DOES MARKETING SUPPORT HELP BRAND EXTENSION SUCCESS? A THREE-PATH MEDIATION MODEL FROM INDIAN PERSPECTIVE

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ABSTRACT

Even though many studies on the potential determinants of brand extension success have been conducted, previous works have failed to study the indirect relationships between the drivers or have proposed models with direct effect only. Ignoring potential indirect effects might lead to over or underestimation of success factors and thus faulty managerial decisions. Our study contributes to the growing literature by examining the indirect relationship between marketing support, perceived fit and retailer’s acceptance, and their effect on consumer evaluation of brand extension using real extensions. The current study proposes a multi mediating model and tests the mediation. In particular, we posit that the perceived fit and retailer’s acceptance play a mediating role in the marketing support to consumer evaluation of extension relationship. A variance based structural equation modeling (Partial Least Squares) has been applied to a sample of 425 Indian housewives. Our analysis lends support to the importance of marketing support and their influence on extension success. Moreover, mediation hypothesis posit how perceived fit and retailer’s acceptance play a critical mediating role in the marketing support – consumer evaluation relationship. Analysis of the data suggest that the variables are interrelated in such a way that the perceived fit and retailer’s acceptance: (a) fully mediate the effect of marketing support on the consumer evaluation of brand extension (b) exert significant influence on the consumer attitude and purchase intention of the extension product.

Keywords: Brand extension, mediation analysis, perceived fit, retailer’s acceptance, partial least squares
Introduction

Brand extension is the use of well known brand names for new product introductions (Aaker, 1990). In India more than 80% of the new products in the market are extensions (Thamaraiselvan and Raja, 2008). Firms are increasingly turning to extension strategy because of the belief that they would build and communicate strong brand positioning, enhance awareness and quality associations (Patro and Jaiswal, 2003) and increase the probability of trial (Swaminathan et al., 2001) by lessening the new product risk for consumers (Chowdhury, 2007). Successful extensions not only provide a new source of revenue, but also positively impact choice of the parent brand (Swaminathan, 2003). However, success of brand extension is uncertain; approximately 50% extensions are reported as failures in Fast Moving Consumer Good (FMCG) product categories (AC Nielsen India 2012 report). The success or failure of brand extensions is vastly dependent on how the customers evaluate the brand extensions (Klink and Smith, 2001). Hence for the past 15 years, more than 50 researches on brand extension have shown a substantial interest in identifying the conditions required for successful extensions (Völckner and Sattler, 2007) to reduce the failure rates. Even though many studies have been conducted in this context, as Völckner and Sattler (2006) claim, only direct relationships between the brand extension success (dependent variable) and potential success factors have been tested disregarding the fact that some success factors may constitute dependent variables in other relationships.

Prior studies suggest that consumer acceptance of extension is greatly affected by the perceived fit between the extension product and the parent brand (Broniarczyk and Alba, 1994, Hem and Iversen, 2009, Keller and Aaker, 1992). The resulting managerial implication is that brands should not be extended to perceptually distant categories. Yet, it is not difficult to find brands that have been extended successfully into relatively distant categories (Tata steel and Tata telecom services), also many extensions have failed in the market still perceptually close to the parent brand. For example, Rasna is a famous soft drink company in India, but its extension product Oranjolt fizzy fruit drink failed in the market.

The discrepancy between the research findings and real examples reveal that past research has overstated the main effect of perceived fit and its relationship with other success drivers that indirectly contribute to brand extension success have been mostly ignored. In addition, previous studies have examined consumer attitude in controlled conditions using hypothetical extensions (i.e. extensions not introduced in the market) and hence the external validity of such studies have been questioned (Hem et al., 2003) The studies by the use of fictitious extensions provide a single cue-brand name and extension product category for the evaluation of stimulus (Klink and Smith, 2001). In a real marketplace situation, customers are exposed to a lot of information about the extension product and consumer attitude is sensitive to advertisements (Taylor and Bearden, 2003), retailer decisions (Collins-Dodd and Louviere, 1999) and competitor activity (Czellar, 2003). That is why advertisements and distribution support plays a critical role in extensions success (Nijssen, 1999, Völckner and Sattler, 2006). In a similar context, Reddy et al. (1994) argue extensions that have higher marketing support in terms of advertising are more likely to be successful than extensions that have less support. (Nijssen, 1999) discusses the power of the retailers (in terms of distribution) has greater influence on the extension success. However, there has been limited research in this area.

Against this background, our paper seeks to fill a gap in the literature by taking a deeper look at the structural (indirect) relationships among important success drivers: marketing support, perceived fit and retailer’s acceptance on brand extension success through a multiple mediation model. In particular, we posit that perceived fit and retailer’s acceptance play a mediating role in the relationship between marketing support
and consumer evaluation of brand extension. Ignoring potential indirect effects might lead to over or underestimation of success factors and thus faulty managerial decisions (Sattler et al., 2010). Thus the proposed model and the use of real extensions as stimuli, may lead to a better understanding of direct and indirect relationships of drivers on extension success, thus offering various managerial implications that are helpful for launching brand extensions.

With these objectives in mind, this paper is organized as follows: We begin the review of literature on marketing support, perceived fit and retailer’s acceptance as well as the impact of each one on the consumer evaluation of brand extension. We propose a multiple mediating model that shows the serial mediation among the success drivers. We then present our results based on the analysis of data. This study concludes with a discussion of results, their implications, the limitations of the study and suggested future research.

**Theoretical background and hypothesis**

Consumer attitude towards extension is conceptualized as the consumer’s perception of overall quality of the extension product (Bottomley and Holden, 2001). Measuring consumer evaluation (attitude) offers an important indicator to extension success (Czellar, 2003) because the attitude based measure of extension success is positively related to purchasing behaviors (Ajzen and Fishbein, 1980). In this study, purchase intention is also included as a measure of extension evaluation (Bhat and Reddy, 2001) because it is an attitude based measure and it can be interpreted as the conative component of attitude (Fazio, 1986). Therefore the study uses consumer attitude and purchase intention as a measure to predict extension success since attitude based measures generalize to economic success of brand extensions (Völckner and Sattler, 2007).

The brand extension research relies on categorization theory (Aaker and Keller, 1990, Boush and Loken, 1991). According to this theory, when consumers are presented with a new extension product, the evaluative task attempts to classify the object (extension product) within a certain category i.e., the brand which offers the product (Fiske and Pavelchak, 1986). The categorization facilitates the transfer of affect and beliefs associated with the category to the product (Boush and Loken, 1991) leading to attitude formation towards the new product. This transfer of positive associations is enhanced when there is greater similarity between the new product and original brand category (Bottomley and Holden, 2001, Milberg et al., 1997). The category brand name and the perceived fit act as the cues to stimulate the category based processing. Based on this conceptual reasoning, the hypotheses are framed in this study. The hypotheses vary in their level of detail depending on the extent of theoretical and empirical evidence on the subject.

**The relationship between marketing support and consumer evaluation of brand extension**

Advertising effort is a signal to overall marketing support (Kirmani and Wright, 1989). Firms that show high advertising efforts in terms of frequency and expenditure significantly influence the consumer evaluation of extensions (Lane, 2000, Völckner and Sattler, 2006). The reason is perceived advertising effort is interpreted as a sign of high product quality and consumers think that the manufacturer is confident on the new product’s quality and hence the company has spent a huge amount of money on advertising it (Kirmani, 1990). Also high frequency of advertising is positively related to brand awareness and elicits brand related associations. This fosters greater elaboration to make positive evaluation of extensions (Bridges et al., 2000, Lane, 2000). When the quality of the product is not observable before trial and when repeat purchase is important, firms use advertising as a cue to attitude formation and make them try the new product (Kirmani, 1997). Thus,
higher marketing support in terms of advertising is expected to positively influence consumer evaluation of brand extension.

H1: Marketing support has a positive effect on consumer evaluation of brand extension

The mediating role of perceived fit

In categorization research, typicality refers to the degree to which an object resembles a category (Loken and Ward, 1990). When a product shares more attributes in common with the category, the more typical is the product in that category. Research on typicality suggests that repeated exposure to an extension may enhance the perception of fit (Klink and Smith, 2001). Greater exposure to advertisements on extension helps the customers identify shared associations between the extension product and the parent brand and thus enhances the similarity between them (Lane, 2000, Milberg et al., 1997). To further explain in detail, higher frequency of advertisements acts as an external stimulus and triggers the recall of parent brand attributes and its association with the extension product, this activation of information improves the perceived fit and leads to higher perceptions on the extension’s quality (Carter and Curry, 2013). Based on these prevalent findings from previous studies, it is proposed that higher marketing support positively relates to perceived fit, which in turn relates to positive evaluation of brand extension.

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

The mediating role of retailer’s acceptance

Particularly for new products, success with retailers is a necessary prerequisite for success with the consumers, because retailers act as gatekeepers by selecting products and setting merchandising policies (Messinger and Narasimhan, 1995). Collins-Dodd and Louviere (1999) have found out that retailer’s acceptance decisions (in terms of distribution intensity) are dominated by the manufacturer’s consumer advertising because it increases product awareness and utility; thereby pre-sells the products and reduces retailer’s selling cost. They also warn manufacturers that the success of extension does not depend on strong brands and advertising efforts alone; instead retailer’s acceptance is even more important, else they will have problems obtaining in-store listings. For frequently purchased products, mere distribution and shelf visibility will generate awareness and product trial (Heeler, 1986). Völckner and Sattler (2006) observed that strength of the relationship between marketing support and extension success increased when retailer’s acceptance mediated the effect. Based on these propositions, it is hypothesized that advertising effort increases the retailer’s acceptance of new extensions which in turn leads to higher acceptance among consumers.

H3: The relationship between marketing support and consumer evaluation of brand extension is mediated by retailer’s acceptance.

Theory extension through serial mediation

As discussed above, both perceived fit and retailer’s acceptance are associated in the relationship between marketing support and consumer evaluation of brand extensions. Surprisingly, researches showing the interrelationship between these two factors are scant. Völckner and Sattler (2006) substantiate the relationship between perceived fit and retailer’s acceptance as retailers want to avoid poor assortments perception among consumers. Higher perceived fit between extension and the parent brand symbolize closer association of the extension product with the parent brand. A new extension product which is obviously affiliated with the
parent brand (in terms of similarity between extension product and parent brand) when not listed in the store may create the perception of an incomplete assortment. Hence, high levels of fit lead to higher retailer’s acceptance. The authors observed that the relative influence of marketing support on the brand extension success increased from 9.35% to 22.51% when perceived fit and retailer’s acceptance were included as mediators. However, the study has not explored the serial mediation effect among the variables.

With the theory and empirical evidence mentioned above, it is hypothesized that marketing support is related to consumer evaluation of brand extension through perceived fit first and then retailer’s acceptance. Integrating the two models with mediation through perceived fit and with mediation through retailer’s acceptance yields a three-path mediation model, depicted in figure 1B (Hayes, 2009, Taylor et al., 2008). Whether perceived fit and retailer’s acceptance serially mediate the relationships between marketing support and consumer evaluation of brand extension is tested through the following hypothesis.

H4: The relationship between marketing support and consumer evaluation of brand extension is sequentially mediated by perceived fit and retailer’s acceptance.

Methodology

Measurement

The operationalization of the proposed constructs was based on the existing scales from previous brand extension studies. Consumer evaluation of brand extension was measured in terms of attitude and intention to buy the extension product. Three items measuring overall attitude towards the extension product (1 = dislike, 7 = like) from Broniarczyk and Alba (1994) were used to measure attitude. Single item measured consumer’s intention to purchase the extension product (1 = will certainly buy a competitor brand, 7 = will certainly buy the extension product) assuming they had planned a purchase in the product category (Aaker and Keller, 1990).

To increase the robustness, all the independent variables were measured on two dimensions. Perceived fit was measured as the fit between the parent brand and extension product using two items, one from Park et al. (2002) and another from Barone et al. (2000). Second dimension fit between the consumer and extension product using two items derived from Hem and Iversen (2002). Retailer’s acceptance 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). Völckner and Sattler (2006) two items for perceived advertising intensity, Kirmani and Wright (1989) three items for perceived advertising spending were used to measure the marketing support.

Data collection and analysis

Pretest was done to select the stimuli for the study (refer Table1). 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. Most recent extensions were chosen for the parent brands with multiple extensions (according to AC Nielson, India). The study identified 10 extension products, one for each brand.
Table 1 Parent brand and extension products

<table>
<thead>
<tr>
<th>Parent Brand</th>
<th>Parent Brand’s Original Category</th>
<th>Extension Product’s Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aashirvaad</td>
<td>Aata</td>
<td>Sambar Powder</td>
</tr>
<tr>
<td>Cinthol</td>
<td>Bath Soap</td>
<td>Talcum Powder</td>
</tr>
<tr>
<td>Colgate</td>
<td>Tooth paste</td>
<td>Mouth Wash</td>
</tr>
<tr>
<td>Dettol</td>
<td>Antiseptic Lotion</td>
<td>Dish Wash Gel</td>
</tr>
<tr>
<td>Hamam</td>
<td>Bath Soap</td>
<td>Hand Sanitizer</td>
</tr>
<tr>
<td>Horlicks</td>
<td>Health Drink</td>
<td>Masala Oats</td>
</tr>
<tr>
<td>Lifebuoy</td>
<td>Bath Soap</td>
<td>Hand Sanitizer</td>
</tr>
<tr>
<td>Medimix</td>
<td>Bath Soap</td>
<td>Hand Wash</td>
</tr>
<tr>
<td>Sunfeast</td>
<td>Biscuits</td>
<td>Noodles</td>
</tr>
<tr>
<td>Surf Excel</td>
<td>Washing Powder</td>
<td>Liquid Detergent</td>
</tr>
</tbody>
</table>

A total of 517 housewives in Tamilnadu, the southern region of India participated in the study. A systematic sampling was used by approaching every fifth female purchaser coming out of three chosen department stores. The sample was directed at female purchasers only, as in an emerging economy like India women are the primary decision makers in the food and grocery departments (The Nielsen Company, 2011). 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 measures and structural paths (iii) the model is complex in terms of the number of relationships. 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).

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). Internal consistency reliability and construct validity were tested and presented as per the guidelines of Straub et al. (2004). Construct reliability is assessed using Cronbach’s alpha and composite reliability. For both indices, 0.7 is the cut-off value (Nunnally and Bernstein, 1994). All the constructs used in this research 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.

Because these measures are self reported, 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 analysis.

**Table 2** Parameter estimates of measurement model

<table>
<thead>
<tr>
<th>Constructs and items</th>
<th>Descriptive statistics</th>
<th>Loadings&lt;sup&gt;a&lt;/sup&gt;</th>
<th>t-value&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>SD</td>
<td></td>
</tr>
<tr>
<td>Marketing support</td>
<td>4.33</td>
<td>1.03</td>
<td>0.78**</td>
</tr>
<tr>
<td>MS1</td>
<td></td>
<td></td>
<td>0.82**</td>
</tr>
<tr>
<td>MS2</td>
<td></td>
<td></td>
<td>0.70**</td>
</tr>
<tr>
<td>MS3</td>
<td></td>
<td></td>
<td>0.76**</td>
</tr>
<tr>
<td>MS4</td>
<td></td>
<td></td>
<td>0.65**</td>
</tr>
<tr>
<td>MS5</td>
<td></td>
<td></td>
<td>0.78**</td>
</tr>
<tr>
<td>Perceived fit</td>
<td>4.12</td>
<td>1.04</td>
<td>0.76**</td>
</tr>
<tr>
<td>PF1</td>
<td></td>
<td></td>
<td>0.75**</td>
</tr>
<tr>
<td>PF2</td>
<td></td>
<td></td>
<td>0.82**</td>
</tr>
<tr>
<td>PF3</td>
<td></td>
<td></td>
<td>0.79**</td>
</tr>
<tr>
<td>Retailer’s acceptance</td>
<td>4.51</td>
<td>1.05</td>
<td>0.61**</td>
</tr>
<tr>
<td>RA1</td>
<td></td>
<td></td>
<td>0.71**</td>
</tr>
<tr>
<td>RA2</td>
<td></td>
<td></td>
<td>0.83**</td>
</tr>
<tr>
<td>RA3</td>
<td></td>
<td></td>
<td>0.81**</td>
</tr>
<tr>
<td>RA4</td>
<td></td>
<td></td>
<td>0.82**</td>
</tr>
<tr>
<td>RA5</td>
<td></td>
<td></td>
<td>0.78**</td>
</tr>
<tr>
<td>Consumer evaluation of BE</td>
<td>4.79</td>
<td>0.93</td>
<td>0.74**</td>
</tr>
<tr>
<td>CEB1</td>
<td></td>
<td></td>
<td>0.73**</td>
</tr>
<tr>
<td>CEB2</td>
<td></td>
<td></td>
<td>0.73**</td>
</tr>
<tr>
<td>CEB3</td>
<td></td>
<td></td>
<td>0.73**</td>
</tr>
<tr>
<td>CEB4</td>
<td></td>
<td></td>
<td>0.73**</td>
</tr>
</tbody>
</table>

BE, Brand Extension; <sup>a</sup> Standardized loadings; <sup>b</sup> All t-values are highly significant(**<sup>p</sup> < 0.001)
Table 3: Construct reliability, convergent and discriminant validity of constructs

<table>
<thead>
<tr>
<th>Variables</th>
<th>CR</th>
<th>α</th>
<th>AVE</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Marketing support</td>
<td>0.86</td>
<td>0.80</td>
<td>0.56</td>
<td>0.75</td>
<td>0.36</td>
<td>0.36</td>
<td>0.42</td>
</tr>
<tr>
<td>2 Perceived fit</td>
<td>0.86</td>
<td>0.79</td>
<td>0.61</td>
<td>0.78</td>
<td>0.61</td>
<td>0.38</td>
<td></td>
</tr>
<tr>
<td>3 Retailer’s acceptance</td>
<td>0.87</td>
<td>0.81</td>
<td>0.58</td>
<td>0.76</td>
<td>0.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Consumer evaluation of BE</td>
<td>0.84</td>
<td>0.75</td>
<td>0.58</td>
<td></td>
<td></td>
<td>0.76</td>
<td></td>
</tr>
</tbody>
</table>

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.

**Structural model**

To test the structural model, two types of relationships are required: the direct and the indirect effect of Marketing Support (MS), Perceived Fit (PF) and Retailer’s Acceptance (RA) on Consumer evaluation of Brand Extension (CBE). The structural path is evaluated from the algebraic sign, magnitude and significance of the structural path coefficients, the $R^2$ values, the $Q^2$ test for predictive relevance and the effect size ($f^2$). A non-parametric bootstrapping (5000 resamples) was used to generate standard errors and t-statistics (Henseler et al., 2009). From the values, the statistical significance of the path coefficients was assessed. Results of the direct effects described in Table 4 show that five of six direct effects are significant. The direct effect of marketing support on consumer evaluation of brand extension ($c'$) is not significant, and hence H1 is not supported. In addition, the research model has an appropriate predictive power ($R^2$) for all the dependent variables. The retailer’s acceptance attains the largest explained variance (0.398) while the entire serial mediation model explains 24% of variance from its antecedents and mediators. In PLS, $R^2$ results of 0.20 are considered high in a discipline such as consumer behavior (Hair et al., 2011). To examine the predictive relevance of the structural model, the cross validated redundancy index ($Q^2$) for endogenous constructs is assessed (Chin, 1998). The $Q^2$ value can be obtained using the blindfolding procedure. $Q^2 > 0$ implies that the model has predictive relevance, whereas $Q^2 < 0$ suggests lack of predictive relevance (Chin, 2010). The model has satisfactory predictive relevance for the three dependent variables: perceived fit ($Q^2 = 0.07$), perceived availability ($Q^2 = 0.21$) and attitude towards extension product ($Q^2 = 0.13$). The effect size of the PLS model can be measured by means of Cohen’s $f^2$ (Cohen, 1988). Effect size, $f^2$ is computed based on the change in the predictive power ($R^2$) whether an independent latent variable has a substantial influence on the dependent latent variable. Thus the change in the dependent variable’s predictive power is calculated by estimating the structural model twice, that is one with and another without the independent variable. Following the thumb rule by Chin (1998), $f^2$ values of 0.02, 0.15 and 0.35 indicate small, medium and large level of impact accordingly. Thus from Table 4 it can be concluded that marketing support has a large influence on retailer’s acceptance ($f^2 = 0.44$) and a medium influence on perceived fit ($f^2 = 0.15$).

According to our research model (Fig 1B), H2-H4 represent the mediation hypothesis, which posit how, or by what means, an independent variable (MS) affects a dependent variable (CBE) through mediating variables PF and RA (Preacher and Hayes, 2008). Fig.1A describes the total effect of the marketing support on the consumer evaluation of brand extension without the presence of mediators. The analytical approach described by Preacher and Hayes (2008) and Taylor et al. (2008) was applied to test the mediation hypothesis (H2 – H4). The advantage of this approach is that it is able to isolate the indirect effect of both mediating variables, that is, perceived fit (H2: $a_1b_1$) and retailer’s acceptance (H3: $a_2b_2$). In addition, this approach
allows the analysis of indirect effects passing through both of these mediators in a series (H4: $a_1a_3b_2$). The results of indirect effects are specified in Table 5. Following Williams and MacKinnon (2008) suggestions, bootstrapping procedure was used to test the indirect effects, because it does not impose distributional assumptions and is a better alternative to Sobel test. (Chin, 2010) proposed a two step procedure for testing mediation in PLS: (1) Use the model with both direct and indirect paths and perform N bootstrap resampling and calculate the product of the direct path that forms the indirect path estimate (2) Assess the significance using percentile bootstrap (Williams and MacKinnon, 2008). This generates 95% confidence interval for mediators: perceived fit (H2), retailer’s support (H3), perceived fit and retailer’s acceptance (H4). When the interval for the entire mediation hypothesis does not contain zero, then the indirect effects are significantly different from zero with 95% confidence. The results show all the indirect effects listed in Table 5 are significant.

The total (c) and the direct (c’) effects of independent variable (MS) on dependent variable (CBE) were also examined. Marketing support has a significant total effect on consumer evaluation of brand extension as shown in Fig. 1A. When mediators are introduced (see Fig 1B), MS no longer has effect on CBE (H1: c’). This means perceived fit and retailer’s acceptance fully mediate the influence of marketing support on consumer evaluation of brand extension (Baron and Kenny, 1986). As previously mentioned, H1 is not supported. However, support is found for H2 –H4, the three indirect effects of MS on CBE are significant. The analyses show that perceived fit mediates the relationship between Marketing Support and consumer evaluation of brand extension (H2: $a_2b_2$). The results also show that retailer’s acceptance mediates the path between MS and CBE (H3: $a_2b_2$). Finally, the marketing support is positively associated with higher fit and retailer’s acceptance which relates to higher level of consumer evaluation of brand extension (H3: $a_1a_3b_2$).
**Figure 1** Structural model: three-path mediation model

**A. Model with total effect**

![Diagram A with total effect]

- Marketing support → Consumer evaluation of BE = c = 0.329**
- $R^2 = 0.11$

**B. Model with a three-path mediated effect**

![Diagram B with three-path mediated effect]

- Marketing support → Perceived fit = a1 = 0.36**
- Perceived fit → Retailer’s acceptance = b1 = 0.31**
- Retailer’s acceptance → Consumer evaluation of BE = a2b2 = 0.22**
- Marketing support → Retailer’s acceptance = a2 = 0.55**
- Perceived fit → Consumer evaluation of BE = a3 = 0.16**
- Consumer evaluation of BE = c’ = 0.08
- $R^2 = 0.13$
- $R^2 = 0.40$
- $R^2 = 0.24$

BE, brand extension; **p < 0.00; ns not significant.

**H1** = Marketing support → Consumer evaluation of BE = c’

**H2** = Marketing support → Perceived fit → Consumer evaluation of BE = a1b1

**H3** = Marketing support → Retailer’s acceptance → Consumer evaluation of BE = a2b2

**H4** = Marketing support → Perceived fit → Retailer’s acceptance → Consumer evaluation of BE = a1a3b2
Table 4 Direct effects

<table>
<thead>
<tr>
<th>Effects on endogenous variables</th>
<th>Direct effect (Beta)</th>
<th>t-value (bootstrap)</th>
<th>Decision</th>
<th>Effect size($f^2$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived fit</td>
<td>0.36**</td>
<td>9.01</td>
<td>Supported</td>
<td>0.15 (medium)</td>
</tr>
<tr>
<td>(R$^2$ = 0.13/Q$^2$ = 0.07)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing support (a$_1$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retailer’s acceptance</td>
<td>0.55**</td>
<td>13.82</td>
<td>Supported</td>
<td>0.44 (large)</td>
</tr>
<tr>
<td>(R$^2$ = 0.40/Q$^2$ = 0.21)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing support (a$_2$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived fit (a$_3$)</td>
<td>0.16**</td>
<td>3.49</td>
<td>Supported</td>
<td>0.04 (small)</td>
</tr>
<tr>
<td>Consumer evaluation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(R$^2$ = 0.24/Q$^2$ = 0.13)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1: Marketing support (c’)</td>
<td>0.08ns</td>
<td>1.37</td>
<td>Not supported</td>
<td>0.003 (none)</td>
</tr>
<tr>
<td>Perceived fit (b$_1$)</td>
<td>0.31**</td>
<td>5.84</td>
<td>Supported</td>
<td>0.11 (small)</td>
</tr>
<tr>
<td>Retailer’s acceptance (b$_2$)</td>
<td>0.22**</td>
<td>3.88</td>
<td>Supported</td>
<td>0.04 (small)</td>
</tr>
</tbody>
</table>

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; $f^2 = (R^2_{incl}-R^2_{excl}) / (1-R^2_{incl})$. **p < 0.001; ns not significant.

Table 5 Mediation effects

<table>
<thead>
<tr>
<th>Total effect of MS on CBE (c)</th>
<th>Direct effect of MS on CBE</th>
<th>Indirect effect of MS on CBE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beta</td>
<td>t value</td>
<td>Beta</td>
</tr>
<tr>
<td>Lower</td>
<td>Upper</td>
<td></td>
</tr>
<tr>
<td>0.33**</td>
<td>7.55</td>
<td>H1 = c’</td>
</tr>
<tr>
<td>H2 = a$_2$b$_2$ (via RA)</td>
<td>0.121</td>
<td>0.068</td>
</tr>
<tr>
<td>H3 = a$_1$a$_3$b$_2$ (via PF + RA)</td>
<td>0.013</td>
<td>0.005</td>
</tr>
</tbody>
</table>

MS, Marketing Support; PF, Perceived Fit; RA, Retailer’s Acceptance; CBE, Consumer evaluation of Brand Extension; indirect effects were tested using the bootstrap procedure with 5000 samples; ***p < 0.001; ns not significant.

Discussion

The present study contributes to the extant of brand extension literature by testing the sequential mediation effect of perceived fit and retailer’s acceptance on the relationship between marketing support and consumer evaluation of brand extension. When the total effect model is considered, the results indicate that greater exposure to advertisements led to greater acceptance of extension products among customers. However the importance of the direct effect of the marketing support decreases considerably in favor of perceived fit and retailer’s support when the full model is analyzed. Though not direct, the hypotheses test clarifies its contribution is high in three indirect ways:
(1) Perceived marketing support in terms of advertising increases the salience of crucial brand associations and helps the customers understand how the extension fits with the brand. The results show marketing support leads to positive evaluation of extensions by indirectly enhancing the perceived similarity to the parent brand (Park et al., 1991, Pryor and Brodie, 1998).

(2) Mere distribution and product availability in the store leads to trial and repeat purchase of the extension product which is a result of retailer’s acceptance. Repetitive advertising increases the retailer’s acceptance for the new extension product because it creates awareness and demand for the product among consumers (Collins-Dodd and Louviere, 1999).

(3) Frequent exposure to advertising reminds the parent brand associations and its consistency with the extension product thus improves the extension fit with the parent brand. Non availability of an extension product which is closely associated with the parent brand may signal poor assortments in the store. To maintain the store selection and to prevent the customers from delaying the purchase or going to another store if the product was unavailable, retailers increase the listing of extension products. The availability of extension product in a large number of stores enhances the product’s image and improves the consumer evaluation of the brand extensions. Therefore, marketing support improves the perception of fit which increases the retailer’s acceptance of the extensions which in turn indirectly affect the success of brand extension in the market. From the results, it is evident that, perceived fit and retailer’s acceptance completely mediate the relationship between marketing support and consumer evaluation of extensions.

In terms of managerial contribution, marketing support is important for the success of the extension product in the FMCG sector. Managers show a great interest on this factor because it is under the direct control of the company. The general belief about brand extensions is that they require lesser advertisements and promotions as they come from strong parents. Our model might help managers understand the importance of marketing support (in terms of advertising frequency and expenditure) and how Indian consumers evaluate the brand extensions. The advertisements can be used as a tool to improve the similarity perceptions of a moderate fit extension. For example, advertisements can illustrate how the parent brand attributes improve the extension’s ability to provide core benefits. Certainly, in such situations, Eastern consumers (specifically Indians) may perceive higher brand extension fit and evaluate the extensions more favorably as they are holistic thinkers (Monga and John, 2007). Added to this, our results on effect size reveals when an extension product is well supported in terms of advertising, it can strengthen the distribution channel besides creating demand for the product. Brand extension strategy can be used more successfully in India, provided the power of advertising is utilized appropriately in enhancing the fit and retailer’s acceptance of the extensions.

In terms of its limitations, the current study focuses solely on FMCG sector. Future research might investigate the generalizability of the findings across various sectors (consumer durables or services). Further research could extend the model by exploring possible structural relationships among other important success drivers of extensions which can improve the predictive power of the model. Our respondents are from a single country (India) and may raise the question of generalizability of our results to other countries. Additional studies can investigate the impact of culture on the consumer evaluation of extensions.
References


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