1- perceived fit:**

A brand extension in a new product category is viewed as a new instance that can *be more or less similar to the brand and its existing products*. Perceived similarity, also called perceived fit, is characterised by the number of shared associations between the extension product category and the brand (Czellar, 2003). The most popular concept in literature that used for fit dimensions definition are: similarity, relatedness, typicality and brand concept consistency (Aaker & Keller, 1990, Boush & Loken, 1991, Herr, Farquhar & Fazio, 1991).

### **3-1- External information:**

Competitor activity refers to all the marketing actions that competing brands—already present in the extension product category or newly entering it—might undertake. By processing this external information, consumer fit perceptions may be altered. Another source of information for consumers is the point-of-purchase, which is controlled by the brand's current distributors. The distributors' marketing activities may also provide potential consumers with information that is relevant for their judgments (Czellar, 2003).

### **4-1- Brand related associations:**

Brand association is anything that is linked in memory to a brand (Aaker, p.109). Keller (1993, 1998) classifies brand associations into three major categories: attributes, benefits and attitudes. We measure product related associations through product attributes, product usages, product quality and the rate of need satisfaction and non-product related associations is measured through personal identity, social identity and status in this paper.

## **5-1- Consumer characteristics**

### **1-5-1- Consumer expertise:**

Research on consumer memory shows that expertise with a specific product category leads to more and more elaborate and complex knowledge structures (Alba & Hutchinson, 1987). It also appears that brand ratings by expert consumers are based on concrete product attributes, whereas the brand ratings of novices stem from more general impressions about the brand (Dillon, Madden, Kirmani & Mukherjee, 2001).

### **2-5-1- Self-monitoring:**

According to self-monitoring theory, people differ substantially in the way they regulate their self in public situations (Gangestad & Snyder, 2000; Snyder, 1974). Low self-monitors tend to project a stable self in diverse settings of social interaction. Their behavior is guided more by inner psychological factors than social influences. High self-monitors, on the other hand, exert more expressive control over their social behavior and tend to adapt their appearance and acts to specific situations (Czellar, 2003).

### **3-5-1- Age:**

Human cognitive capacity is strongly linked to age. Research shows that the cognitive capacity of the elderly, especially over 65, declines progressively (Chasseigne, Mullet, & Stewart, 1997; Lambert- Pandraud & Laurent, 2002). For these people, the learning of new information becomes difficult and they tend to rely on existing information in long-term memory rather than on active short-term memory to make judgments and decisions (Salthouse, 1991). We therefore expect elderly people to be less sensitive to new information on the product's positioning than younger people.

#### **4-Hypotheses**

H1: Perceived fit influences attitudes towards brand extension.

H2: Increasing consumer expertise, decreases the rate of effect of perceived fit on attitudes towards brand extension.

H3: Knowledge about parent brand / extension category influences attitudes towards brand extension.

H4: Increasing consumer expertise, increases the rate of effect of knowledge about parent brand / extension category on attitudes towards brand extension.

H5: Consumer affect about parent brand / extension category influences attitudes towards brand extension.

H6: Increasing consumer expertise, decreases the rate of effect of consumer affect about parent brand / extension category on attitudes towards brand extension.

H7: External information influences attitudes towards brand extension.

H8: Increasing consumer expertise, decreases the rate of effect of external information on attitudes towards brand extension.

H9: Increasing consumers age, decreases the rate of effect of external information on attitudes towards brand extension.

H10: Increasing consumer self-monitoring, increases the rate of effect of external information on attitudes towards brand extension.

#### **5- Variables**

We have three variables in this study. Dependent variable is the consumers' primary attitudes formation towards brand extension of Kerman Pegah company. Independent variables are external information, attitude towards parent brand (knowledge of parent brand includes product related associations and non-related product associations, effect), attitude towards extension category (category knowledge includes product related associations and non-related product associations, affect). Moderating variable is consumers characteristics (self-monitoring, age and expertise).

#### **6 Methodology**

We used library method to collect literature. Data obtained through questionnaire With 41 questions. 180 questionnaires was completed by consumers of Kerman Pegah company in 2009. The questionnaire has got reliability with cronbach alpha 0.85.

## 7 Conclusions

We use T-test, chi-square, correlation analysis and regression analysis to analyze data .chi-square analysis for first hypothesis is according below:

Table1-*fit perception and attitudes towards brand extension*

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.703E3 <sup>a</sup>	1458	.000
Likelihood Ratio	610.557	1458	1.000
Linear-by-Linear Association	24.859	1	.000
N of Valid Cases	179		

Because of significance is 0.000, fit perceptions influence attitudes towards brand extension and first hypothesis is accepted.

Table2- *fit perception, knowledge about parent brand/extension category, affect toward parent brand/extension category and consumer expertise and attitudes towards brand extension*

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.577 <sup>a</sup>	.333	.318	.64758	.333	21.608	4	173	.000

Table3- *fit perception, knowledge about parent brand/extension category, affect toward parent brand/extension category ,consumer expertise and attitudes towards brand extension*

### Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.531	.324		1.640	.010
	affect	.141	.056	.170	2.542	.012
	knowledge	.436	.087	.371	5.033	.000
	Fit perception	.207	.074	.195	2.784	.006
	expertise	.017	.077	.014	.214	.0431

Findings indicate that there is a positive relation between consumer experience, fit Perception, knowledge about parent brand/extension category, affect toward parent brand/extension category and attitude towards brand extension .Thus hypotheses 2and 6 are rejected and hypothesis 4 is accepted.

Table4- Knowledge about parent brand/extension category, attitude towards brand extension

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.259E3 <sup>a</sup>	2173	.037
Likelihood Ratio	762.887	2173	1.000
Linear-by-Linear Association	48.491	1	.000
N of Valid Cases	178		

Above findings indicate knowledge about parent brand/extension category influences attitudes towards brand extension(sig=0.037). Therefore, hypothesis 3 is accepted.

Table5- External information and attitudes towards brand extension

**One-Sample Test**

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
External information	1.309	179	.192	.14167	.0720	.3553

According above table and because of positive amounts of lower and upper limitations of interval ,we conclude external information influences attitudes towards brand extension.Thus,hypothesis 7 is accepted.

Table6-Consumer expertise, external information and attitudes towards brand Extension

**Correlations**

		expertise	External information
expertise	Pearson Correlation	1	.034
	Sig. (1-tailed)		.032
	N	179	179

External information	Pearson Correlation	.034	1
	Sig. (1-tailed)	.032	
	N	179	179

Findings indicate there is a positive relation between consumer expertise and the effect of external information on attitudes towards brand extension ( $r=0.034, sig= 0.032$ ). Thus, hypothesis 8 is rejected.

Table7-Consumer age, external information and attitudes towards brand extension

**Correlations**

		External information	age
External information	Pearson Correlation	1	-.151*
	Sig. (1-tailed)		.022
	N	180	180
age	Pearson Correlation	-.151*	1
	Sig. (1-tailed)	.022	
	N	180	180

Above table indicates that there is a negative relation between the effect of external information on attitudes towards brand extension and consumer age. Thus, hypothesis 9 is accepted.

Table8-Consumer self-monitoring, external information and attitudes towards brand extension

**Correlations**

		External information	Self monitoring
External information	Pearson Correlation	1	.118
	Sig. (1-tailed)		.047
	N	179	179
Self-monitoring	Pearson Correlation	.118	1
	Sig. (1-tailed)	.047	
	N	179	179

Findings imply that there is a positive relation between consumer self-monitoring and the rate of effect of external information on attitudes towards brand extension ( $r = 0.118, sig = 0.047$ ). Thus, hypothesis 10 is accepted.

## Implications

Nowadays, brand extension is one of the most popular rising strategies. But its success depends on consumers evaluations of brand extension. We examined some of factors that maybe influence the primary attitudes formation towards brand extension. We found through chi-square analysis that consumers fit perceptions, knowledge about parent brand/extension category and affect towards parent brand/extension category influence the attitudes towards brand extension and by using T-test analysis, we understood that external information influences attitudes towards brand extension. Also, we found increasing consumer experience increases the rate of effect of perceived fit, knowledge about parent brand/ extension category and affect toward parent brand/extension category on attitudes towards brand extension. Also, we found increasing consumer self-monitoring, increases the rate of effect of external information on attitudes towards brand extension. Findings indicate that increasing consumer's age, decreases the rate of effect of external information on attitudes towards brand extension.

## Suggestions

In this paper, we examined some of effective factors on consumer's primary attitudes formation towards brand extension. Future researches can examine others factors like consumer innovativeness, consumer mood and situational factors.

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## Appendix 1

<i>Variable Codes</i>	<i>Mall Awareness dimension</i>
V1	1. I am aware of.....mall
V2	2. I quickly remember the features of mall.....
V3	3. I can recognize the mall.... among the others
V4	4 .I am aware of its serving system
	<i>Perceived mall (service) quality dimension</i>
V6	1. The mall.. ..provides a very high quality service
V7	2. The mall.. ..provides a very reliable service
V8	3. The mall.. ..provides a perfect service
V9	4. The mall.. ..has a very good atmosphere quality
	<i>Mall association dimension</i>
V10	1. The mall.. ..has shops which provide very diversified products
V12	2.The mall....provides leisure time activities (i.e. cinema and children's play area)
V13	3 The mall.. ..is a safe place for shopping
V14	4. The mall.. ..provides facilities such as escalators, elevators and car park
V15	5. The mall.. .. has fast food and dining facilities
	<i>Mall loyalty dimension</i>
V18	1. The mall.. ..is my first choice
V19	2. I feel loyal to the mall.. ..
V20	3. I go to the mall.. ..on a regular basis
V21	4. I recommend the mall.. .. to my friends