

EFFECT OF BRAND EXTENSION ON PRODUCT BRAND IMAGE:

A CASE OF SAFARICOM KENYA LIMITED

BY

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for the award of a degree. I also declare that this contains no material written or published by other people expect where due reference is made and author duly acknowledged.

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ABSTRACT

The main purpose of this paper was to examine effect of brand extension on product brand image. This was divided into three objectives; to examine the effect of change in customer attitude of the parent brand after the extension, to analyze the effect of perceived quality on the parent brand after the extension, and to determine the brand dilution effect on the image of the parent brand after the extension. This section presented the dependent and independent variables in a diagram to show the relationship between the variables. In the independent variables, customer attitude is the intellectual awareness of customers about new products and brand extension. Perceived quality is the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives is the extent to which a brand is recognized by potential customers and is correctly associated with a particular product. Brand dilution is the where the brand loses its brand associations with a market segment, product area, or quality, price or reputation. The dependent variable is product brand image. It is the bundle of associations customers have of a brand. In this study, this variable will rely upon the independent variables; customer attitudes, brand awareness, brand familiarity and brand extension strategies. The approach is a combination of systematic literature review of theoretical and empirical literature combined with an empirical analysis of primary data drawn from the effect of brand extension on product brand image of Safaricom Ltd subscribers. The target population of the study was 1,000 Safaricom subscribers from which the researcher took a sample of 220 subscribers. A questionnaire consisting of five constructs (effect of demographic characteristics, customer attitude, perceived quality, dilution effect and effect of brand extension on product brand image,) was administered to 220 respondents. Probability sampling was adopted. Data analysis was done using statistical analysis, descriptive statistical analysis, and regression analysis. Descriptive analysis was used to address the profile of the mobile phone subscribers and Regression analysis was used to establish the research objectives of brand extension on product brand image and finally ANOVA test was used to compare the effect of brand extension on brand image on Safaricom mobile phone subscribers. These results show that increased levels of brand extension would result in increased levels of product brand image in Safaricom mobile phone subscriber. It was further noted that variable with the greatest effect of product brand image was any product dilution effect followed by perceived quality.

Keywords: brand image, brand extension, perceived quality, customer attitude, brand dilution

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DEDICATION

I dedicate this work to my son Tijan who came at the right time in my life, my parents, siblings and friends for standing with me during the most difficult moments of my life while doing my course work and dissertation. May God bless you abundantly.

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LIST OF ABBREVIATIONS

AMA – American Marketing Association

ANOVA – Analysis Of Variation

APA – American Psychological Association

BD – Brand Dilution

CA – Customer Attitude

KMO – Kaiser-Meyer-Olkin

OLS – Ordinary Least Squares

PBI – Product Brand Image

PCA – Principle Component Analysis

PQ – Product Quality

SMS – Short Message Service

TERMS AND DEFINITIONS

Brand : brand is a “name, term, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competition

Customer attitude: the intellectual awareness of customers about new products and brand extension.

Perceived quality: the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives is the extent to which a brand is recognized by potential customers and is correctly associated with a particular product.

Brand dilution: where the brand loses its brand associations with a market segment, product area, or quality, price or reputation.

Brand extension: using an existing brand name to launch or introduce a new product or product line

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Branding traces its origins to the word brandr which meant ‘to burn’. Livestock farmers in the past and even today place burn marks on their animals to identify them. According to the American Marketing Association (AMA), a brand is a “name, term, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competition” (Keller, 2003, p. 3). Over the years, branding has evolved to encompass brand extension which is now a popular and frequently used strategy in brand management.

According to Yoo (2000), nearly 35% of newly launched products fail at the introduction and grow due to the high capital investment required in the development stage and high competition. Therefore it is inevitable that most organizations tend to opt for brand extensions that will leverage on the parent core brand to venture into new market segments to sell related or unrelated products so as to increase profits, reduce the cost of introducing a new product and the possible risks of failure.

1.1.1 Brand Extension

Kotler and Armstrong (2002) defined brand extension as using a successful brand name to launch new or modified products in a new category. Verma (2002) described brand extension as using an existing brand name to launch a product in a different category. Zikmund (2000) defines brand extension as a using an existing brand name to launch or introduce a new product or product line. In this study, brand extension was defined as the use of an existing brand name into new categories.

Sattler, Völckner, & Zatloukal, (2002) presented two extension-strategies; brand extension and line extension. Line extension is a minor addition within the same product category and within the corporate brand, such as introducing a new taste for a food product. While brand extension aids in generating consumer acceptance for a new product by connecting the new product with a known brand or company name, it also risks diluting the corporate

product brand image by reducing or harming the equity which has been built up within the corporate brand name (Martinez & de Chernatony, 2004).

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1.1.2 ProductBrand Image

Product brand image is presented by Musanje (2012) as a unique set of associations in the mind of the customer concerning what a brand stands for and the implied promises the brand makes. Product brand image is defined as a unique bundle of associations within the minds of target customers (Aaker 2003). It is a set of beliefs held about a specific brand and it is nothing but the consumers' perception about the product. Product brand image conveys emotional value and not just a mental image. Product brand image is also the sum of all tangible and intangible traits, and represents all internal and external characteristics and influences how a brand or a company is perceived by its target constituencies. Product brand image is the customer's awareness of the existence of a brand which is echoed in memory by the current brand designers and highly swayed by the companies' activities. In other words, a product brand image is what comes into the mind of the consumer the moment a brand is mentioned.

According to Keller (2009), product brand image involves favorability, strength and the uniqueness associated with the brand. The association of the brand involves characteristic of the product, benefits gained from the product or attitude towards the brand. The objective of every company is to come up with brand associations that are appealing and positive. From the marketing perspective, product brand image can be enhanced by embracing inviting packaging, choosing an innovative brand name, having an eye catching logo, using well synchronized colors, good advertisement as well as undertaking other promotions.

For a brand to be successful, its images and symbols must relate to, and indeed, exploit, the needs, values and life-styles of consumers in such a way that the meanings involved give added values, and differentiate the brand from other brands. Consumers may likely use brand and products in line with their own personalities. In other words, all marketing activities should be aimed at having consumers believe and recognize a brand (Groovers, 2005). Product brand image develops and conveys the product's character in a unique manner different from its competitor's image. Hsieh, Pan and Setiono (2004) observed that the product brand image consists of various associations in consumers' mind - attributes, benefits and attributes. Brand attributes particularly are the functional and mental connections with the brand that the customers have. They can be specific or conceptual. Benefits are the rationale for the purchase decision. There are three types of benefits: Functional benefits - what do you do better (than others), emotional benefits - how do you make me feel better (than others), and rational benefits/support - why do I believe you (more than others). Brand attributes are consumers overall assessment of a brand.

1.1.3 Safaricom Limited

Safaricom Ltd. is a leading mobile network operator in Kenya. It was formed in 1997 as a fully owned subsidiary of Telkom Kenya. In 2000, Vodafone group of PL acquired 40% stake and management responsibility. The company has over 4000 employees stationed in over 4000 base stations across the country. The company boasts of over 20million subscribers. The company offers telephone, internet SMS and money transfer facilities. In addition, Safaricom provides a broad range of first class products and services Safaricom Live, The Michael Joseph Centre, Groove Awards, Safaricom Jazz Festival, Youth Orchestra, Safaricom Lewa Marathon, and real estate. Safaricom has two competitors in the Mobile operator industry namely Airtel Kenya, wireless and Essar's Yu For mobile money transfer Safaricom limited has Mpesa; Airtel Kenya has Airtel mobile money transfer service, orange wireless has orange money and Yu has YU money, hence, the extension into related and unrelated products (Shihachi, 2012).

In the previous year's Safaricom dominated because the competition was between Safaricom and Zain and those days customer preferred Safaricom because it was cheaper since it used per second billing while Zain used per minute billing which was expensive. But with the current competition, the prices have dropped by 70% and all its competitors have per second

billing as well .Internet service is also offered by the other mobile network providers. Initially it was said that customers are able to move to other networks because of fear of losing the mobile number they are used to, but competition has seen to it that now with introduction of Mobile Number portability (MNP) a subscriber is free and able to join another network used the mobile number they acquired on a previous Mobile Network provider (Shihachi, 2012).

1.2 Problem Statement

Over the last few decades failure rates of new product have increased tremendously; therefore, firms have reverted back to brand extension to launch new brand, because of in built advantages including its high acceptability, low promotion cost and comparatively less chances of failures. Companies widely employ this strategy because of the belief that this strategy establishes and convey strong brand positioning, develop awareness, quality associations and increase the prospect of trial consumer familiarity with the existing core brand name aiding new product entry into the marketplace and helps the brand extension to capture new market segments quickly (Chen and Liu, 2004). There has been previous research done in developed countries that indicate if brand extension strategies are managed well they help to build strong brand equity (Keller & Sood, 2003). When successful, brand extension positively influenced choice of the parent brand (Swaminathan, 2003); it is associated with risks as well. Even commercially successful extensions do not always benefit the company as a whole. An extension change prior beliefs of the parent brand (Loken & John, 1993) and reduce the sales of other products marketed under the same brand. Brand extensions produce feedback effects that may enhance or diminish the equity of the parent brand (Swaminathan et al, 2001). The feedback effect of the extension could be positive if it reinforces or enhances the image of the parent brand or negative if the new associations damage consumers' attitudes towards the parent brand. This occurs because the extension redefines the existing parent brand-category by creating new associations that lead to the modification of the schema or the brand meaning (Keller and Sood, 2003).

In the developing countries, studies on the effect of brand extensions on parent brand have been conducted in several industries. Doust and Esfahlan (2012) focused on the manufacturing industry, Arslan and Altuna (2010), and Dwivedi et al. (2010) focused on the effect of fit and familiarity on brand image respectively. Ricardo (2005) did a study on use of branding strategies in agribusiness commodities in Brazil. Minoo (1997) did a study on Clothing branding strategies; influence of brand personality on advertising in Portugal. In Kenya, Mwangi

(2013) also carried out a study on the influence of brand extension strategies on product brand image of pharmaceutical companies in Kenya. Such studies include: Shihachi (2012) conducted a study on the usage of social marketing strategies in changing public behavior. A case for rural enterprise and agribusiness promotion project, Rugut (2012) did a study on brand marketing strategies applied by the major motorcycle marketing firms in Kenya while Isabwa (2008) studied the application of marketing strategies by political parties in Kenya.

Most of these researches have been focused on exploring the essential factors in success of brand extension and some of them in exploiting the reciprocal effects of extension on product brand image. However, these studies have focused on the effect of brand extension on product brand image of fast moving consumer goods and not on the mobile market. Due to lack of enough studies that have focused on mobile market and effects of extensions on the image of a firm in Kenya, this study will be carried out with an aim to determine effect of a brand extension on product brand image in the mobile market in Kenya.

1.3 Research Objectives

1.3.1 General Objective

The general objective of this study is to determine the effect of a brand extension on product brand image of Safaricom Kenya Ltd.

1.3.2 Specific Objectives

1. To examine effect of change in customer attitude of the parent brand after the extension
2. To analyze effect of perceived quality on the parent brand after the extension
3. To determine brand dilution effect on the image of the parent brand after the extension

1.4 Research Questions

1. What is the extent of change in customer attitude of the parent brand after the extension?
2. What is the effect of perceived quality on the parent brand after the extension?
3. What is the dilution effect of a brand extension on the product brand image?

1.5 Significance of the Study

Brand extension can be a very challenging strategy as it puts the status and image of the core brand at stake. Hence, it is highly important that any newly extended brands must have all the

necessary marketing elements and its target market correctly evaluated. The current study will provide contribute to both practical and theoretical contributions.

Practically, results of the current study will aid brand managers' decision making processes as to how brand extension strategies may have and this will help in determining whether a brand extension is appropriate. Furthermore, the current study will provides information regarding the effect of brand extension on the product brand image. More specifically, the study will offers additional information regarding the effect of the types of extension (horizontal versus vertical) on the core brand concept and parent brand equity. Brand managers can utilize findings obtained from the current study to determine whether newly extended brands should be introduced in the marketplace. If yes, brand managers should decide further as to what types of brand extension should be executed for any newly extended products to successfully secure market share, and, at the same time, sustain the equity of the parent brand.

Theoretically, the study extends the development of the stream of literature on the relationships between brand extensions and brand equity in the mobile market context. Furthermore, the current study will also provide methodological contributions. That is, while some previous studies on brand extension have been mainly conducted in a laboratory setting using fictitious brands, causing one to question external validity of the results (Lahiri & Gupta, 2009); the current study was conducted using actual mobile telephony brands available in the market to overcome the concern related to generalizability.

1.6 Scope of the Study

Similar to other organizations in the world, organizations like Safaricom Ltd apply and gain benefit from brand extensions. The study aimed at establishing the effect of extending a brand and its effect on the image of the Safaricom brand customers that use products from Safaricom Kenya Ltd are faced by a significant change in the attitude, perceived quality and whether there is an apt for dilution of the brand after any extension that the company adopts. The study targeted a total population of two hundred subscribers that frequently used Safaricom products frequently. The study was carried out in a period of six months.

1.7 Limitations of the Study

This study was limited by the fact that it was not be possible to control some intervening factors like the literacy levels work experience of part of the study population. To overcome this, the

researcher adopted random sampling technique to collect data from the large proportion of the respondents. In addition, since questionnaires were used to collect data, there was a tendency of individuals overrating themselves on desirable traits in terms of perceived quality and attitude towards a brand. Moreover, respondents were worried about victimization by the mobile service provider if they give any information that was negative. Since the research intended to cover Nairobi, Thika, Kiambu and Machakos region subscribers, the study was limited by few resources and time needed to cover enough ground therefore concentrated on Nairobi County only.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of literature and research related to brand extension effect on the image of a brand. First the chapter enumerated the theoretical framework that highlighted various theories that explained the concept of brand extension and product brand image. The chapter addressed the empirical theory that was to be guided by the specific objectives of the study. These were examining the effect of customer attitude on product brand image, determining the effect of perceived quality on the parent brand after the extension and determine brand dilution effect on the image of the parent brand after the extension. In addition, the chapter presented a conceptual framework depicting the dependent and independent variables. Finally, the key study variables were operationalized.

2.2 Theoretical Framework

This section addressed the theories that gave an insight on effect of brand extension on product brand image. These theories were: the branding theory, the theory of spreading activation theory and the theory of processing fluency.

2.2.1 Branding Theory

This theory was developed by Hankinson, (2010) and presented that contemporary markets presented various products of the same category that have a very thin line of distinction between them. In order to distinguish as well as make these products competitive, companies introduce their various products into the market by branding them. A brand only exemplifies a product but is not the product itself. A brand refers to a name, symbol, word, phrase, sign, design or a combination of these that a company assumes and utilizes to make its identity known in relation to the goods and services it offers as well as to remain distinct from other rival companies.

A company with a high quality brand attains high awareness of the brand by consumers, greater faithfulness by customers, less susceptibility to competitors' marketing activities, high profit margins, less negative reaction by consumers to increase in price, higher marketing promotion effectiveness, higher support of middlemen, increasing licensing and brand extension

opportunities (Keller, 2008). As a result of the tough competition in the market, firms are compelled to adopt strategies that place them at an advantageous position over their rivals.

2.1.2 The Spreading Activation Theory

The theory of spreading activation applied nowadays in the field of consumer behavior and branding was developed by Quillian (1967) as an in-depth analysis of the human semantic memory. The theory starts from the idea that people hold in their memory a large number of concepts, which correspond to certain meanings of the words (phrases) and are organized in networks. Each concept represents a memory node, connected through links to other concepts held in memory, connected to other nodes, as illustrated in the figure below. According to the author, only an entire network is able to represent the whole meaning of a concept, as held in an individual's memory. The theory further suggest that memory consists of both a conceptual network and a lexical memory, organized in noun categories, with the concepts closely related and sharing coming properties.

The concepts are established in the memory through a process called encoding and once a memory is formed it will not be lost, but its intensity (strength) will diminish in time, which negatively affects subsequent retrieval. The theory further asserts that once a concept (node) is activated, activation also spreads to the other nodes connected to the primed node and so on. This is closely related to the accessibility of the nodes, which is related to the strength of the links between the nodes. The more often an individual uses a certain property of a concept from his memory, the stronger the link between the primed concept and the property concept. It is through this process that a consumer gets to have an image about an extended product and the parent brand product image. This is linked through brand association in the memory of the consumer and taken together all these associations forms the associative network theory. This theory will provide insights on how consumer sees the link between parent product brand image of a product and the product brand image of an extended product.

2.1.3 The Theory of Processing Fluency

This theory was developed by Alter & Oppenheimer (2009) and is divided into two: perceptual and conceptual fluency. Perceptual fluency deals with improved processing of physical whereas conceptual fluency deals with improving processing of meanings. Continual exposure of customers' to perceptual or conceptual stimulus leads to the concepts being imprinted on the

consumers' memory thus enhancing processing and thereby capturing the consumer's attention. Subsequently, when a design similar to the parent brand is used to extend a new product category, the consumer's perceptual fluency is boosted resulting in positive attitude towards the product. As such, exposure of customers' to stimulus that boost the ease of processing the new product results in perception of fit.

2.3 Empirical Review

This section reviewed literature on studies done by various authors on effect of brand extension. This section discussed the effect of customer attitude on product brand image, effect of perceived quality on the parent brand after the extension and brand dilution effect on the image of the parent brand after the extension.

2.3.1 The Effect of Customer Attitude on Product brand image

There are two main reasons for paying special attention to consumers' attitude. First, consumers' evaluation is very important because researchers believe that consumer attitude is the main factor in successful implementation of brand extension and brand success (Klink & Smith, (2001). Furthermore, consumers' attitude to extension is a necessity to establish brand equity (Kim, Lavack, & Smith ,2001). Attitude is defined as a cognitive state which is reflected in many aspects and makes the consumer give preference to one product or brand. In other words, consumer attitude to new product and extended brand is made by consumers' perception of extended brand and the possibility of buying a new product with that brand. Consumer attitude to extension is influenced by such variables as initial product brand image and perceived fit between a brand and its products and the new product with extended brand.

Martinez and Pina (2009) defined consumer attitude is the intellectual awareness of customers about new products and brand extension. The attitude of consumers is the ignition key for successful enactment of brand extension and brand success. Therefore, the evaluation of consumer's attitude is very important. Performance of brand, social image, worth, dependability and affection are some of the factors that determine the consumers, attitude. Customers' attitude to extend the influence of perceived fit between a brand and its products and a new product in the market that is related to the original brand. Attitude for expansion was discovered to be higher than the perception of fit and the brand had a higher perceived value.

Familiarity entails the degree to which a consumer knows a brand. Brand familiarity as defined by Keller, Parameswaran, & Jacob, (2011) is “the number of product related experiences that have been accumulated by the consumer (through product usage, advertising, etc.)”. This means that familiarity increases with any form of exposure or experience with the brand. To illustrate that consumers tend to purchase brands they are familiar with, Aaker, (2004) gave results of experiments conducted on customers’ familiarity. He states that even if consumers were shown meaningless words and then afterwards motivated to choose the names they like, they would pick the words they have been shown before in spite of their worthlessness (Aaker, 2004, p. 203). Similarly, consumers tend to show favorable consideration for brand names they are familiar with as opposed to those they are unaware of. Knowledge of the original brand is therefore required for consumers to be able to appreciate its association with the new product.

In brand familiarity, there is brand similarity. Similarity refers to the likeness between the present classes and new products depending on the characteristics and benefits. It is the level to which customers regard the extension as similar to the parent Brand and therefore determine the fit between them. The perceived fit is one of the determining factors in the evaluation of brand extension (Aaker, 2009). Increased similarity between the existing and the new products means that there is higher likelihood for a positive transfer or negative transfer and therefore success or failure of the extension. Consumers normally consider the characteristics of the core brand and compare them using their category knowledge. Druly (2004) suggests that the research of how consumers assess brand extensions should not only take into consideration similarity of features such as look, price, and design, but also consistency of the brand concept such as status and category.

2.3.2 The effect of perceived quality on the product brand image

Perceived quality as defined by Yoo et al. (2000) is the consumer’s subjective judgment concerning the general superiority or excellence of a brand. Sweeney, & Soutar (2001) asserted that perceived quality is different from the actual quality of the product, but rather the customer’s own assessment of the product. Perceived quality is important as it offers the company the competitive advantage by distinguishing it from other companies. It also provides value to the consumers indicating to firms that their consumers’ quality consideration matter in its overall performance. Studies have established that product cues like the country where the product

originates from and its price indicate the quality of the product, and therefore affect the consumers' receptivity of the brand (Keller, 2011).

Additionally, researchers have argued that the name and image of the brand can determine the consumer's perception of its quality Steenkamp et al. (2003). Further, perceived quality may be as a result of the consumer's own experience that made him to pass judgment on its quality. The judgment based on experience tends to carry more weight and the customers tend to remember easily what their experience was. The subjective judgment of the consumer determines to a great extent their evaluation of the new products of the extended brand. Consumers who consider the parent brand to be of a high quality can easily project their experience to the new category. Some researchers have found out that perceived quality is the main consumer-based brand equity construct since it is closely connected with the readiness to pay a certain price for the brand, the reason for its purchase and the choice of the brand (Netemeyer et al., 2004).

Perceived quality plays an important role in the success of a brand. Once the company has created brand awareness in consumers, they will purchase a product. For continuous purchase of a product, the customer quality perception should be positive. A new product can be a good idea, but if the product does not meet expectations, it will not be sold. If a consumer goes for a purchase trial but the product does not meet his/her expectations, then the continuous process of purchasing will stop (Apéria and Back, 2004).

Perception of quality differs from actual quality. The consumer can be affected by earlier impressions made by poor quality. According to Aaker (2004), decisive is to protect the brand from a bad image of shady quality. Otherwise it will be difficult or almost impossible to recover the image and reputation of a brand in the market. Perceived quality differs from objective quality. Making difference between product attributes and consumer perception in them is very important. In perceived quality value and emotional reward are seen on high level by customer. Perceived quality becomes the assessment through which it creates the image of a product in a customer's mind that governs his/her attitude toward a product.

Perceived quality can be in the intrinsic or physical make up (taste, color, consistency) and extrinsic cues (price, brand name, publicity, warranties). Internal or intrinsic is about the product quality, working duration and physical composition of the product. External or extrinsic dimension all which is not included in the physical product. This can be price, marketing or the brand itself. Therefore, brand should develop itself to associate with the quality in a customer's mind both in internal cue and external cue (Apéria and Back 2004).

2.3.3 The Brand dilution effect on the product brand image

A brand is one of the most important assets a company can have. When the brand equity is perceived highly by customers then this means that customers will be loyal and will not be swayed by competitor information. The company will also benefit from high profit margins, lower price sensitivity from customers, support from intermediaries, and brand extension opportunities (Keller, 2008). For a firm to have a high equity of their brand they have to embark on intensive investments and therefore this means that a company cannot launch new brands in the market. The aim of every company is to create favorable and positive associations of the parent brand and the extended brand. Tools that maybe used in enforcing the brand are the name, labeling, color, promotional efforts, target market, logo, colors and design.

Despite the many advantages of brand extension, there arise potential threats to the existing brand. Pitta and Katsanis (1995) noted that brand extension could affect the parent brand. These negative effects are cannibalization, failure, partial failure and dilution even if the extension is successful. When a brand is extended into products that are not consistent the parent brands or brands that have a different association, it leads to a damaged brand. If extensive extension is made, differentiating association maybe lost hence dilution (Aaker, 2004). Unsuccessful brand extension dilute parent brands by reducing the favorable attribute beliefs customers have of the parent brand. there is a difference between successful repeated extension and their effect on brand equity and the negative effect of brand extension on product brand image.

The high competition in the market compels firms to offer quality products and services as the only way to maintain their competitive advantage. The moment a firm has established brand awareness to customers who buy a product, the customers' quality perception should be positive. The perceived quality of a brand plays a significant role in its success (Angelova et al,

2011). As pointed out by many researchers, chances of contented consumers sharing their experiences with others are relatively lower in comparison to those of customers that are not satisfied. Whereas satisfied consumers may share their experience with five or six other people, dissatisfied consumers tend to share with ten others. In brand extension, the perceived quality of the core brand is usually transferred to new products Rao et al. (1999). Therefore, consumers will evaluate a brand extension positively if they are used to generally high quality products from the core brand. However if the new product fails to meet the customer's expectations, it may be harmful for the product image.

2.3.4 The Effect of a Brand Extension Product brand image

Companies accomplish successful brand selection of their products by using brand extension. Brand extension as already mentioned, is the process of introducing a new group of products into the market by using successful brands that already exist. It can also be defined as attaching an existing widely known and popular brand name to a new or modified product introduced in a new product category (Swaminathan and Reddy, 2001). Developing a new brand name usually requires heavy capital, though it brings many returns in the long run. Firms may opt to use brand extension to introduce a new product category instead of developing a new brand name because of the inherent advantages of the strategy such as less capital of developing in comparison to creation of a new brand.

Acceptability of the extended brand is therefore easier since the consumers are acquainted with the current brand. It may also minimize the risks associated with failure or slow acceptance of new products by buyers in the market since consumers can associate the quality of the product with the already established good will for the original brand. In spite of the competitive advantages presented by brand extension, firms still find problems launching new product categories using brand extension. The problems of brand extension may include unsuitability to some brands as well as negatively affecting the image of the extended brand. Also, the image of the extended brand may fade or suffer from split sales. Consequently, many marketing researchers have sought to find out the factors that consumers use to determine their acceptance or rejection of the brand extension and therefore the success or failure of the brand extension (Czellar, 2003).

An ideal situation would be one in which the equity of the core p brand transfers to the extension. Aaker and Keller (2008) observed that brand extension's success is based on some assumptions regarding the behavior of the consumers. Among the assumptions is that the consumers have a preference and a

favorable regard for the firm's original brand product. The other assumption is that the favorable regard for the original brand among the consumers facilitated the positive attitude towards the brand extension. The third assumption is that the negative associations of the original product were not transmitted to or created by the brand extension. Other researchers, however, contend that brand extension may harm the equity of the original brand or be harmed by its negative association and that a careful study should therefore be done beforehand. Lee et al. (1996) proposes that the important question is whether or not consumers will regard the new extension as giving sufficient value. The main objective of brand extension is to maximize on the existing brand name and therefore attract new customers while retaining the present ones.

Brand extension may be categorized into horizontal and vertical extension. Horizontal Extension Strategy entails introduction of a new product in either a related product category, or in a product class entirely new to the firm. In most cases, the current brand names are applied for the new extensions. Based on Aaker and Keller (1990) horizontal brand extensions comes in two other types depending on the difference in focus. The two types include franchise extension and line extension. The line extension strategy uses the existing core brand name to enter a new market segment in the same product category. An example is Diet Coke and Diet Pepsi; both of which are particularly focused on consumers who are health conscious. Franchise extension strategy employs an existing parent brand name to go into a new market with a product category that is different and relatively new to the firm. An example is the Caterpillar firm which is among the leading manufacturers globally of equipment used for construction and mining introducing its clothing lines (Pitta & Katsanis, 1995).

Vertical Extension Strategy Contrary to horizontal strategy, vertical extension involves an extension of the core brand in the same product category to a different market but at a different price and quality level. The extension usually takes up a second brand name or uses the descriptor alongside the parent brand name. The direction of the vertical line extension from the existing position of the core brand can either be upward or downward (Kim et al., 2001). The extension can be relatively far or slightly distant from the present position. Assuming that the core brand is currently positioned high on both price and quality levels, indicating a prestigious brand concept, the introduction of a downward extension with low quality and price levels would mean it occupies a distant position from the original position. Nevertheless, if the

downward extension changes only the price or the quality, it may be considered to have only a minor variation from the original position and therefore slightly distant from it.

In spite of the many benefits resulting from brand extension, it also poses some disadvantages to the company. Problems such as cannibalization, disappointment and dilution may occur. According to Keller (1993), when a brand is extended into product groups that are inconsistent with the parent product or if associations that are different are created by the extension, then the brand's image is damaged. Therefore, even extensions that are successful can ultimately become detrimental to the foundation of the product brand image especially if the associations created by the extensions change already existing association. In case of too many extensions, dilution of brand may occur due to loss of the differentiating association. For unsuccessful extensions, brand names may be diluted by belittling the positive beliefs that consumers have been associating with the brand name.

Moreover, while analyzing the effect of brand extension strategies, brand fit is the degree of congruency between the extended brand and the original brand. Other than category similarity, brand fit is also linked with the concept of brand consistency as well as product feature similarity (Kim, Lavack & Smith, 2001). There are three concepts that determine consumer's awareness of fit: complementarity (the level to which the categories complement each other), transferability (the level of customer's awareness on how much of the quality of the first product has been transferred to the new product) and substitutability (the level to which the two categories substitute each other).

Brand association also acts as a link between the parent brand and the extension and therefore serves as a basis of fit. The acceptability of the new brand will highly depend on consumer association to the parent brand. The higher the association is, the greater the positive attitude it will trigger for the new brand (Keller & Sood, 2003). On the other hand, if the brand association is low, it will lead to doubt reducing the willingness to buy as well as damaging the parent brand and other goods marketed under the same brand. In order to increase consumer awareness of the brand advertisement is very pivotal. It enhances the ease with which customers identify and process a brand. This role of advertisement can best be elaborated using the theory of processing fluency. This theory is divided into two: perceptual and conceptual fluency. Perceptual fluency deals with improved processing of physical whereas conceptual fluency deals

with improving processing of meanings. Czellar (2003) noted that perceived fit is the customer's awareness of the similarity, suitability or reliability of the new product in relation to the original product. If the degree of fitness is high, then the new product will be easily accepted and if the fitness is low then the consumer's attitude for the new product will be watered down. The most important aspect of fitness is similarity or category fit. Similarity fitness refers to the likeliness in terms of characteristics and benefits between the already existing product and the newly introduced product in the group.

Research on consumer behavior shows that, when semblance between the existing product and the new product is high the chances of transferring the positive and negative beliefs is also high. Increase in similarity between the existing and new product leads to more likelihood of success and transfer of attitude from the actual product to the new product (Hankinson, 2010). Modern research has identified a number of moderating variables which determine the acceptance of fit. These are variables such as communication strategy; quantity of products associated with the brand; supposed price and quality of the new product and how innovative the consumer is. Rugut (2012) asserted that consumer behavior in relation to innovativeness is paramount on having positive attitude towards a new product. The more innovative a consumer is, the more they will relish purchasing new products, ignore social norms as well as be self-confident and be courageous.

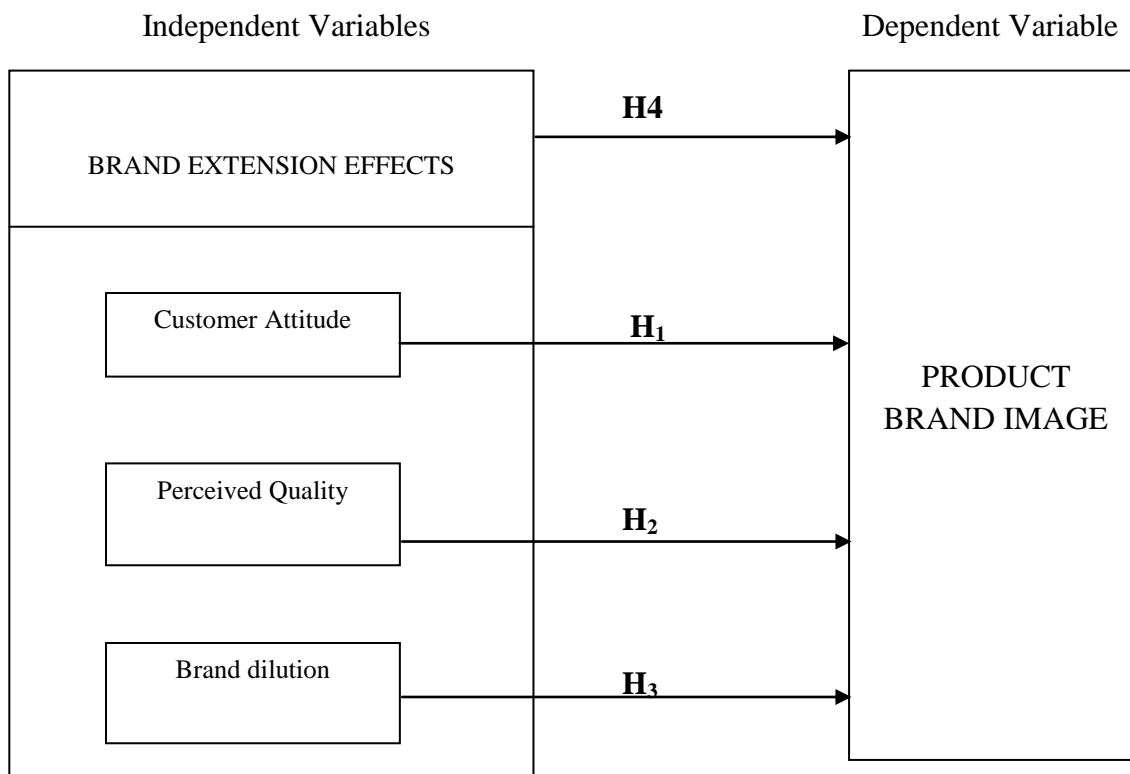
2.4 Knowledge Gap

Previous research done in developed countries indicate that if brand extension strategies are managed well they can reinforce brand meaning and quality and therefore, help to build strong brand equity (Keller & Sood, 2003). When successful, brand extension can positively influence choice of the parent brand (Swaminathan, 2003); it is associated with risks as well. Even commercially successful extensions do not always benefit the company as a whole. An extension may change prior beliefs of the parent brand and reduce the sales of other products marketed under the same brand. Brand extensions produce feedback effects that may enhance or diminish the equity of the parent brand (Swaminathan et al, 2001). However there exists a gap as to if brand extension has an effect on product brand image in developing countries and on the mobile network industry. This research envisioned investigating effect of brand extension on product brand image in the mobile market in Kenya, focusing on Safaricom Kenya Limited.

2.5 Conceptual Framework

This section presented the dependent and independent variables in a diagram to show the relationship between the variables. In the independent variables, customer attitude is the intellectual awareness of customers about new products and brand extension. Perceived quality is the customer's perception of the overall quality or superiority of a product or service with respect to its intended purpose, relative to alternatives is the extent to which a brand is recognized by potential customers and is correctly associated with a particular product. Brand dilution is the where the brand loses its brand associations with a market segment, product area, or quality, price or reputation. The dependent variable is product brand image. It is the bundle of associations customers have of a brand. In this study, this variable will rely upon the independent variables; customer attitudes, brand awareness, brand familiarity and brand extension strategies.

Fig. 2.1: Conceptual Framework



This section is aimed at speculating the possible outcome of the research. These hypotheses are testable, verifiable and falsifiable and will be verified statistically. The following research hypotheses were tested while carrying out the research:

H₀₁: Customer Attitudes has no significant effect on product brand image

H₁₁: Customer Attitudes has a significant effect on product brand image

H₀₂: Perceived quality has no significant effect on product brand image

H₁₂: Perceived quality has a significant effect on product brand image

H₀₃: Brand extension will have a no diluting effect on the product image

H₁₃: Brand extension will have a diluting effect on the product image

H₀₄: A Brand extension has no significant effect on product brand image

H₁₄: A Brand extension has a significant effect on product brand image

2.7 Operationalization of Variables

This section showed how each variable was to be processed to achieve the research requirements.

Table 2.1 : Operationalization of Variables

Objective	Variable Type	Operationalization	Measurement scale	Question in Questionnaire
To examine the change in customer attitude on product brand image	Independent Customer attitude towards a brand	<ul style="list-style-type: none"> • Intellectual cognitive • Awareness • Familiarity • Brand exposure 		SECTION B
To determine the effect of perceived quality on product brand image	Independent Perceived quality towards a brand	<ul style="list-style-type: none"> • Customer experience of • Influence opinions • Reliability, performance features 		SECTION C
To determine the brand dilution effect on the image of the parent brand	Independent Apt for Brand dilution after an extension occurs	<ul style="list-style-type: none"> • Cannibalization • Associations in consumers' minds • Product fit to the parent brand 		SECTION D
	Dependent Product Brand Image	<ul style="list-style-type: none"> • Product attributes • Customer expectations • Competitor branding decisions • Customer perception of the image of the brand • 		SECTION E

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter described the blueprint for the research design, study population, sampling, data collection, instrumentation, measurement and analysis.

3.2 Research Design

The research design adopted was a descriptive research design. According to Cooper and Schindler (2000), a descriptive research design is concerned with finding out the; who, what, where, when and how much. The design is deemed appropriate because the main interest was to explore the viable relationship and examine effect of brand extension on product brand image in mobile market in Nairobi. Quantitative research methodology was used, where structured questionnaires based on the study were constructed.

3.3 Target Population

The research's target population was the subscribers to Safaricom and was available at the time of data collection in Nairobi County. The unit of analysis was the frequent mobile users subscribed to the network because they were more familiar to the vast products offered by Safaricom and were best to answer questions on their perceived service experience offered by the company, a position also supported by Navarro et al. (2005).

The sampling frame was obtained from Safaricom Kenya Limited. Kombo and Trump (2006) observed that a sampling frame provided a means to choose members from the target population to participate in the study. My sampling frame was 220 respondents.

3.4 Sampling Size and Technique

A sampling technique shows the classification of the different techniques to choose a sample.

The study used a probability sampling approach to give each respondent an equal opportunity to be chosen (Kombo and Trump, 2006). The study will use the stratified sampling technique. The study selected 220 respondents giving a sample size of 220.

3.5 Data Collection Methods

The data collection methods refer to the approach the researcher used to gather data on the study (Kumar, 2009). The researcher used both primary and secondary. Secondary data was collected from credible sources with related information to the study (Kuada, 2012). The researcher reviewed books and academic journals to ensure that the findings from the assessment of the

effect of brand extension on the product brand image of Safaricom Kenya Limited were relevant. The researcher used primary data collection methods in the study. This data was collected using questionnaires that were self administered to the respondents. This method of collecting data ensured increased response rate, provided confidentiality, allowed for clarification of difficult questions and enhanced the control of data collection process by the researcher.

3.6 Instrumentation

A questionnaire tool with both open and close ended questions was used in the study. The questionnaire method of data collection is selected because it allowed for the collection of many data within the shortest time possible. The questionnaires used in this study had two parts. The first part included demographic variables such as gender, age and educational level and the second part will be devoted to measure the research's considered variables. Rating scale for each question was prepared based on a score of 1 to 5 that is from very agreeing to strongly disagree. The questionnaire was subjected to a pre-test to test for reliability and validity.

Data collection is the gathering empirical evidence in order to gain new insights about a situation and answer questions that prompt undertaking of the research (Flick, 2009). Primary data was collected from mobile phone subscribers.

3.6.1 Reliability and Validity of the Study

The content validity of the questionnaire was approved by the researcher's supervisors while the reliability of the tool was determined through a reliability test. This involved the piloting of the instrument to an initial sample of 30 questionnaires that were distributed and through the obtained data reliability test was calculated. A Cronbach's alpha of 0.7% was acceptable as being reliable (Owino, Kibera, Munyoki, & Wainaina 2014). The questionnaire was given to five Safaricom customers who were chosen randomly and their feedback used to improve on the face validity of the instrument.

3.7 Data Analysis

The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variations). A Pearson correlation analysis and multi- variate regression analysis was performed on the data through SPSS. In particular, the descriptive analysis employed tables, pie charts, percentages, mean and standard deviations to summarize the respondent answers while regression analysis will be presented through regression table.

Since the purpose of the study was to analyze how the independent variables relating to the effect of brand extension (customer attitude, perceived quality and dilution effect) influence the product brand image after extension, two regression equations will be used as shown below:

$$Y_M = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \dots \dots \dots (i)$$

$$Y_P = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y_M =effect of brand extension;

Y_P =product image after extension;

X_1 =perceived quality;

X_2 =customer's dilution effect;

X_3 = customer perceived fit;

X_4 =customer attitude towards brand and ε = error term. The average values of the items in the scales were used for each variable (common in brand extension studies, as in (Chernatony, 2004).

3.8 Ethical Consideration

This section highlights the elements that may have undermined the reliability and credibility of the research. In regards to secondary data, it is important that the data needed to be well cited and referenced in the APA referencing style to avoid plagiarism and ensure that the study was as original as possible.

In relation to primary data, confidentiality faced the researcher because some respondents were afraid to give accurate feedback for fear it would be used against them. Therefore, the researcher needed to reassure the respondents that there is a guarantee of confidentiality. Also authorization was need before the data was collected from relevant authorities.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents the results and interpretations of the study guided by the research objective of the study. Data analysis was done using statistical analysis, descriptive statistical analysis, factor analysis and regression analysis. Descriptive analysis was used to address the profile of the mobile phone subscribers and Regression analysis was used to establish the research objectives of brand extension on product brand image and finally ANOVA test was used to compare the effect of brand extension on brand image on Safaricom mobile phone subscriber.

4.1.1 Response Rate

Out of 220 questionnaires administered 220 were filled and returned resulting to 100% response rate. Mugenda and Mugenda (2003) indicated that questionnaires have a response rate of about 70% and that response rate of 50% is adequate for analysis 70 % being very good. Therefore 100% response rate was very good to use.

Table 4.1: Descriptive Statistics

The study employed the use of descriptive statistic as a preliminary measure before the actual analysis. Appendix II shows that the minimum measure was one and the maximum measure was five. These results were consistent with the scale 1-5 instruments in Appendix II and therefore no outlier was reported.

4.1.1 Demographic Profile of the Respondents.

The male respondents were represented more (55%) and female with 44.5% this indicates that there were more male subscribers as compared to the female subscribers are registering for mobile phone service in table 4.1

Table 4.1 Gender of Respondents

Gender	Frequency	Percentage (%)
GENDER	RESPONDENTS	%
Female	99	55.0
Male	121	45.0
TOTAL	220	100

Regarding the age, majority was youthful since 62.7% aged between 20-30 years while 19% aged between 31-40 years, 12.3% aged less than 20 years. Furthermore, of respondents were Safaricom mobile phone subscribers with population of 97.3% while 2.7% were from other mobile phone networks.

Finally, on mobile duration of usage of Safaricom mobile phone usage, majority held use of Safaricom line for more than three years with 75% of respondents, more than one year with 11.8% and less than three years 5% meaning most respondents had experience with use of Safaricom line as shown in figure 4.1.

Figure 4.1: Safaricom Line Usage

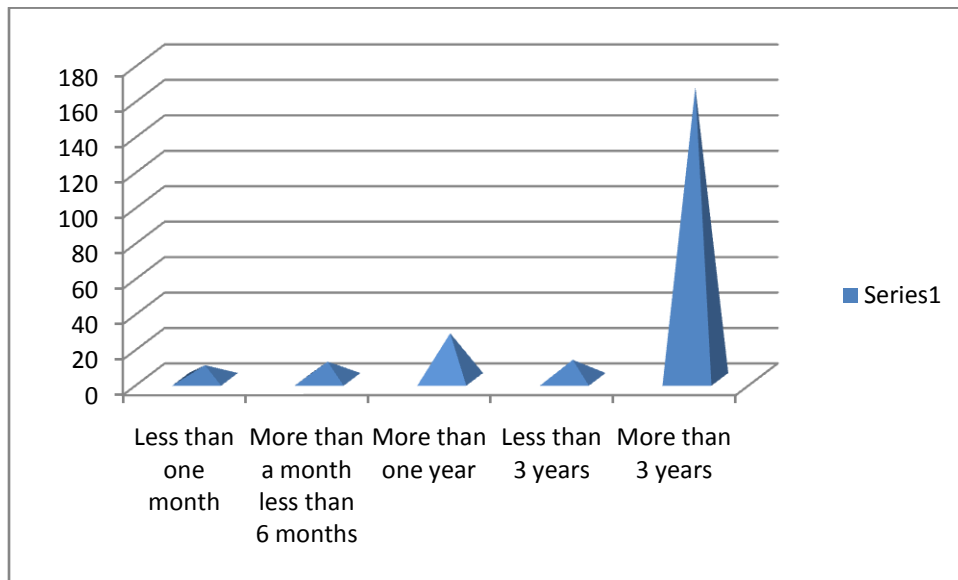


Table 4.2: Demographic of Respondent Profile

		Frequency	Percent
Gender	Male	122	55.5
	Female	98	44.5
Age	Under 20 years	27	12.3
	20-30 years	138	62.7
	31-40 years	42	19.1
	over 41 years	13	5.9
County of origin	Nairobi	139	63.2
	Other	81	36.8
Are you a Safaricom subscriber	Yes	214	97.3
	No	6	2.7
How long have uses your Safaricom line	Less than one month	8	3.6
	More than a month less than 6 months	10	4.5
	More than one year	26	11.8
	Less than 3 years	11	5.0
	More than 3 years	165	75.0
Total		220	100.0

4.2: Correlation Analysis

Using correlation analysis, the study sought to examine the nature of relationship between the Dependent variable and the independent variable indicators. Using Pearson correlation coefficient (r) and p-value analysis, a correlation was considered significant when the probability value was below 0.05 ($p\text{-value} \leq 0.05$). Correlation values (r) close to zero meant a weak relationship and r close to one meant a strong correlation existed

Table 4.3 below presents the results of the correlation analysis. The results revealed that customer attitude and product brand image are positively and significant related ($r=0.666$, $p=0.00$). The table further indicated that perceived quality and product brand image are positively and significantly related ($r=0.794$, $p=0.000$). It was further established that Apt dilution effect and product brand image were positively and significantly related ($r=0.794$, $p=0.000$). Similarly, this implies that an increase in any unit of the variables leads to an improvement in product brand image.

Table 4.3: Correlation Matrix

		customer attitude	perceived quality	dilution effect	Productbrand image
customer attitude	Pearson Correlation	1			
	Sig. (2-tailed)				
perceived quality	Pearson Correlation	.789**	1		
	Sig. (2-tailed)	0			
Aptdilutioneffect	Pearson Correlation	.678**	.788**	1	
	Sig. (2-tailed)	0	0		
Productbrandimage	Pearson Correlation	.660**	.752**	.794**	
	Sig. (2-tailed)	0	0	0	
** Correlation is significant at the 0.01 level (2-tailed).					

The study adopted The KMO (Kaiser-Meyer-Olkin) statistics and Bartlett's test of Sphericity as pretest analysis. Appendix 3 shows KMO statistics of 0.902. Hutchison and Sofroniu (1999) endorsed KMO values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great and values above 0.9 are superb, hence the value 0.902 shows that sample was adequate in this study. The Bartlett's test of Sphericity resulted in a p-value = 0.000 and was considered significant as it was less than threshold of 0.005 (Tabachnick & Fidell, 2007). This meant that the variables in the data set were correlated and hence good for the factor analysis.

Table 4.4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.902
Bartlett's Test of Sphericity	Approx. Chi-Square	5294.603
	df	946
	Sig.	0.000

The initial solution was determined using Principal Component Analysis (PCA) method. The PCA method was preferred because it allowed for reduction of the data set to a more manageable size while retaining as much of the original information. Appendix III shows that the unrotated

solution revealed 44 components out of which three components explained 43.502 % of the variations leaving 56.498% of the variations unexplained. This necessitated factor rotation to explain the unexplained components

4.5.1 Factor rotation and interpretation from the product brand image

To determine the effect of brand extension on product brand image of Safaricom mobile subscribers in Kenya, Kaiser Normalization rotation method was applied for proper explanation of the product brand image. The varimax rotation resulted in 3 component. A total of twenty items loaded on component 1 with the items, I enjoy Safaricom advertisements=0.727, I can buy similar Safaricom products=0.727, Safaricom has a good social image=0.719, New products introduced by Safaricom are familiar to parent brand=0.716, Safaricom products have met my expectations=0.715, Safaricom products look and feel like quality products=0.703, I have heard people talk about Safaricom Brand=0.699, Safaricom products are different from competitor brands=0.688, Safaricom products have remained the same over time=0.67, I am likely to purchase more of Safaricom products=0.666, When I see an advert, I recall Safaricom products=0.665, I adopt new Safaricom products when launched=0.659, Safaricom has a clear logo and name=0.652

Two items were loaded in component 2 and the order of factor loading were, I often buy Safaricom products=0.639, Safaricom gives back to the society through CSR=0.609

Two items were loaded in component 3 and the order of factor loading were, I would recommend Safaricom Products to a friend=0.681, I have heard people talk about Safaricom Brand=0.559

4.4: Test of Research Hypotheses Using Regression Analysis

The study sought to establish the effect of brand extension on product brand image. To do this, regression analysis was adopted in testing the research hypotheses. Assuming a linear relationship between brand extension and product brand image, the study used the Ordinary Least Square (OLS) method of estimation. Using OLS, a regression line of best fit was sought. Regression analysis was used to model the relationship between brand extension and the product

brand image. It was important in determining the magnitude of the resulting relationship and it was used to make prediction based on resulting model.

Before the regression analysis, the data was subjected to assumptions of regression analysis. First the data set was tested for normality. The three key variable; customer attitude ,perceived quality of product , apt of dilution effect product brand image were subjected to a normality test using stem and leaf graphical display and a normal distribution curve as shown in Appendix 2. The resulting stem and leaf display confirmed that the data set was normally distributed. Second, the data was tested for existence of muticollinearity. The independent variables were correlated as shown inAppendix 3, resulting in a significant relationship ($p = 0.000$) with Pearson ($r = 0.409$). The weak relationship meant the data did not suffer from multicollinearity. Third the data was tested for linearity. The test for linearity using scatter plot revealed that the independent variables had linear relationship with the dependent variable. The fourth assumption tested was that of equal variance (homoscedasticity). The residual plots showed that the error term (ϵ_i) was normally and identically independently distributed with mean zero and constant variance. This meant the error variance in brand extension was constant along product brand image. Hence the data did not suffer from heteroscedasticity and instead was homoscedastic. The study proceeded with regression analysis.

4.5:Effect of Customer Attitude on Product Brand Image

Assuming a linear relationship between customer attitude and product brand image, the study examined the predicted model relating customer attitude and product brand image as modeled in equation (2) below.

$$PBI = \beta_0 + \beta_1 CAQ + \epsilon_1 \quad \text{equation (2)}$$

The estimators in equation (2) were defined as; α_1 was the estimate of the intercept and ϵ_1 was the error term related with this regression equation, β_1 was the beta coefficient of product brand image (PBI) and CA represented customer attitude. The effect of customer attitude and product brand image was examined by testing the first research hypothesis (H_{01}) which stated that:

H_{01} : customer attitude has no significant effect on product brand image

Following a simple linear regression analysis, an ANOVA output presented in Table 4.6, shows model one was significant (p-value = 0.000) at 0.05 level in explaining the linear relationship between customer attitude and product brand image

Table 4.5:ANOVA Testcustomer attitude

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	61.547	1	61.547	168.174	.000 ^b
Residual	79.782	218	.366		
Total	141.329	219			

a. Dependent Variable: productbrandimage

b. Predictors: (Constant), customer attitude

In Table 4.6, model one had coefficient of determination (R^2) = 0.435, indicating that 43.5% of the variation in product brand image was explained by the model leaving 56.5% of the variations unexplained. This meant that model one provided a moderately weak fit.

Table 4.6:Model Summary of customer attitude

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	Sig. F Change
1	.660 ^a	.435	.433	.60496	.435	168.174	.000

a. Predictors: (Constant), customer attitude

b. Dependent Variable: product brand image

Table 4.7 presents the coefficients of customer attitude. In reference to model one, customerattitudehad a p-value of 0.000. The study therefore rejected the research hypotheses H_{01} at 5% level and observed that customer attitudehada significant effect on product brand image.

Table 4.7:Coefficient of customer attitude

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.720	.214		3.370	.001	.299	1.140
	Customerattitude	.786	.061	.660	12.968	.000	.666	.905

a. Dependent Variable: productbrandimage

4.6: Effect of Perceived Quality on Product Brand Image

Using OLS method of regression, the effect of perceived quality on product brand image was examined by testing the predicted model in equation (3) below.

$$PBI = \beta_2 + \beta_2 PQ + \varepsilon_2 \text{ equation (2)}$$

In equation (3) β_2 was the estimate of the intercept and ε_2 was the error term related with this regression equation, β_2 was the beta coefficient of perceived quality (PQ) and PBI represented product brand image. The effect of perceived quality on product brand image was examined by testing the second research hypothesis (H_{02}) which stated that:

H_{02} : Perceived quality has no significant effect on product brand image

Using a simple linear regression analysis, an ANOVA output presented in Table 4.9, shows model one was significant (p-value = 0.000) at 0.05 level in explaining the linear relationship between perceived quality and product brand image

Table 4.8:ANOVA Test of Perceived quality

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	80.006	1	80.006	284.419	.000 ^b
	Residual	61.323	218	.281		
	Total	141.329	219			

a. Dependent Variable: productbrandimage

b. Predictors: (Constant), perceivedquality

The model summary of perceived quality and product brand image in Table 4.9 shows the R^2 under model one was 0.556, which meant the perceived quality explained 56.6% of the variations in product brand image leaving 0.45% of the variations unexplained. Model one therefore provided a very strong fit.

Table 4.9:Model Summary of Perceived quality

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	Sig. F Change
1	.752 ^a	.566	.564	.53037	.566	284.419	.000

a. Predictors: (Constant), perceivedquality

. Dependent Variable: product brand image

The coefficients of perceived quality are presented in Table 4.10. In reference to model one, perceived quality had a p-value of 0.000. The study therefore rejected the research hypotheses H_{02} at 5% level and observed that perceived quality had a significant effect on product brand image.

Table 4.10:Coefficient of Perceived quality

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.562	.174		3.225	.001
Perceivedquality	.798	.047	.752	16.865	.000

4.7: Dilution Effect on Product Brand Image after an Extension

Assuming a linear relationship between dilution effect and product brand image, the study examined the predicted model relating brand dilution and product brand image as modeled in equation (3) below.

$$PBI = \beta_1 + \beta_1 BD + \varepsilon_1 \text{ equation (3)}$$

The estimators in equation (2) were defined as; β_1 was the estimate of the intercept and ε_1 was the error term related with this regression equation, β_1 was the beta coefficient of brand dilution (BD) and PBI represented product brand image. The effect of dilution effect and product brand image was examined by testing the first research hypothesis (H_{01}) which stated that:

H_{03} : Brand extension will have a no diluting effect on the product image after an extension

Following a simple linear regression analysis, an ANOVA output presented in Table 4.11, shows model one was significant (p-value = 0.000) at 0.05 level in explaining the linear relationship between dilution of the brand and product brand image.

Table 4.11: ANOVA Test on Dilution Effect

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	89.019	1	89.019	370.988	.000 ^a
Residual	52.309	218	.240		
Total	141.329	219			

a. Dependent Variable: product brand image

b. Predictors: (Constant), dilution effect

In Table 4.11, model one had coefficient of determination (R^2) = 0.630, indicating that 63% of the variation in product brand image was explained by the model leaving 27% of the variations unexplained. This meant that model one provided a very strong fit.

Table 4.12: Model Summary of Dilution Effect

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	Sig. F Change
1	.794 ^a	.630	.628	.48985	.630	370.988	.000

a. Predictors: (Constant), dilution effect

Table 4.13 presents the coefficients of any types brand extension. In reference to model one, hadany types brand extension a p-value of 0.000. The study therefore rejected the research hypotheses H_{01} at 5% level and observed that any type of brand extension will have a no diluting effect on the product image.

Table 4.13:Coefficient of Brand Dilution

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.912	.135		6.740	.000
Aptdilutioneffect	.747	.039	.794	19.261	.000

a. Dependent Variable: productbrandimage

4.8: Effect of Brand Extension onProduct Brand Image

. The three independent variables customer attitude, perceived quality and APT of dilution effect) were regressed against the dependent variable (product brand image) in an integrated model. The predicted regression model in equation four below was subsequently tested.

$$PBI = \beta_3 + \beta_1 CA + \beta_2 PQ + \beta_3 APT + \varepsilon_3 \text{ equation (4)}$$

In Equation (4), β_3 was the estimate of the intercept to the regression line, ε_3 was the associated regression error term, β_1 was the beta coefficient Of customer attitude(CA), β_2 was the beta coefficient of perceived quality (PQ), β_3 was the beta coefficient of of dilution effect (APT) and (PBI) stood for product brand image The relationship brand extension between and product brand image was examined by testing the third research hypothesis (H_{03}) which stated that:

H_{04} : brand extension has no significant effect on product brand image

The ANOVA test results in Table 4.14 were used to assess the overall significance of the regression model. Under model one in Table 4.14; the p-value was 0.000. For this model, the p-value was 0.000. This meant that this model had significant with p-values less than 0.05 at $\alpha = 0.05$ level in explaining the linear relationship between brand extension and product brand image.

Table 4.14:ANOVA test of brand extension

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	95.542	3	31.847	150.242	.000 ^b
	Residual	45.786	216	.212		
	Total	141.329	219			

a. Dependent Variable: productbrandimage

b. Predictors: (Constant), perceivedquality, dilution effect, customerattitude

The model summaries in Table 4.15 shows model were generated using multiple regression analysis. Model one had R^2 value of 0.676, which meant that 67.6% of the variations in product brand image were explained by brand extension. . However the model provides a very strong fit.

Table 4.15:Model summary of brand extension

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	Sig. F Change
1	.822 ^a	.676	.672	.46041	.676	150.242	.000

a. Predictors: (Constant), perceivedquality, aptdilutioneffect, customerattitude

c. Dependent Variable: Product brand image

The model was then used in interpreting the coefficients in Table 4.15. The brand extension had significant coefficient with p-value = 0.000. This output shows the three independent variables; perceive quality,apt dilution and customer attitude were significant at $\alpha = 0.05$ level in explaining variations in product brand image. The study therefore rejected the research hypotheses H_{03} at 5% level and observed that and therefore there was a significant relationship brand extension and product brand image

Table 4.16: Coefficient of Brand extension effects

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	0.365	0.166		2.194	0.029	0.037	0.693
	dilutioneffect	0.485	0.06	0.515	8.095	0	0.367	0.603
	Customerattitude	0.117	0.076	0.098	1.54	0.125	-0.033	0.266
	Perceivedquality	0.286	0.081	0.269	3.541	0	0.127	0.445

a. Dependent Variable: productbrandimage

4.6.5: Evaluating of the Model Predicted by Perceived Value

After establishing that brand extension value significantly influence product brand image. The study sought a model that would provide the best fit in explaining the resulting relationship. The fitted regression model was presented as:

$$PBI = 0.365 + 0.485APTD + 0.286PQ \quad \text{equation (5)}$$

$$\text{Significance} \quad 0.029 \quad 0.000 \quad 0.000$$

$$R^2 = 0.822$$

From equation 5, PBI stood for product brand image, APTD represents any product dilution effect, PQ meant perceived quality and 0.029 was a constant specific to the regression model. The integrated model in equation five above shows that model two had an $R^2 = 0.822$. This was interpreted to mean a model provided a good fit; implying brand extension of value had a significant positive effect on product brand image. The $R^2 = 0.822$, further meant that 82.2% of the variations in the product brand image were explained by two variables: perceived quality and APT dilution effect perceived. Perceived quality had a beta value ($\beta_3 = 0.286$). This meant that on an integrated scale, a unit change in perceived quality would result in a 28.6% positive change in product brand image. A unit change in APT dilution effect ($\beta_4 = 0.485$) would result in a 48.5% positive change in product brand image. This results show that increased levels of brand extension would result in increased levels of product brand image in Safaricom mobile phone subscriber. It was further noted that variable with the greatest effect of product brand image was any product dilution effect followed by perceived quality.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents discussions on the research findings from the data analysis process and summarizes the key findings, the study was therefore guided by three main objectives and the discussion concentrates on their level of attainment.

5.2 Discussion

This study was aimed at validating the effect of brand extension on the product brand image. Additionally the brand extension effects of perceived quality, customer attitude towards the parent image after an extension and the dilution effect once the extension is made was investigated. The results in this study show that customer attitude has no significant effect on the product brand image after the extension. The study also accepted the hypotheses that perceived quality and the dilution effect had a significant effect on the product image after an extension. The last objective was aimed at establishing the apt for dilution effect of the product brand image after an extension.

The product brand image of a brand is diluted no matter what type of extension strategy is used (Martinez ad de Chernatony, 2004). The study found that respondents were familiar to the Safaricom brand. Customer attitude and perception of the quality of brand is positive for an extension to be successful. The factors that have the greatest impact on product brand image are perceived quality and dilution effect. This is because customers place a high value on the quality of the product before they adopt it. Where the quality of the extension is an important feature for the customer, companies could be better adopting a vertical extension strategy using a different name, or a sub brand, rather than the parent brand name to avoid dilution. The results also show that Safaricom has a high image. Therefore, it should be careful when creating extensions. This is because the gains from an extension should justifiable no matter how high the quality so that dilution does not happen. Seeing that Safaricom is a top brand in Kenya, the levels of perception on quality and the effects of attitudes and apt of dilution effect on the parent brand image are different.

5.3 Conclusion

The study concludes that brand extension has a significant effect on product brand image. The elements of brand extension, dilution effect and perceived quality have significant effect on product brand image. The brand extension effect with the greatest effect was dilution effect followed by perceived quality. Therefore customer attitude did not have significant effect on product brand image after an extension.

5.3 Recommendation

This part of the study aims to make recommendations based on the research findings that will guide practitioners and contribute towards to fill policy and research gaps.

5.3.1 Policy Recommendations

Thus suggest that in order for the company to maintain product brand image after an extension, companies should focus on their brand communication for extension quality. Where extension quality is important to consumers, vertical brand extensions are recommended. In such situations, marketers are encouraged to use a sub-brand or a different brand name altogether in order to prevent the parent brand being negatively affected. Separate brand promotional strategies for new products could also be deployed. In general, companies need to emphasize quality within brand communication strategies for extensions and should aim for a fit between the extension and parent brand. Where higher product brand image is evident, potential benefits must justify the action and fit should be as close as possible.

5.3.2 Recommendation for Future Research

The study was focused only in Nairobi County. Therefore the results cannot be generalized to the whole country. Further studies need to be conducted in different categories and brands. In addition, the use of real application of extensions instead of hypotheses would be more realistic and give better results. Additional study within different countries and cultures is advised, however. While survey respondents were considered representative, further study using a larger sample size may allow generalization of findings. Restricting the investigation to two brands and using hypothetical extensions are also acknowledged as limitations. It is therefore suggested that longitudinal research involving different brands and product categories is undertaken so that attitudes toward real extensions could be accurately measured.

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APPENDIX 1: LETTER OF INTRODUCTION

July 13, 2016

Dear Respondent

**THE EFFECT OF A BRAND EXTENSION ON PRODUCT BRAND IMAGE IN THE
MOBILE MARKET IN KENYA: CASE OF SAFARICOM KENYA LIMITED**

My name is Anita Kivulu, a graduate student at KCA University examining the effect brand extension on product brand image of Safaricom Kenya Limited as part of my dissertation..

The following questionnaire will require approximately five minutes of your time to complete. This is an academic research and information provided will be used for academic purpose only. There will be no reference to your name and strict ethical principles will be observed to ensure confidentiality.

APPENDIX II
QUESTIONNAIRE

PART A. General Information

1. Gender

Male ☐ Female ☐ Other ☐

2. Age

Under 20 years ☐ 20-30 years ☐ 31-40 years ☐ 41 years ☐

3. County of origin

Nairobi ☐ Other ☐

4. Are you a Safaricom subscriber?

Yes ☐ No ☐

5. How long have you used your Safaricom Line?

Less than one month ☐

More than a month less than 6 months ☐

More than one year ☐

Less than 3years ☐

More than 3 years ☐

6. Which one of the brands below have you ever used?

- Airtime	<input type="checkbox"/>	- Mshwari	<input type="checkbox"/>
- Safaricom 7's	<input type="checkbox"/>	- Option Magazine	<input type="checkbox"/>
- Lewa Marathon	<input type="checkbox"/>	- Paybill	<input type="checkbox"/>
- Internet	<input type="checkbox"/>	- Buy goods	<input type="checkbox"/>
- Safaricom Jazz Festival	<input type="checkbox"/>	- Flash back services	<input type="checkbox"/>
- Mobile Phones	<input type="checkbox"/>	- Other	
- Mpesa	<input type="checkbox"/>	

PART B. EFFECT OF CUSTOMER ATTITUDE ON PRODUCT BRAND IMAGE

Please tick (✓) to indicate the extent to which you agree or disagree with the following statements effect of customer attitude on product brand image. Use the scale:

Note: 1= Not at all (NAA) 2 = Small extent (SE) 3 = Moderate extent (ME)

4 = Large extent (LE) 5 = Very large extent (VLE)

	CUSTOMER ATTITUDE	NAA	SE	ME	LE	VLE
1	I believe that Safaricom is superior to other brands					
2	I prefer Safaricom products					
3	I have bought newly launched Safaricom products					
4	I would purchase unrelated products from Safaricom					
5	Safaricom gives back to the society through CSR					
6	I am aware of all Safaricom brands					
7	I often buy Safaricom products					
8	The customer service offered by Safaricom is helpful when using their products					
9	Safaricom offers good prices for their products					
10	My perception of Safaricom products is favorable					
11	I enjoy Safaricom advertisements					
12	Safaricom has innovative products					
13	I am confident in the Safaricom brand					
14	Safaricom clearly communicates its products well					
15	I adopt new Safaricom products when launched					

PART C. EFFECT OF PERCEIVED QUALITY ON PRODUCT BRAND IMAGE

	PERCEIVED QUALITY	NAA	SE	ME	LE	VLE
1	Safaricom offer quality products and services					
2	I would recommend Safaricom Products to a friend					
3	Safaricom products have met my expectations					
4	Safaricom products look and feel like quality products					
5	I have heard people talk about Safaricom Brand					
6	When I see an advert, I recall Safaricom products					
7	Safaricom products are available in the market					

8	Safaricom advertisements are easily recognizable					
9	Safaricom products appeal to me					
10	Safaricom delivers on their promises					
11	I am likely to purchase more of Safaricom products					
12	New products introduced by Safaricom are familiar to parent brand					

PART D. THE APT OF DILUTION EFFECT OF AN EXTENSION ON PRODUCT BRAND IMAGE

	DILUTION EFFECT	NAA	SE	ME	LE	VLE
1	Safaricom has an clear logo and name					
2	I can recall all the Safaricom product names					
3	I am aware of the original Safaricom brands					
4	There is a fit between Safaricom's original productsnew products					
5	Safaricom products are different from competitor brands					
6	I can buy similar Safaricom products					
7	Safaricom products have remained the same over time					
8	The image of Safaricom products is the same as before					

PART E. PRODUCT BRAND IMAGE

	PRODUCT BRAND IMAGE	NAA	SE	ME	LE	VLE
1	I have a clear understanding of this brand					
2	The symbol of the brand can build recognition to me					
3	Safaricom comes to my mind when i think of the mobile communications industry					
4	I am satisfied with Safaricom quality of products					
5	The product brand image of Safaricom is outstanding and gives me a good impression					
6	The value of this brand gives me confidence in its products					
7	Safaricom has a good social image					

APPENDIX II: Descriptive Statistics of Respondent Information

	N	Minimum	Maximum	Mean	Std. Deviation
Gender	220	1.00	2.00	1.4455	.49815
Age	220	1.00	4.00	2.1864	.71946
County of origin	220	1.00	2.00	1.3682	.48341
Are you a Safaricom subscriber	220	1.00	2.00	1.0273	.16325
How long have you used your Safaricom Line	220	1.00	5.00	4.4318	1.09373
I believe that Safaricom is superior to other brands	220	1.00	5.00	4.3409	1.12146
I prefer Safaricom products	220	1.00	5.00	3.7364	1.27267
I have bought newly launched Safaricom products	220	1.00	5.00	3.4273	1.20849
I would purchase unrelated products from Safaricom	220	1.00	5.00	2.8091	1.31375
Safaricom gives back to the society through CSR	220	1.00	5.00	3.2091	1.40836
I am aware of all Safaricom brands	220	1.00	5.00	3.4273	1.26389
I often buy Safaricom products	220	1.00	5.00	3.5773	1.20442
The customer service offered by Safaricom is helpful when using their products	220	1.00	5.00	3.5273	1.16814
Safaricom offers good prices for their products	220	1.00	5.00	3.3182	1.28164
My perception of Safaricom products is favorable	220	1.00	5.00	2.7409	1.32112
I enjoy Safaricom advertisements	220	1.00	5.00	3.0409	1.19097
Safaricom has innovative products	220	1.00	5.00	3.5955	1.27676
I am confident in the Safaricom brand	220	1.00	5.00	3.5773	1.17758
Safaricom clearly communicates its products well	220	1.00	5.00	3.8000	1.08792

I adopt new Safaricom products when launched	220	1.00	5.00	3.7682	1.09623
Safaricom offer quality products and services	220	1.00	5.00	3.2364	1.27446
I would recommend Safaricom Products to a friend	220	1.00	5.00	3.5091	1.24780
Safaricom products have met my expectations	220	1.00	5.00	3.6318	1.14513
Safaricom products look and feel like quality products	220	1.00	5.00	3.5182	1.12044
I have heard people talk about Safaricom Brand	220	1.00	5.00	3.5727	1.10589
When I see an advert, I recall Safaricom products	220	1.00	5.00	3.8045	1.04815
Safaricom products are available in the market	220	1.00	5.00	3.8000	1.16494
Safaricom advertisements are easily recognizable	220	1.00	5.00	3.6864	1.18468
Safaricom products appeal to me	220	1.00	5.00	4.0045	1.23679
Safaricom delivers on their promises	220	1.00	5.00	3.8182	1.19880
I am likely to purchase more of Safaricom products	220	1.00	5.00	3.2636	1.22886
New products introduced by Safaricom are familiar to parent brand	220	1.00	5.00	3.3682	1.20345
Safaricom has an clear logo and name	220	1.00	5.00	3.0091	1.33102
I can recall all the Safaricom product names	220	1.00	5.00	3.8864	1.19006
I am aware of the original Safaricom brands	220	1.00	5.00	3.6864	1.31267
There is a fit between Safaricom's original products new products	220	1.00	5.00	3.3636	1.17995
Safaricom products are different from competitor brands	220	1.00	5.00	3.3273	1.22463

I can buy similar Safaricom products	220	1.00	5.00	3.2727	1.29917
Safaricom products have remained the same over time	220	1.00	5.00	3.4955	1.27318
The image of Safaricom products is the same as before	220	1.00	5.00	3.0000	1.32417
I have a clear understanding of this brand	220	1.00	5.00	3.0364	1.32021
The symbol of the brand can build recognition to me	220	1.00	5.00	3.3727	1.34714
Safaricom comes to my mind when i think of the mobile communications industry	220	1.00	5.00	3.6000	1.16022
I am satisfied with Safaricom quality of products	220	1.00	5.00	3.7136	1.20683
Safaricom products have remained the same over time	220	1.00	5.00	3.7045	1.14237
The product brand image of Safaricom is outstanding and gives me a good impression	220	1.00	5.00	3.2182	1.25972
Safaricom has a good social image	220	1.00	5.00	3.4182	1.14980
Product brand image	220	1.14	5.00	3.4377	.80333
Valid N (list wise)	220				

APPENDIX III : Component Pattern Matrix

	Component		
	1	2	3
I enjoy Safaricom advertisements	0.727		
I can buy similar Safaricom products	0.727		
Safaricom has a good social image	0.719		
New products introduced by Safaricom are familiar to parent brand	0.716		
Safaricom products have met my expectations	0.715		
Safaricom products look and feel like quality products	0.703		
I have heard people talk about Safaricom Brand	0.699		
I am confident in the Safaricom brand	0.696		
Safaricom products are different from competitor brands	0.688		
Safaricom products have remained the same over time	0.67		
I am likely to purchase more of Safaricom products	0.666		
When I see an advert, I recall Safaricom products	0.665		
I adopt new Safaricom products when launched	0.659		
Safaricom has a clear logo and name	0.652		
Safaricom comes to my mind when I think of the mobile communications industry	0.637		
Safaricom delivers on their promises	0.631		
Safaricom products appeal to me	0.619		
I am satisfied with Safaricom quality of products	0.618		
Safaricom offers good prices for their products	0.613		
There is a fit between Safaricom's original products new products	0.609		
Safaricom gives back to the society through CSR		0.609	
I often buy Safaricom products		0.639	
I would recommend Safaricom Products to a friend			0.681
I have heard people talk about Safaricom Brand			0.559