Perceived Quality and Perceived Risk Relationship between Parent Brand and its Brand Extension

Kiranjyot Kaur
Research Scholar, Faculty of Commerce & Mangement,
SGT University, Gurugram, Haryana, India.

(Corresponding author: Kiranjyot Kaur)

ABSTRACT: Brand extensions have an impact on the parent brand and vice versa. The relationship of perceived quality and perceived risk between a parent brand and its extension was studied in the Delhi/NCR region. Data was collected through a questionnaire and a sample of 522 was taken through convenience sampling methods. The data was collected online through the use of website made especially for data collection. A popular brand and its hypothesized brand extension was considered for the study. Earlier studies had shown a negative relationship of perceived quality and perceived risk between brands. The results of this study indicated that there was a positive relationship between the satisfaction with the perceived quality of the parent brand and the perceived risks associated with a brand extension. Also in the study it was concluded that when consumers associated perceived quality for the parent brand they perceived high risk with the usage of its extension.

I. INTRODUCTION

The concept of introducing new products with the brand name of an already existing popular brand helps in transferring the benefits to new products that are launched. The purpose of the new product is to make a place in the minds of the consumers and gain substantial market share. When the new brand name is unknown and totally unheard by the consumers, this becomes a challenging task. The companies therefore use the popular brand name to their advantage and launch new products in new markets and products categories by using the existing brand name to their advantage. When there is high 'fit' that is high similarity between the parent brand and its extension, the consumers evaluate and accept the brand extension favourably [1-4]. The perceived quality is defined as the consumer's subjective opinion of overall goodness and eminence about a product, made within the confines of the consumer's awareness [5]. Perceived risk can be defined as the unpredictability the consumers go through and the outcomes it has to bear for a purchase decision. The purchasing decision of the consumers depends on the level of risk perceived and their own forbearance for the risk taking [6].The perceived quality of both the core brand and the brand extensions are taken into account by the consumers while making a buying decision [7]. The perceived quality of the parent brand has an impact on the brand extension evaluations by consumers [8]. Consumers face a dilemma of whether to buy a product or not as there are possible repercussions of taking a wrong decision and not being able to enjoy the benefits that were expected from the purchase [9]. The consumer perception toward the value of a product was affected more by perceived risk than by perceived product quality [10]. When it comes to the relationship between perceived quality and

perceived risk it was observed that the relationship was indirect [10, 11]. In studies of the success of brand extensions, it was postulated that the fit between parent brand and its extension is the most important factor for its success. However, it was observed that the parent service brand quality consisting of outcome quality, interactions with service employees' quality and the physical environment quality had more impact on service brand extension with outcome quality being the most important. Though the fit between the parent and extension brand was still surviving and substantial [12]. The relationship between perceived quality and risk was negative and when the customer was reassured and given optimal service quality, the customer perception of risk was lowered [13]. Similarly for store brands, the customers perceived a high risk as brand quality awareness of the store brands was low. The quality conscious customers attributed higher risk to the brand quality of the store brands [14]. In most of the studies a negative relationship was observed, though a high and positive relationship was observed in the green marketing electronics category [15]. In the literature it was observed that different variables related to brands like perceived quality, perceived risk, customers' trust, and price were studied to see their effects on the parent brands. Their impact was studied on the parent brands and how their variables interacted with each other. Brands are studied with the effect of different variables amongst them, but their interaction and relationship in light of their variables with the brand extension have not been explored much. Quality drivers for success of brand extensions in the services sector have been studied [12]. In this study we propose to study the relationship between brands and their extensions with the variables of perceived quality and perceived risk.

II. MATERIALS AND METHODS

This research is related to author's Ph.D. thesis report. It is an empirical research design and convenience sampling method was used. A special questionnaire was developed and tested to be used for data collection. The questionnaire was Likert scale and Likert-type scale consisting of five points with 1 being the least satisfaction, frequency, and agreement value and 5 being the highest. A pretest was done to find out the popular brands related to quality and risk. Bisleri brand was found satisfactory for both the parameters of quality and risk. The parent brand was Bisleri and the extension taken was a hypothesized brand of Bisleri hand sanitizer. The data was collected through the online method where a special website was constructed. A database was used to send invitations for filling up the questionnaire with a reward of Rs. 100 per questionnaire. The sample size was 522 and response rate was 43.5 %. The cities of Delhi and NCR were the universe and the website was only accessible only in these areas. The research objectives and their corresponding hypothesis statements are given ahead:
- To check the relationship between the satisfaction from perceived quality of parent/family brand and the perceived risks associated with a brand extension.
H_1: There is a relationship between the satisfaction from the perceived quality of the parent brand and the perceived risks associated with a brand extension.
- To check the relationship between the perceived quality of its parent/family brand and the perceived risks of usage of a brand extension.
H_2: There is a relationship between the perceived quality of its parent/family brand and perceived risks of usage of a brand extension.
- To check the relationship between the satisfaction with the perceived quality of the parent/family brand and the perceived health risks associated with the brand extension.
H_3: There is a relationship between the satisfaction from the perceived quality of the parent/family brand and the perceived health risks associated with the brand extension.
- The buying frequency of a brand extension will be impacted by the satisfaction with perceived quality of the parent brand and perceived the risk associated with the parent brand.
H_4: There is a relationship between buying of brand extension and a perceived quality and perceived risk associated with the parent brand.

III. RESULTS AND DISCUSSION

A. Results

The data was analyzed using Pearson's correlation, linear regression for the three hypothesis and for the hypothesis four multiple correlation and regression were used. A significance level of 5% was used. The data analysis for each of the hypothesis are presented in the following paragraphs.

Hypothesis 1

H_1: *There is a relationship between the satisfaction from the* perceived *quality of the Parent Brand (PB) and* perceived *the risks associated with the brand extension (BE).*

Five hundred and twenty two people living in the Delhi/NCR area were surveyed about their satisfaction with the perceived quality of the parent brand (M = 4.36, SD = 0.67) and the perceived risks associated with the brand extension (M = 3.84, SD = 0.85). The results of Pearson's Correlation Coefficient test shows there is a positive, weak, and statistically significant relationship between the satisfaction from the perceived quality of the parent brand and the perceived risks associated with the brand extension (r(520) = 0.10, p = 0.012, n = 522).

Linear regression was calculated to predict the perceived risk associated with the brand extension based on the perceived quality of the parent brand, $β$ = 0.098, t (520) = 13.40, p<0.001. A significant regression equation was found F (1,520) = 5.065, p = 0.025 with an R^2 of 0.010. The model explained approximately (1%) of the variability (0.010). Hence, the null hypothesis was rejected and the alternative hypothesis retained.

Hypothesis 2

H_2: *There is a relationship between the perceived quality of its parent/family brand and* perceived *risks of usage of a brand extension.*

The perceived quality of its parent/family brand (M = 4.36, SD = 0.67) and perceived risks of usage of a brand extension (M = 3.64, SD = 1.055) were studied to check consumer perceptions. The results of Pearson's Correlation Coefficient test shows there is a positive, weak, and statistically significant relationship between the perceived quality of its parent/family brand and perceived risks of usage of a brand extension. (r(520) = 0.18, p = 0.000, n = 522).

A simple linear regression was calculated to predict perceived risks of usage of a brand extension based on the perceived quality of its parent/family brand, $β$ = 0.178, t (520) = 7.99, p <0.001. A significant regression equation was found (F (1,520) = 16.988, p <.001 with an R^2 of 0.032. The model explained approximately 3.2 % of the variability (0.032). Hence, the null hypothesis was rejected and the alternative hypothesis was kept.

Hypothesis 3

H_3: *There is a relationship between the satisfaction from the* perceived *quality of the parent/family brand and the* perceived *health risks associated with the brand extension.*

The satisfaction with the perceived quality of the parent/family brand (M = 4.36, SD = 0.67) and the perceived health risks associated with the brand extension (M = 3.81, SD = 0.965) were studied. The results of Pearson's Correlation Coefficient test shows there is a positive, weak, and non-significant relationship between the satisfaction from the perceived quality of the parent/family brand and the health perceived risks associated with the brand extension (r(520) = 0.036, p = 0.206 ns, n=522).

Linear regression was calculated to predict the perceived health risks associated with the brand extension based on the satisfaction with the perceived quality of the parent/family brand, $β$ = 0.036, t(520) = 12.77, p < 0.001.

A non-significant regression equation was found (F (1,520) = 0.673, p = 0.412 with an R^2 of 0.001.

Table 1: Summarized Regression Analysis.

Independent Variable		Dependent Variable	R^2	F-Value	P-Value	Hypothesis
Quality PB		Risk BE	0.010	5.065	0.025	H_1 Accepted
Quality PB		Usage Risk BE	0.032	16.988	0.000	H2 Accepted
Quality PB		Health Risk BE	0.001	0.673	0.412	H3 Rejected
Quality & Risk of PB		Buying BE	0.013	3.53	0.03	H4 Accepted
p<0.05, PB=Parent Brand, BE=Brand Extension						

Therefore, the null hypothesis failed to be rejected. There is no relationship between the satisfaction from the perceived quality of the parent/family brand and the perceived health risks associated with the brand extension.

Hypothesis Four

H_4: *There is a relationship between buying of brand extension and perceived quality and perceived risk associated with the parent brand.*

The independent variables of perceived quality of the parent brand (M =4.36, SD = 0.67) and perceived risks associated with the parent brand (M = 4.03, SD = 0.935) were correlated with the dependent variable of buying a brand extension (M = 2.90, SD = 0.95).

Pearson's correlation results between the buying of brand extension and perceived quality were negative, weak and statistically significant (r (519) = −0.12, p = 0.004, n = 522). The correlation between perceived quality of the parent brand and the perceived risks associated with the parent brand were positive, weak, and statistically significant (r (519) = 0.17, $p<0.001$, n = 522). The correlation between buying the brand extension and the perceived risks associated with the parent brand was non-significant.

Multiple regression analysis was used to test if the perceived quality and perceived risk of the parent brand significantly (independent variables) predicted buying of the brand extension (dependent variable). The results of the regression indicated the two predictors explained only 1 % of the variance [R^3 = 0.013, F (2,519) = 3.538, p = 0.030]. It was found that perceived quality of parent brand significantly predicted buying of brand extension. ($β$ = −0.116, p=0.009) but not the perceived risk associated with the parent brand ($β$ = 0.000, p = 0.994).

The R- squared values tell about the scattering of data values around the regression line. The interpretation of the significant variables for high and low R-squared value models is the same. When we need very high precision in predictions, only then low R-squared values cause some problems [16]. Summarized regression analysis values are given in Table 1.

B. Discussion

The results from the study show that the perceived quality of the parent brand has a positive, low relationship with the perceived risk associated with the brand extensions. Though earlier studies suggested a negative relationship between quality and risk [10, 11, 13, 14]. In case of green marketing electronic products the perceived quality had a direct, positive and high influence [15]. The brand taken in the study was a popular one, rated high in quality (Bisleri), but the brand extension taken was a hypothesized one (Bisleri Hand Sanitizer).

This might have influenced consumers' perceptions toward the risks associated with the new product and resulted in a positive relationship. The marketers when launching the new brand extension should try to focus on reducing the perception of risk the customers have and should focus on advertising the risk reducing aspects. The advertisers should also focus on the parent brand quality in the advertisements and try to project the similarity of brand extension quality to the parent brand quality. When brand extension is perceived as similar to the parent brand, the effects of advertisements are more efficient [17].

The quality of the services of the parent brand have more importance than the fit between the parent brand and its brand extension [12]. The relationship between perceived quality of Bisleri and perceived risks of Bisleri Hand Sanitizer suggests a relationship with a low fit. The use of a hypothesized brand extension from a quality parent brand still made customers feel risk from its usage. The customers will be confident in its usage only after they have used the product themselves or have gotten good reviews from other users. It is recommended that free samples of the hand-sanitizer extension should be given to encourage usage of the product. As the customers use the product and find no problems with the usage they associate less risk with the brand extension usage. With the failure of rejection of the third hypothesis, we cannot conclude a relationship between the satisfaction a customer gets from the perceived quality of the parent/family brand and the perceived health risks he associates with the brand extension.

The perceived quality of parent brand affected the buying of the brand extension and it was not affected by the perceived risks associated with the parent brand. This shows that more value was given to the perceived quality than to perceived risk connected with the parent brand. The perceived risk is given more importance in the evaluation of brand extensions in the service and durable goods sector than in the FMCG brand extensions [18, 19]. There are more variables which affect the outcome of buying of brand extension which can be studied in future research studies. The variable of perceived quality had an impact in this study.

IV. CONCLUSION

This should clearly explain the main conclusions of the work highlighting its importance and relevance.

The parent brand quality perception matters when the customers make a buying decision for a brand extension. When the parent brand is perceived of high quality then there would be acceptance for the brand extension [20].

In this study the results indicated a positive relationship between a customer's satisfaction with the perceived quality of a product and the perceived risks that are associated with its brand extension. Results also indicated that the usage of brand extension and no subsequent harm from the usage will help the customers gaining confidence in the brand extension. The confidence and experience with the brand extension will lower the perceived risks associated with the brand extension. When the Customers are familiar with a brand name they will attribute less risks with the new brand extension products [21]. Promoting the similarity of quality and risk reduction through usage would help the brand extension in increasing its acceptance amongst the consumers and increasing the market share. Lastly, perceived quality of the parent brand helps in predicting buying behaviour of its extension. The results of the perceived risk of the parent brand on the buying of the brand extension were non-significant. Therefore, the managers should focus more on the quality of the parent brands so that it becomes easier to transfer the perceptions of quality to the brand extensions.

V. FUTURE SCOPE

The study was conducted for a FMCG brand and a hypothesized extension and indicated weak and positive relationship between the perceived quality of the parent brand and the perceived risks related to the brand extension. For further studies it is suggested the relationship be studied for in more categories of FMCG products, durable goods and service related brands. It will throw light on the relationship further as different category brands might show different results.

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