

Impact of Brand Loyalty on Brand Extension

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Abstract— The key objective of this study is to explore the effects of different dimensions of brand loyalty towards the original brand on the evaluation of brand extensions. This was a primary research and questionnaire was distributed among 200 respondents and 183 were processed for analysis. The target respondents were the students of different universities of Islamabad and Rawalpindi, Pakistan. The scale was taken from the existing research (Hem and Iversen, 2003). SPSS was used to analyze the data. The result finds that there is positive and significant relationship between brand loyalty and brand extension. So on the bases of these results that all the hypotheses (H1, H2, H3, H4 and H5) are proved positively and significantly and affect the evaluation of brand extension.

Keywords: Brand Loyalty, Brand Extension, original brand

I. INTRODUCTION

The brand loyalty, brand extension and their relationship has been thoroughly studied by marketers over the years. It concerns the factors that create loyalty, commitment and preference, on the part of the consumer. It also concerns the evaluation of the parent brand itself, its performance over the years, service, availability, price, image and other essential attributes of a product. Brand Loyalty occurs when favorable beliefs and attitudes for the brand are manifested in repeat buying behavior (Roehm, 2002). Defining brand loyalty is somewhat a difficult task because of the different attributes it possesses. Some people are driven towards different brands because of service, product itself, price, overall brand personality or brand image (Gander, 2002). Brand loyalty is a basis of brand equity that is created by a number of factors, chief among the use experience. However, loyalty is influenced in part by other dimensions such as awareness, associations and perceived quality (Iversen, 2003). Brand personality is the set of human characteristics associated with a brand (Aaker, 1997).

The idea taken from various published researches, in this case, is to probe brand loyalty behavior in consumers and how it influences the evaluation and use of brand extensions. Previous researches have yielded results that showed various variables involved in influencing consumers

and their loyalty such as strong affective relationships with original brand and self-image is closely related with original brand (Hem and Iversen 2003). The key problem to be investigated by this study is that does brand loyalty influences the consumer to positively or negatively evaluate the extensions of a brand already known to the consumer. When we say brand, we limit our argument and study, largely to products and not to services.

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II. LITERATURE REVIEW

Various authors and researchers continuously emphasize on brands are evaluated on the basis whether they have the strong personality that may or may not match the personality of the consumer. Therefore consumers have strong preference for the product that possesses personality dimensions they look for in a product. So, greater the congruency of personality traits that describe an individual's self-image, stronger and greater the loyalty and preferences towards the brand (Iversen, 2003). At the individual level, brand loyalty is regarded as a consequence of the brand knowledge a consumer has stored in long-term memory (Roehm, 2002). It had been proved that positive reciprocal effects occur only when an average-quality parent brand introduces a successful extension that is similar to the parent brand. One major risk with brand extensions is the possibility of diluting the core brand's equity by creating negative brand associations (Chen & Liu, 2004).

The degree to which the brand expresses and enhances their identity is determined by their level of brand identification (Chung, 2001). Plummer (1985) studied how brand personality affects consumer's choice of a soft drink with a distinctive brand image in the U.S. Later Aaker developed a new scale to measure brand personality along five dimensions, which were sincerity, excitement, competence, sophistication and ruggedness. Results from

this study came out to be that brand identification affected word of mouth reports, and word of mouth reports affect brand loyalty. Hypothetically, brand identification indirectly affects brand loyalty. Brand extension is a marketing practice that uses an established brand name in one category to introduce products in totally different categories (Choi, 1998). Researchers have explained that brand extension allows the established brand to provide a stock of information about the new product's quality. Consumers believe that brand name matters. If the high quality product brand name is extended to a new product, consumers believe that the new product is also of high quality as long as all the previous products with the same brand name were of high quality.

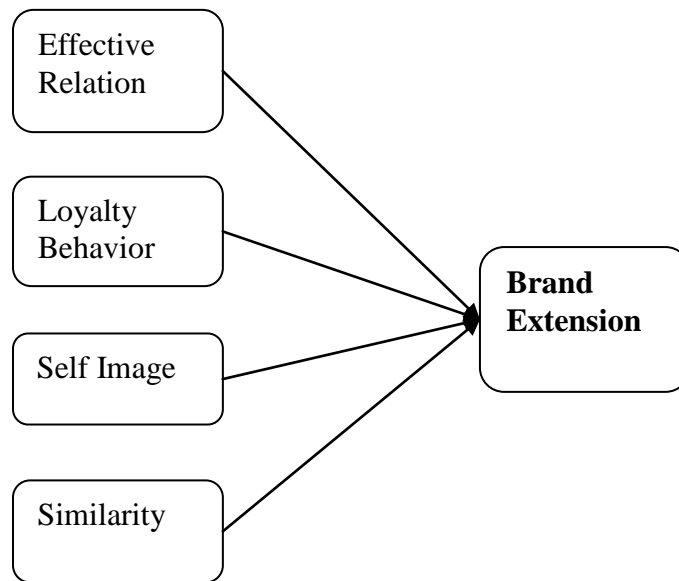
In the soft drink categories the most loyal consumers are 18 to 29 year olds (Setlow, 2002). But marketers, who spend all their energy targeting the younger population, are passing up another gold mine, which is the older and middle-aged population. Just as consumers are open-minded about brands, marketers must also remain open-minded about consumers and the opportunity to attract

them, at all ages, to various brands. In several product categories, more than 80% of new product introductions are brand extensions. In an increasingly busy market place, brand extensions allow manufacturers' brands to hold more shelf space and retain a higher profile in the customers' mind. Brand extensions help in increasing the chance of new product's success and lowering its launch costs. When consumers perceive the extended product class to be very easy to make, a potential incongruity occurs. The incongruity itself may trigger a rejection or it might lead to a judgment that the quality name will add a price higher than is justified and necessary for such a product.

Subjects preferred extension products, which already have high quality original brand and also have good fit with that original brand. Therefore, opportunities exist for companies to use brand extension strategies in developing economies (Choi, 1998).

Therefore, the article proposes an integrative conceptual framework of true brand loyalty including its main cognitive and affective causes and effects.

Theoretical Framework:



IDVs DV

The following hypotheses can be thus formulated:

H1: Effective relation towards parent brand (Pepsi) affects the evaluation of brand extension.

H₂: Loyal intentional behavior towards parent brand (Pepsi) affects the evaluation of brand extension.

H3: Self image towards parent brand (Pepsi) affects the evaluation of brand extension.

H4: Similarity towards parent brand (Pepsi) affects the evaluation of brand extension.

III. RESEARCH METHODOLOGY

This was a primary research and questionnaire was distributed among 200 respondents and 183 were processed for analysis. The target respondents were the students of

different universities of Islamabad and Pakistan. In this study the sample was divided in two broad categories that are male and female they were further divided into age groups. This particular research from amongst the various options available the sampling technique we employed is random sampling where the respondents were randomly selected, as there was no need to select particular students related to a particular department as all are involved in this study.

The questionnaire was divided into three parts, first part was related to general information about respondents including

age and gender and the scale used to measure that was nominal. The second part of the questionnaire was there to check the brand loyalty and brand extension and it was based on likert scale ranging from strongly disagree to strongly. The scale was taken from the existing research (Hem and Iversen, 2003). SPSS was used to analyze the data. The objective of this research is to determine the relationship between brand loyalty and brand extension, so that regression analysis was performed.

IV. RESULTS AND DISCUSSION

Table 1: Frequency Distribution with respect to “Gender and Age” (N=183)

Gender	Frequency	Percentage	Age	Frequency	Percentage
Male	114	62.2%	18-22	92	50.3%
Female	69	37.7%	23-27	65	35.5%
			28-32	10	5.5%
			33-37	5	2.5%
			>38	11	6%
Total	183	100%	Total	255	100%

Table: 2 Multiple Regression Coefficients, Standard Errors in parentheses, t-values in brackets and p-values in italics (N=183)

Constant	Effective Relation	Loyalty Behavior	Self Image	Similarity	R-Square	F-Stat
0.149	0.177	0.197	0.338	0.317	0.496	113.11
(0.140)	(0.047)	(0.054)	(0.051)	(0.060)		
[1.064]	[3.788]	[2.701]	[4.820]	[2.938]		
<i>0.288</i>	<i>0.010</i>	<i>0.007</i>	<i>0.000</i>	<i>0.005</i>		<i>0.000</i>

Table-1 reveals that in this study 114 respondents are male and 69 are female out of total 183 participants. The table further gives the information about the age of target respondents out of 183 majority of the respondents have age bracket 18-22 years, 65 or 35.5% fall in the age bracket of 23-27 years and 10 or 5.5% are in between 28-32 years. In addition, at the end 11 respondents have age limit greater than 38 years.

The above table gives the information about regression analysis. The R-square (0.496) depicts fitness of model and the F-statistics reveal that model is significant as

p-value is <0.000 at 5% significant level. The result finds that there is positive and significant relationship between brand loyalty and brand extension. The beta coefficients demonstrate the contribution of each independent variable in dependent variable. So, self-image and similarity with original brand contribute 34% and 32 % respectively in brand extension. All the independent variables have significant and positive relationship with consumer behavior as p<0.05. So on the bases of these results that all the hypotheses (H1, H2, H3 and H4) are proved positively and significantly and affect the evaluation of brand extension.

V. CONCLUSION AND RECOMMENDATIONS

To sum it all it can be said that the extension being studied has been a success at least in capturing younger population, between the ages of 18 to 27. The results clearly show that users of the product have accepted it without much effort. But the problem arises with the same people who have accepted this product, when it comes to question their brand loyalty towards Pepsi, the parent brand. It has been learned that the positive attitude of consumers towards Pepsi is reducing and is being threatened by other similar brands. Pepsi is a very old brand and has had a lot of market share in the previous 15-20 years. It always has had better distribution networks, supply chain, advertisements and other essential marketing activities such as sponsoring various events. For quite a long time Pepsi has been associating itself with cricket, the favorite sport of Pakistani youth, ranging from children of 6-11 years of age to adults of age segment 21-26. But in recent years Pepsi has been going through the phase of changing its brand personality, and as that change would result in some positive outcomes, it will also reap some negative connotations. People loyal to Pepsi will be alienated by the new brand image, as they would not know how to associate with the Pepsi of this new personality, which they have known all the years as the choice of cricketers. The result finds that there is positive and significant relationship between brand loyalty and brand extension. So on the bases of these results that all the hypotheses (H1, H2, H3, H4 and H5) are proved positively and significantly and affect the evaluation of brand extension.

CONTRIBUTION OF THE STUDY

This study enhances marketer's knowledge of consumer psychology by giving various factors that would help determine future behavioral pattern and would explain loyalty for some brands. Moreover, it attempts to answer the question that whether loyalty towards one brand ensures the success of extensions of the same brand or not.

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