Original Research Paper   **Management**

How Far Can Samsung Stretch Itself? : An Application of Aaker Keller Model of Brand Extension on Samsung's Extension to Unrelated Product Categories

Dr. Mangesh Prasad Kasbekar   Associate Professor, N.L.Dalmia Institute of Management Studies & Research.

ABSTRACT   *A strong corporate brand acts as a focal point for the attention, interest and activity stakeholders bring to a corporation. Like a beacon in the fog, a corporate brand attracts and orients relevant audiences, stakeholders and constituencies around the recognizable values and symbols that differentiate the organisation. This paper applies the model of Aaker & Keller (1990) of attitude towards brand extension to corporate brands and taking Samsung as a case, studies whether Samsung can stretch itself to unrelated product categories. A primary research in the form of survey has been conducted where Housewives & Working class women in the metro are taken into consideration and the ATBE scores for Samsung is measured. This research would benefit the organisations in taking corporate strategic decisions with respect which product in an unknown category should they invest and which ones should they not.*

KEYWORDS :

Companies are increasingly taking their corporate brand into new and unrelated business areas in order to capitalize on their brand equity. Wally Olins points to one of the most essential strategic issues concerning branding strategy: Brand Extension. With the increasing focus on optimization of brand value, one of the main strategic brand issues for companies to consider is how the brand equity can create value across more activities, markets, and product categories (Balmer & Grey, 2003; Aaker, 2004). Many companies therefore work at stretching or extending their brand into business areas that are not related to the business in which the brand originated.

Extensions always carry the risk of diluting what the original brand name means to consumers, especially in the case of extensions that are inconsistent with the brand's existing image. The dilution has also been investigated through empirical research and there are results showing that under certain conditions, a brand extension can diminish consumer feelings and beliefs about a brand name. The risk of diluting the parent brand is also a concern (Keller, 2000). The conclusion in most research on brand extensions is that the brand needs to be a strong brand with a very precise meaning- a solid brand identity- in order to cover a broad range of unrelated products. The more a brand covers different categories, the more it stretches and weakens, losing its force like an elastic band (Kapferer, 1992).

Aaker and Keller's (1990) study on how consumers evaluate brand extensions is principle study in the field of brand extensions. The authors hypothesize that "evaluations of brand extensions are based on the quality of the original brand, the fit between the parent and extension categories and the interaction between the two" (Bottomley & H olden, 2001, p. 494). They hypothesized that "the consumer's attitude towards the brand extension is a positive function of the quality of parent brand, the fit between the parent's brand category and the extension category (measured in terms of the transferability of skills and expertise from one category to the other and the complementarity and substitutability of one category and the other), the interactions of quality with three fit variables, and the degree of difficulty in designing and making a product in the extension category" (Bottomley & Holden, 2001, p. 495).Bottomley and Holden (2001) suggested that the quality of the parent brand and the fir between the parent brand and the extension are the key determinants for consumers evaluation. Consumer's brand extension evaluation is also determined by the dimension of the fit.

The factors influencing the success of the extension in Aaker and Keller (1990) model were the: "... attitude toward the original brand", labelled QUALITY (p. 29); "fit between the original and extension product classes" (p. 29); and, the "perceived difficulty of making the extension", labelled as DIFFICULTY.

The three dimensions of 'fit' were:

COMPLEMENT - "...the extent to which consumers view two product classes as complements" (p. 30); SUBSTITUTE - "...the extent to which consumers view two product classes as substitutes" (p. 30); and, TRANSFER - "... how consumers view relationships (design or making) in product manufacture" (p. 30).

$$Y = \alpha + \beta 1Q + \beta 2T + \beta 3C + \beta 4S + \beta 5QT + \beta 6QC + \beta 7QS + \beta 8D + \varepsilon$$

The dependent variable**(Y)** was "... attitude toward the extension, operationalized by the average of the perceived quality of the extension and the likelihood of trying the extension measures" (p. 34). Four hypotheses were proposed and tested: "H1: Higher quality perceptions toward the original brand (ie. higher QUALITY) are associated with more favorable attitudes toward the extension." (p. 29). "H2: The transfer of a brand's perceived quality is enhanced when the two product classes in some way fit together. When the fit is weak, the transfer is inhibited." (p. 30) "H3: The fit between the two involved product classes has a direct positive association with the attitude toward the extension" (p. 30). "H4: The relationship between the difficulty of making the product class of the extension, DIFFICULT, and the attitude toward the extension is positive." (p. 30)

Aaker & Keller's exploratory study utilized qualitative, correlational and experimental research methods using data from consumer (student) evaluations of brand extensions. The correlational aspect of the study has been replicated by Sunde& Brodie (1993) in New Zealand, Nijssen& Hartman (1994) in Netherlands and Bottomley & Doyle (1996) in UK.

Objective of the study:
To evaluate the ***Attitude towards Brand Extension (ATBE) score*** for the new product categories (hypothetical extensions) for Samsung.

To suggest the extent to which Samsung can stretch itself based on the ATBE scores.

Research Methodology:
A primary research in the form of survey and has been conducted taking Samsung as a Corporate Brand into consideration. To evaluate the attitude towards the brand as well as the extension parameters, the methodology adopted is quantitative for which an exhaustive Questionnaire is prepared and utilized as a data collection tool.

An effort has been done to analyze quantitatively, how far the Corporate Brand (CB) can stretch itself, making use of new product categories in the form of hypothetical extensions which the CB has never manufactured or marketed in the past. These hypothetical extensions have been decided based on a Focus Group Discussion among the target group dealing with these extensions.

Housewives & Working class women in the metro are taken into consideration as the target population. Considering the hypothetical extension to be Home appliances and largely kitchen domain, such

a target population is taken into consideration. With the kind of life-style which an average Indian women dwells, she is heavily exposed to numerous brands and their respective promotions through various media channels.

For the study, a significant sample size of 384 respondents in total is taken into consideration across the region of Mumbai. The sampling technique used for the survey is a Multi stage sampling Technique, where in at the first stage the metro is divided into four zones – Sub-urbs, SOBO, Navi Mumbai & Thane and further on Convenience sam-pling technique is used within the zones. The later technique is used since the respondents are readily available and not much effort or fil-tration is required to choose respondents.

An equal distribution of respondents is taken for each income brack-et, as with the kind of purchasing power significantly increasing amongst the youth with better education and lifestyle, and more im-portantly the price range of consumer electronics products in market with year round promotions and discount offers there is hardly any significant difference one may find within the income bracket. The in-come bracket has an categorical option starting from 2.5 L, since for purchase of a brand like Samsung expects a minimum income of at-least 2.5 L and above.

The Parent Brand Evaluation consists of evaluating Samsung on the basis of parameters like Parent Brand Knowledge, Parent Brand Quali-ty, Innovativeness, Concern for the environment and Corporate ethics and responsibility, whereas, Corporate Brand Awareness, Perceived Quality of the Corporate Brand, Corporate Brand Identity, and Corpo-rate Brand Positioning, helps us to understand the Corporate Brand Strength. Evaluation of parent brand extensions to hypothetical prod-uct categories consists of evaluating variables such as Transfer, Brand Concept Consistency, and Difficulty to produce. All the item scales for the respective variables are scaled on a 7 point Likert scale. A signifi-cant reliability is achieved for their respective item scales.

The questionnaire for product attitude measurement is with respect to parameters such as overall perception of the brand extension, competency, difficulty, consistency, association fit, capability.

A pilot study has been conducted prior to the survey with a sample size of 50 respondents to check out the quality of the questionnaire. A significant reliability was achieved at the analysis of the pilot test.

Data Findings & Analysis:
Extension characteristics evaluation of the Parent Brand

Evaluation of parent brand (Samsung) extensions to new product cat-egories (hypothetical extensions) consists of evaluating its extension characteristics variables such as Transfer, Brand Concept Consistency, and Difficulty to produce. The items scales for which are tested and have been found to have a high level of reliability. Following are the item scales for each of the independent brand extension variable, with an average reliability (Cronbach **α) of 0.**835, 0.815 and 0.789 re-spectively.

Parent Brand Characteristics Score:

Parent Brand Characteristics	Mean Scores
Parent Brand Quality	5.98

Table 1. Parent Brand Characteristics Scores

It has been observed that the Parent Brand Quality has a high rat-ing on a 7 point Likert scale most likely due to the strong position of brand Samsung as market leader in consumer electronics and home appliances in India.

Summary of Brand Extension Characteristics Scores:

Brand Extension	Transfer	Difficulty	Comple-ment	Substitute
Dishwasher	5.84	2.12	5.31	3.56
Water Purifier	5.32	2.81	4.92	3.15
Cookware	2.10	6.08	2.02	2.78

Table 2. Brand Extension Characteristics Scores
As far as the brand extension characteristics is concerned of the par-ent brand (Samsung),it is observed that hypothetical extensions such as Dishwasher, and Water purifier has relatively higher scores on their Compliment and Transfer variable, most probably because they are strongly associated to the electronics arena and are closely related to the existing Samsung home appliances such as Samsung Refrigerator, Microwave oven respectively, whereas products which are beyond electronics sphere has shown a higher score for Difficulty to produce.

Attitude Towards Brand Extension (ATBE) Score for new product categories (hypothetical extensions)

Hypothetical Extensions	ATBE scores
Dishwasher	5.12
Waterpurifier	4.78
Cookware	4.41

Table 3. ATBE scores for Hypothetical extensions
As seen from the tables below the Attitude Towards Brand Extension Scores is highest for the Dishwasher hypothetical extension followed by Samsung as a Water Purifier. The hypothetical extension into un-related product category such as Stationary has the least attitude to-wards brand extension score. The mean scores indicates the likelihood of the hypothetical product extension by the consumers.

<u>Model Evaluation for Individual Hypothetical Exten-sions:</u>
Dishwasher

Model	R	R sq	Adj. R sq	Std. error of Estimation
1	0.832	0.692	0.645	0.7892

Model		B	T	Sig.
1	(Constant) Parent BrandQuality Transfer Complement Substitute Quality*Transfer Quality*Complement Quality*Substitute Difficulty	0.456 0.729 0.474 0.432 0.142 0.451 0.245 0.082 -0.022	 8.05 6.44 2.78 1.45 2.38 1.14 0.84 -1.02	 0.000 0.000 0.002 0.021 0.001 0.002 0.004 0.021

Water Purifier

Model	R	R sq	Adj. R sq	Std. error of Estimation
2	0.8408	0.705	0. 683	0.8791

Model		B	t	Sig.
2	(Constant) Parent BrandQuality Transfer Complement Substitute Quality*Transfer Quality*Complement Quality*Substitute Difficulty	0.721 0.634 0.402 0.352 0.268 0.401 0.162 0.085 -0.092	 7.25 5.34 2.08 1.16 1.58 1.02 0.42 -1.48	 0.004 0.008 0.005 0.011 0.004 0.008 0.002 0.041

Cookware

Model	R	R sq	Adj. R sq	Std. error of Estimation
3	0.685	0.469	0.4212	0.9891

Model		B	t	Sig.
3	(Constant) Parent BrandQuality Transfer Complement Substitute Quality*Transfer Quality*Complement Quality*Substitute Difficulty	0.934 0.201 0.102 0.152 0.346 0.061 0.086 0.091 -0.592	 2.25 1.34 0.08 0.86 0.42 0.12 0.64 -2.86	 0.048 0.028 0.015 0.018 0.024 0.042 0.012 0.004

As seen from the above Regression Models, as one progressed from related product categories such as Dishwasher to unrelated product categories such as Cookware, there is a mark drop in the Adjusted R

square value which explains the adjustment for the number of explanatory terms in a model relative to the number of data points.. The regression model is relatively weak as one approaches the unrelated product categories. Independent variables such as Parent "Brand quality", "Transfer" and "Compliment" are having lower regression weights from Model 1 to 3, whereas the "Difficulty" variable which reflects the difficulty in producing the unrelated product category increases. The model is tested at 5% level of significance and invariably all the independent variables have a significant impact at 5% alpha.

Conclusion:

Brand extensions allow consumers to draw conclusions and form expectations about the potential performance of a new product (i.e. the brand extension) based on their existing knowledge about the brand. The set of associations for which the parent corporate stands in the market, for what it is known for in the market, is of prime importance, as it has seen from the ATBE scores. It is been observed by measuring the Attitude towards the Brand Extension scores of the new product categories for Samsung, the further it goes away from its related product categories, the less acceptance it has from the consumers. Considering Samsung having a strong foothold in the Consumer electronics domain this research suggests organisation like Samsung to extend its brand to related product categories.

This research would thus benefit organisations who adopt Umbrella branding strategies at corporate level, with respect to how far can it stretch its corporate presence without the parent brand getting diluted This would in turn benefit the organisations in taking Corporate strategic decisions with respect which product in an unknown category should they invest and which ones should they not.

References:

1. Aaker,D. (1991), *Managing Brand Equity*, The Free Press, New York.

2. Alba, J. W., Hutchinson, J. W. and Lynch, J. G. (1991), "Memory and Decision Making", inRobertson, T.S. and Kassarjian, H.H. (Eds.), *Handbook of Consumer Behaviour*, Prentice-Hall, Englewood Cliffs, New Jersey, pp. 1–49.

3. Brandt, C., de Mortanges, C. P., Bluemelhuber, C., & van Riel, A. C. R. (2011). Associativenetworks. *International Journal of Market Research, 53*(2), 187-207.

4. French, A., & Smith, G. (2013). Measuring brand association strength: a consumer based brandequity approach. *European Journal of Marketing, 47*(8), 1356-1367.

5. John, D. R., Loken, B., Kim, K., &Monga, A. B. (2006). Brand Concept Maps: A Methodologyfor Identifying Brand Association Networks. *Journal of Marketing Research (JMR), 43*(4), 549-563.

6. Keller, K.L. (1993), "Conceptualizing, measuring, and managing customer-based brandequity", *Journal of Marketing*, Vol. 57 No.1, pp.1-22.

7. Low, G. S. and Lamb, C. W. (2000), "The measurement and dimensionality of brand associations", *Journal of Product and Brand Management*, Vol. 9, No. 2, pp. 350-368.

8. Martinez, E., de Chernatony, L., 2004. The effect of brand extension strategies on brand image. Journal of Consumer Marketing 21 (1), 39-50.

9. Martinez, E., Pina, J.A., 2003. The negative impact of brand extensions on parent brand image. Journal of Product and Brand Management 12 (7), 432 – 448.

10. Muzellec, L, Lambkin, M. 2006. Corporate rebranding: destroying, transferring or creating brand equity? European Journal of Marketing 40 (7/8), 803-824.

11. Reddy, S.K., Holak, S.L. and Bhat, S. (1994), "To extend or not to extend: success determinants of line extensions", Journal of Marketing Research, Vol. 31, May, pp. 243-62.

12. Riel, A.C.R. van, Lemmink, J. and Ouwersloot, H . (2001). "Consumer evaluations of service brand extensions". *Journalof Service Research*, 3(3), 220-231.

13. Rio, A., Vazquez, R. and Iglesias, V. (2001b), "The effects of brand associations on consumer response", Journal of Consumer Marketing, Vol. 18 No. 5, pp. 410-25.

14. Schnittka, O., Sattler, H., &Zenker, S. (2012). Advanced brand concept maps: A new approachfor evaluating the favorability of brand association networks. *International Journal of Researchin Marketing, 29*(3), 265-274.

15. Teichert, T. A., &Schöntag, K. (2010). Exploring consumer knowledge structures usingassociative network analysis. *Psychology & Marketing, 27*(4), 369-398.