

# **A study on effect of Consumers' Innovativeness and Consumers' Loyalty Proneness on Consumer Evaluation of Brand Extension of personal care products in FMCG with special reference to Nagpur**

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## **ABSTRACT**

*As the market becomes more dynamic and competitive, there is added pressure on companies to come out with new products, the obvious choice of the organization can be Brand Extension instead of launching new products for many reasons. Success or Failure is dependent on the consumers, how they evaluate the extensions. Evaluation of Brand Extension is dependent on many factors, Consumer Innovativeness and Consumers' Loyalty are among them, which are taken in this study for critical analysis. The Researcher has drawn a sample of 1000 respondents, of which 365 were male and 635 were female. Using Multiple regression analysis, the relationship between Consumer Innovativeness and Consumers Loyalty proneness vis a vis Evaluation of Brand Extension was studied. It was revealed through the study that the relationship exists but found to be weak as the value of  $R^2$  came out to be below average. The study was found to be useful for decision makers to decide upon the products for which the brand extension of which brand can be taken from the portfolio.*

**Keywords:** Consumer Innovativeness, Consumer Loyalty and Consumer Evaluation of Brand Extension.

## **1. INTRODUCTION**

One of the most famous strategies to leverage brand equity is brand extension. As the market has become more competitive As the market becomes more dynamic and competitive, there is added pressure on companies to come out with new products. Nevertheless, fear of failure prevents many companies from taking the plunge. Two reasons mainly prevented a large number of companies from not launching new products. One was because of the magnitude of marketing efforts required and the second was due to the huge costs needed for, new product launches. But some companies with a larger product/brand portfolio have found out that it can be a wise strategy to leverage on the power of some of its well known brands to launch new products. This came to be known as brand extension strategy (Simon, 2009).

### **1.1 Brand Extensions and its Evaluation by Consumers:**

To analyse potential consumer response to a brand extension, it is important to understand how consumers are evaluating the brand extension based on what they already know about the parent brand and extension category, and before any advertising promotions or detailed product information is available. Industry observers also feel that for most of the brand variants, manufacturers need to marginally tweak the production line to accommodate the new product as against a new brand which may require more infrastructures. In terms of categories, brand extensions in personal-care, household-care and processed foods drove growth in the FMCG sector. Analysts believe that most of the new launches next year will also happen under these categories.

There are many factors which affects the Consumer Evaluation of Brand Extension, like similarity fit between parent brand and extension, Brand Proto-typicality consumer innovativeness, perceived quality of parent brand, Consumer Loyalty Proneness and previous brand extensions. But this study will concentrate only two of them i.e. Consumer Innovativeness and Consumers' Loyalty proneness and Consumer Innovativeness. These two factors are exactly opposite and work in opposite direction. If Consumer Loyalty Proneness is high then the Consumer Evaluation of Brand Extension will be negative as the Consumer is less likely to accept a change and try for a new brand or sometime even a new product. On the contrary if the Consumers' are more innovative or the consumer innovativeness is high then Consumer Evaluation of Brand extension will be positive.

### **1.2 Consumer Innovativeness:**

Various studies have revealed number of determinants which affect the consumer evaluation of brand extensions, its success or failures. The most significant study in the field of brand extension by Aaker and Keller(1990) has taken certain factors under the experimental study, which was also used by other researchers to explore them more. This study will deal with two determinants i.e. Consumers' Innovativeness and Consumers' Loyalty Proneness.

Innovativeness is a personality trait related to an individual's receptivity to new ideas and willingness to try new practices and brands. On the other hand the same is conceptualized by Hirschman (1980) as the desire or willingness to try new and different experiences. The most salient trait of this variable is the comfort that gained from taking risk (Rogers, 1983). Whereas, another approach about the innovativeness given by Smith and Park (1992) is that established brand reduced the risk associated with buying a new product. The importance of innovativeness has been examined extensively in the literature on diffusion of innovation (Rogers 1983) and consumer behaviour (Engel, et al. 1990). However, there has been limited research into the effects of consumer innovativeness on brand extension evaluations. Some work was undertaken by Keller and Aaker (1997), albeit briefly, and more recently by Klink and Smith (2001). A common observation is that individuals high in innovativeness are more venturesome and more willing to try new brands (e.g., Stenkamp and Baumgartner 1992). The response differences between highly innovative and less innovative consumers (cf early and later adopters) reflects, to some extent, differences in risk-taking propensity. Innovators tend to be less risk averse than other consumers. According to Rogers (1983), one of the most salient traits of consumer innovators is the comfort they gain from taking risk.

### **1.3 Consumer Loyalty Proneness**

This concept or one of the factor which affect the evaluation of brand extensions is scarcely been used by the research scholars in the earlier studies, but the use of this concept is very much seen in the broader marketing literature. Consumer loyalty proneness is defined as 'a consumer's general tendency to buy the same brands over time rather than switching around to try other brands' (BrunerII, 2009). This concept emerged during an interview with a consumer when he said, 'I am not such a person who changes tastes or choices' and referred to his tendency not to change the parent brands even if their extensions were unfavourable. Since loyalty proneness is conceptualized as a consumer specific trait, one consumer may be more loyalty prone than another consumer irrespective of the product category

## **2. OBJECTIVES OF STUDY:**

- To access consumer evaluation of brand extension parent brand.
- To study how Consumers' Innovativeness affects Consumer evaluation of brand extension
- To explore how Consumer loyalty proneness affects Consumer evaluation of brand extension

### **2.1 Hypothesis:**

H<sub>1</sub>: Consumers' level of innovativeness has a positive impact on their evaluation of brand extension

H<sub>2</sub>: Consumer Loyalty Proneness has a negative impact on "Consumer Evaluation of Brand Extensions"

## **3. RESEARCH METHODOLOGY:**

This research is a *descriptive research*, which tries to obtain the information from the respondents through the structured questionnaire made after considering the objectives and hypothesis of the study. Also the research is Casual research, as the effect of independent variables on dependent variables was studied and measured through the questionnaire and further analyzed using multiple regression correlation.

The brands undertaken in the study were done top brands of Personal care( FMCG), should in line of the objectives, in lines with the factors considered by the researcher in this study and most important it respondents should be familiar with the brands and they should be able to recall and recognize its brands extensions. After considering all these factors, researcher had identified 10 brands and after a pilot study reduced it to only 5 brands they were:

### **3.1 Sample Frame: Nagpur**

Sampling Technique: Cluster and purposive Sampling the research questions based on brands and their extension were little technical, therefore while collecting the data close observation plus complete explanation on concepts of brand and brand extension was needed. So it was decided to collect the data from the students, as researcher can explain those concepts in the class which helped them to fill the questionnaire. So the sampling technique chosen was purposive from the two clusters, i.e. east and west Nagpur.

Sample Size: 1100 respondents.

### 3.2 Data Analysis and Interpretation:

The sample of 1000 respondents was drawn, 365 were male and 635 were female. As one can see that majority of the respondents were female, this was not intentionally done but as the sampling method was Purposive, the method of data collection did not permit the researcher to use her discretion to select the profile of the respondents. 85% of the respondents are aged between 18-25 years of age, Few respondents were alumni of the UG or PG colleges Majority, i.e. 57.7% of the respondents were graduates and 36.7% were under graduate, only 5.6% were post graduates.

To study the level of Consumer Innovativeness, respondents were asked to respond how much they agree on statements chosen from the past studies. These statements are mentioned in the Annexure -1 (questionnaire). Similarly to measure the level of Consumer loyalty proneness, the respondents were asked to mark their response to the selected statements as to measure loyalty proneness.

To test the hypothesis, Multivariate correlation is used and Linear regression equation has been formulated to check the relation of the chosen independent factors(Consumer Innovativeness and Consumer Loyalty Proneness) and to the dependent factor( Consumer evaluation of Brand Extension).

#### 3.2.1 H<sub>1</sub>: Consumers' level of innovativeness has a positive impact on their evaluation of brand extension

The impact of independent variable consumer level of "Innovativeness" was measured with the dependent variable consumer evaluation of brand extensions of Dove, Fair and Lovely, Vaseline, Parachute and Colgate."

The multiple estimating regression equation for the above variables

$$(Equation 1): Y = \alpha + b_1 \text{ Innovativeness}$$

Where "Y" = average of consumer evaluation of Brand Extensions of Dove, Fair and Lovely, Vaseline, Parachute and Colgate

The summarized multiple regression results for hypothesis 1 are presented in Table 7.52. Table 7.53 gives the ANOVA of H<sub>1</sub> which shows that  $F > 0$ , meaning it was insignificant. Moreover, the P value is less than .05, further confirming the relationship of the model. The  $R^2$  was .116, which indicated and showed that the combined and collective effect of the independent variable causes the dependent variable to increase by 11.6%, which was a very weak relationship.

Table 7.52 Model Summary of H<sub>1</sub>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.340 <sup>a</sup>	.116	.115	.54695

Table 7.53 ANOVA<sup>a</sup> of H<sub>1</sub>

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.977	1	38.977	130.292	.000 <sup>b</sup>
	Residual	298.256	997	.299		
	Total	337.233	998			

Table 7.54 Coefficients<sup>a</sup> of H<sub>1</sub>

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.154	.070		44.896	.000
	Consumer Innovativeness	.245	.021	.340	11.415	.000

As the Significance value of Anova is .000 (Table 7.54) which is less than alpha value .05, the Alternate Hypothesis  $H_1$  Consumers' level of innovativeness has a positive impact on their evaluation of brand extension is been accepted  $H_2$  Consumer Loyalty Proneness has a negative impact on "Consumer Evaluation of Brand Extensions".

The following methods were used to test H<sub>2</sub>: The impact of independent variable consumer Loyalty Proneness was measured with the dependent variable consumer evaluation of brand extensions of Dove, Fair and Lovely, Vaseline, Parachute and Colgate."

The multiple estimating regression equation for the above variables (Equation 2):

$$Y = \alpha - b_1 \text{ Loyalty Proneness}$$

Where "Y" = average of consumer evaluation of Brand Extensions of Dove, Fair and Lovely, Vaseline, Parachute and Colgate

The summarized multiple regression results for hypothesis 2 are presented in Table 7.55. Table 7.56 gives the ANOVA of H<sub>2</sub> which shows that  $F > 0$ , meaning it was insignificant. Moreover, the P value is less than .05, further confirming the relationship of the model. The  $R^2$  was .101, which indicated and showed that the

combined and collective effect of the independent variable causes the dependent variable to increase by 10.1%, which was a very weak relationship. Loyal consumers tend to evaluate brand extension less favourably (coefficient of determination being .245)

Table 7.55 Model Summary of  $H_2$ 

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.317 <sup>a</sup>	.101	.100	.55150

a. Predictors: (Constant), Consumer Loyalty Proneness

Table 7.56 ANOVA<sup>a</sup> of  $H_2$ 

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	33.990	1	33.990	111.754	.000 <sup>b</sup>
Residual	303.243	997	.304		
Total	337.233	998			

a. Dependent Variable: Consumer evaluation of brand extension

b. Predictors: (Constant), Consumer Loyalty Proneness

Table 7.57 Coefficients<sup>a</sup> of  $H_2$ 

Model		Un-standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.137	.077		40.658	.000
	Consumer Loyalty Proneness	.245	.023	.317	10.571	.000

As the Significance value of Anova is .000 (Table 7.57) which is less than alpha value of .05, therefore Alternate Hypothesis  $H_2$  Consumer Loyalty Proneness has a negative impact on "Consumer Evaluation of Brand Extensions" is been accepted

#### 4. CONCLUSION:

- 1) It was found that consumer evaluation of brand extensions are not independent but dependent on the factors related to the parent brands. The factors are many and independent in nature. These factors are Similarity fit, consumer innovativeness, consumer loyalty proneness, Multiple brand extensions, Brand Prototypicality, Perceived quality of parent brand, parent brand reputation, appropriate price, suitability to life style etc
- 2) Consumer Loyalty is one such attribute which may hinder the consumer evaluation of brand extension, as most loyal consumer to particular brand may not be interested in trying to the new brands, so consumer loyalty proneness among the consumer of Nagpur was measured using 3 different statements in the questionnaire, asking the respondents to rate, as how much they agree to those statement. The average of these statements were calculated in SPSS and hence the average of averages was found to be 3.24 out of 5, which is again an mediocre score. So it can be concluded that Consumers of Nagpur does not have much Loyalty Proneness for the brands in personal care category of FMCG. So Marketers of FMCG companies can plan for more brand extensions in this area
- 3) Consumer of Nagpur are not very innovative as the average mean for Consumer innovativeness was 3.17 out of 5, which is quite average. Consumer innovative factor was chosen to study the relationship between it and consumer evaluation, there were 5 statement given to test the consumer innovativeness, for all the three statements the average score was calculates using SPSS and average of the averages was 3.17. Hence it can be concluded that consumer are just average in terms of innovativeness.
- 4) In order to find the relationship between Consumer Innovativeness and Consumer Evaluation of brand extension, to test the hypothesis, *Consumers' level of innovativeness has a positive impact on their evaluation of brand extension*, Multiple regression analysis was applied. Although the hypothesis is accepted but, It was found that the relationship is weak as the value of  $R^2$  was only .116.
- 5) Consumer Loyalty Proneness of Consumers was found to be average. Relationship between Consumer Loyalty and Evaluation of brand extension Multiple regression equation was formulated and calculated. The Hypothesis *Consumer Loyalty Proneness has a negative impact on "Consumer Evaluation of Brand Extensions"* is accepted but the regression model was found to be low as the value of  $R^2$  was .101.

## 5. LIMITATIONS:

- The study is confined to Nagpur only. Hence, perceptions of the consumers are restricted to Nagpur's consumer only. Hence, the result may vary in other parts of the country
- The canvas of the study is restricted to only five brands of Personal care in FMCG to measure the consumer evaluation of their brand extensions.
- Due to constraints in man power, more number of questionnaires could not be administered properly.

## 6. FUTURE RESEARCH:

Beside survey-type research, qualitative methodologies may also prove useful in broadening the scope of our knowledge about brand extension evaluations. In-depth interviews with consumers may extend research within the current cognitive theoretical paradigm, essentially through a deeper understanding of the role of non-product related associations in fit. In-depth interviews with brand managers and case studies offer other promising paths for future research. They can enhance our knowledge about the influence of managerial decisions, competitive activity and other external factors on the extension evaluation process

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