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THE RELATIONSHIP BETWEEN ADVERTISING EFFORT AND CONSUMER EVALUATION OF BRAND EXTENSION: A MEDIATOR ANALYSIS

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Abstract: *This paper investigates how perceived advertising effort can trigger positive evaluation of extension by improving fit perceptions and distribution support. Using a variance based structural equation model (Partial Least Squares), the authors research the influence of advertising effort on extension evaluation via perceived fit and distribution support with a sample of 425 Indian housewives. The results confirm that perceived fit and distribution support fully mediate the relationship between advertising effort and extension evaluation. The findings indicate that judgments on fit perceptions are dynamic; repeated exposure to advertising evokes brand associations, helps consumer understand how the extension fits with the brand thus leading to favorable evaluation of extensions. The study also highlights the importance of extension availability in the distribution channel. Mere availability not only creates awareness effects, but also utilizes the advertising effort to positively influence the extension success. The findings emphasize the importance of advertising effort on extension success. Therefore, brand managers should not assume that extensions need less advertising and promotion as they come from strong parents.*

Keywords: *Brand extension, mediation analysis, perceived fit, retailer's acceptance, partial least squares.*

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INTRODUCTION

Brand extension is the use of well known brand names for new product introductions (Aaker, 1990). Approximately 80 percent of new products introduced every year are brand extensions (Keller and Aaker,1992), so it is important for marketing researchers and brand managers to understand how consumers evaluate them. More than fifty researchers have empirically analyzed the impact of success factors on consumer evaluation of brand extension (Hem et al., 2003, Völckner and Sattler, 2006, Chowdhury,2007). What factors determine the success of brand extension? The most important factor identified by previous research is perceived fit. Fit is the similarity between the extension product and brand's core product, consumers respond more favorably if they are able to perceive a fit between the extension product and parent brand (Aaker, 1990, Boush and Loken, 1991, Broniarczyk and Alba, 1994, Hem and Iversen, 2009, Völckner and Sattler, 2007). A study by AC Nielson India, 2012 reports more than 50 percent of extensions which followed the rule are still failures in the market.

Previous research studies the attitude in a closed condition and provides the consumer with a single cue – brand name and extension category for the evaluation of the extension product (Klink and Smith, 2001). When compared to experimental setting, consumers are exposed to a lot of information in the market place (Kapoor and Heslop, 2009). Consumer attitude is sensitive to such external information like advertisements (Taylor et al., 2007), retailer's distribution support (Collins-Dodd and Louviere, 1999) and competitor's activity (Czellar, 2003). To avoid the discrepancy between research findings and real examples, it is important to understand the role of market related factors on the success of extension (Klink and Smith, 2001). Similarly, Rühle et al. (2012) underline the need for further research to unfold the effects of advertising and retailer's acceptance on extension success. To understand how these factors influence brand extension success, it is essential to analyze the indirect relationship among the drivers and extension success. Likewise Völckner and Sattler (2006) argue that, ignoring the indirect effects lead to over or under estimation of factors and may result in faulty managerial implications.

Based on these finding, the study aim to understand the relationship between advertising effort, perceived fit and distribution support and its impact on consumer evaluation of extension. The study uses real extensions from established brands as it does not ignore the

rich schema associated in consumer's mind about the brands. In addition, contrary to the frequent use of students sample in extension perception studies (Völckner and Sattler, 2007), the present study sample consists of consumers as respondents. This provides a more realistic and external valid context for extension research.

THEORETICAL BACKGROUND AND HYPOTHESIS

The study relies on categorization theory (Aaker and Keller, 1990). Categorization theory includes a two stage process for object evaluation namely; category based processing and piecemeal processing (Fiske and Pavelchak, 1986). According to this theory, when consumers face an evaluative task, the first step involves an attempt to classify the object within a certain category based on the salient cues. The brand name often serves as a category label thus leading to a category-based evaluation of a new product i.e. the extension (Park et al., 2002). Once the categorization is successful, affects and beliefs associated with the brand name (category) are transferred to the extension product (Boush and Loken, 1991). In line with this theory, evaluation of extensions based on their similarity to the original brand is also conceptualized as a category based processing (Milberg et al., 1997). This expectation is consistent with the findings of most previous studies on extension evaluation, which present the participants with the extension without any additional information (Aaker and Keller, 1990).

In real condition, as more information is provided on the new extension, new characteristics of the extension become more salient which makes category-based processing become difficult. Consumers revert to piecemeal processing where they rely on the external information for the evaluation of extension. Greater exposures to information help consumers identify more shared associations between the existing brand and extension. As a result, an extension that initially lack shared attribute may finally be perceived to fit into a brand subcategory with greater processing (Klink and Smith, 2001). Based on this conceptual reasoning, the hypotheses are framed in this study.

The relationship between advertising effort and consumer evaluation of brand extension

Advertising effort is a signal to overall marketing support (Kirmani and Wright, 1989). High advertising effort in terms of frequency and expenditure significantly influence the consumer evaluation of extension (Lane, 2000, Völckner and Sattler, 2006). High frequency of advertising in the earlier stage, create brand awareness and encourage the consumer to

try the new product i.e. the extension (Lane, 2000). In addition, advertising expenditure is perceived as a signal of high quality and an indicator of manufacturer's confidence in the product. Consumers may feel that the company would not spend so much money if it did not believe it had a good product (Kirmani, 1990). When the quality of the product are not directly observable, advertisements act as the cue to attitude formation leading to trial of the new product (Kirmani, 1997). The advertiser is interested in getting initial trail and not repeat purchase, as repeat purchase is often dependent on experience with the product (Kirmani and Wright, 1989). Thus in the earlier stage of introduction, marketing support create awareness and quality perceptions leading to positive evaluation of brand extension.

H1: Advertising effort has a positive effect on consumer evaluation of brand extension

The mediating role of perceived fit

According to categorization theory, repeated exposure to extension related information enhance the perception of fit (Klink and Smith, 2001). At a later stage of introduction, repeated exposure to advertisements heightens the elaboration of evaluation process. As a consequence, extension advertisements evoke brand associations and thoughts about the extension and its features, attributes and benefits (Lane, 2000). Previous studies implies that, these ad-evoked thoughts such as brand associations including product category similarity (Aaker and Keller, 1990, Boush and Loken, 1991), brand benefits (Broniarczyk and Alba, 1994) and abstract attributes, including prestige (Park et al., 1991) influence consumer judgments. Given this, advertisements increase the salience of crucial brand associations that help consumers infer extension features, benefits or appearance and thereby understand how an extension fits (Milberg et al., 1997, Lane, 2000). Therefore perceived advertising effort improves the perception of fit leading to positive evaluation of extension (Carter and Curry, 2013).

H2: The relationship between advertising effort and consumer evaluation of brand extension is mediated by perceived fit.

The mediating role of distribution support

Distribution is intensive when products are placed in a large number of stores to cover the market. To enhance a product's image and get substantial retailer's support, firms tend to distribute exclusively (Yoo et al., 2000). Particularly for new products, success with retailers

is a necessary prerequisite for success with the consumers. Retailers act as gatekeepers by selecting products for display and setting price and merchandising policies (Messinger and Narasimhan, 1995). Collins-Dodd and Louviere (1999) find that advertising increases product awareness and utility, thereby pre-sells the product and reduces retailer's selling cost. Retailer's acceptance decision (in terms of distribution) is greatly influenced by manufacturer's advertising. Indeed for new products advertising is often aimed at gaining distribution support, because without it manufacturers will have difficulty in obtaining in-store listing (Collins-Dodd and Louviere, 1999).

Perceived availability of the extension product in the distribution channel play a critical role in extension success (Reddy et al., 1994). For frequently purchased products, mere distribution and shelf visibility generate awareness and lead to product trial (Heeler, 1986). Perceived distribution intensity of extension product reflect judgment about product quality and uniqueness (Rao and McLaughlin, 1989).

Therefore advertising effort is proposed to increase the retailer's acceptance leading to positive consumer evaluation of brand extension.

H3: The relationship between advertising effort and consumer evaluation of brand extension is mediated by distribution support.

METHODOLOGY

Data collection and analysis

Pretest was done to select the stimuli for the study. The study required real and recent extension products from well known brands in the FMCG sector. Top 30 brands were selected from the survey on 'most trusted brands' in India, published in the Brand Equity column of Economic Times on November 7, 2013. A convenience sample of 50 consumers, evaluated the brands on familiarity, on a 7 point scale (1= not at all familiar to 7 = extremely familiar). Based on the findings, 10 parent brands (3 food and 7 non-food categories) were chosen. The parent brand helped in identifying new extension products launched in the market. According to AC Nielson India report, most recent extensions were chosen for the parent brands with multiple extensions. The study identified 10 extension products, one for each brand (refer Table1).

A total of 517 housewives in Tamilnadu, the southern region of India participated in the study. A quota sampling procedure was used based on the demographic profile of the

population in terms of age and number of family members. The subjects evaluated one of the 10 extensions. They were first asked to read the brief information about the extension product in the questionnaire, for example, 'Horlicks is known for its health drinks, the brand has recently introduced Horlicks masala oats in the market'. The questionnaire for the current study had screening questions that checked the awareness and purchase interest of the participants in the category, based on which valid responses were chosen. Out of 517 subjects, 22 were not aware of the product and 70 were not interested in purchase of the category. So 92 responses were removed and the sample (n=425) contained consumers who were aware and interested in the purchase of the extension product category. The total time for completing the entire questionnaire was approximately 10 minutes.

Partial Least Square (PLS), a variance based Structural Equation Modeling technique was used to estimate the research model using the software application Smart PLS 2.0 M3 version (Ringle et al., 2005). PLS was deemed an appropriate tool for this study, because of the following reasons (Roldán and Sánchez-Franco, 2012): (i) the study focuses on prediction of the dependent variable through the role of critical success drivers (ii) incremental nature of the research, which implies earlier models form the basis of the study, while the current model adds new structural paths (iii) the model has complex relationships, in addition the parameters can be estimated with the violation of normality assumption. A PLS model is analyzed and interpreted in two phases: (1) the assessment of the measurement model (outer model), and (2) the evaluation of the structural model (inner model).

Measurement

The operationalization of the proposed constructs was based on the existing scales from previous brand extension studies. Consumer evaluation of brand extension is conceptualized as the consumer's perception of overall quality of extension (Bottomley and Holden, 2001). It was measured in terms of attitude and intention to buy the extension product. Three items from Broniarczyk and Alba (1994) were used to measure overall attitude towards the extension product (1 = dislike to 7 = like). Single item from Aaker and Keller (1990) was used to measure customer's intention to purchase the extension product (1 = will certainly buy a competitor brand to 7 = will certainly buy the extension product).

All the independent variables were measured on two dimensions. All the items were measured on a seven point scale (1 = strongly disagree to 7 = strongly agree). Perceived fit was measured as the fit between the parent brand and extension product and fit between the consumer and extension product. The former was measured using two items, one from Park et al. (2002) and another from Barone et al. (2000). The latter using two items derived from Hem (2002). Distribution support was measured in terms of perceived availability using two items from Völckner and Sattler (2006) and distribution intensity using three items from Smith and Park (1992). Advertising effort was measured as perceived intensity using two items from Völckner and Sattler (2006) and perceived advertising spending using two items from Kirmani and Wright (1989).

RESULTS

Demographic characteristics

The mean age of the respondents was calculated to be 36.24 years, their age ranged from 26 to 57 years. Undergraduates accounted for 43.76%, postgraduates (194 or 45.74%) and other educational qualifications for about 10.58% of the entire sample. The number of household members included, three members family (21.41%), four (52.47%) and more than four family members (23.05%). In terms of decision making, 313 respondents were self-decision makers in the family (73.65%), spouses were the decision makers (26.35%) in 112 families.

Measurement model

The evaluation of the measurement model examines its reliability and validity (Henseler et al., 2009). Individual item reliability is adequate when an item has a factor loading that is greater than 0.7 for its construct. In this study, all the indicators satisfy this requirement (Table 2), except in the case of item AS5. This item remains in the study on account of its contribution to content validity (Roldán and Sánchez-Franco, 2012)

The assessment of construct reliability uses composite reliability and Cronbach's alpha. For both indices, 0.7 is the cut-off value (Nunnally and Bernstein, 1994). All the constructs used in this study are reliable (Table 3). Construct validity was examined through convergent and discriminant validity. The estimation of standard loadings, Average Variance Extracted (AVE) and composite reliability gauges convergent validity. Standard factor loading lied within the range of 0.61 to 0.83 (Hair et al., 2010). AVE of each measure

extracted more than 50% of the variance (Bagozzi and Yi, 1988). The square roots of AVE were greater than the correlation values across the row and column. Hence discriminant validity was warranted according to Fornell and Larcker (1981) criterion.

Since the present study used self reported measures, the impact of common method bias was also checked. Harman single factor test was conducted and it was found that the items did not significantly load on to a single factor (Podsakoff et al., 2003); hence common method bias was not a major concern in the study.

Structural model

As Henseler et al. (2009) notes, the use of bootstrapping (5000 resamples) generate standard errors and t- statistics to evaluate the statistical significance of the path coefficients. Out of all the six direct effects, five are significant as shown in Fig.1B. The direct effect of advertising effort on consumer evaluation of extension (c') is insignificant, hence H1 is not supported. In addition, the predictive relevance of the structural model is examined using the cross validated redundancy index (Q2) (Chin, 1998). The Q2 value can be obtained using the blindfolding procedure. Results in Table 4 confirm that the structural model has satisfactory predictive relevance for the variable consumer evaluation of extension (Q2 = 0.13). The entire serial model explains 24% of the variance from its antecedents and mediators. In PLS, R2 results of 0.20 are considered high in a discipline such as consumer behavior (Hair et al., 2011).

Tests on the mediation hypotheses (H2 and H3) use the analytical approach described by (Hayes et al., 2011). Fig.1A shows the total effect (c) of advertising effort on consumer evaluation of extension. Fig.1B expresses the total effect of advertising effort on consumer evaluation as the sum of the direct effect (c') and indirect effects (a1b1 + a2b2). The estimation of the latter uses the product of the path coefficients for each of the paths in the mediation chain. The application of bootstrapping allows the testing of mediation hypotheses (Preacher and Hayes, 2008). This study's 5000 resamples generate 95% confidence intervals (percentile) for the mediators (Williams and MacKinnon, 2008). When an interval for a mediating effect does not contain zero, this means that the indirect effect is significantly different from zero with a 95% confidence level. The results show all the indirect effects listed in Table 5 are significant. As Fig.1A and Table 5 show, advertising effort has a significant total effect on consumer evaluation of extension (c

= 0.33; t = 7.55). When adding the mediators (Fig.1B), advertising effort decreases its influence on extension evaluation and becomes insignificant (H1: c' = 0.03; t = 1.37). Therefore the result supports H2 and H3 but not H1. This finding means that both indirect effects of advertising effort on consumer evaluation of extension in the research model are significant. Consequently, Table 5 shows that both perceived fit (H2: a1b1) and distribution support (H3: a2b2) fully mediate the relationship between advertising effort and evaluation of extension (Baron and Kenny, 1986)

DISCUSSION, CONCLUSION, AND SUGGESTIONS FOR FURTHER RESEARCH

The present study underlines the importance of adding marketing effort and distribution support when studying extension evaluation. The results of the structural model confirm that perceived fit and distribution support fully mediate the relationship between perceived advertising effort and consumer evaluation of extension. However, advertising effort has no direct, significant influence on extension evaluation. Repetitive ads evoke awareness and quality perceptions thereby positive evaluation of unfamiliar brands (Kirmani, 1997). Current study includes customers who were already familiar, at least by name, with the extension product. Advertising trigger awareness effects highlights the importance of advertising for extensions in the earlier stages of introduction.

The results of this study also confirm that advertising is important for extensions, not only to induce favorable attitudes but also to enhance the judgments on overall extension fit. Consistent with categorization theory, providing extension-related information in an ad leads to positive evaluation of extensions (Pryor and Brodie, 1998). In a similar line, Lane (2000) elaborate that multiple exposures to advertisements reinforce ad-evoked brand associations, this form the basis for perceptions of consistency between the extension and the brand. Therefore, the study highlights that consistency judgments are dynamic; they not only change with evaluations and purchase intentions but also with repeated advertising. Given these finding, this research alter the view that consumer's initial perception on similarity determine the success of extension. Brand managers can influence extension perceptions through communication strategies specifically by repetitive advertising and improving ad messages. Even incongruent extensions can benefit from repetitive advertising indicating that extensions can stretch more than prior research suggest.

The results confirm that advertising effort has a greater influence on distribution support than fit to enhance consumer judgments on extensions. Consumer advertising leads to distribution support because they create demand by preselling the products. Heeler (1986) and Collins-Dodd and Louviere (1999) find that advertising has a strong effect on retailer's acceptance of new extensions. Manufacture's support in terms of advertising reduces the retailer's cost of telling the consumers that a product can be obtained in a given store. (Völckner and Sattler, 2006) report evidence for a significant, positive effect of advertising on perceived availability, thus improving consumer attitude towards extension. The availability of the extension product in the distributional channel, serve as an external cue to high product quality, because retailers are more likely to display better products than low quality products. For studies using hypothetical extensions not yet introduced in the market, these availability effects cannot occur. This may ignore the importance of distribution support and its potential indirect effects. One more important contribution of the present study is that distribution and mere availability not only create awareness effects but also utilize the advertising efforts to positively promote extension success. This study sheds light on the manager's belief that extensions do not require much advertising as they come from strong parents. Advertising effort is under the direct control of the company, brand managers can utilize this power appropriately to influence consumer's perception on extension, through improving fit and distribution support.

The brands used in this study are well established and highly regarded brands. Future studies can test the similar effects on mediocre or disliked brands. This study investigates only the influence of perceived fit and market related factors on extension evaluation. It would be interesting to further investigate the relative influence of parent brand related factors such as brand affect, brand reputation and customer based brand equity. The respondents in this study are from a single country (India), therefore the findings may not generalize to western countries. Personal experience with an extension may reduce the major influence of advertising on extension evaluation. Further research can combine the consumer survey data on consumer's attitude and purchase intention of the extension product with transaction data for trial and repeat purchase. Such studies can help to understand the importance of drivers on attitude and behavior based success measures.

Table 1 Parent brand and extension products

Parent Brand	Parent Brand's Original Category	Extension Product's Category
hirvaad	Aata	Sambar Powder
Cinthol	Bath Soap	Talcum Powder
Colgate	Tooth paste	Mouth Wash
Dettol	Antiseptic Lotion	Dish Wash Gel
Hamam	Bath Soap	Hand Sanitizer
Horlicks	Health Drink	Masala Oats
Lifebuoy	Bath Soap	Hand Sanitizer
Medimix	Bath Soap	Hand Wash
Sunfeast	Biscuits	Noodles
Surf Excel	Washing Powder	Liquid Detergent

Table 2 Parameter estimates of measurement model

Constructs and items	Descriptive statistics		Loadings[a]	t-value[b]
	Mean	SD		
Advertising effort	4.33	1.03		
AF1			0.78**	31.21
AF2			0.82**	30.01
AF3			0.70**	18.31
AF4			0.76**	29.90
AF5			0.65**	16.92
Perceived fit	4.12	1.04		
PF1			0.76**	20.00
PF2			0.75**	21.29
PF3			0.82**	37.21
PF4			0.79**	28.56
Distribution support	4.51	1.05		
DS1			0.61**	13.37
DS2			0.71**	22.39
DS3			0.83**	25.39
DS4			0.81**	30.67
DS5			0.82**	37.01
Consumer evaluation of BE	4.79	0.93		
CEB1			0.78**	28.58
CEB2			0.74**	22.91
CEB3			0.78**	29.83
CEB4			0.73**	19.06

BE, Brand Extension; [a] Standardized loadings; [b] All t-values are highly significant; **p < 0.001

Table 3 Construct reliability, convergent and discriminant validity of constructs

Variables	CR	α	AVE	1	2	3	4
1 Advertising effort	0.86	0.80	0.56	**0.75**	0.36	0.36	0.42
2 Perceived fit	0.86	0.79	0.61		**0.78**	0.61	0.38
3 Distribution support	0.87	0.81	0.58			**0.76**	0.33
4 Consumer evaluation of BE	0.84	0.75	0.58				**0.76**

CR, composite reliability; AVE, average variance extracted; Diagonal elements (in bold) represents square root of AVE while off diagonals represent the correlation among the constructs. For discriminant validity, diagonal elements should be larger than off diagonal elements.

Table 4 Direct effects

Effects on endogenous variables	Direct effect (Beta)	t-value (bootstrap)	Decision
Perceived fit			
($R^2 = 0.13$, $Q^2 = 0.07$)			
Advertising effort (a_1)	0.36**	9.01	Supported
Distribution support			
($R^2 = 0.37$, $Q^2 = 0.21$)			
Advertising effort (a_2)	0.61**	17.92	Supported
Consumer evaluation ($R^2 = 0.24$, $Q^2 = 0.13$)			
H1: Advertising effort (c')	0.08^{ns}	1.36	Not supported
Perceived fit (b_1)	0.31**	6.05	Supported
Distribution support (b_2)	0.22**	3.93	Supported

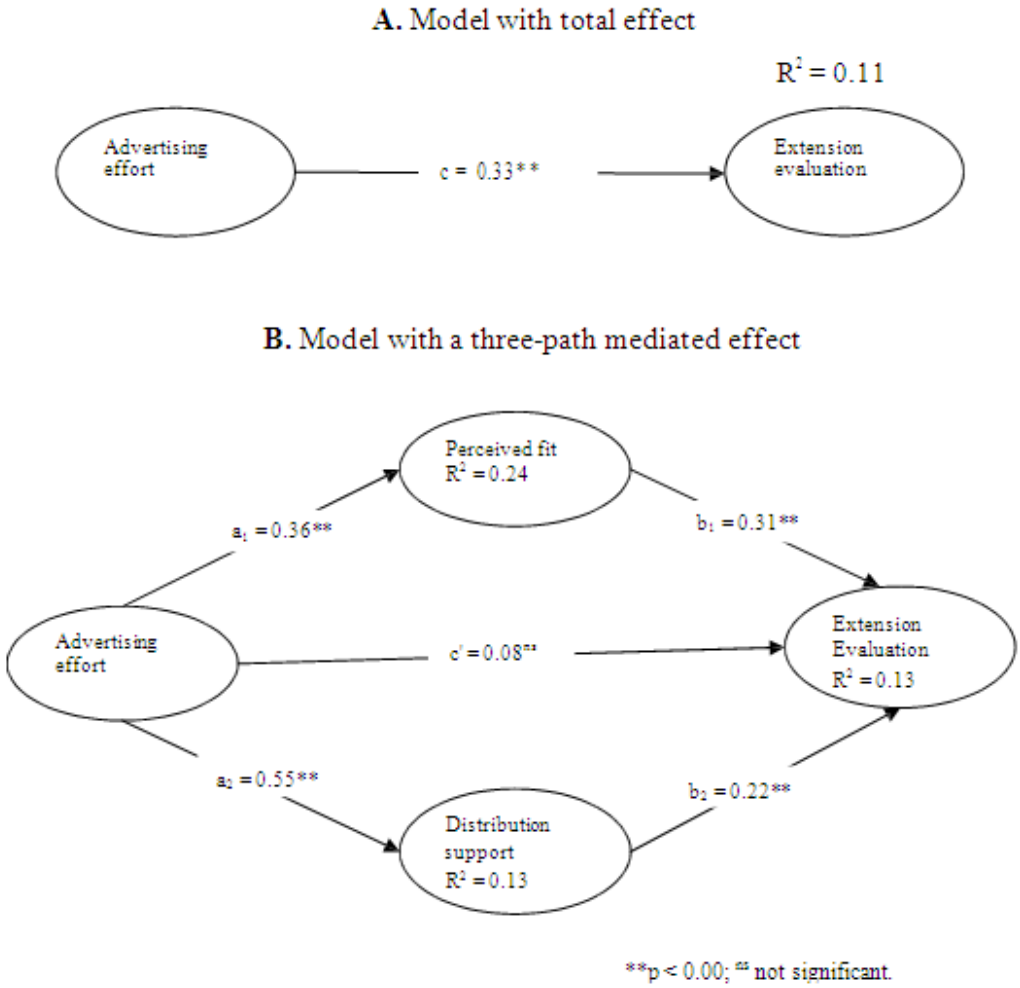
Beta, regression weight for the direct effect; t-value are computed through bootstrapping procedure with 425 cases and 5000 samples; R^2, predictive power of the dependent latent variable; Q^2 represent the cross validated redundancy; **$p < 0.001$; ^{ns} not significant.

Table 5 Mediation effects

Total effect of AE on CBE (c)		Direct effect of AE on CBE			Indirect effect of AE on CBE			
Beta	t value		Beta	t value		Point estimate	Percentile bootstrap 95% confidence interval	
							Lower	Upper
0.33**	7.34	**H1** = c'	0.08ns	1.36	**H2** = a1b1 (via PF)	0.112	0.071	0.161
					H2 = a2b2 (via DS)	0.134	0.068	0.202

AE, Advertising Effort; PF, Perceived Fit; DS, Distribution Support; CBE, Consumer evaluation of Brand Extension; indirect effects were tested using the bootstrap procedure with 5000 samples; **$p < 0.001$; ^{ns} not significant.

Figure 1 Structural model: three-path mediation model



H1 = Advertising Effort → Extension evaluation of BE = c'

H2 = Advertising Effort → Perceived fit → Extension evaluation of BE = a_1b_1

H3 = Advertising Effort → Distribution Support → Extension evaluation of BE = a_2b_2

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