# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

**IJRCM**

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    OBJECTIVES

    HYPOTHESES

    RESEARCH METHODOLOGY

    RESULTS & DISCUSSION

    FINDINGS

    RECOMMENDATIONS/SUGGESTIONS

    CONCLUSIONS

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**CONTRIBUTIONS TO BOOKS**
*   Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

**JOURNAL AND OTHER ARTICLES**
*   Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

**CONFERENCE PAPERS**
*   Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

**UNPUBLISHED DISSERTATIONS AND THESES**
*   Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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# STRATEGIES FOR THE SUCCESS OF BRAND EXTENDED PRODUCT : AN ANALYTICAL STUDY OF DEHRADUN DISTRICT WITH SPECIAL REFERENCE TO FMCG

DR. AMIT JOSHI
ASSOCIATE PROFESSOR
DEPARTMENT OF MANAGEMENT STUDIES
BHIMTAL
KUMAUN UNIVERSITY
NAINITAL

DR. SAURABH JOSHI
ASSOCIATE PROFESSOR
DEPARTMENT OF MANAGEMENT
UTTARANCHAL INSTITUTE OF TECHNOLOGY
DEHRADUN

DR. PRIYA GROVER
ASST. PROFESSOR
COLLEGE OF MANAGEMENT & ECONOMIC STUDIES
UNIVERSITY OF PETROLEUM & ENERGY STUDIES
DEHRADUN

PARVIN JADHAV
ASST. PROFESSOR
COLLEGE OF MANAGEMENT & ECONOMIC STUDIES
UNIVERSITY OF PETROLEUM & ENERGY STUDIES
DEHRADUN

## ABSTRACT

*The most distinctive skill of professional marketers is their ability to create, maintain, protect and enhance brands. Branding is the art and cornerstone of marketing which is essential for product and planning. Brand plays an important role in brand extension. The ever-changing market characteristics have huge impact on the corporate decisions. The global environment also poses several complexities to the marketer in understanding the market. The companies constantly innovate newer marketing strategies to stay ahead in the market and reap more benefits for its stakeholders. More number of companies is relying on launching new products in the market to meet the changing consumer needs and preferences. The development and market introduction of new products and brands is an important activity for firms seeking to maintain their competitive advantage in the market. Accelerated product life cycles, increased competition, and increasing diversity in customer needs have further enhanced the role of new product introduction .In recent times the increased rate of new product introduction has led to a marketplace characterized by an average of 2000 new production introductions per year in some industries.. The costs of such ventures are typically high, often ranging between $50 and $100 million. Given the high cost of new product failure, marketing academics and practitioners have focused efforts on developing methods and product introducing strategies that will happenchance the likelihood of new product success . An Increasingly popular approach in order to achieve this end is the use of a brand extension strategy .Brand extension energy involves the use of a brand name initially established in one product category to enter a product market in a new category. For example, the Honda brand name, historically associated with motorcycles and automobiles, has been extended to new products categories such as lawnmowers and snowmobiles. The Sony brand name has been extended to Sony Corp's new product introductions in diverse product categories. It has been estimated that almost 70% of new products are introduced under existing brand names. This research paper seeks to provide answers as to which brands are more likely to succeed as brand extensions into new categories within the Indian packaged consumer goods environment. The research is an in-depth descriptive study aimed at finding out the various facts regarding the brand extension. The study is based on both Primary and Secondary data. The secondary data consists of information collected from journals, magazines, books and internet. The primary data has been collected through a questionnaire. Two separate questionnaires have been prepared for two different classes: Retailers and Consumers. The sample size for retailers was 30 and for consumers was 300. The area of study was Dehradun District. Equal weight age has been given to different regions, groups and segments. Segmentation has been based on (subject to way): Income, Age, Consumption habits, Geographical factors. The data has been analyzed with the help of desired analytical tools.*

## KEYWORDS
brand extended product, Dehradun.

## INTRODUCTION
Modern market evolve in a turbulent environment, characterized by five important environmental pressures. The first of them is the rapid change of consumer tastes. Nowadays, consumers ask for high quality price ratios and have very heterogeneous needs. The second factor is competitive activity, which is becoming more and more global, weakening not only local brands but also big international brands to a certain extent. Third, rapidly changing technology shortens product life cycle. Fourth, change is emanating from the empowerment of distribution partners reaching their private labels against national and international brands. So, increasing their control in distribution channels. The fifth and last source of pressure comes from investors asking for quick and steady cash flows. In these substances, instead of venturing into a new market with a costly and uncertain brand name, it is more interesting for firms to exploit new market opportunities, companies prefer brand names that have already succeeded in existing markets. Thus, brand extensions present many advantages; the most important of them being the lessening of perceived risk by consumers in their buying-decision process, efficiency promotional expenditures, increased probability to gain distribution space as well as positive feedback on the company's brand equity in case of extension success.

Many companies in India have adopted this brand extension strategy for more mileage in gaining mind and market share. Some of the companies have extended their brands into different product categories like TATA, HLL, Godrej, BPL, Videocon, etc. Brand extension has become a very popular strategy in many firms manufacturing consumer goods and FMCG. Now the phenomenon has extended to service sector also. Since the risk involved is high in many service companies as the absence of  tangible cues and tangibility forces, companies opt brand extension strategy to reduce the consumers' perceived risk. Reliance and Birla have extended their brand into the insurance sector. Especially, in FMCG Industry in India all corporate giants have used brand extension strategy (TATA, Reliance).

The topic of brand extensions has been chosen as it is a dynamic and evolving area of branding which is not very well understood. Brand extensions are becoming more common as companies attempt to leverage their brands in order to achieve growth. An established brand name tends to already be well known by consumers so the risks and costs often associated with launching a new brand are minimized. An established brand is more likely to receive trial in a new category, with initial sales off-take likely. In an FMCG environment this is critical as the trade requirement is one of immediate performance or the product is removed.

## LITERATURE REVIEW

The last two decades have seen a proliferation of brand extensions. To keep in track with the emerging trends in market (Roy and Lahiri 2001),every company needs to explore new markets to compete and survive. The financial implications of entering new markets have become formidable for many manufacturers. The cost implications are huge and the failure rate of the newly launched brands is also alarmingly high. Crawford (1977) suggests that only two out of ten launches succeed. A strong brand is an asset of the organization (Aaker 1996) and the rationale behind endowing a new product with a well-known brand name is to provide customers and the trade with the advantage of instant brand name recognition. They make favorable associations with the parent brand and can be differentiated from competing brands (Keller 1993). The beliefs associated with the existing brand may transfer to the extended one when the consumers perceive the extension as fitting with the brand category (Sujan 1985), Cohen and Basu 1987, Levy and Tybout 1989). They can also decrease the costs of distribution and increase the efficiency of promotional expenditures. Though negative impacts may occur (John et. al., 1998), but managers have to keep in mind that brand extensions allow brand to remain up-to-date and demonstrate an increasing urge to detect and respond to the profound change in customer tastes and expectations.

Though, brand extension strategies tasted success in the past, still brand extension success is uncertain. Research carried out by Ernest and Young and Nielsen (1999) in the field of FMCG brand extensions in European countries, reveal that there is a failure rate of around 80%. Moreover, unsuccessful brand extensions can harm the parent brand, which can result in substantial losses of brand equity (Gurhan- Canli and Maheswaran, 1998; Swaminathan et. al., 2001).

## ROLE OF PARENT BRAND EVALUATION AND THE RELATIONSHIP BETWEEN EXTENSION CATEGORY AND PARENT BRAND CATEGORY

Much of extension research has focused on factors that determine the likelihood that the consumer's evaluation of a parent brand will affect their evaluation of its extension **(Boush et. Al 1987, Aaker and Keller 1990).** The common notion underlying this research is that a brand extension's evaluation is affected by transfer of affected by transfer of affect from parent to extension and consequently, parent brand characteristics will have an impact on extensions evaluation. This research suggests that in order for a brand name in one product category to be successfully extended to a new category. (a) Consumers should have a positive attitude toward the parent brand and (b) the original product class and the extension product class should be perceived as being similar in some respect **(Aaker and Keller 1990).** This reasoning is consistent with categorization theories which suggest that affect transfer from a familiar category to a new object is facilitated when the new object is perceived as having characteristics that are similar to those associated with the category **(Fiske and Pavelchak 1986, Boush et. Al 1987).**

Categorizations theories in social cognition research **(Brewer 1988, Fiske and Pavelchak, 1986)** have established that an individual's experience over time leads to the formation of distinct categories in memory. In the context of objects such as products, an individual is expected to form categories that consist of objects that share common features. When a new object is encountered, categorization theories propose alternative routes to impression formation **(Fiske and Neuberg 1990).** They suggest that rather than evaluate the specific attributes of the new object which is cognitively effortful process, an individual will first attempt to evaluate the object through categorization. Here, the individual will first attempt to classify the object into any of the known categories that are stored in memory. This is relatively quick and effortless process and membership is determined by the new product's silent attributes.

If the product is determined to fit into a known category, then the affect attached to the category is transferred to the new product. If an adequate fit to a known category is not perceived, then the attributes of the product are evaluated and an overall evaluation is generated as a result of a computational method (Piecemeal processing). In general, individuals tend to prefer a process of category based affect transfer in evaluating an object given its lower information processing demands compared to the more elaborate "piecemeal" process **(Fiske and Neuberg 1990).**

Categorization research was also used by **Aaker and Keller (1990),** to hypothesize that there will be a greater likelihood of transfer of attitude from a parent brand in one category to an extension product in another category to an extension product in another category as the fit between two product categories increases **(Cohen and Basu 1987). Fiske and Pavelchak 1986).** Categorization research suggests that if a consumer perceives a good fit between the brand extension class and the parent brand class, then attitude toward the parent brand will transfer to the extension following a category-based process, without a detailed assessment of the attributes of the extension. Under such conditions, extensions have an advantage over individual brands given the prior positive attitude toward the parent brand held by consumers. Based on these ideas, **Aaker and Keller 1990** hypothesize that when a consumer encounters a brand extension, he will attempt to evaluate the product using knowledge of the parent brand class. If the consumer perceives a fit between the brand extension class and the parent brand class, then attitude toward the brand will transfer to the extension following a category-based process. If an inadequate fit is perceived, the extension will be evaluated based on its attributes alone, in a piece-meal fashion. Thus inadequate perception of fit would minimize the role of parent brand affect. Three measures of fit were developed by the authors, including the extent to which consumers view two product classes as complements, the extent to which consumers view the two products as substitutes, and the ability of the firm operating in the first product class to make a product in the extension product class.

The basis for judgment of fit (e.g. substitutability) in the **Aaker and Keller (1990)** study do not have a theoretical rational but were based on the author's intuition. While high on face validity, intuitive measures may be deficient in their ability to describe the actual factors that consumers consider in extension evaluation. Additionally, fit was conceptualized as a function of parent category and extension category relationships. The critical role of parent brand associations, which play a role in extension judgment is ignored when fit is conceptualized at the general product category level.

In a second study, **Keller and Aaker (1992)** examined the affect of fit and success of past extensions on the transfer of attitude from the parent brand to the extension. Fit is again conceptualized in terms of similarity between the original and the extension product categories. Consistent with this definition the authors manipulate fit based on a pretest where subjects were asked to provide their perceived similarity between several pairs of product classes, one being the parent brand class and the other the extension class to generate extensions at three levels of perceived fit. Hypothetical brand names were used and brand quality was manipulated through the favorability of information provided in the description of the brand's sales and history. Subjects were asked to provide evaluations of the extension concept and evaluate fit along three scales: good fit-bat fit, logical-not logical, appropriate-not appropriate.

Results showed that when the parent brand was of average quality, close extensions were rated more highly than distant extensions. However, when the parent brand had very high quality ratings, extensions evaluations were unaffected by similarity between the parent and the extension category. Extensions were evaluated positively regardless of similarity. The authors speculate that this result implies that a parent brand with very high quality perceptions may be extended to more distant categories than average quality brands. The authors suggest that a second reason for this finding could be that even the similar extension in this study was within the parent brand's general product class (snacks), and consequently may be perceived as more similar than the authors had

expected. In a follow-up to this study, where the brands were extended to more dissimilar categories, the predicted interaction between parent brand attitude and fit was obtained, supporting the author's argument.

The use of hypothetical brands limits this research in that the impacts of parent category associations were studied. It may be argued that brand extension success will be influenced more by relevance of parent brand associations in the extension category than parent category associations. Leverage of the brand is based on its ability to provide a benefit in the extension category that is not provided by other brands currently in the category.

This research paper seeks to study the relationship between the parent brand and the extended product and the relevance of parent brand associations in the extension category than parent category associations, within the Indian packaged consumer goods environment. For instance can certain established Indian FMCG brands be extended into other FMCG categories that they do not currently compete in more successfully than newer emerging brands?

## OBJECTIVES OF THE STUDY
**PRIMARY OBJECTIVE**
To study the relationship between the parent brand and the extended product
**SECONDARY OBJECTIVE**
To find the factors responsible for successful brand extensions.
To bring forth some suggestions for the effective brand extension
**HYPOTHESIS**
1) A brand extends more easily when the category is similar to the original category.
2) Consumer Perception is favorable when the category is similar.

## METHODOLOGY
The research is an in-depth descriptive study aimed at finding out the various facts regarding the brand extension. The study is based on both Primary and Secondary data. The secondary data consists of information collected from journals, magazines, books and internet.

The primary data has been collected through a questionnaire. Two separate questionnaires have been prepared for two different classes: Retailers and Consumers. The sample size for retailers was 30 and for consumers was 300. The area of study was Dehradun District. In case of consumers, the questionnaires were equally distributed among three different areas under Dehradun district i.e. Mussoorie, Dehradun and Rishikesh. In case of retailers, questionnaires were distributed only in Dehradun because the number of big retailers keeping established brands and their extensions is more in this area. The sampling was convenience sampling.

The two questionnaires for consumers and retailers have been designed in order to gather information from consumers and retailers and study their role in success of brands and their brand extensions. The questionnaire for retailers deals with questions seeking information regarding purchase and consumption of FMCG goods and influence of shopkeepers on buying behavior of consumers. The purpose for designing two different questionnaires is to study brand extensions from two different angles i.e. retailers and consumers. Both the studies have been assembled to come to conclusions regarding brand extension, its criteria for success and consumer perception for brand extension. Equal weightage has been given to different regions, groups and segments. Segmentation has been based on (subject to way): Income, Age, Consumption habits, Geographical factors. The data has been analyzed with the help of desired analytical tools.

**TESTING OF HYPOTHESIS**
MAIN HYPOTHESIS 1-A (FOR EDIBLES)
$H_0$ (Null): Similarity with the original brand has nothing to do with the success of extended brand.
$H_1$ (Alternative): A brand extends more easily when the category is similar to the original category.
USAGE PATTERN OF AMUL ICECREAM (EXTENDED BRAND OF AMUL BUTTER) * COMPANY'S GOODWILL IS THE PROMINENET FACTOR FOR THE SELECTION OF EXTENDED BRAND.

| | | COMPANY'S GOODWILL IS THE PROMINENET FACTOR FOR THE SELECTION OF EXTENDED BRAND | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | strongly disagree | disagree | neutral | agree | strongly agree | |
| USAGE PATTERN OF AMUL ICECREAM( EXTENDED PRODUCT OF AMUL BUTTER) | yes | 9 | 45 | 3 | 103 | 35 | 195 |
| | no | 23 | 11 | 30 | 13 | 28 | 105 |
| Total | | 32 | 56 | 33 | 116 | 63 | 300 |

| CHI-SQUARE TESTS | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 101.609[a] | 4 | .000 |
| Likelihood Ratio | 106.904 | 4 | .000 |
| Linear-by-Linear Association | 8.219 | 1 | .004 |
| N of Valid Cases | 300 | | |
| a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.20. | | | |

The critical value of chi square at α=0.05 level from table is 9.488, which is much below the above-calculated value. Hence, the null hypothesis is rejected and alternative is accepted .i.e. A brand extends more easily when the category is similar to the original category (for edibles).
**MAIN HYPOTHESIS 1-B (FOR COSMETICS & TOILETRIES)**
$H_0$ (Null): Similarity with the original brand has nothing to do with the success of extended brand.
$H_1$ (Alternative): A brand extends more easily when the category is similar to the original category.

**USAGE PATTERN OF DETTOL SOAP (EXTENDED BRAND OF DETTOL LIQUID) * SIMILARITY BETWEEN EXTENDED PRODUCT AND PARENT PRODUCT IS FAVORABLE FACTOR TO GAIN ACCEPTANCE.**

| | SIMILARITY BETWEEN THE EXTENDED PRODUCT AND PARENT PRODUCT IS FAVORABLE FACTOR TO GAIN ACCEPTANCE | | | | | Total |
|---|---|---|---|---|---|---|
| | strongly disagree | disagree | neutral | agree | strongly agree | |
| USAGE PATTERN OF DETTOL SOAP (EXTENDED PRODUCT OF DETTOL LIQUID)   yes | 33 | 42 | 10 | 49 | 28 | 162 |
| no | 9 | 26 | 13 | 42 | 48 | 138 |
| Total | 42 | 68 | 23 | 91 | 76 | 300 |

**CHI-SQUARE TESTS**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 21.892[a] | 4 | .000 |
| Likelihood Ratio | 22.715 | 4 | .000 |
| Linear-by-Linear Association | 18.077 | 1 | .000 |
| N of Valid Cases | 300 | | |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.58.

The critical value of chi square at $\alpha=0.05$ level from table is 9.488, which is much below the above-calculated value. Hence, the null hypothesis is rejected and alternative is accepted .i.e. A brand extends more easily when the category is similar to the original category (for cosmetics and toiletries).

**MAIN HYPOTHESIS 2-A (FOR EDIBLES)**

$H_0$ (Null): Consumer remains indifferent whether the extended category is similar or dissimilar to the original category.

$H_1$ (Alternative): Consumer's perception is favorable when the extended category is similar to the original category.

**USAGE PATTERN OF MAGGI CUPPAMANIA( EXTENDED BRAND OF MAGGI NOODLES) * SHARING THE KEY ATTRIBUTES OF PARENT BRAND BY THE EXTENDED BRAND ENSURES ITS SUCCESS**

| | * SHARING THE KEY ATTRIBUTES OF PARENT BRAND BY THE EXTENDED BRAND ENSURES ITS SUCCESS | | | | | Total |
|---|---|---|---|---|---|---|
| | strongly disagree | disagree | neutral | agree | strongly agree | |
| USAGE PATTERN OF MAGGI CUPPAMANIA ( EXTENDED BRAND OF MAGGI NOODLES)   yes | 16 | 46 | 7 | 108 | 39 | 216 |
| no | 2 | 5 | 11 | 38 | 28 | 84 |
| Total | 18 | 51 | 18 | 146 | 67 | 300 |

**CHI-SQUARE TESTS**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 27.314[a] | 4 | .000 |
| Likelihood Ratio | 27.956 | 4 | .000 |
| Linear-by-Linear Association | 11.478 | 1 | .001 |
| N of Valid Cases | 300 | | |

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.04.

The critical value of chi square at $\alpha=0.05$ level from table is 9.488, which is much below the above-calculated value. Hence, the null hypothesis is rejected and alternative is accepted .i.e. Consumer's perception is favorable when the extended category is similar to the original category (for edibles).

**MAIN HYPOTHESIS 2-B (FOR COSMETICS &TOILETRIES)**

$H_0$ (Null): Consumer remains indifferent whether the extended category is similar or dissimilar to the original category.

$H_1$ (Alternative): Consumer's perception is favorable when the extended category is similar to the original category.

**USAGE PATTERN OF LIFEBUOY HANDWASH LIQUID( EXTENDED BRAND OF LIFEBUOY SOAP) * IN ORDER TO BE SUCCESSFUL THE EXTENSION SHOULD BE THE FIRST IN ITS PRODUCT CATEGORY**

| | IN ORDER TO BE SUCCESSFUL THE EXTENSION SHOULD BE THE FIRST IN ITS PRODUCT CATEGORY | | | | | |
|---|---|---|---|---|---|---|
| | strongly disagree | disagree | neutral | agree | strongly agree | Total |
| USAGE PATTERN OF LIFEBUOY HANDWASH LIQUID( EXTENDED BRAND OF LIFEBUOY SOAP)   yes | 31 | 54 | 5 | 56 | 35 | 181 |
| no | 13 | 23 | 35 | 11 | 37 | 119 |
| Total | 44 | 77 | 40 | 67 | 72 | 300 |

**CHI-SQUARE TESTS**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| **Pearson Chi-Square** | 62.479[a] | 4 | .000 |
| **Likelihood Ratio** | 65.931 | 4 | .000 |
| **Linear-by-Linear Association** | 2.184 | 1 | .139 |
| **N of Valid Cases** | 300 | | |

**a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.87.**

The critical value of chi square at $\alpha=0.05$ level from table is 9.488, which is much below the above-calculated value. Hence, the null hypothesis is rejected and alternative is accepted .i.e. Consumer's perception is favorable when the extended category is similar to the original category (for cosmetics and toiletries).

## CONCLUSIONS

A brand extension strategy relies on the notion that the strength of the positive brand image developed through the firm's past marketing efforts will assist in creating favorable consumer perceptions of the extension. Brand image refers to the composite of salient association that are linked to the brand name in memory. These associations may include tangible elements such as product attributes and related functional benefits and intangible element such as experimental and symbolic aspects of the product and related intangible benefits. These associations may be developed through experience with product bearing the brand name or on the basis of marketing communications and may have positive or negative evaluations attached to them. The consumer's summary brand attitude is linked to the brand name. Attitude represents consumer's overall evaluation of the brand and may be generated through integration of the relevant associations linked to the brand name). In sum a favorable brand image is said to exist when a consumer has salient positive associations and positive attitude linked to the brand name. In order for a brand name in one product category to be successfully extended to a new category, consumers should have a positive attitude toward the parent brand and the original product class and the extension product class should be perceived as being similar in some respect.

When consumers evaluate a brand extension, the overall evaluation of the brand is expected to influence the evaluation of the extension. The extent to which the parent brand influences the extension's evaluation is expected to be moderated by the perceived similarity between the parent product category and the extension product category. High fit between the brand and the extension is expected to engender attitudes held with higher confidence compared to low fit extensions. The higher confidence is expected to have a positive effect on consumers' purchase intentions toward the extension. An extension should be evaluated positively when the parent brand has positive, confidently held attitudes associated with it, and consumers perceive a fit between the brand and the extension product.

## SUGGESTIONS

The company should launch brand extensions in the related category so that consumers can correlate the concept and properties. There should be similarity between parent and extended brand for successful acceptance. If the level of similarity is higher between the core and extended brand category then the extended brands would have more chances of inheriting the positive aspects of the core brand. The company should try to build, enhance and maintain a consistent good image and goodwill in order to win trust and confidence of consumers for parent and extended brands. The key attributes of the parent brand should be shared by the extended brand. A strong brand image should be created because people are educated and aware and associate brand extensions with a strong brand image. The consumers tend to evaluate those brands more favorably that have higher perceived quality as compared to low perceived quality brands. In order to be successful, the extension should be the first in its category. Indiscriminately brand extension into unrelated product, even if the quality of the core brand is high, is not advisable. Therefore the first extension should be into moderated categories and then to unrelated category. This stepwise extension form one category to moderated unrelated category would help the consumer in maintaining the perception of relatedness. Consumer evaluation would only be positive for those brand extensions that have consistency in the brand concept.

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