Building Customer Values and Brand through Advertising by the Multinational Retail Chain Stores in Latin America

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Research Report

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The psychographic variables like emotions associated with the brand image constitute the personality of a brand. Effective brand management, encompassing brand personality is of paramount importance in reaching the overall company goals of satisfaction, loyalty, and profitability. The media effectiveness in reference to brand personality and customer response to the brands may be studied for building long-run branding strategies. Advertising effectiveness can be measured by brand and advertising evaluations. In case typical product category advertisements are associated with negative affect, the particular advertising functions as a counter attitudinal message, which is more persuasive in the case of a mismatch rather than a match with the category advertisements. Advertising is heavily used in this process of personality creation. This follows logically from the fact that personalities are particularly useful for the creation of brand associations. Brand associations influence the 'evaluation of alternatives' stage in basic consumer buying behavior models. The "voice of a brand" is part of the promise and experience of a brand. Customers hear the voice in automated service systems, at retail, in the media and elsewhere. The tone, content and nuances of that voice are critical. Promotional supports provided by manufacturers are important to many retailers. With the intense competition for customers and enormous concern for profit margins, retailers' cooperation is critical in the promotional process so that promotional services mutually benefit both manufacturers and retailers. The consumer satisfaction category has the main position in marketing theory and is based on the premise that the profit is made through the process of satisfaction of consumers' demands, i.e. achievement of their satisfaction. Researches continually confirm a significant correlation between satisfaction and repeated buying, greater brand loyalty and spreading a positive opinion of the product.

The role of customer value has been largely recognized over time by the firms as an instrument towards stimulating market share and profit optimization. The customer values for a new product of firm in competitive markets are shaped more by habits, reinforcement effects, and situational influences than strongly-held attitudes. There has not been many contributions emerged in the past addressing the measurement of the customer value as an intangible asset of the firms, though substantial literature is available discussing the customer relations and loyalty building perspectives. This study also attempts to critically examine the available literature on the subject, discuss a model that provides a framework for analyzing the variables associated with customer value and to identify potential research areas. The discussions in the study integrate advertising variability concepts with brand personality and present viable propositions as managerial implication for building the brand personality considering the variables of marketing communication. The hypotheses set within the integrated framework lead to the construct of advertising model cohesive to the brand personality measures. In building this framework analysis of the concepts of brand equity and advertising, communication, personality and loyalty have been critically examined and tested on the basis of two separate studies conducted in Mexico.

The data used for the study was from the data pool generated in 2003-04 for the project on Retail Consumer Behavior by the Department of Marketing, ITESM-CCM. The research study has been carried out by dividing the research into four experiments and results were presented in working papers for peer review. These working papers which were derived from the results of the study in reference to modeling and analysis were further submitted to the international refereed journals and all papers have been published/accepted in the following journals:

Rajagopal (2005), Impact of Advertising Variability on Building Customer Based Brand Personality under Competitive Environment: Empirical analysis in reference to Mexico, *Latin American Business Review*, Volume 6, No. 3, pp 63-84 (Haworth Press, UK)

Rajagopal (2006), Measuring Customer Value and Market Dynamics for New Products of a Firm: An Analytical Construct for Gaining Competitive Advantage, *Global Business and Economics Review*, September, (USA) Accepted and Scheduled for Publication

Rajagopal (2006) Consumer Perspectives and Brand Extension Effects in Mexico: An Empirical Analysis of Buying Decision Patterns, *Latin American Business Review*, Vol. 7, No. 1, April (Haworth Press, UK) Accepted and Scheduled for Publication

Rajagopal (2006), Measuring Customer Value Gaps: An Empirical Study in Mexican Retail Markets, *Economic Issues*, March (Nottingham Business School, UK) Accepted and Scheduled for Publication

The report has passed through the critical reviews in the form of research papers (double blind review by 4 international refereed journals) and emerged as a very academic research document. The report is spread into five chapters and references. The paper on *Consumer Perspectives and Brand Extension Effects in Mexico* has also been present for full house discussion in the Latin American Conference of Association of Consumer Research (ACR) held during January 05-08 at

Monterrey. The above paper has been derived from the analysis of Experiment-II of this research project.

I extend my sincere thanks to the Research Committee of the Tec for approving this research project during the academic year 2004-05. I express my sincere thanks to Dr. Rodolfo Loyola, Dr. Teresa Liedo and Dr. Jorge Leon Pardo for extending all administrative support in carrying out this study. Finally, I acknowledge the efforts and time invested by Ms. Ananya Rajagopal, student of IIS career of ITESM-CCM in the statistical analysis of the study and performing the commendable job of analyzing the data through SAS and ARC software, testing the mathematical models and drafting the tables which have been incorporated in the report.

I hope this research report would facilitate the doctoral scholars of the university and faculty of the campus/university who are interested in pursuing future research in brand management and consumer research in reference to Latin America and Caribbean.

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Executive Summary

Advertising is used as one of the principal tools by large marketing firms in the process of creating brand personality. Brand associations influence the 'evaluation of alternatives' stage in basic consumer buying behavior models. A general model of advertising has been integrated with a model of brand personality creation as discussed in some of the studies. Accordingly number of propositions are derived and presented thorough analysis of the role of brand personality in the creation of brand equity, thereby linking the core issue to one of general and increasing importance. In the market a strong brand will be considered to have high brand equity. The brand equity will be higher if the brand loyalty, awareness, perceived quality; strong channel relationships and association of trademarks and patents are higher. High brand equity provides many competitive advantages to the company. The brand equity may be understood as the highest value paid for the brand names during buy-outs and mergers.

The customer value is another factor, though intangible, has significant role influencing the buying decisions. The customer value includes broadly psychometric variables like brand name, loyalty, satisfaction and referral opinions. The customer lifetime value is built over time by the business firms which also contributes to the individual perceptions of the customers and augments their value. The new school of business thoughts and contemporary researchers have emphasized that, towards maximizing the lifetime value of customers, a firm must manage customer relationships for the long term. The customer value concept is utilized to assess product performance and to determine the competitive structure of the new products. The analytical approach to the new product-market structuring based on customer value may be fitted well within the microeconomic framework. The measure of customer value as the product efficiency may be viewed from the customer's perspective towards a ratio of outputs (e.g., perceived use value, resale value, reliability, safety, comfort) that customers obtain from a product relative to inputs (price, running costs) that customers have to deliver in exchange. The product and brand loyalty is built through an augmented and sustainable customer value. A company may optimization profit over the period through systematically explored concepts in the field of customer value. However, there have been limited studies that have discussed the impact of

convergence of product services offered by a firm to the new products towards generating customer value over time.

The study attempts to critically examine the available literature on the subject, discuss a model that provides a framework for analyzing the variables associated with customer value and to identify potential research areas. A basic premise of the study is that the focus should be on maximizing total customer value and customer satisfaction which are inter-dependent in the decision making process towards buying new products. This study, being a part of emerging literature on customer value management, extends the existing knowledge of the relationship between launch of new products in the market and creating customer value by introducing the framework of a mathematical model. The framework of the construct is based on a proposed model which integrates all aspects so as to maximize the potential of the organization and all its subsystems to create and sustain satisfied customers. The approach begins with a conceptualization phase in which the concept of customer satisfaction is explored. Attributes are then classified into services and this is then extended to integrate the internal customer into a total service model; applying gap-analysis to this model. Enterprise satisfaction provides the basis for extending the total service model; positioning is applied to the customer satisfaction strategy; and operationalizing this strategy is proposed through an implementation model.

This study is based on the primary data collected from the 370 consumers of discount retail chain stores in Mexico in the intervals of two weeks during 2002-2003. A short and purposeful questionnaire has been administered to the respondents and also 6 focus groups have been planned during 2004 to organize with a view to document the qualitative perceptions on the various factors associated with their loyalty and trust towards the retail chain stores. The data has been analyzed in clusters of retail stores and consumer demographics. The content analysis of the focus groups and managerial views on brand building through advertising and creating life time customer value has been measured by using the qualitative data analysis software N5. It is proposed to initially develop a conceptual paper on the proposed model and discuss the same in an academic forum. The data used for the study was from the data pool generated in 2003-04 for the project on Retail Consumer Behavior by the Department of Marketing, ITESM-CCM. The research study has been carried out by dividing the research into *four experiments* and results were presented in working papers for peer review.

Advertising is by far the most important communication tool in marketing and with every advertisement brand personality is built. The media effectiveness in reference to brand personality and customer response to the brands may be studied for building long-run branding strategies. The effectiveness of any advertisement can be measured at two different levels – pre-insertion and post-insertion of the advertisement in the media along with the brand awareness programs for effective impact of communication on the customers segment. However, identifying an appropriate market and starting a meaningful relationship using relevant and entertaining content is generally a much more compelling tactic for creating loyal customers.

The implications of positive and negative communications on the brands as a coordinating device may be analyzed by the companies to help their decisions strategically on brand extensions. However, there may be some of the forces that can lead to herd behavior in diagnosing the brand communication. Under certain circumstances, consumers may simply mimic the fellow buyers' decisions ignoring substantive private information. Although this behavior is inefficient from a social standpoint, it can be rational from the perspective of brand managers who are concerned about their reputations in the product or service market. However, strategically a company may empower the consumers to add value to their mother brand by migrating an extended brand to the public communication networks like television, internet etc. The organization needs to recognize that any promised experience hinges on buyers' knowledge of the brand's history. Nike tried to make its promise of winning personalized, by allowing consumers to add their own word on the back of its trainers. However, the company needs to monitor the information analysis patterns in the close and far brand extensions as it plays the key role in making purchase decisions.

The perceptions of the consumers on the corporate reputation and values associated therewith also influence the level of confidence on the brand name. The influence of brand name would be higher if the consumers perceive that the companies vary in delivering the product with a competitive advantage and augment their level of satisfaction. The study revealed that high perceived risk and brand difference induce the consumers to review the brand name in the process of making buying decisions. The companies may need to consider the impact of increased reliance of consumers on the brand name towards the promotion of new brands as this may discourage to go for higher promotional budgets for the new brands of the company. Hence, managers may aim at achieving the economies of scale if the company's new brands are architected around the influence of the name of mother brand. It may be required for a company to invest on appealing communication strategies for creating awareness on the unfamiliar brands to influence the decision of consumers towards buying those brands that they have not tested before.

An augmented and sustainable customer value builds the loyalty towards the product and the brand. Systematically explored concepts in the field of customer value and market driven approach towards new products would be beneficial for a company to derive long term profit optimization strategy over the period. Hence, a comprehensive framework for estimating both the value of a customer and profit optimization need to be developed. On a tactical level, managers need to consider the optimum spread of customers on a matrix of product attractiveness and market coverage. This needs careful attention and the application of managerial judgment and experience to measure the value driven performance of the product of the firm. It is necessary for the managers to understand that customer value is context dependent and there exists a whole value network to measure, not just a value chain. This value network will contain important entities far beyond the ones commonly taken into consideration in financial projections and business analyses.

The existing theoretical and methodological issues are reviewed in this study and a new framework has been proposed for future research in measuring the customer value in specific reference to the new products as launching innovative and high technology products is a continuous process for the firms in the present competitive markets. The framework for measuring the customer values discussed in this paper provides analytical dimensions for establishing the customer relationship by the firm and to optimize its profit levels by gaining the competitive advantage in the short run.

The conceptual synthesis of work on the dynamics of business relationships and the dynamics of brand relationships, with particular attention to new business environments, an area that is becoming more significant with the increasing importance of the Internet as a medium for business and have proposed a taxonomy for a better understanding of the relationships and linkages between brands and customer portfolios. It will be of critical importance for future researchers and practitioners to understand the increasingly complex variety of factors underlying and influencing the linkages between brands and customer relationship. In this context the managerial importance of the topic seems evident. Advertising is by far the most important communication tool in marketing and with every advertisement brand personality is built. Understanding how brand personality is created in the minds of consumers is essential for effective use of a company’s marketing tools. Effective brand management, encompassing brand personality is of paramount importance in reaching the overall company goals of satisfaction, loyalty, and profitability. The media effectiveness in reference to brand personality and customer response to the brands may be studied for building long-run branding strategies. The effectiveness of any advertisement can be measured at two different levels – pre-insertion and post-insertion of the advertisement in the media along with the brand awareness programs for effective impact of communication on the customers segment. However, identifying an appropriate market and starting a meaningful relationship using relevant and entertaining content is generally a much more compelling tactic for creating loyal customers.

Brands are also successful because people prefer them to ordinary products. In addition to the psychological factors already mentioned, brands give consumers the means whereby they can make choices and judgments. Based on these experiences, customers can then rely on chosen brands to guarantee standards of quality and service, which reduces the risk of failure in purchase. Today's world is characterized by more complex technology, and this can be extremely confusing to people who are not technology minded. Brands can play an important role here by providing simplicity and reassurance to the uninitiated, offering a quick, clear guide to a variety of competitive products and helping consumers reach better, quicker decisions.

Chapter 1

Introduction

1.1 Brand Personality Traits

Brand personality is an attractive and appealing concept in the marketing of today. It is one of the core dimensions of the brand identity and perhaps the one closest to the consumers. The personality idea responds to the tendency in contemporary society to value personal relationships. It also refers to the idea that relationships are important in social life. In terms of Maslow's hierarchy of needs, it tries to lift products to higher levels of need satisfaction, like belongingness and love and esteem. Brand personalities are created in different ways and with different tools. However, the creation always involves active communications on the side of the firm: the personality has to be disseminated to be alive. Brand equity research is an attempt to put a value on the strength of a brand in the market, in the same way that the shares/stocks put a value on the strength of the corporation in the eyes of the investors. Indeed, brand equity research has shown that the two are related - the growth in brand equity correlates with the growth in stock values, and also sales, profits, price premiums and employee satisfaction.

Advertising is heavily used in this process of personality creation. This follows logically from the fact that personalities are particularly useful for the creation of brand associations. Brand associations influence the 'evaluation of alternatives' stage in basic consumer buying behavior models. In this stage, and for these goals, advertising is considered to be the most effective communication tools (Brassington & Pettitt, 2000). Perhaps the most visible and best known way of personality creations is by means of celebrity endorsers. Public heroes, sports people, pop stars and movie stars are hired to lend their personality to a brand but this practice goes back to at least a century (Erdogan & Baker, 2000). The practice is still growing in popularity today. Yet, basically all advertising influences the brand personality, not only when an endorser is used. In the process of personality creation, in reference to advertising and marketing communication approaches are largely used to create brand personality (Redenbach 2000). It may be observed that a general model of advertising has been integrated with a model of brand personality creation as discussed in some of the studies. Based on that model a number of propositions are derived and presented thorough analysis of the role of brand personality in the creation of brand equity, thereby linking the core issue to one of general and increasing importance.

1.2 Brand Equity vs. Loyalty

Strong brand equity allows the companies to retain customers better, service their needs more effectively, and increase profits. Brand equity can be increased by successfully implementing and managing an ongoing relationship marketing effort by offering value to the customer, and listening to their needs. Disregarding the edge that the Brand-Customer Relationship offers in the market place and not utilizing the benefits and goodwill that the relationship creates will surely lead to failure in the long run. The central brand idea may be static among the entire customer and prospect bases, but the total sum of the brand idea or perception is rooted in the customer's experiences with the brand itself, and all its messages, interactions, and so on. In the market a strong brand will be considered to have high brand equity. The brand equity will be higher if the brand loyalty, awareness, perceived quality; strong channel relationships and association of trademarks and patents are higher. High brand equity provides many competitive advantages to the company. The brand equity may be understood as the highest value paid for the brand names during buy-outs and mergers. This concept may be defined as the incremental value of a business above the value of its physical assets due to the market positioning achieved by its brand and the extension potential of the brand (Tauber, 1998).

Brand loyalty can yield significant marketing advantages including reduced marketing costs, greater trade leverage (Aaker, 1991), resistance among loyal consumers to competitors' propositions (Dick and Basu, 1994), and higher profits (Reichheld, 1996). Chaudhuri and Holbrook (2001) have shown that brand loyalty is a key link affecting market share and relative price. Thus, brand loyalty is justifiably included in the approaches advocated by other researchers (e.g. Aaker and Joachimsthaler, 2000; Ambler, 2000; Rust *et al.*, 2000; Blackston, 1992). When operationalising brand loyalty Jacoby and Kyner (1973), Jacoby and Chestnut (1978) and Oliver (1999) argue it is unwise to infer loyalty solely from repetitive purchase patterns (behavioural loyalty). Preference for convenience, novelty, chance encounters and repertoire buying behaviour are but some reasons for this. Jacoby and Kyner (1973) brought together the two “opposing” approaches to brand loyalty namely, behavioural and attitudinal loyalty, integrating them into their definition, as the brand loyalty is “the biased (non-random) behavioural response (purchase) expressed over time by some decision-making unit with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (decision-making, evaluative) processes.” Oliver (1999) argues consumers become loyal by progressing from a cognitive to an affective and finally to a conative phase. In line with previous research showing that in service markets attitudinal loyalty measures are more sensitive than behavioural loyalty measures (Rundle-Thiele and Bennett, 2001), operationalized loyalty by questioning consumers about affective and conative loyalty. Following other researchers such as Dall’Olmo Riley *et al.*, (1997) the consumers were asked as how much they liked the corporate brand (affective loyalty), as well as whether they would consider using other products from the corporation and whether they would recommend the corporate brand to others (conative loyalty). Readers interested in a more detailed review on operational and conceptual aspects of brand loyalty should consult Odin *et al.* (2001).

1.3 Retailing Concepts

Retailing is a set of activities performed in selling the goods and services directly to the end users. The goods and services sold to the consumers are meant for their personal use and not for resale or business activity. Retailing is the last activity conducted in the chain of product distribution. In principle, retailing is a business activity which involves the sales of goods and services to a large number of consumer spread over a large area. There are different forms of retailing. Many of the forms keep emerging according to the convenience of the buyers and the retailers. In large towns, retailing is organized and mostly performed through stores and automatic vending machines. However, in the rural areas the retailing of goods and services are conducted through the traditional pattern of displaying the goods in the mobile van, carts and on footpaths.

For understanding the types of retailers and their function, we can classify the retailing network into two broad categories - (i) store retailing and (ii) non-store retailing . Like the growth cycle of business firms, the retailing activity also passes through 4 stages embryonic, growth, maturity and decline. A retail store observes the period of accelerated growth, reaches the stage of maturity and then starts declining. It has been observed that the old fashioned retail stores took more than five decades to reach the stage of maturity in terms of volume of sales, coverage of consumers and expansion of chain of retail stores. However modern retail store types reach their maturity very fast due to organized retailing management. Some of the major store retailers are briefly described here:

- Departmental store
- Exclusive retail store or specialty store
- Super markets
- Convenience store
- Supermarkets, hyper-store
- Discount store
- Non-franchise or catalogue store

1.3.1 Departmental store

A departmental store offers a wide range of products in an organized fashion and is easily accessible by the consumer. The product line of departmental stores is substantially long.
Departmental stores provide better amenities to consumers for shopping by virtue of having adequate infrastructure for parking, leisure activities and hobbies. Departmental stores provide the consumer services of honoring the product guarantee, warranty, post sale services and the latest technical information. Departmental stores also organize educational program for the benefit of the consumer on the various aspects of products use and other related matters.

1.3.2 Exclusive Retail Stores

Exclusive or specialty retail stores are unlike departmental stores and do not have a long product line. These stores are narrow in their product lines and are largely confined to the product line of a specific company. They present a varied assortment within that product line. Examples can be drawn from many consumer goods companies promoting exclusive retail stores like Phillips for a range of electrical, audio and video household gadgets; Raymond's for textiles; Bata for shoes and leather goods, and so on. Exclusive stores can be further classified with a narrow distinction as stated below:

- Single line stores
- Limited line stores
- Super specialty stores

Single line stores may be identified as the retail stores selling only one product like textiles. ***Limited line stores*** may be defined as the shops having micro specialization based on goods and services, gender and age, like exclusive Men's wear retail stores, *Kids Shoppe* for garments etc. The retail stores engaged in selling products scientifically designed for a particular purpose may be categorized as ***super specialty stores*****,** e.g. surgical equipments stores, sports accessories; fashion garments stores and the like. The classification of retail stores and their functions may be well understood through the retail position map plotted in figure 1.1.

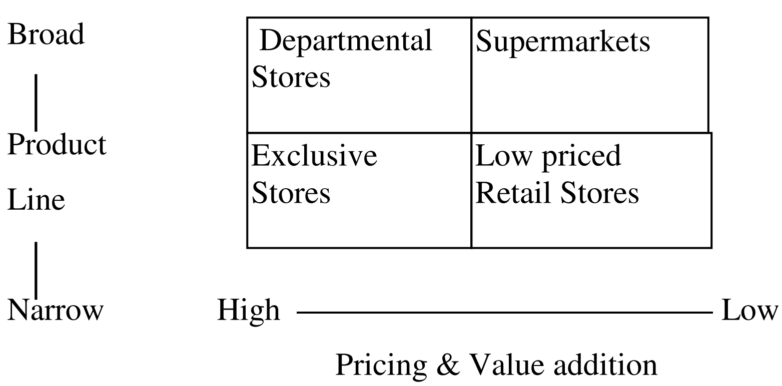


Figure 1.1.Categorical map of retail stores

1.3.3 Super Markets

Super markets are a type of organized retail stores that handle a relatively large volume of goods and services at a low cost - the high margin principle of retailing. Consumers are provided franchise in the super markets and there are largely organized as self- service outlets. Super markets exhibit a long range of product line of various consumer needs like grocery, household appliances, entertainment, toys, garments etc. It has been observed that super markets earn an operating profit of 1-2% on their sales and 10-15% of their net worth. Super markets also provide consumer conveniences like in-shop entertainment, pantry, home delivery service, opinion survey and consumer education. Super markets have chain retailing in many countries like Woolworth's in the UK and Europe. There is a marginal difference between a super market and a *hyper-store***.** The latter category of stores operates on a larger area (approximately 100-200 thousand square feet) with a wide range of products. These markets have a combination of all retail functions like credit services, discounts, finance and other related services. The basic approach of a hyper-store is exhibiting a wide range of assorted products for all types of consumers and displaying them in bulk. The product handling costs in such stores would be minimum and they also function as the sole distributors to the convenience stores.

1.3.4 Convenience stores

These stores are small retail outlets located near residential areas for the convenience of the consumers. They are open for long hours and all through the week. This category of stores carries a limited line of consumer products. Convenience stores operate at a high turnover and a relatively higher profit basis compared to any of the other retail stores. The consumer seems to be willing to pay a higher price to the retailers for the convenience provided to them at their door steps.

1.3.5 Discount stores

In principle, a discount store should sell all types of merchandise, offering largely reputed brands at lower prices but not inferior goods. Recently, some consumer products manufacturing companies have started owning discount retail stores to sell products earmarked as second grade by their quality control division. Hence, discount retail stores have moved from general stores down to specialty merchandise stores such as discount sporting goods stores, garments, shoes, electronic, book stores and the like.

1.3.6 Catalogue showroom

The catalogue store is a new generation super store which deals with a variety of goods and services of a wide range. Such stores conduct retailing operation for all types of goods including interiors, construction material, mechanical gadgets, electronics, and many more. Consumers buying goods from catalogue shops have to ask for or indent specific goods as per the inventory specification in the catalogue. The consumers wait in the designated place for the delivery of the goods and at times the stores even arrange a home delivery for heavy products. Catalogue stores provide a return facility to consumer within a stipulated period. The goods can be returned to the stores without any reasons if the consumers are not satisfied.

1.3.7 Non-store retailing

Besides on-store retailing the direct selling approach has emerged in the recent past as an effective sales instrument. Direct selling is one of the most popular non-store retailing activities, particularly for consumer goods. The sales representatives of the company / distributors canvass the product on a door to door basis and contribute in augmenting sales. Automatic vending machines for selling consumer products like chilled beverages, etc. are also making use of non-store retailing approaches. The specific non-store retailing types are given below:

- Direct marketing
- Automatic vending machines
- Business by mail orders
- Tele-shopping or Net-shopping
- Mobile retailing

Multi-level retailing stores, chain-retailing stores, cooperatives network and merchandise conglomerates are the new forms of retailing emerged in the recent past.

1.4 Decision Making in Retailing

Retailing is considered to be one scientific, grassroots level selling approach in the twentieth century. Hence, a retailer has to make the right decision at the right time to promote his retail business. The specific areas that need to be planned properly are (i) choice of place (ii) choice of products - assorted or exclusive (iii) price level (iv) tools of retailing and (v) consumer services. The decision regarding the choice of place and product are inter-related *e.g.*, in a high income locality, a retailer should plan for high price assorted - product stores and vice versa in a low income consumer locality.

1.5 Tools of Retailing

Retailing is an art. Retail stores play a vital role in product promotion as they are directly associated with consumer. A successful retailer tries to get the consumer involved in the trade by providing a good reception, good facilities and individual attention. However, a retailer follows a variety of approaches to make his retailing a success. Some of the tools used by the retailers for promoting their business are listed below:

(i) retailers dealing with similar products form an association to jointly carry promotional activities such as advertising, pricing and other related matters
(ii) retailers do pre-ticketing by placing price tags on those products indicating all the required information such as the date of manufacture, size, volume, name of the manufacturer, date of expiry , product code of the manufacturer as well as that of the retailer for any complaints or reordering
(iii) retailers also help the consumer in re-indenting the products by sending them reminders and catalogs of the products
(iv) retailers also introduce special prices during the peak seasons for storewide promotion
(v) consumers enjoy the privilege of returning or exchanging damaged goods without paying any additional price and
(vi) distributors and company representatives get the sponsorship of the retailer for demonstrating their products in his store

There are many methods that foreign company adopt to promote the sales of its products. The common approaches may be the cross selling, price discounts, volume packs etc. However there are many advanced ideas, which are used by the multinational companies as described below:

- Coupons – Assuring benefit
- Bonus pack- more product for regular price
- In-pack, On-pack, Near-pack
- Specialty Container – Value added benefits
- Continuity program- rewards system for multiple buying
- Refund- Price draw-back
- Sweepstakes- Random chance of winning
- Contests
- Mail premium – Post-purchase benefits
- Sampling
- Price-off-discounts
- Trade deal- Incentives to retailers
- Cause marketing- social benefit oriented (like soliciting contribution to UNICEF)

Besides these services, retail stores provide many pre- and post-purchase services to satisfy the customers. The *pre-purchase services* include accepting orders via telephone and by mail, in-store and outside store advertising, interior and window display, consumer convenience, fitting rooms, shopping hours, organizing consumer entertainment like the integrated cable TV, fashion shows, recipe contest, baby shows etc. The retailers provide selected *post-purchase* services to consumer such as - home delivery of goods, gift packaging, returns and exchanges, tailoring, installation, demonstrations, accepting credit transactions and cheques. In addition to the services listed large and chain retail stores provide leisure and general amenities to the consumers like rest rooms for consumers, baby sitters, restaurants, etc.

1.6 Customer Value Concepts

The customer value is an intangible factor which has significant role influencing the buying decisions. The customer value includes broadly psychometric variables like brand name, loyalty, satisfaction and referral opinions. The customer lifetime value is built over time by the business firms which also contributes to the individual perceptions of the customers and augments their value. The new school of business thoughts and contemporary researchers have emphasized that, towards maximizing the lifetime value of customers, a firm must manage customer relationships for the long term. In a disagreement to this notion a study demonstrates that firm profits in competitive environments are maximized when managers focus on the short term with respect to their customers (Villanueva *et. al.,* 2004).

Intuitively, while a long term focus yields more loyal customers, it sharpens short term competition to gain and keep customers to such an extent that overall firm profits are lower than when managers focus on the short term. Further, a short term focus continues to deliver higher profits even when customer loyalty yields a higher share-of-wallet or reduced costs of service from the perspective of the firm. Such revenue enhancement or cost reduction effects lead to even more intense competition to gain and keep customers in the short term. The findings of the study suggest that the competitive implications of a switch to a long term customer focus must be carefully examined before such a switch is advocated or implemented. Paradoxically, customer lifetime value may be maximized when managers focus on the short term.

There have been limited studies that have discussed the impact of convergence of product services offered by a firm to the new products towards generating customer value over time. However, some of the studies find no evidence of absolute convergence, while a few find evidence of conditional convergence, *i.e.* convergence having controlled for differences in technological and behavioural parameters (Kenny and Marshall, 2000). The lack of evidence of absolute convergence leads to the lowering of perceived use value of the new products and further results into the lowering the returns on the aggregate customer value in terms of repeat buying (b') and market coverage (s) for a firm in a given time. However, most of the convergence studies are aimed at proving or disproving the neoclassical growth model and hence there is need to take the 'product' as the unit of measurement of customer value.

The customer value concept is utilized to assess product performance and to determine the competitive structure of the new products. The analytical approach to the new product-market structuring based on customer value may be fitted well within the microeconomic framework. The measure of customer value as the product efficiency may be viewed from the customer's perspective towards a ratio of outputs (e.g., perceived use value, resale value, reliability, safety, comfort) that customers obtain from a product relative to inputs (price, running costs) that customers have to deliver in exchange. The efficiency value derived can be understood as the return on the customer's investment. Products offering a maximum customer value relative to all other alternatives in the market are characterized as efficient. Different efficient products may create value in different ways using different strategies (output-input combinations). Each efficient product can be viewed as a benchmark for a distinct sub-market. Jointly, these products form the efficient frontier, which serves as a reference function for the inefficient products (Bauer *et.al*, 2004). Thus, customer value of new products is defined as a relative concept. Market partitioning is achieved endogenously by clustering products in one segment that are benchmarked by the same efficient peer(s). This ensures that only products with a similar output-input structure are partitioned into the same sub-market. As a result, a sub-market consists of highly substitutable products. The individual values of the customer may be estimated as base values and changes in such values are affected by the corresponding measures of the specific value drivers. The base value ties to the most important of all complements that may be determined as customers' need. Estimating value drivers for a new product can be tricky because there is no direct historical data. However, we can assume that the impact from changes in price or availability of complements will be similar to what other markets have experienced.

In recognizing the need to contribute research in the area of customer value measurement and the concept of customer satisfaction leading towards creating the customer value, the study aims at developing a methodological construct to measure the customer value for new products introduced by a firm. The study attempts to critically examine the available literature on the subject, discuss a model that provides a framework for analyzing the variables associated with customer value and to identify potential research areas. A basic premise of the study is that the focus should be on maximizing total customer value and customer satisfaction which are inter-dependent in the decision making process towards buying new products. This study, being a part of emerging literature on customer value management, extends the existing knowledge of the relationship between launch of new products in the market and creating customer value by introducing the framework of a mathematical model. The framework of the construct is based on a proposed model which integrates all aspects so as to maximize the potential of the organization and all its subsystems to create and sustain satisfied customers. The approach begins with a conceptualization phase in which the concept of customer satisfaction is explored. Attributes are then classified into services and this is then extended to integrate the internal customer into a total service model; applying gap-analysis to this model. Enterprise satisfaction provides the basis for extending the total service model; positioning is applied to the customer satisfaction strategy; and operationalizing this strategy is proposed through an implementation model.

Chapter 2

Study Design

2.1 Scope of Discussion

There is growing competition among the consumer goods retailers in the Latin American countries as an impact of internationalization. The competitive strategies have strongly reflected in building the brands of the retail stores by creative customer values in view of their price sensitivity. The large retail chain stores like Wal-Mart, Currefour, Auchan, Bodega and others in Mexico have demonstrated their brand values close to the personality traits of the customers. The in-store advertisements and inter-personal communications have played strategic role in building the brand of discount retail chain stores in Latin American countries. The retail merchandise displays, price comparisons with close competitors, in-store promotions, clients' services and other value concepts are used by the retail chain stores for augmenting their market share by intensive merchandizing and chain expansion vertically and horizontally. Besides, the non-price factors in emphasizing the quality and customer life time value (CLV) make a significant contribution in building the retail store brands. In this process the customers gain a lot from the more modern formats, where the quality of products is almost guaranteed and the price is usually more reasonable, meaning that they offer more value for money. The psychographic variables like emotions associated with the brand image constitute the personality of a brand. Although the experiences of the consumers with the brand cultivate such personality, advertising plays a dominant role in personality creation. Consumers have only one image of a brand, the one created by the deployment of the brand assets at their disposal: name, tradition, packaging, advertising, promotion posture, pricing, trade acceptance, sales force discipline, customer satisfaction, repurchases patterns, etc. Clearly some brand assets are more important to product marketers than to service marketers, and vice versa. Some competitive environments put more of a premium on certain assets as well. Quality and price do not exist as isolated concepts in consumers' minds and they are interrelated.

2.2 Objectives of the study

The proposed study carries the broad objectives of analyzing the reasons that have determined the success or failure of the discount retailers on the international scene, through identification and analysis of the strategic groups, competitive advantages, entry barriers to the sector and barriers to mobility between the groups. However, the specific objectives of the study include:

- To define the key success factors of the strategic groups of discount food retailers that has adopted different levels of internationalization in the Latin American countries.
- To explore the mechanism that builds brand personality through media communication like advertising and word of mouth. The discussions in the study integrate advertising models with the theory of brand personality and present viable propositions as managerial implication for building the brand personality considering the variables of marketing communication, and
- To develop a model for building the retail store brands in reference to the advertising affecting the cognitive parameters and lifetime values of the customers.

2.3 Theoretical Motivation[1]

A retail chain is modeled as a dummy control center (CC) that helps in evolving strategies, marketing designs and building corporate image. The CC is an integrated part of the corporate headquarters that is instrumental in making most of the business decisions. Let us assume that there are L networks and D_m spatially spread markets. $\Delta_j \subseteq \{1,2,...,D_m\}$ denotes the set of markets served by chains j and $\phi_h \subseteq \{1,2,...,L\}$ denotes the set of chains serving markets h, the operations of chain in jth store in market h in period *t* are fully described by an N-dimensional vector, $Z^{j,h}(t) \equiv (Z_1^{j,h}(t),...,Z_N^{j,h}(t)\ ) \in \{1,...,R\}^N$, where $Z_K^{j,h}(t)$ is the practice for the kth dimensions of the store operations. There are then R feasible practices for each dimension. The store operations of chain *j* is represented by an element of $\{1,2,\ldots,R\}^{N|\Delta_j|}$ (Rajagopal, 2005[a]).

[1] The model and equations in this section are derived from the research work published by Rajagopal (2005[a], 2006[a] and 2006[b]) in international refereed journals.

2.3.1 Measuring the Customer Value

The customer values for goods and services are largely associated with the retail stores brands and customer services offered therein. The beginning of customer preferences is the basic discrete time that helps the customers in making a buying decision and maximizing the value of product. Ofek Elie (2002) discussed that the value of product and service are not always the same and are subject to value life cycle that governs the customer preferences in the long-run. If customers prefer the product and service for N periods with Q as value perceived by the customer, the value may be determined as Q>N, where Q and N both are exogenous variables. If every customer receives higher perceived values for each of his buying, the value added product $q \geq Q$, where 'q' refers to the change in the quality brought by innovation or up-graded technology. The customer may refrain from buying the products if $q \leq Q$, that does not influence his buying decisions. However, a strong referral 'R' may lead to influence the customer values, with an advantage factor β that may be explained by price or quality factor. In view of the above discussion it may be assumed that customer preferences have high variability that grows the value factors in retail buyers' decisions (Rajagopal, 2006[a]) as stated in the following equation:

$$D_{bn} = \sum_{t=1}^{N} \beta^{t} \mu\left(C_{t}, \hat{Z}\right) + \beta^{N+1} Q_{t} \qquad \text{(i)}$$

Where, D_{bn} is expressed as initial buying decision of the customers, C_t represents consumption, $\hat{Z}$ is a vector of customer attributes (*viz.* preferential variables) and Q_t is the value perceived by the customer.

A customer value is a dynamic attribute that plays a key role in buying and is an intangible factor to be considered in all marketing and selling functions. The value equation for customer satisfaction may be expressed as a function of all value drivers wherein each driver contains the parameters that directly or indirectly offer competitive advantages to the customers and enhance the customer value.

$$V' = K_s, K_m, K_d, K_c\left[\prod\{V(x,t,q,p)\}\right] \qquad \text{(ii)}$$

In the above equation V' is a specific customer value driver, K are constants for supplies(K_s),margins (K_m), distribution (K_d), and cost to customers (K_c); x is volume, t is time, q is quality and p denotes price. The perceived customer value (V) is a function of price (p) and non-price factors including quality (q) and volume (x) in a given time t. Hence $\prod$ has been used as a multiplication operator in the above equation. The quality of the product and volume are closely associated with the customer values. The total utility for the conventional products goes up due to economy of scale as the quality is also increased simultaneously ($\partial_v/\partial_x>0$). The ∂ customer value is enhanced by offering larger volume of product at a competitive price in a given time ($\partial_v/\partial_p>0$) and ($\partial_v/\partial_t>0$). The conventional products create lower values to the customers ($\partial_v/\partial_x<0$) while the innovative products irrespective of price advantages, enhance the customer value ($\partial_v/\partial_x>0$). The value addition in the conventional products provides lesser enhancement in customer satisfaction as compared to the innovative products. Such transition in the customer value, due to shift in the technology may be expressed as:

$$V'_{hj} = a\left[\sum \frac{T_p}{\left(1+V_p\right)^{(1+j+i)}}\right] + b\left(X_j\right) \qquad \text{(iii)}$$

In this equation V'_{hj} represents enhancements in customer value over the transition from conventional to innovative products, a and b are constants, T_p denotes high-tech and high-value products, V_p represents value of product performance that leads to enhance the customer value, the volume is denoted by X and j is the period during which customer value is measured.

Besides the high-tech and high-value products the customers and companies may also find scope of enhancing values with appropriate promotional strategies. The customer values often get enhanced by offering better buying opportunities that reflect on short- and long- term gains. Let us assume that the competitive advantage in existing products over time is G_x that offers j^{th} level of satisfaction through various sales promotion approaches adopted by the company. Such market situation may be explained as:

$$G_x = \lfloor r_1 m_1; r_2 m_2; r_3 m_3; ......; r_j m_j \rfloor \qquad \text{(iv)}$$

Where r_j denotes the j^{th} level of satisfaction (j = 1,2,3,….,n) and m_j is the number of customers attracted towards buying the product. It may be stated that competitive advantage for the existing products of a firm over time is determined by the level of satisfaction derived by the customers and number of customers favoring the buying decisions for the products in a given market. The parameters of customer satisfaction may include product innovativeness, perceived use value, sales promotion, influence of referrals, price and non-price factors. The competitive advantage of a firm is also measurable from the perspective of product attractiveness to generate new customers. Given the scope of retail networks, a feasible value structure for customers may be reflected in repeat buying behavior ($\tilde{R}$) that explains the relationship of the customer value with the product and associated marketing strategies. The impact of such customer value attributes in a given situation may be described as:

$$\sum_{j=1}^{n} r_j m_j = \hat{R} \qquad \text{(v)}$$

The repeat buying behavior of customers is largely determined by the values acquired on the product. The attributes, awareness, trial, availability and repeat (AATAR) factors influence the customers towards making re-buying decisions in reference to the marketing strategies of the firm. The decision of customers on repeat buying is also affected by the level of satisfaction derived on the products and number of customers attracted towards buying the same product, as a behavioral determinant.

2.3.2 Market Coverage and Customer Value Enhancement

The fast moving consumer goods (FMCG) may be of the nature which has a quick shelf turnover, at relatively low cost and quick buying decisions of consumers. The rate of change within the

FMCG market sectors continues apace, particularly in the area of innovation and value additions. A firm may combine innovation and technologies in the new products to create customer value and competitive gains. New and modem players have moved rapidly into the growing fast moving consumer goods retail market. The FMCG sector in the retail market segments are largely attracted by the innovations in product attributes and packaging besides the price sensitivity. It has been observed that the effects of the consumers' decision on their probability to try the new product are systematically moderated by elements of the marketing strategy associated with the new product and by FMCG characteristics (Steenkamp and Gielens, 2003). Most of the new products in the FMCG category, like processed food products, cosmetics, etc face competition in the market and the firms penetrate into the oligopolistic market conditions. Under such market conditions the customer value is also driven by the satisfaction that is offered by the substitutes. Often, the firms face competition within their product line due to implementation of product overlap strategy, which generates conflicting customer values. When a firm introduces a high value product derived out of the research and development efforts, it prescribes the use value for it, however the perceived use value for the product may not match with the prescribed use value tagged to the product by the firm. Such uncertainty may cause low performance of product in terms of buying preferences.

A firm may introduce the new product with the high investment $M_t^{(i_1+i_2+i_3+\ldots i_n)j}$ in terms of product attributes (i_1), distribution (i_2), promotion (i_3) and other related factors ($\ldots i_n$) related with gaining competitive advantage in a given time (t) in the j^{th} market. Let us assume that *s* is the estimated market coverage for the new product, the customer value (V_{np}) may be initially positive and high, resulting into deeper market penetration (with *s* increasing). This may be described as:

$$M_t^{(i_1+i_2+i_3+\ldots)j} = \frac{\partial s}{\partial t} = k \qquad \text{(vi)}$$

However, $V_{np} \leq \frac{\partial v}{\partial t}$ may become negative following product competition within the product line due to the product overlap strategy of the firm. In the above equation, volume of buying is represented by ∂v in a given time *t*. To augment the customer value and enhance market coverage for the new products in the potential markets the firm may optimize the product line $[s]_{pt}^{j,h}$ by pruning the slow moving products in the j[th] chain in h market in order to reposition them in new market. The opportunity cost in moving the slow performance products may be derived by inputting the values of V´ from equation (ii) as:

$$[s]_{Pt}^{j,h} = \left[\frac{\partial v}{\partial t}\right]^{j,h} + \prod\{V(x,t,q,p)\} \qquad \text{(vii)}$$

Hence to enhance the market coverage for the new product with enhancing the customer value for the new product of the firm, the strategy may be described as:

$$s = \int \left[k + \{s\}_{Pt}^{j,h}\right]\partial t + \beta^{t} R \qquad \text{(viii)}$$

Where in *s* is the market coverage of the new product, *k* is the investment on market functions derived in a given time [equation (vi)] and R is the referral factor influencing the customer values with an advantage factor coefficient β in time *t*. The products constituting the optimal product line of the firm in a given time is represented by P_t in the above equation. The firm may measure the customer value shocks accordingly and shield the uncertainties occurring to the estimated market coverage due to declining customer values for the new products. As is common the new products are susceptible to such value shocks in view of the companies' own product line strategy.

2.3.3 Speed of Market Penetration and Customer value

It is also possible for a firm to penetrate in the market faster and outperform the close competing products that exist, if the ex-factory market dynamics is comparatively faster. We may determine such dynamics as escape velocity for the new products, which manifests in increasing customer value, market coverage, just-in-time supply management, augmenting product performance through in-store and point of-sales demonstrations. It is observed that faster the market penetration of new products, higher is the opportunity of market coverage over the competing product in a given time and territory. The new product attractiveness may comprise the product features including improved attributes, use of advance technology, innovativeness, extended product applications, brand augmentation, perceived use value, competitive advantages, corporate image, product advertisements, sales and services policies associated therewith which contribute in building sustainable customer values towards making buying decisions on the new products. The introduction of new technological products makes it important for marketers to understand how innovators or first adopters respond to persuasion cues. It has been observed in a study that the innovativeness and perceived product newness which are one of the constituents of new product attractiveness were independent constructs that had independent effects on customer's attitude toward the brand and purchase intent for the new product (Lafferty and Goldsmith, 2004). The attractiveness of new products is one of the key factors affecting the decision making of customers and in turn is related to market growth and sales. The higher the positive reactions of the customers towards the new products in view of their attractiveness, higher the growth in sales and so in market.

Let us assume that the new product attractiveness is F_x and initial product market investment is $M_t^{(i_1+i_2+i_3+\dots i_n)j}$, perceived customer value of the new product is V_{np} and competitive advantage driver for the customer is C_{at} at a given time.

$$F_x = \sum_t^{jh} \left[M_t^{(i_1+i_2+\dots i_n)j} \right] \left(V_{np} \right) \left(C_{at} \right) \qquad \text{(ix)}$$

Hence

$$F_x = M_t^{i_n,j} \frac{\partial v'}{\partial t} = M_t^{in,j} \frac{\partial b'}{\partial s} \frac{\partial s}{\partial t} = M_t^{in,j} \frac{\partial v}{\partial s} \left(V_{np} \right) \left(C_{at} \right)$$

Where in $M_t^{i_n,j}$ denotes the initial investment made by the firm for introducing *t* the new products, V' represents the volume of penetration of new product in a given market in time *t* with estimated market coverage *s*. In the equation b' expresses the volume of repeat buying during the period, the new product has been penetrated in the market by the firm. The total quality for new products goes up due to economy of scale as the quality is also increased simultaneously $(\partial_v/\partial_s > 0)$ and $(\partial_{b'}/\partial_s > 0)$. In reference to the new products *x*, the competitive products create lower values to the customers $(\partial_v/\partial_x < 0)$ while the innovative products irrespective of price advantages, enhance the customer value $(\partial_v/\partial_x > 0)$. The value addition in the competitive products provides lesser enhancement in customer satisfaction as compared to the innovative products if the new products have faster penetration, re-buying attributes and market coverage.

Therefore $\int s\partial s = \int V_{np} + C_{at}$ (x)

In the above equation V_{np} denotes the customer value for the new product and C_{at} represents for the competitive advantage at a given time.

The prospect theory laid by Tversky and Khanman (1981) proposes that the intensity of gains plays strategic role in value enhancement as $G_{xt} = g_{pt}(\partial_x/\partial_p)$. In this situation *t* represents the period wherein the promotional strategies were implemented to enhance the customer values in reference to product specific gains (g_{pt}). However, in order to measure relationship/variability between the repeat buying behavior and customer value, it would be appropriate to determine the cumulative decision weights (w) and substituting it in the equation (i), (iv) and (v), that may reveal as:

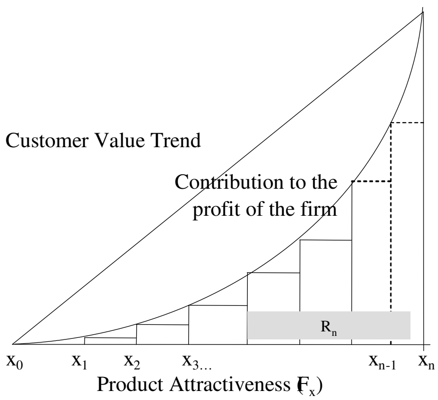
$$G_{xt} = w\sum_{k=1}^{jh}\left[g_{pt}(r_j m_j) + \beta^{n+1}Q_t\right] \qquad \text{(xi)}$$

The customer value however may be the driver function of gains on buying decision on new products and the influencing variables such as perceived use value and referrals.

2.3.4 Aggregate Returns on Customer Value

Measuring the overall value acquired by the customer for the new products over time, in competitive products market is a complex issue. However, the customer value may be measured in phases of the new products movement in the given market at the given time. It is necessary to define the product attractiveness stage in the market for new product overtime in reference to volume of buying and market coverage $(\partial v'/\partial s)$, which determines the stages of product attractiveness $(x_0,x_1,x_2,\ldots x_{n-1},x_n)$ as exhibited in Figure 2.1.

Figure 2.1: Product Attractiveness and Customer Value Functions



Let us assume that $(x_0,x_1,x_2,\ldots x_{n-1},x_n)$ represents customer value at different stages of product attractiveness, increasing with reference to the derived advantage from the competing product in a given market at a given time (t). In the process of enhancing the customer value for the new products a firm may use intensive customer value for new products; a firm may use intensive customer relationship management (CRM) strategies simultaneously to the competitive sales and marketing strategies. The integrate impact of CRM, sales and marketing strategies at different stages of product attractiveness would contribute to the customer value. Such an aggregated customer value represented by R_n is exhibited in figure 1 can be measured by a firm. Hence the R_n can be calculated with the following operation:

$$A(R_n) = f(x_0)\Delta x + f(x_1)\Delta x + f(x_2)\Delta x + \ldots + f(x_{n-1})\Delta x \qquad \text{(xii)}$$

Further simplifying this equation, we get,

$$A(R) = A(R_n)_{\lim n\to\infty} + \sum_{km}^{jm} \left[(\Delta v' + \Delta b')(\Delta s)\right]^{t} \qquad \text{(xiii)}$$

In the above equation A(R) represents the aggregate returns on the customer value derived at various stages of product attractiveness and quantitative changes in the volume of goods positioned by the firm, repeat buying, and market coverage in terms of changes in the market shares of the firms. The aggregate returns on the customer values may be measured by a firm for not only the existing products in the market but also for the new products in the potential markets $A(R_n)_{\lim n\to\infty}$. The number of customers attracted towards the new product promotion, influence of referrals and augmented perceived use values derived by the customers may be the major factors contributing in determining the potential markets for the new products. However a firm may identify the potential markets in reference to its new products and market expansion policies. Besides, a firm may need to compute the trend of customer value for all the products in its product line, and measure the variability in the customer values perceived for its new products. The customer value trend for a given product line (p_l) may be derived through the following equation substituting the equations (xiii) and (ix).

$$V_{p_l}^{t_0-\infty} = \sum_{kn}^{jm} [A(R+F_x)]\frac{\partial s}{\partial t} \qquad \text{(xiv)}$$

In the above equation the customers' value spread across the time frame $V^{(t_0-\infty)}$ which represents the value spread from the time of introduction of the new product (t_0) till the project period (t^∞). It may be possible that the new product of a firm may acquire a higher market share but relative performance in reference to the products within the given product line may be comparatively lower. Under such conditions the profit contributed by the new product of the firm may be described as

$$Y_t = f[F_x, v', b']\frac{\partial s}{\partial t} \qquad \text{(xv)}$$

Wherein Y_t represents the profit contribution by the new product in time *t*.

The model explains that the value based customer portfolios would enhance the customer value as the product efficiency viewed from the customer's perspective, i.e., as a ratio of outputs (*e.g.* resale value, reliability, safety, comfort) that the customers obtain from a product relative to inputs (price, running costs) that the customers have to deliver in exchange. The derived efficiency value can be understood as the return on the customer's investment. Products offering a maximum customer value relative to all other alternatives in the market are characterized as efficient. Market partitioning is achieved endogenously by clustering products in one segment that are benchmarked by the same efficient peer(s). This ensures that only the products with a similar output-input structure are partitioned into the same sub-market. As a result, a sub-market consists of highly substitutable products. The customer values are reflected in their competitive gains, perceived use values, volume of buying and level of quintessence with the customer relationship management services of the organization. If these variables do not measure significantly, there emerges the development of switching attitude among the customers. If the organizational values are low, the supplier relationship may be risk averse due to weak dissemination of values from organization to the suppliers.

2.3.5 Measuring Customer Value Gaps

Customer lifetime value (CLV) is a key-metric within customer relationship management. Although, a large number of marketing scientists and practitioners argue in favor of this metric, there are only a few studies that consider the predictive modeling of CLV. Customer lifetime value also represents the net present value of profits, coming from the individual customer, which creates a flow of transactions over time. Finns look at their investments in terms of cost per sale, rate of customer retention, and also conversion of prospects. CLV is, then, used as a convenient yardstick of performance. The concept of the lifetime value of a customer is well established in the theory and practice of database marketing. The lifetime value of a customer, defined to be the expected present value of the net cash flows from the firm's relationship with the customer over his or her lifetime, is often used as an upper limit on spending to acquire the customer (Pfeifer, 1999). Many firms agree that their efforts should be focused on growing the lifetime value of their customers. However, few have come to terms with the implications of that idea for their marketing management with focus on decision making and accountability of customer values

(Rust *et.al*, 2004). The customers' lifetime value is constituted by three components- customer's value over time, length of customers association and the services offered to the customer. The satisfaction is the customer's perception of the value received in a transaction or relationship and it helps in making re-patronage decisions on the basis of their predictions concerning the value of a future product. It may be thus be stated that the customer value paradigm is contemporary, which includes many elements of the customer satisfaction paradigm and is being more widely adopted and deployed by the firms (Hallowell,1996; Gale,1997)

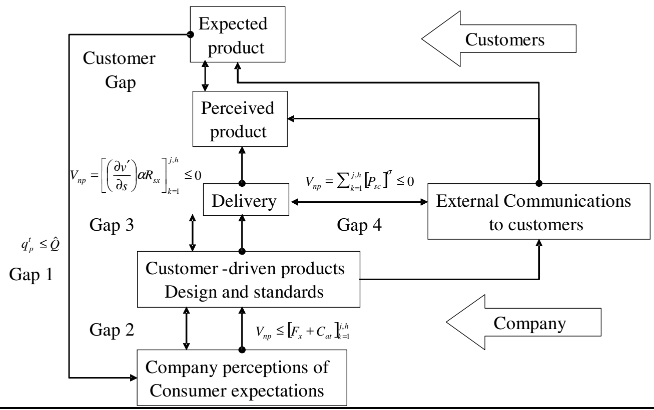
Some studies focus on the prediction of CLV in customer goods manufacturing and marketing firms. In these industries, customer behavior is rather complex, because customers can purchase more than one service, and these purchases are often not independent from each other (Donkers *et.al.*, 2003). However, it has been observed that low perceived use value; comparative advantages over physical attributes and economic gains of the product make significant impact on determining the customer value for the relatively new products. The customer value gap, may be defined as the negative driver, that lowers the returns on the aggregate customer value. This is an important variable, which need to be carefully examined by a firm and measure its impact on the profitability of the firm in reference to spatial (coverage of the market) and temporal (over time) market dimension (*e.g.* Marjolein and Verspagen, 1999).

In view of maximizing the lifetime value of customers, a firm must manage customer relationships for the long term. In a disagreement to this notion a study demonstrates that firm profits in competitive environments are maximized when managers focus on the short term with respect to their customers (Villanueva *et. al.,* 2004). Intuitively, while a long term focus yields more loyal customers, it sharpens short term competition to gain and keep customers to such an extent that overall firm profits are lower than when managers focus on the short term. Further, a short term focus continues to deliver higher profits even when customer loyalty yields a higher share-of-wallet or reduced costs of service from the perspective of the firm. Such revenue enhancement or cost reduction effects lead to even more intense competition to gain and keep customers in the short term. The findings of the study suggest that the competitive implications of a switch to a long term customer focus must be carefully examined before such a switch is advocated or implemented. Paradoxically, customer lifetime value may be maximized when managers focus on the short term.

There have been limited studies that have discussed the impact of convergence of product services offered by a firm to the new products towards generating customer value over time. However, some of the studies find no evidence of absolute convergence, while a few find evidence of conditional convergence, *i.e.* convergence having controlled for differences in technological and behavioral parameters (Kenny and Marshall, 2000). The lack of evidence of absolute convergence leads to the lowering of perceived use value of the new products and further results into the lowering the returns on the aggregate customer value in terms of repeat buying (b') and market coverage (s) for a firm in a given time. However, most of the convergence studies are aimed at proving or disproving the neoclassical growth model and hence there is need to take the 'product' as the unit of measurement of customer value. The customer value gap (CVG) model (Rajagopal, 2006[b]) has been exhibited in Figure 2.2.

The customer values are reflected in their competitive gains, perceived use values, volume of buying and level of quintessence with the customer relationship management services of the organization. If these variables do not measure significantly, there emerges the development of switching attitude among the customers. If the organizational values are low, the supplier relationship may be risk averse due to weak dissemination of values from organization to the suppliers. The CVG-1 as exhibited in the Figure 2 may exist for the new products due to the negative difference between the customer value for the product assessed by the firm and the perceived value acquired by the customers upon its buying. If the customer receives the higher degree of perceived value (q_p^t) for the new product in each buying with increasing product attractiveness, the firm may be able to enhance its market share of the new product over time and territory. On the contrary the customer value may deteriorate and fall if $q_p^t \leq \hat{Q}$, where $\hat{Q}$ refers to the value estimated for the product by the firm. Such gap may emerge due to inadequate market research, lack of focus on the product quality, poor communications within the firm, lack of appropriate market segmentation and weak customer relationship management. The customer value may also be negative or low if the attributes are not built into the new product to maximize the customer value as per the estimation of the firm. The attributes lead to the satisfaction to the

Figure 2.2: Customer Value Gaps



customers and is reflected through the product attractiveness (F_x). This is explained as CVG-2 as $V_{np} \leq [F_x + C_{at}]_{k=1}^{j,h}$ wherein V_{np} represents the customer value for the new products, F_x is product attractiveness and C_{at} is competitive advantage for buying the new product in a given time. There are many factors that contribute to the CVG-2 situation such as unsystematic, vague and undefined product designs, lack of customer product defined standards and setting the quality control goals by the firm.

The customer value gap for the new products is also generated due to lack of proper product delivery at the retail stores or outlets where customer has an easy access to the product as exhibited in CVG-3. In delivering the product (*p*) to the customers the major considerations that a firm should make is towards the volume of product to be penetrated (v') in a given time in the predetermined market coverage (s). The just-in-time product management and services offered to the customers in the retail outlets (R_{sx}) through which the new products are sold, largely affects the customer preferences and the values. The customer value may enhance if there is a positive relationship of all these factors. However, it may have a negative or low impact if

$$V_{np} = \left[\left(\frac{\partial v'}{\partial s} \right) \alpha R_{sx} \right]_{k=1}^{j,h} \leq 0 \qquad \text{(xvi)}$$

Where, α is a constant used for measuring the customer services provided by the retails stores. The external communications such as advertisements, referrals and word of mouth play significant role in building the customer value at the point of purchase. If the communication spread for the new products in terms of the above discussed variables is positive, its integrated impact would develop strong self reference criterion among the customers and help in enhancing the returns on the aggregate customer value. On the contrary the CVG-4 may be describes as

$$V_{np} = [\beta_0 + \beta_1(P_{sw})\mu_t + \beta_2(P_{sr})\mu_t + \beta_3(P_{sa})\mu_t + \varepsilon_t]_{k=1}^{j,h} \qquad \text{(xvii)}$$

Wherein, β is the constant used for the score of word-of-mouth (P_{sw}), opinion score of referrals (P_{sr}) and perceptions derived through the commercials on the product inserted in the media (P_{sa}). In the equation ε_t has been used as the random error and μ_t denotes the mean time of obtaining the perceptional scores on new product communication. Upon simplifying, this equation may be represented as:

$$V_{np} = \sum_{k=1}^{j,h}[P_{sc}]^{\sigma} \leq 0 \qquad \text{(xviii)}$$

In the above equation (P_{sc}) denotes the integrated effect on perceptions derived by the customers on new products. If this value goes negative across the markets in a given time, it will pull down the customer value lowering the volume of buying and shrinking market coverage estimates of the firm.

This framework analyzes optimal portfolio choice and consumption with values management in the firm-supplier-customer triadic relationship. The value concept in the above relationship governs the customer portfolio decision in terms of formulation of recursive utility over time. It shows that the optimal portfolio demand for products under competition varies strongly with the values associated with the brand, industry attractiveness, knowledge management and ethical issues of the organization. The extent of business values determines the relative risk aversion in terms of functional and logistical efficiency between the organization and supplier while the switching attitude may influence the customers if the organizational values are not strong and sustainable in the given competitive environment. The model assumes that a high functional value integrated with the triadic entities would raise the market power of organization, sustain decisions of customer portfolios and develop long-run relationships thereof. The customer value concept is utilized to assess product performance and eventually to determine the competitive market structure and the product-market boundaries.

2.3.6 Brand Perceptions and Buying Behavior

A number of theories have been proposed to explain variety-seeking behavior. Theories explaining intra-individual differences mainly focus on the nature of the product. It has been argued that consumers are more likely to seek variety in the product with attributes that interact with the senses in reference to the theory of sensory-specific satiety (Inman, 2001). Besides, the traditional theories regard variety seeking as non-purposeful and random behavior of the consumers (Bass, 1974; Huber and Reibstein, 1978). Optimal Stimulation Level (OSL) and Dynamic Attribute Satiation (DAS) are most distinguished among them (Berlyne, 1960; Leuba, 1955; Venkatesan, 1973; Zuckerman 1979; McAlister, 1982). Although the two models deal with the issue through different perspectives, their underlying rationale is the same, that consumers' boredom or satiation with certain attributes in an item will lead to their search for variety in another item. Both models assume that consumers can clearly appreciate the product attributes and therefore can identify the variety that they need. This assumption may be true if consumers have a good knowledge of the items in which the variety is to be sought, particularly when consumers have experience of using these items. In another model, which deals with switching behavior among familiar items discusses that a consumer's set of items from which to choose is not static, however, and it will gradually expand to include new items and remove old items (McAlister, 1982). Therefore, the question is how consumers will process information on a new item which they have never used before. So far, little research effort has been directed to examine the determinants of consumers' purchase of a new item. According to the theory of OSL, every person prefers an ideal level of stimulation.

The level of stimulation is determined by novelty, surprise, change, ambiguity, complexity, incongruity and uncertainty that are associated with a stimulus or situation. Further to OSL model, the concept of DAS has been developed, which makes an important contribution in explaining variety-seeking behavior. The underlying notion is that consumers satiate on the attributes provided by a chosen alternative, and are therefore less likely to immediately repurchase it. The variety seeking behavior occurs where exists the incongruity towards harmony, being incompatible, inconsistent or absurdly combined as one consumes the same product attribute (McAlister, 1982). The variety seeking behavior is also influenced by the novelty of the products and services. In spite of conceptual analyses emphasizing the need for novelty and unexpectedness to make consumers try unfamiliar brands, few studies have examined consumers' information processing in the decision to purchase a brand that they have not bought before (Maddi, 1968; Berlyne, 1960; Venkatesan, 1973). The variety seeking behavior among the customers is also stimulated by the availability of the in-store availability of the products. Bliss (1988) after surveying existing models of retailing discusses on the idea that the retailer saves its consumers costs by assembling goods in one place. This introduces an essential non-convexity and importantly affects the conditions under which shops compete with each other and the constraints on their value attributes. The value of a consumer may be defined in reference to a firm as the expected performance measures are based on key assumptions concerning retention rate and profit margin and the consumer value also tracks market value of these firms over time. The value of all consumers is determined by the acquisition rate and cost of acquiring new consumers as discussed by Gupta, Lehmann and Stuart (2003).

The analytical framework in the following text is discussed also in reference to the prospect theory developed by Tversky and Kahnman (1981) towards framing decisions and understanding the dynamics of choices that consumers may exercise in order to optimize their satisfaction and ultimate value. The value measurements have been used as one of the principal tools to assess the trend of consumer behavior for the non-conventional products. The value syndrome influences the individual and group decisions in retail and bulk deals, and conditionalizes the decision process of consumers. The conditional consumption behavior suggests that the consumption depends heavily on the utility function and on the source of uncertainty (Carroll and Kimball, 1996 and Deaton 1992). The dynamics of retail consumption behavior may be expressed as:

$$c_t = \alpha_0 + \alpha_1 y_t + \alpha_2 w_t + u_t \qquad \text{(xix)}$$

Where c_t is a log of real per capita total consumption, y_t is the log of real per capita disposal income, w_t is the per capita expenditure on buying and u denotes the random error term. Under this assumption c_t, y_t, and w_t are co-integrated, u_t is ≤ 0. in the process of measuring the consumer behavior in reference to preference variables leading to price and non-price determinants, the dependent factor is the rate of change in the consumption (Δ_{ct}). In view of the above discussion the dynamic consumption function that reflects the retail consumer behavior for particular products may be estimated as [deriving from equation (xix)]:

$$\Delta_{ct} = \beta_0 + \beta_1(L)u_{t-1} + \beta_2(L)\Delta_{yt} + \beta_3(L)\Delta_{wt} + \beta_4(L)\Delta_{rt} + \varepsilon_t \qquad \text{(xx)}$$

Where Δ is the change factor, r is the concentration ratio of retail stores in a given location and ε_t is a random error term. The test of this model requires time series data to be analyzed for trend values, taking (L) as polynomial log operator. It has been observed in previous studies that value to expenditure ratios increase consumer sensitivity in volume of buying and driving repeat buying decisions for the regular and high-tech products (Carroll and Dunn 1997). Belessiotis (1996) had explained in one of his studies that consumer confidence index derived of value factors, forecasts more than changing expectations. Consumer decision making with respect to 'which store to buy from' and 'how much to buy from that store' is assumed to depend only on the distance between the consumer's ideal store practices and the actual practices of stores. The Euclidean distance which takes the form $\sqrt{\sum_{k=1}^{N}(z_k - w_k)^2}$ for a consumer of type $\underline{w} \equiv (w_1,..., w_N)$ and a store with practices $\underline{z} \equiv (z_1,...., z_N)$. has been used to measure the impact of retail store practices on variety seeking and repeat buying behavior of consumers (Rajagopal, 2005). A consumer ranks stores according to this metric. Furthermore, it is assumed that the number of units demanded by a consumer equals $\left[A - \sqrt{\sum_{k=1}^{N}(z_k - w_k)^2}\right]^{\sigma}$ and such decisions are largely governed by the convenience factor associated with buying the products and services; where $\sigma > 1$ and $A \geq \sqrt{N(R-1)^2} + 1$ so that $\left[A - \sqrt{\sum_{k=1}^{N}(z_k - w_k)^2}\right] > 1$ for all ($\underline{w}, \underline{z}$).

It is a common belief among the managers of multinational companies that advertising plays a pivot role in building brand. Developing and maintaining a strong brand in the fullest sense requires much more strategic thinking as it brand tools convey conceiving of a promise of value for customers and then ensuring that the promise is kept. Building a powerful brand requires determining the tangible characteristics of the offerings that carry the brand name and the benefits the customers accrue from those benefits and the psychological or emotional benefits of the products. This notion may be described as what "value" means to a typical loyal customer; and what, ultimately, is the essential nature and character of the brand over time. In mass-market retail talent is generally viewed as a valuable source of brand building as quality of services offered by the retailers adds to the pride of the brand. The companies may position themselves for the mass market by providing outstanding customer interactions which may optimize profit and the core values brand.

2.4 Hypotheses

The ‘Big Five’ human personality dimensions include extroversion/introversion, agreeableness, consciousness, emotional stability, and culture. Based on these human personality dimensions, Jennifer Aaker (1997) identifies the new ‘Big Five’ dimensions related to brands. These are Sincerity, Excitement, Competence, Sophistication, and Ruggedness. This pattern suggests that these brand personality dimensions might operate in different ways or influence consumer preference for different reasons. Whereas Sincerity, Excitement, and Competence represent an innate part of Human Personality, Sophistication and Ruggedness tap dimensions that individual’s desire. Hence the following proposition has been considered:

H1: Customers identify brands that have similarity to their own personalities and represent closeness in terms of the psychographic and emotional attributes.

Brands influence consumer decisions to buy in any of the above ways, or through combinations of them, sometimes with tremendous persuasive appeal. The brand-person associations can also have a more personal nature. A consumer-brand relationship becomes functional after the purchase is realized by the customer on an appropriate opportunity. The opportunity may be derived through the marketing constituents like availability, financial schemes for the buying and pre- and post-sales services (Rajagopal, 2005[b]). There are models that follow the same line of reasoning, that there is input, transformation, and output in the model. In branding the term ‘media’ refers to communication vehicles such as newspapers, magazines, radio, television, billboards, direct mail, and the Internet. Advertisers use media to convey commercial messages to their target audiences, and the media depend to different degrees on advertising revenues to cover the cost of their operations. Hence:

H2: Effective consumer-brand relationship is established after the buyer realizes the purchase and simultaneously transfers the brand personality.

Brand-extension strategy in a competitive environment is comprised of two crucial strategic decisions: (i) *against which competitive brand* to position the new product, and (ii) *how to position* the new product. The first decision that envisages the competitive-target decision--requires an understanding of the competitive structure and an analysis of the opportunities and threats associated with selecting a certain position and the latter is concerned with the selection of product attributes or benefits that provide a differential advantage for the new product compared to the competitive offerings (Hauser and Shugan 1983). The positive advertising and communication help in building and nurturing the brand personality in the competitive situation in a market. The intimacy theory of communication builds the brand personality more effectively across varied consumer situations than exchange or seduction theory. Drawing from consumer psychology concepts it may be described that the intimacy attributes relevant to services marketing-the "five C's of Communication, Caring, Commitment, Comfort, and Conflict resolution, play a vital role in brand personality. Thus it may be hypothesized as:

H3: The brand personality is perceived by the consumers when the advertisement is positive to their own personality and endorses the intimacy attributes with the communication.

The cognition and emotion form a complex and inseparable relationship within higher-order human cognitive behavior. Higher-order image processing exists in emotions. In the central route of the elaboration likelihood model, emotions play a substantial role in understanding product features. From this perspective, understanding process of the advertisements as tool for developing the brand knowledge needs to be considered as a higher-order cognitive process. The process of cultivating brand awareness through the advertising and communication process include not only reasonable understanding of functional benefit, but also provides understanding of benefits based on user perceptions, usage imagery and brand personality. Advertising processing comprises the sequence of cognition and does not give importance to the affect constituent of it. Both impact on the consumer's attitude and behavior and the level of this impact does not depend on the order of the processes (Rajagopal 2005[b]). However, in case of advertising campaigns with multiple and different messages, the order effects may be important. Though the companies have full discretion in designing campaigns, it is all the more interesting to see if it makes a difference whether they start building brand personality by appealing to affective or cognitive reactions (Van Osselaer & Alba, 2000). So the proposition may be constructed as:

H4: The brand personality is influenced largely by the affective and cognitive attributes in the process of the advertising communication.

A focus on the friend relationship rather than the brand personality can allow more scope and flexibility in the implementation of the brand identity. The focus is upon consumer perceptions, attitudes, and behavior *toward* the brand; attitudes and perceptions of the brand itself are hidden behind the closed doors of the organization. Yet the relationship with another person is deeply affected by not only who that person is but also what that person thinks of you. Similarly, a brand-customer relationship will have an active partner at each end, the brand as well as the customer. Thus the scanning of data and framing hypotheses about the types of relationships that exist becomes essential. In the latter stage, respondents may be allocated to relationship categories on the basis of the hypothesized relationship groupings. In the process, the relationship typology is refined. The relationships are then formalized into specifications, and coders classify the respondents into those relationships. The groups are then profiled. Often the relationship groupings correspond to like, dislike, and neutral segments. Thus:

H5: Higher investment in consumer-brand relationships pulls greater loyalty in the competitive environment.

Successful brands eventually have the opportunity to take on brand leadership positions. This is often expressed in advertising as a product superiority driver; and it works as consumers often prefer the market leader because they assume it is *better*. Strong brand positions can be built on anything enduring, including images or simply *the biggest selling*. The message must be presented consistently in all marketing initiatives. There are two central elements to brand personalities: the type of benefits offered by the brand and the type of consumer who will value them. Advertisements which show nothing but product features trying to appeal to consumers rationally. Usually the focus would be the unique sales proposition (USP) or a selling idea which can differentiate the brand from its competitors. Advertising builds the emotional image of the brand and the brand personality associated thereof provides depth, feelings and liking to the relationship. A brand personality thus can make a brand more interesting and memorable and become a vehicle to express a customer's identity (Rajagopal, 2006[c]). Hence:

H6: Advertisements or market communications help building the brand personality of the product when consumer correlates the human qualities to the products that are advertised.

The "voice of a brand" is part of the promise and experience of a brand. Customers hear the voice in automated service systems, at retail, in the media and elsewhere. The tone, content and nuances of that voice are critical. The meaning or user understanding on the product is also an important source of brand personality creation in the advertisement or any type of media communication.

The brand-person associations can also have a more personal nature. Brands can be associated with persons who use or used that particular brand, for example a close friend or a family member. Also, brands received as gifts can also be associated with the person from whom the gift was received. These person associations serve to animate the brand as a vital entity in the minds of the consumers. Consumers often feel vulnerable if they are not fully informed about the product attributes and given overwhelming commercial information. The type of relationship that customers possess with the brands based on the loyalty levels is an extremely significant parameter for the marketers. Duncan and Moriarty (1998) point out that each of the new generation marketing approaches include customer focused, market-driven, outside-in, one-to-one marketing, data-driven marketing, relationship marketing, integrated marketing, and integrated marketing communications that emphasize two-way communication through better listening to customers and the idea that communication before, during and after transactions can build or destroy important brand relationships.

Although variety seeking leads to the novelty, abruptness and forgoing the monotony of repetitive use of the same brand and product, such behavior may involve risk of buying unfamiliar brand products (Rajagopal, 2005[c]). This may also lead to the post-purchase dissatisfaction and customer may undergo a financial loss and emotional disquiet. This situation leads to perceived risk and affects the comprehensiveness of purchase-decision process and information processing ability of consumers. Hence it may be hypothesized as:

H7: The perceived risk and the preference of the brand name are positively associated with the decision process of the customer to purchase an untried brand.

The dimensions of brand differences are defined by extending the dimensions of brand communication and human personality to the domain of brands. One way to conceptualize and measure human personality is the trait approach, which states that personality is a set of traits (Anderson & Rubin, 1986). A trait is defined as "any distinguishable, relatively enduring way in which one individual differs from others" (Guilford, 1973). It has been argued in the above studies that brand difference as perceived by the consumers influence their motivation for variety seeking. In absence of an appropriate communication on different values of competing brands, consumers may not distinguish strategies in seeking alternatives to their regular consumption pattern, and they will stick to brands that they have been using. Under such situations a large proportion of consumer brand perception is obtained under low-involvement conditions and is therefore not consciously processed by the consumer's brain. Such associations tend to be stored in terms of metaphors and importantly, they tend to aggregate in clusters. The consumers feel that some brands are believed to offer better quality and value than some others if the perceived brand difference is high. Hence, the variety seeker may find potential to acquire higher value in trying an unfamiliar brand and lessen the randomness of variety-seeking behavior. The following hypothesis is therefore framed:

H8: The intention of the consumers to depend on the brand name is associated to the perceived differences in the brands by the consumer towards making decision to purchase an unfamiliar or new brand.

Both corporate and product dominant structures have been evolving towards hybrid structures. Firms with corporate dominant structures have been adding brands at other levels, for example, the house or product level, to differentiate between different product divisions. Product-dominant structures may be described in reference to the multiple local brands that are moving towards greater integration or co-ordination across the markets through corporate endorsement of local products. These companies also vary in the extent to which they had clearly articulated international brand architecture to guide this evolution. Some, for example, lay out the different levels at which brands were to be used, the interrelation between brands at different levels, the geographic scope of each brand and the product lines on which a brand was to be used, while others had few or no guidelines concerning international branding (Rajagopal and Sanchez, 2004). The factors such as corporate skills in handling the complexities in the process of product development also influence the brand decisions of consumers and a standardized product development process and user friendly technology tend to give a sense of understanding to the consumers about difference in the process among the competing products. Consequently, consumers give less weight to the brand name in the process of making purchase decision. Under such situation the following hypothesis may be stated:

H9: Consumers give more weight to the brand name in making decision to purchase an unfamiliar branded product when there is greater difference in the production process followed by the companies.

A perspective from resource-advantage theory (Hunt and Morgan, 1995) is used to formulate expectations on the degree to which the use of information on customer value, competition, and costs contribute to the success of a price decision. It is argued that the success of these practices is contingent on the relative customer value the firm has created and the degree to which this position of relative value is sustainable in the competitive market place. The value of corporate brand endorsement across different products and product lines, and at lower levels of the brand hierarchy also needs to be assessed as a customer value driver. Use of corporate brand endorsement either as a name identifier or logo identifies the product with the company, and provides reassurance for the customer (Rajagopal and Sanchez, 2004). The company association can enhance customers' anticipated value towards taking a decision to buy an unfamiliar brand by eliciting more emotional and social values and generate 'me too' feeling. Accordingly the consumers seeking variety may get associated with the brand in order to achieve higher satisfaction. Hence the hypothesis may be set as:

H10: The brand name plays a significant role in the purchase decisions on unfamiliar brands if the brand name and company association enhances the customers' satisfaction and augments their value.

In the high customer value framework, the firm ensures diminished costs to serve (Knox, 1998) and exhibits reduced customer price sensitivities. A database-driven approach, customer tenure in reference to the length of a customer's relationship and values retention with a company has often been used to approximate the loyalty construct (Ganesh *et.al.*, 2000; Reinartz and Kumar, 2000; 2002). Hence the relationship marketing with a customer value orientation thrives on the concept that raises the length of the customer-company relationship which contributes in optimizing the profit for the firm (Reichheld and Sasser, 1990). However, the contributions of long-life customers were generally declining and in a non-contractual setting short-life but high-revenue customers accounted for a sizeable amount of profits (Reinartz and Kumar, 2000).

The hypotheses for the study have been largely framed around the analytical framework of the gaps model. The customer values are governed by the perception on economic and relational variables conceived by the buyers on the products. The organizational values and customer relationship approaches of the company also influences the customers to acquire higher values. Hence, it has been hypothesized that:

H11: Higher perceived value acquired by the customers over the values assessed by the company improves the performance of the new products in the market.

The equations (i) and (iii) which describe the impact of customer preference on measuring the customer value factors and role of technology in shifting the customer values respectively support the above hypothesis and have been used as the basis of analysis to test the hypothesis.

H12: The customer value is augmented if the gap between desired product attributes perceived by the customers and the product offered remains marginal

The equations (ii), (iv) and (v) describe about the value drivers associated in determining the customer values, delivering competitive advantages over time and impact of customer value attributes in a given situation on the repeat buying behavior of the customer respectively. These equations have been taken as the basis for deriving the analysis from the relevant variable to justify the hypothesis H12.

The design standards and attributes of the new products offered, build the product attractiveness and the customer driven products help in acquiring higher level of satisfaction. The companies may involve the customers in the product designing process and incorporate their preferences in order to optimize the application derived customer values (Rajagopal, 2006[b]). So, the hypotheses may be frames as:

H13: The customer value may enhance with the higher degree of customer involvement in the product design process and increase the product attractiveness in for retailing.

The factors of customer involvement in the product design process and product attractiveness have been envisaged in the equation (iv) and (xvi) in terms of promotions and services associated with the new products. These equation one hand support the hypothesis H3 conceptually and also help in deriving the framework for analysis on the other.

H14: The customer value is enhanced if the gap between the product communication of the company and acquired perceptions on the product generated with reference to the same is marginal.

The equations (xvii) and (xviii) describe the role of communication variables in developing the customer value towards the new products introduced in the retail market. These variables include word-of-mouth, referrals, commercials in the media and perceptions of customers on these communication variables. The equations (xvii) and (xviii) have been used to analyze the impact of communication variables on building the customer values for the new products in the Mexican retail market in order to test the hypothesis H14.

2.5 Methodology

This study is based on the primary data collected from the 370 consumers of discount retail chain stores in Mexico during 2002-2003. The data has been put on a pool in the marketing department at ITESM-CCM. In addition to the pooled data a short and purposeful questionnaire has been administered to the respondents and also 6 focus groups have been planned during 2004 to organize with a view to document the qualitative perceptions on the various factors associated with their loyalty and trust towards the retail chain stores. The data has been analyzed in clusters of retail stores and consumer demographics. The content analysis of the focus groups and managerial views on brand building through advertising and creating life time customer value has been measured by using the qualitative data analysis software N5. It is proposed to initially develop a conceptual paper on the proposed model and discuss the same in an academic forum. Later the draft report will be prepared using the statistical results of the primary investigation and testing the model. The study has been divided into four experiments- (i) impact of advertising variability on buying decisions (ii) brand extensions and consumer behavior (iii) brand name and variety seeking behavior and (iv) measuring customer value gaps.

The respondents were involved in buying the new products introduced in five consumer products categories which include food and beverages, apparel, cosmetics, toys and household electronics. In all, the data of 369 observations were analyzed in the study. The respondents of the study were categorized in reference to the magnitude and direction to the broad answers to the questions like influence of brand or company name associated in buying the unfamiliar brand as *positive, negative, indifferent*. This process led to three principal clusters of respondents as stated below:

Cluster-C_1: Consumers, who recognize positive influence of the brand name or company name association in buying of unfamiliar brands,

Cluster-C_2: Consumers, who recognize negative influence of the brand name or company name association in buying of unfamiliar brands, and

Cluster-C_3: Consumers, who are not sure of the significance of the brand name or company name association in buying of unfamiliar brands, have been clustered as indifferent.

Major variables selected for the study are exhibited in Table 2.1. Of these four independent variables used in the study brand extension, extension information, perceived risk and parent brand name for conducting experiment I.

Table 2.1: Variables Chosen for the Study

Economic Variables			Relational Variables		
Product based	Application oriented	Comparative	Technology related	Retailer based	Brand based
EVS1	*EVS2*	*EVS3*	*RVS1*	*RVS2*	*RVS3*
Appearance Sensory Durability Resale Services Need	User friendly Multi-user Single use Multiple use	Value for money Price sensitivity Buying cost Services cost Guarantee Cross promotion Value additions Competitiveness	Innovative Customization Compatibility Serviceability Up-gradable Value based	Display PoS support Availability Delivery Responsiveness Prospecting Closing sales Negotiation	Reputation New brand Extensions Loyal Social status Strong referral

EVS: Economic Variable Segment, RVS: Relational Variable Segment

The dependent variable is measured as consumer perspectives on decision making towards brand extension products. The entire variable was measured by multiple items. A large number of statements have been structured to acquire the agreement or disagreement of the respondents towards their cognitive behavior associated with the brand and company name. The statements had a 7-point scale ranging from ‘fully disagree (1)’ to ‘completely agree (7)’.

Chapter 3

Review of Literature

3.1 Marketing Drivers vs. Cognitive Behavior of Buyers

It has been observed that there is increasing number of customer goods and services offered in recent years suggest that product-line extensions have become a favored strategy of product managers. A larger assortment, it is often argued, keeps customers loyal and allows firms to charge higher prices. There also exists a disagreement about the extent to which a longer product line translates into higher profits keeping the customer value higher. The academics, consultants and business people speculated that marketing in the new century would be very different from the time when much of the pioneering work on customer loyalty was undertaken (Churchill 1942; Brown 1953; Cunningham 1956, 1961; Tucker 1964; Frank 1967). Yet there exists the scope for improving the applied concepts as there have been many changes over conventional ideologies. A study using market-level data for the yogurt category developed an econometric model derived from a game-theoretic perspective explicitly considers firms' use of product-line length as a competitive tool (Dragnska and Jain, 2005). On the demand side, the study analytically establishes the link between customer choice and the length of the product line and includes a measure of line length in the utility function to investigate customer preference for variety using a brand-level discrete-choice model. The study reveals that the supply side is characterized by price and line length competition between oligopolistic firms.

Another study explores qualitatively the understanding of the importance of intangibles as performance drivers in reference to Swedish organizations using a combination of evolutionary theory, knowledge-based theory and organizational learning. The study reveals that the customer values are created towards the new products through individual perceptions, and organizational and relational competence (Johanson *et.al.*, 2001). The firms need to ascertain a continuous organizational learning process with respect to the value creation chain and measure performance of the new products introduced in the market. In the growing competitive markets the large and reputed firms are developing strategies to move into the provision of innovative combinations of products and services as 'high-value integrated solutions' tailored to each customer's needs than simply 'moving downstream' into services. Such firms are developing innovative combinations of service capabilities such as operations, business consultancy and finance required to provide complete solutions to each customer's needs in order to augment the customer value towards the innovative or new products. It has been argued that the provision of integrated solutions is attracting firms traditionally based in manufacturing and services to occupy a new base in the value stream centered on 'systems integration' using internal or external sources of product designing, supply and customer focused promotion (Davies,2004). Besides the organizational perspectives of enhancing the customer value, the functional variables like pricing play a significant role in developing the customer perceptions towards the new products.

A study examines the success of new product pricing practices and the conditions upon which success is contingent discussing three different pricing practices that refer to the use of information on customer value, competition, and costs respectively. The study argues that the success of these practices is contingent on relative product advantage and competitive intensity. The study reveals that there are no general "best" or "bad" practices, but that a contingency approach is appropriate (Ingenbleek *et.al.*, 2003). Value and pricing models have been developed for many different products, services and assets. Some of them are extensions and refinements of convention models value driven pricing theories (Gamrowski & Rachev, 1999; Pedersen, 2000). Also there have been some models that are developed and calibrated addressing specific issues such as model for household assets demand (Perraudin & Sorensen, 2000). The key marketing variables such as price, brand name, and product attributes affect customers' judgment processes and derive inference on its quality dimensions leading to customer satisfaction. The experimental study conducted indicates that customers use price and brand name differently to judge the quality dimensions and measure the degree of satisfaction (Brucks *et.al.*, 2000). The value of corporate brand endorsement across different products and product lines, and at lower levels of the brand hierarchy also needs to be assessed as a customer value driver. Use of corporate brand endorsement either as a name identifier or logo identifies the product with the company, and provides reassurance for the customer (Rajagopal and Sanchez, 2004). A perspective from resource-advantage theory (Hunt and Morgan, 1995) is used to formulate expectations on the degree to which the use of information on customer value, competition, and costs contribute to the success of a price decision. It is argued that the success of these practices is contingent on the relative customer value the firm has created and the degree to which this position of relative value is sustainable in the competitive market place. These expectations are empirically tested on pricing decisions with respect to the introduction of new industrial capital goods.

Research on consumer reaction to price has been largely confined to examining consumers' price information search, evaluation of price alternatives, and individual purchase behaviors without regard to situational influences. At the same time, consumption has often been dichotomized in terms of its functional-hedonic nature and closely associated with the level of satisfaction leading to determine the customer value influence (Wakefield and Inman, 2003). As the new products are introduced, a firm may routinely pass these costs on to consumers resulting into high prices. However a less obvious strategy in a competitive situation may be to maintain price, in order to drive the new product in the market with more emphasis on quality, brand name, post-sales services and customer relations management as non-price factors. In many ways, such strategies of a firm with the new products may drive the consumer behavior towards being sensitive to the price increase when it comes to making a buying decision. Some of the marketplace and experimental studies show that consumers are more sensitive to changes in price than to innovation and new products introduced by the firm (Gourville and Koehler, 2004). There are some critical issues associated to the price sensitive consumer behavior, whether customers are equally price-sensitive while purchasing products for functional (*e.g.* purchasing frozen vegetables, toiletries or paper towels) versus hedonic (*e.g.* purchasing a high technology computer or a video camera) consumption situations and whether perceived value derived during consuming the product influences price sensitivity. It may also be stated that higher price volatility makes consumers more sensitive to gains and less sensitive to losses, while intense price promotion by competing brands makes consumers more sensitive to losses but does not influence consumers' sensitivity to gains (Han *et.al*, 2001).

The studies that advocate the models of building customer value through traditional relationship marketing discuss the long term value concepts to loyal customers. Most importantly, these are expected to raise their spending and association with the products and services of the company with increasing levels of satisfactions that attribute to values of customers (Reichheld and Sasser, 1990). In the most optimistic settings, such value creation is observed to generate new customers for new products in view of the customer relationship and value management strategies of the firm (Ganesh, *et.al.*, 2000). In the high customer value framework, the firm ensures diminished costs to serve (Knox, 1998) and exhibits reduced customer price sensitivities. A database-driven approach, customer tenure in reference to the length of a customer's relationship and values retention with a company has often been used to approximate the loyalty construct (Ganesh *et.al.*, 2000; Reinartz and Kumar, 2000; 2002). Hence the relationship marketing with a customer value orientation thrives on the concept that raises the length of the customer-company relationship which contributes in optimizing the profit for the firm (Reichheld and Sasser, 1990). However, the contributions of long-life customers were generally declining and in a non-contractual setting short-life but high-revenue customers accounted for a sizeable amount of profits (Reinartz and Kumar, 2000).

The analysis of the perceived values of customers towards new products is a complex issue. Despite considerable research in the field of measuring customer values in the recent past, it is still not clear how value interacts with marketing related constructs. However there exists the need for evolving a comprehensive application models determining the interrelationship between customer satisfaction and customer value, which may help in reducing the ambiguities surrounding both concepts. One of the studies in this regard discusses the two alternative models yielding empirically tested results in a cross-sectional survey with purchasing managers in Germany. The first model suggests a direct impact of perceived value on the purchasing managers' intentions. In the second model, perceived value is mediated by satisfaction. This research suggests that value and satisfaction can be conceptualized and measured as two distinct, yet complementary constructs (Eggert and Ulaga, 2002).

Improving customer value through faster response times for new products is a significant way to gain competitive advantage. In the globalization process many approaches to new product development emerge, which exhibit an internal focus and view the new product development process as terminating with product launch. However, it is process output that really counts, such as customer availability. A study proposes that with shortening product life cycles it should pay to get the product into the market as quickly as possible, and indicates that these markets should be defined on an international basis. The results of the study reveals that greater new product commercial success is significantly associated with a more ambitious and speedier launch into overseas markets as the process of innovation is only complete when potential customers on a world scale are introduced effectively to the new product (Oakley, 1996). The retail sales performance and the customer value approach are conceptually and methodically analogous. Both concepts calculate the value of a particular decision unit by analytical attributes forecast and the risk-adjusted value parameters. However, virtually no scholarly attention has been devoted to the question if any of these components of the shareholder value could be determined in a more market oriented way using individual customer lifetime values (Rajagopal, 2005). The value of a customer may be defined in reference to a firm as the expected performance measures are based on key assumptions concerning retention rate and profit margin and the customer value also tracks market value of these firms over time. The value of all customers is determined by the acquisition rate and cost of acquiring new customers (Gupta, Lehmann and Stuart, 2003).

3.2 Decision Making Theories and Relation with the Customer Portfolio Models

The decision-making under uncertainty is, at least partly, case-based. Itzhak and Schmeidler (1995) discuss a model in which cases are primitive and which provides a simple axiomatization of a decision rule that chooses a 'best' act based on its past performance in similar cases. Each act is evaluated by the sum of the utility levels that had resulted from using this act in past cases, each weighted by the similarity of that past case to the problem at hand. It has been argued that developments in information technology affect the performance of marketing decision-makers through different routes. Advances in information technology enhance the possibilities to collect data and to generate information for supporting marketing decision-making. Potentially, this will have a positive impact on decision-making performance. Managerial expertise will favour the transformation of data into market insights. However, as the cognitive capabilities of marketing managers are limited, increasing amounts of data may also increase the complexity of the decision-making context. In turn, increased complexity enhances the probability of biased decision processes (e.g. the inappropriate use of heuristics) thereby negatively affecting decision-making performance. Marketing management support systems, also being the result of advances in information technology, are tools that can help marketers to benefit from the data explosion. These systems are able to increase the value of data and, at the same time, make decision-makers less vulnerable to biased decision processes (Bruggen, et.al, 2000). The analysis leads to the expectation that the combination of marketing data, managerial judgment, and marketing management support systems will be a powerful factor for improving marketing management.

The links between customer satisfactions and repurchase intentions, purchase behavior, and customer profitability with empirical data on attitudes, and behavior and profitability at the customer level of analysis have been explored through one of the empirical studies (Magnus and Vilgon, 1999). Purchase behavior and profitability data, derived from the accounting system of a firm, are matched with the responses of the firm's customers to survey questions distributed prior to the behavior and profitability outcomes. The analysis reveals a strong link between customer behavior and customer profitability, while modest links exist between repurchase intentions and subsequent behavior. Only a weak and non-significant direct link can be observed between customer satisfaction and customer profitability. This study, then questions customer satisfaction's commonly assumed role as a proxy for profitability. The customer satisfaction is largely value driven and it has been observed that the values generate customer loyalty over the period. However not all loyal customers are profitable, and not all profitable customers are loyal. Traditional tools for segmenting customers do a poor job of identifying that latter group, causing companies to chase expensively the initially profitable customers who hold little promise of future profits. Reinartz and Kumar (2002) suggest an alternative approach, based on well-established "event-history modelling" techniques, that more accurately predicts future buying probabilities.

The customer portfolios are commonly identified within the framework for evaluating and optimizing profits in a business operation. In developing a business such frameworks are often faced with infinite choices ranging from what products or services to sell, what customers to target to, and how to structure and manage the organization. In a study Tobias (2003) discusses as how this can be related to the market price that each of these customers is likely to be willing to pay. It has been observed in the study that as income is one of the critical variables the cost factor also plays significant role in determining the market size and its scale of economy. Such integration derives the optimal profit as a function of volume and value drivers.

Haynes and Dinc (2003) extension of the shift-share model identifies regional industrial sectors for analysis based on their scale, productivity and sources of productivity change. By employing Data Envelopment Analysis (DEA), the efficiency of these lead sectors is investigated and the future competitiveness of these sectors is evaluated. By incorporating input-output analysis, the impact of inter-sectoral transactions on sectoral efficiency is assessed. An Analytical Hierarchy Process (AHP) is employed as a multi-objective decision making device to integrate the relevant policy components. These multi-stage decision models compute optimal closed-loop sales policies based on subjective assessments of the probability distributions of future prices. The first approach assumes that the decision maker is risk-indifferent. Later on, the model is expanded in order to maximize expected utility to capture risk aversion as well. The impacts of different degrees of risk aversion on the optimal policy are analyzed and conclusions are drawn with respect to the model application in practical decision making.

A framework for the formulation, analysis, and computation of solutions to spatial network problems in which the firms are multi-criteria decision-makers and the customers are as well has been developed by (Ding, *et.al* 2002). In particular the firms, which are involved in the production of a homogeneous commodity, are spatially separated and the two criteria of profit maximization and total output maximization are weighed in distinct fashion. They are faced with the selection of modes/routes (which are modeled in an aggregated manner) to transport the commodity to the demand markets where consumers, consisting of different classes, consider the price charged by the producers and weigh the transportation cost and the transportation time of the product on the links in an individual manner. Ding, *et.al* derive the governing equilibrium conditions, present the variation inequality formulation, provide qualitative properties of the equilibrium commodity shipment and generalized price pattern, and then propose an atonement process, which Ding *et.al* formulate as a projected dynamical system.

The theory that competition generates reputation-building behavior in repeated interactions when the product quality observed by consumers is a signal of firms' effort level, has been discussed in one of the models (Horner 2002). There are two types of firms and "good" firms try to distinguish themselves from "bad" firms. Although consumers get convinced that firms which are repeatedly successful in providing high quality are good firms, competition endogenously generates the outside option inducing disappointed consumers to leave firms. This threat of exit induces good firms to choose high effort, allowing good reputations to be valuable, but its uncompromising execution forces good firms out of the market. The common precept of decision analysis under uncertainty is the choice of an action, which maximizes the expected value of a utility function. The axioms for subjective expected utility provide a normative foundation for this principle of choice. This study shows that the same set of axioms implies that one should select an action, which maximizes the probability of meeting an uncertain target. This suggests a new perspective and an alternate target-based language for decision analysis (Bordly and Licalzi, 2000). The study explores the implications and the advantages of this target-based approach for both individual and group decision-making.

3.3 Organizational Influences on Customer Values

Another study explores qualitatively the understanding of the importance of intangibles as performance drivers in reference to Swedish organizations using a combination of evolutionary theory, knowledge-based theory and organizational learning. The study reveals that the customer values are created towards the new products through individual perceptions, and organizational and relational competence (Johanson *et.al.*, 2001). The firms need to ascertain a continuous organizational learning process with respect to the value creation chain and measure performance of the new products introduced in the market. In the growing competitive markets the large and reputed firms are developing strategies to move into the provision of innovative combinations of products and services as 'high-value integrated solutions' tailored to each customer's needs than simply 'moving downstream' into services. Such firms are developing innovative combinations of service capabilities such as operations, business consultancy and finance required to provide complete solutions to each customer's needs in order to augment the customer value towards the innovative or new products. It has been argued that the provision of integrated solutions is attracting firms traditionally based in manufacturing and services to occupy a new base in the value stream cantered on 'systems integration' using internal or external sources of product designing, supply and customer focused promotion (Davies,2004). Besides the organizational perspectives of enhancing the customer value, the functional variables like pricing play a significant role in developing the customer perceptions towards the new products.

The analysis of the perceived values of customers towards new products is a complex issue. Despite considerable research in the field of measuring customer values in the recent past, it is still not clear how value interacts with marketing related constructs. However there exists the need for evolving a comprehensive application models determining the interrelationship between customer satisfaction and customer value, which may help in reducing the ambiguities surrounding both concepts. One of the studies in this regard discusses the two alternative models yielding empirically tested results in a cross-sectional survey with purchasing managers in Germany. The first model suggests a direct impact of perceived value on the purchasing managers' intentions. In the second model, perceived value is mediated by satisfaction. This research suggests that value and satisfaction can be conceptualized and measured as two distinct, yet complementary constructs (Eggert and Ulaga, 2002).

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3.3.1 Customer Lifetime Value

Customer lifetime value (CLV) is a key-metric within customer relationship management. Although, a large number of marketing scientists and practitioners argue in favor of this metric, there are only a few studies that consider the predictive modeling of CLV. Customer lifetime value also represents the net present value of profits, coming from the individual customer, which creates a flow of transactions over time. Firms look at their investments in terms of cost per sale, rate of customer retention, and also conversion of prospects. CLV is, then, used as a convenient yardstick of performance. The concept of the lifetime value of a customer is well established in the theory and practice of database marketing. The lifetime value of a customer, defined to be the expected present value of the net cash flows from the firm's relationship with the customer over his or her lifetime, is often used as an upper limit on spending to acquire the customer (Pfeifer, 1999). Many firms agree that their efforts should be focused on growing the lifetime value of their customers. However, few have come to terms with the implications of that idea for their marketing management with focus on decision making and accountability of customer values (Rust *et.al*, 2004). The customers' lifetime value is constituted by three components- customer's value over time, length of customers association and the services offered to the customer. The satisfaction is the customer's perception of the value received in a transaction or relationship and it helps in making re-patronage decisions on the basis of their predictions concerning the value of a future product. It may be thus be stated that the customer value paradigm is contemporary, which includes many elements of the customer satisfaction paradigm and is being more widely adopted and deployed by the firms (Hallowell,1996; Gale,1997)

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In view of maximizing the lifetime value of customers, a firm must manage customer relationships for the long term. In a disagreement to this notion a study demonstrates that firm profits in competitive environments are maximized when managers focus on the short term with respect to their customers (Villanueva *et. al.,* 2004). Intuitively, while a long term focus yields more loyal customers, it sharpens short term competition to gain and keep customers to such an extent that overall firm profits are lower than when managers focus on the short term. Further, a short term focus continues to deliver higher profits even when customer loyalty yields a higher share-of-wallet or reduced costs of service from the perspective of the firm. Such revenue enhancement or cost reduction effects lead to even more intense competition to gain and keep customers in the short term. The findings of the study suggest that the competitive implications of a switch to a long term customer focus must be carefully examined before such a switch is advocated or implemented. Paradoxically, customer lifetime value may be maximized when managers focus on the short term.

3.3.2 Retail Networks and Customer Value

The retail self-service stores which largely operate in chain are based on the rationale of *touch, feel and pick* which provides consumers a wide range of options to make buying decisions. The in-stores promotions and *do it yourself* (DIY) opportunities constitute the major motivation for the buyers and also support the in their decision making process. Motivational forces are commonly accepted to have a key influencing role in the explanation of shopping behavior. Personal shopping motives, values and perceived shopping alternatives are often considered independent inputs into a choice model, we argue that shopping motives influence the perception of retail store attributes as well as the attitude towards retail stores (Morschett *et.al*, 2005). In retail self-service store where consumer exercises in-store brand options, both service and merchandise quality exert significant influence on store performance, measured by sales growth and customer growth, and their impact is mediated by customer satisfaction. The liberal environment of the self-service stores for merchandise decisions, service quality and learning about competitive brands are the major attributes of retail self-service stores (Babakus *et.al*, 2004). The retail self-service stores offer an environment of three distinct dimensions of emotions *e.g.* pleasantness, arousal and dominance. Retail self-service store have broad marketing-mix which helps also the variety seeking customers and few retail self-service store specialize in the certain product categories like *The Home Depot,* which specializes in retailing building construction, interior decoration and gardening equipments. The Home Deport is a US retail self-service chain stores operating in North American and Latin American countries. The retail self-service stores operate on a market size effect and a price cutting effect (Konishi, 1999). As the retail self-service stores display wide range of multi-brand products the consumers enjoy higher chance of finding preferred products (a market size effect). On the other hand, concentration of stores leads to fiercer price competition (a price cutting effect).

3.4 Relationship Marketing

The new emphasis on relationships in marketing has spurred a resurgence of interest in brand loyalty and the positive effect of brand loyalty on company profitability and long-term survival has been well-documented in recent years. In a very frequent buying situation, consumers have to choose among products with very similar intrinsic attributes. Under these conditions they must rely mainly on extrinsic product attributes. The literature reviewed in the paper has been categorically discussed below.

3.4.1 Brand Attributes, Brand Loyalty and Consumer Behavior

There are many attributes of the brand, which influence the consumer decision making towards buying the product. A study examines the relative importance of brand, an extrinsic attribute, and an intrinsic attribute, on consumers buying intentions. The research involved 180 consumers, young undergraduate students, from a major metropolitan area in Brazil, who were each asked to declare their intentions to buy among four national beer brands with similar quality and price levels prior and after a blind taste test. The findings of the study indicate that the variation in the preferences due to brand name is much higher than those they indicate due to sensory variables. These results of the study suggest a strong effect of brand name on consumers' buying intentions (Torres and Torres, 2001). Another study considers the relationship between a core brand built around retail operations and an extension built around financial services operations. The study addresses the customers who have experienced the brand extension versus those that have not and reveals that this impact can be negative as well as positive. That is, where a customer perceives the brand extension to be implemented poorly the relationship between the customer and the original brand is compromised, the study finds (Nocholas and Mark, 2005).

Recent research has begun to identify new types and sources of the subject that might comprise and distinguish loyalty responses, especially from a phenomenological perspective (Flavian *et.al.* 2001, Uncles *et.al* 2003, Reast 2005, Nandan 2005). This article focuses on exploratory consumer behavior, an often-neglected influence on brand loyalty that has received almost no attention in the brand loyalty literature. Risk-taking in product and retail outlet choice innovative shopping behavior, variety and novelty-seeking, browsing and recreational shopping and curiosity-motivated information processing are among the many consumer behaviors thought to have strong exploratory components (Burgess and Harris, 1998). The brand stretching or extension of a successful brand label from an initial home market to a different product line using a model assumes that brand identity is a complementary feature that enhances consumer willingness to pay. The pattern of brand-stretching implies an entry in which (1) firms with strong brand identities may prefer to extend their brands to markets that are "far" from their original product line, and (2) fragmented or un-concentrated markets with no strong incumbent brands are attractive entry targets for brand extension (Lynne and Daniel, 2002).

3.5 Brand Extension Effects

Consumer decision making is largely associated with the brand extensions of familiar brands. A study on fashion brand extension addresses the need to examine consumer behavior associated with fashion brand extension and reveals that retailers may focus on brand or store image when extending brand from apparel to home furnishings and merchandise multiple product categories to increase sales across product categories (Forney *et.al,* 2005). It has also been observed that a significant association exists between "company credibility" through brand's expertise, trustworthiness and brand extension. A study using 368 consumer responses to nine real low involvement UK product and service brands, finds support for a significant association between the variables, comparable in strength with that between media weight and brand share, and greater than that delivered by the perceived quality level of the parent brand (Reast, 2005). However, no adverse impact on brand personality of core brand as a result of introducing extensions were found during investigating empirically the impact of brand extensions on brand personality, using Aaker's scale to measure the latter, in an experimental study conducted in reference to extension fit (good/poor fit) for brand familiarity (Diamantopoulos *et.al*,2005).

In a similar study, the empirical research has focused on the impact of a parent brand on the trial of the extension and the reciprocal effect of a successful trial of new brand extensions positioned horizontally and vertically on the parent brand. The results of the study revealed that the influence of the parent brand on the trial of the extension was positive and successful trials also helped the parent brand on a reciprocal basis, particularly among the non-loyal users and non-users of the parent brand to accept the brand extensions. The moderating effect of category positioning on the magnitude of the reciprocal effect of the brand extension on the parent brand has also been evidenced by the study (Chen and Liu, 2004). On the contrary, the evidence for the reciprocal effects of a brand extension on its parent brand is unclear. An experiment was conducted to investigate the impact of an extension's quality, its fit with the parent brand, and parent brand dominance, on parent brand evaluation. It has been evidenced by a research study that extension quality and fit did not dilute parent brand attitude; in other words, an extension either left parent brand attitude unchanged or enhanced it moderately. The only effect of brand dominance was that it enhanced parent brand attitude when the extension was a good fit (Zimmer and Bhat, 2004). The concept of brand capital has been discussed with empirical evidence that firms with a large stock of well-established brands have an advantage in introducing new products. One of the theories of brand extension as a mechanism for informational leverage in which a firm leverages off a good's reputation in one market to alleviate the problem of informational asymmetry encountered in other markets. It is observed that brand extension helps a multi-product monopolist introduce a new experience good with less price distortion (Jay, 1998).

Brand extension similarity is proposed as a moderator of the effects of perceived ad spending on the perceived quality of brand extensions and on purchase intentions in one of the research contributions. The results of an empirical study conducted in this reference show that positive spending on advertising and communication inference effects were more likely to occur for similar than dissimilar extensions. Additionally, though, results show that respondents were more likely to question the veracity of high ad spending levels for a dissimilar extension than a similar extension, possibly resulting in lower product evaluations. Consequently, results of this research are probably most useful to manufacturers attempting to leverage brand equity by introducing brand extensions which are supported at introduction with large ad spending (Taylor and Bearden, 2003).

Buyers select from among that subset of available brands of which they are aware. When this subset grows, there are social surplus gains, but the distribution of these gains between firms and consumers is shown to be sensitive to the structure of the market. It is possible for either the sellers or the buyers to be worse off in the better -informed environment (Ross, 1988). However, dilution effects were found in the context of both close and far extensions. Grime *et.al* (2002), has discussed critical issues on brand and line extensions and integrated them into a conceptual framework, which shows that extension and core brand evaluations are affected by the consumer perceptions. Moderating factors that influence the relationship between fit and consumer evaluations of the extension and the core brand are also identified. The framework is subsequently used to develop concrete research propositions to guide further research in the area.

3.6 Brand Accessibility and Diagnosticity

The accessibility-diagnosticity model explains that any factor that increases the accessibility of an input is also expected to increase the likelihood with which that input will be used for the judgment. Therefore, in the brand extension context, temporal proximity between information about brand extension and family brand evaluation is likely to result in a disproportionate influence of the activated or accessible cognition (i.e., extension information) on the judgment (i.e., family brand evaluation) made shortly after its activation. The review of previous literature on brand extension effects indicates that dilution/enhancement effects generally emerge in the presence of highly accessible extension information (Lane and Jacobson 1997; Loken and John 1993; Milberg *et. al.* 1997). Milberg *et.al.* (1997) examined in his study the negative feedback effects, subjects rated the family brand immediately after exposure to information about the extension, making extension information highly accessible at the time when family brand evaluations were assessed.

Feldman and Lynch (1988) derived the accessibility-diagnosticity theory predicting that an earlier response will be used as a basis for another subsequent response, if the former is accessible and if it is perceived to be more diagnostic than other accessible inputs. The framework of the theory conceptualizes the factors that determine both the perceived diagnosticity of a potential input, the likelihood that it will be retrieved, and the likelihood that some alternative and potentially more diagnostic inputs will be retrieved. Belief, attitude, or intention can be created by measurement if the measured constructs do not already exist in long-term memory. The responses thus created can have directive effects on answers to other questions that follow in the process of decision making. However, beliefs, attitudes, and intentions measured by the customer also help in analyzing he interrelationship among the brand attributes.

There are two studies conducted, based on the framework of accessibility–diagnosticity and information integration with the focus to examine the protective effects of brand image against lower quality countries-of-origin in global manufacturing. The results of the former study shows that brands with high familiarity and high quality reputations termed as called strong brands, which have much smaller perceived-quality discounting for lower quality countries-of-origin than brands with mediocre familiarity and mediocre quality reputations of weak brands. The latter study was conducted with a different set of brands and consumers from a different country, shows similar shielding effects of brand image and the judgment-weight allocation of influencing factors therein strongly support the hypotheses of accessibility–diagnosticity and information integration, explaining why the shielding effects of brand image occur (Jo *et. al,* 2003).

Skowronski and Carlston (1987) argue that the greater the shared associations between two targets, the more diagnostic information about one is for making judgments about the other. In the context of brand extension, this finding implies that as the shared associations between the family brand and the extension increase so does the diagnosticity of information about brand extension for making judgments about the family brand name. That is, one may expect a positive relationship between extension category similarity and feedback effects. However, there exists the scope of future research in understanding the asymmetries in the impact of positive versus negative extension information on family brand evaluations.

The accessibility-diagnosticity model is proposed as a parsimonious theoretical framework that resolves some conflicts in prior research and provides a foundation for future research on internal reference prices. This model is used to evaluate the role of brand familiarity and involvement on the formation and use of internal reference price standards. Empirical results show that (1) involvement is a better predictor of confidence in internal reference prices than brand familiarity, and (2) in forming internal reference price estimates, the offering price is discounted more for unfamiliar brands than familiar brands, but only when involvement is low. On the contrary when involvement is high, the effect of brand familiarity on reference price estimates disappears (Vaidyanathan, 2000).

Brand choice models implicitly assume that consumers incorporate all relevant marketing information such as price, display, and feature for key brands on each purchase occasion. In the context of brand extensions, information about the extension will be highly accessible when consumers are asked to report their evaluation of the family brand immediately after reading the extension information. Under such conditions, a highly accessible negative (positive) extension is expected to lead to a dilution (enhancement) effect regardless of product category as observed by past studies in this area (Loken and John 1993; Milberg *et al.* 1997). This is because highly accessible information about a new extension is likely to be sufficient for making a judgment about the family brand. It is also possible that the accessibility of the information may influence its perceived diagnosticity. Consumers may perceive the extension information to be more diagnostic if it is highly accessible. In any case, extension information is likely to affect family brand evaluations, regardless of extension category, when it is highly accessible. The information about the extension will not be highly accessible or dominant when consumers report their evaluation of the family brand, at a later point in time. In such a situation, extension information will be used in the brand evaluation based on its diagnosticity.

3.7 Brand Information Effects

Lane and Jacobson (1997), also focused on negative feedback effects, found dilution effects in a study where extension evaluations took place immediately prior to brand evaluations, making the extension information more accessible. Loken and John (1993) in one of his research studies raised issues about comprehension of target attributes after reading negative information about the extension. They found a dilution effect for both moderately typical and atypical extensions when the extension information was salient (i.e., when consumers rated their beliefs about the family brand name immediately after the comprehension task). The negative information analysis often leads to the strategic non-participation with the brands. Willingness to pay, which can be computed only in equilibrium, will reflect, besides private valuations, preemptive incentives stemming from the desire to minimize the negative externalities. It has been observed that the best strategy of some agents is simply not to participate in the market, although they cannot in this way avoid the negative external effects (Philippe and Benny,1996).

Similarly, Romeo (1991) found dilution effects when the extension was closely associated to the family brand, although these effects were only marginally significant. Subjects were told that they would evaluate a case study and were asked questions about the case before they expressed their evaluations of the family brand name. This procedure may have decreased the accessibility of the extension information and reduced its impact on family brand evaluations. Keller and Aaker (1992) examined both dilution and enhancement but found evidence only for enhancement. Further, enhancement effects were observed regardless of extension category. In their study, subjects were exposed to extension information and then evaluated the family brand, which may have led to high accessibility of extension information. Interestingly, dilution effects did not emerge in Keller and Aaker's (1992) research. One possible explanation is that subjects might have discounted the negative information since they were told that unsuccessful extensions were discontinued.

Consumers observe the performance of the firm's products, and product performance is positively related to the firm's quality level. If a firm is to launch a new product, should it use the same name as its base product that may be stretching the brand reputation, or should it create a new name and start afresh the reputation chronology? It has been observed that for a given level of past performance (reputation), firms stretch if and only if quality is sufficiently high (Luis, 2000). Stretching thus signals high quality. However, when subjects rated the typicality of the extension before assessing beliefs about the family brand name, which is likely to have increased the attributes of typicality judgments while decreasing the attributes of the extension information, dilution did not occur for the atypical brand extensions. The respondents might have perceived information about atypical extensions as less diagnostic for evaluating the family brand. Organizations frequently follow brand extension strategies. A study investigates the impact of category similarity, brand reputation, perceived risk and consumer innovativeness on the success of brand extensions in fast-moving consumer goods (FMCG), durable goods and services sectors (Hem *et. al*, 2003). The findings show that extensions into categories more similar to the original brand tend to be more readily accepted. Likewise, the reputation of the original brand is an important factor influencing the success of the extension. These findings are consistent across FMCG, durable goods and services brands. However, perceived risk about the extension category was only found to enhance acceptability of extensions for durable goods and services brands.

Innovative consumers are more positively disposed towards service brand extensions than FMCG and durable goods brand extensions. The impact of sequential brand extensions on brand choice has been studied by Swaminathan (2003), which argues that with few exceptions; past research has primarily examined single brand extensions associated with a unique parent brand. In reality, a single brand name may be extended into multiple product categories. The reciprocal effect of extension on brand choice in multiple parent categories is also examined.

3.8 Cognitive Behavior and Brand Equity

Strong brand equity allows the companies to retain customers better, service their needs more effectively, and increase profits. Brand equity can be increased by successfully implementing and managing an ongoing relationship marketing effort by offering value to the customer, and listening to their needs. Disregarding the edge that the Brand-Customer Relationship offers in the market place and not utilizing the benefits and goodwill that the relationship creates will surely lead to failure in the long run. The central brand idea may be static among the entire customer and prospect bases, but the total sum of the brand idea or perception is rooted in the customer's experiences with the brand itself, and all its messages, interactions, and so on. In the market a strong brand will be considered to have high brand equity. The brand equity will be higher if the brand loyalty, awareness, perceived quality; strong channel relationships and association of trademarks and patents are higher. High brand equity provides many competitive advantages to the company. The brand equity may be understood as the highest value paid for the brand names during buy-outs and mergers. This concept may be defined as the incremental value of a business above the value of its physical assets due to the market positioning achieved by its brand and the extension potential of the brand (Tauber, 1998). The chronological development of brand equity concepts during the 90's and onward is exhibited in Table 3.1.

Table 3.1: Time-line of Conceptualized Brand Equity (1990-2005)

Major issues	Aaker (1991)	Keller (1993)	Sharp (1995)	Berry (2000)	Yoo & Donthu (2001)	Nandan Shiva (2005)	Krake Franke (2005)
Awareness	Brand awareness	Brand awareness	Company/brand awareness	Brand awareness	Brand awareness/ association	Brand Awareness	Brand awareness
Image	Brand associations	Brand image	Brand image (or company/ brand reputation)	Brand meaning		Cognitive dimensions of brand perceptions	Brand reputation
Loyalty	Brand loyalty		Relationship with Customers/ existing customer franchise		Brand loyalty	Brand identity, beliefs and trust related parameters	Role of brand trust in building brand equity
Quality	Perceived quality				Perceived quality		

A new approach for measuring, analyzing, and predicting a brand's equity in a product market defines the brand equity at the firm level as the incremental profit per year obtained by the brand in comparison to a brand with the same product and price but with minimal brand-building efforts. At the customer level, it determines the difference between an individual customer's overall choice probability for the brand and his or her choice probability for the underlying product with merely its push-based availability and awareness. The approach takes into account three sources of brand equity - brand awareness, attribute perception biases, and non-attribute preference - and reveals how much each of the three sources contributes to brand equity. In addition, the proposed method incorporates the impact of brand equity on enhancing the brand's availability. The method provides what-if analysis capabilities to predict the likely impacts of alternative approaches to enhance a brand's equity.

3.8.1 Brand Loyalty and Consumer Decision Making

The brand management has developed to take advantage of new loyalty marketing vehicles. To build and maintain consumer loyalty, brand managers are supplementing their mass-media advertising with more direct communications, through direct and interactive methods, internet communications, and other innovative channels of distribution (Pearson 1996; Baldinger & Robinson 1996). Simultaneously, however, brand managers have to face more threats to their brands, especially parity responses from competitors. Brand loyalty can yield significant marketing advantages including reduced marketing costs, greater trade leverage (Aaker, 1991), resistance among loyal consumers to competitors' propositions (Dick and Basu, 1994), and higher profits (Reichheld, 1996). Chaudhuri and Holbrook (2001) have shown that brand loyalty is a key link affecting market share and relative price. Thus, brand loyalty is justifiably included in the approaches advocated by other researchers (e.g. Aaker and Joachimsthaler, 2000; Ambler, 2000; Rust *et al.*, 2000; Blackston, 1992). When operationalizing brand loyalty Jacoby and Kyner (1973), Jacoby and Chestnut (1978) and Oliver (1999) argue it is unwise to infer loyalty solely from repetitive purchase patterns (behavioral loyalty).

Preference for convenience, novelty, chance encounters and repertoire buying behavior are but some reasons for this. Jacoby and Kyner (1973) brought together the two "opposing" approaches to brand loyalty namely, behavioral and attitudinal loyalty, integrating them into their definition, as the brand loyalty is “the biased (non-random) behavioral response (purchase) expressed over time by some decision-making unit with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (decision-making, evaluative) processes.” Oliver (1999) argues consumers become loyal by progressing from a cognitive to an affective and finally to a conative phase. In line with previous research showing that in service markets attitudinal loyalty measures are more sensitive than behavioral loyalty measures, another study explored to operationalize loyalty by questioning consumers about affective and conative loyalty (Rundle-Thiele and Bennett, 2001). Following other researchers such as Dall’Olmo Riley *et al.*, (1997) the consumers were asked as how much they liked the corporate brand (affective loyalty), as well as whether they would consider using other products from the corporation and whether they would recommend the corporate brand to others (conative loyalty). Readers interested in a more detailed review on operational and conceptual aspects of brand loyalty should consult Odin *et al.* (2001).

3.8.2 Personality Traits and Buying Behavior of Customers

Consumers often anthropomorphize brands by endowing them with personality traits, and marketers often create or reinforce these perceptions by their brand positioning. Brand personality traits provide symbolic meaning or emotional value that can contribute to consumers’ brand preferences and can be more enduring than functional attributes. Successfully positioning a brand’s personality within a product category requires measurement models that are able to disentangle a brand’s unique personality traits from those traits that are common to all brands in the product category. Consumers perceive the brand on dimensions that typically capture a person’s personality, and extend that to the domain of brands. The dimensions of brand personality are defined by extending the dimensions of human personality to the domain of brands. One way to conceptualize and measure human personality is the trait approach, which states that personality is a set of traits (Anderson & Rubin, 1986). A trait is defined as “any distinguishable, relatively enduring way in which one individual differs from others” (Guilford, 1973).

Human personality traits are determined by multi-dimensional factors like the individual's behavior, appearance, attitude and beliefs, and demographic characteristics. Based on the trait theory, researchers have concluded that there are five stable personality dimensions, also called the 'Big Five' human personality dimensions (Batra, Lehmann & Singh, 1993). The relationship between the brand and customer is largely governed by the psychographic variables that can be measured broadly by the closeness and farness of the personalities of brand and customer. The type of relationship that customers possess with the brands based on the loyalty levels is an extremely significant parameter for the marketers. Duncan and Moriarty (1998) point out that each of the new generation marketing approaches include customer focused, market-driven, outside-in, one-to-one marketing, data-driven marketing, relationship marketing, integrated marketing, and integrated marketing communications that emphasize two-way communication through better listening to customers and the idea that communication before, during and after transactions can build or destroy important brand relationships.

Advertising is heavily used in this process of personality creation. This follows logically from the fact that personalities are particularly useful for the creation of brand associations. Brand associations influence the' evaluation of alternatives' stage in basic consumer buying behavior models. In this stage, and for these goals, advertising is considered to be the most effective communication tools (Brassington & Pettitt, 2002). Perhaps the most visible and best known way of personality creations is by means of celebrity endorsers. Public heroes, sports people, pop stars and movie stars are hired to lend their personality to a brand but this practice goes back to at least for a century (Erdogan & Baker, 2000). The practice is still growing in popularity today. Yet, basically all advertising influences the brand personality, not only when an endorser is used. In the process of personality creation, in reference to advertising and marketing communication approaches are largely used to create brand personality (Redenbach 2000). It may be observed that a general model of advertising has been integrated with a model of brand personality creation as discussed in some of the studies. Based on that model a number of propositions are derived and presented thorough analysis of the role of brand personality in the creation of brand equity, thereby linking the core issue to one of general and increasing importance. Agarwal and Rao (1996) along with Mackay (2001) contend that a variety of components must characterize brand equity, and as Table 1 shows, multi-item measures are common.

3.9 Brand Association and Variety Seeking Behavior

There is limited research available in the domain of risk aversion, self-confidence, variety seeking, convenience orientation, flexibility, demographics, etc. and all differ measurably and significantly between shopping modes. Though the practical and theoretical implications are largely pursued but there exists the paucity of conceptual models that attempt to identify channel characteristics or to link them to behavioral outcomes (Michaelidou *et. al*, 2005). Variety seeking has been observed in many consumer products and it has been identified as a key determinant factor in brand switching. This type of behavior is thought to be explained by experiential or hedonic motives rather than by utilitarian aspects of consumption. In another study it has been discussed that among the range of strategies available to a company, line extensions are an important way to keep a brand alive and to realize incremental financial growth. Of all line extensions, those involving new flavors and new packaging/sizes were most successful. Extensions that improved product quality were found to be unsuccessful. The market-variable such as level of competition, retailer power and variety seeking behavior all showed a negative influence on line extension success (Nijssen, 1999). The behavior of variety seeking among the consumers has been divided into *derived* or *direct* variations (McAlister and Pessemier, 1982). The consumer behavior emerging out of external or internal forces that have no concern with a preference for change in and of itself may be referred as derived varied behavior while direct varied behavior has been defined in reference to 'novelty', unexpectedness', 'change' and 'complexity' as they are pursued to gain inherent satisfaction. In a study the influence of product-category level attributes were examined and six influential factors, which are involvement, purchase frequency, perceived brand difference, hedonic feature, strength of preference and purchase history have been identified (Van Trijp *et.al*, 1996).

Over the past two decades, marketing scientists in academia and industry have employed consumer choice models calibrated using supermarket scanner data to assess the impact of price and promotion on consumer choice, and they continue to do so today. Despite the extensive usage of scanner panel data for choice modeling, very little is known about the impact of data preparation strategies on the results of modeling efforts. In most cases, scanner panel data is pruned prior to model estimation to eliminate less significant brands, sizes, product forms, etc., as well as households with purchase histories not long enough to provide information on consumer behavior concepts such as loyalty, variety seeking and brand consideration. A study conducts an extensive simulation experiment to investigate the effects of data pruning and entity aggregation strategies on estimated price and promotion sensitivities (Andrews and Currim, 2002). The results show that data preparation strategies can result in significant bias in estimated parameters. Intrinsic variety seeking has been analyzed as an individual consumer's trait affecting consumers' varied behavior. However, very little research has been done on the consumer service sector. In this paper, the authors explore the negative role of variety seeking on customer retention for services. This basic hypothesis is tested through structural equation modeling applied to an empirical study of food-service at three Universities. The results support the hypothesis: variety seeking negatively affects customer retention and lessens the impact of the management efforts to improve service quality and customer satisfaction (Berené *et.al*, 2001).

Chapter 4

Results and Discussion

Customer relationship management is the strategic process of shaping the interactions between a company and its customers with the goal of maximizing current and lifetime value of customers for the company as well as maximizing satisfaction for customers. It is a complex set of activities that together form the basis for a sustainable and hard-to-imitate competitive advantage: the customer-focused organization. Although some practical guidelines have appeared on how to design and implement customer relationship management programs, there are few articles discussing the financial impact of such programs on companies? The customer relationship strategies inculcate values that help in building portfolios and retaining the customer and market segments for long-run in order to optimize the profit of the firm.

4.1 Experiment-I

Impact of Advertising Variability on Buying Decisions

This study was conducted with the selected samples wherein the respondents were randomly assigned to conditions in a 2 (target: product or selected brands) × 2 (processing goal: perceptions or no explicit impression) × 2 (presentation order: positive first or negative first) between-subjects design. The respondents of the study were told that they would be mapping their perceptions in reference to the selected brands of the fast moving customer goods (FMCG). Next, they were given instructions to form an impression on the brands' personality reviewing the advertisements connected with them. Two independent raters counted the total number of positive and negative attributes recalled. Ninety-three percent of advertisement recall attributes were classified as positive or negative by both judges while the remaining (7%) attributes were either incorrectly recalled or judges disagreed on these attributes. These attributes were exempted from analysis.

Paired *t*-tests on the positive and negative perceptions indicating similarities of personality and brand identification with their own personality indicated that positive attributes (M = 7.27) were rated as more favorable than both neutral {M = 5.19; $t(114) = 25.59$, p < (.001)} and negative attributes {M = 2.51; $t(114) = 52.54$, p < (.001)}. Negative attributes were rated as less favorable than neutral attributes {$t(114) = -38.64$, p < (.001)}. Separate ANOVAs on these indices as well as on information relevance and attribute importance revealed no effects (p's > .15). An ANOVA on the number of similarities of customer personalities with the emotional attributes of brand yielded a main effect of processing goal {$F(1, 110) = 4.29$, p < (.05)}, a main effect of identifying the brand {$F(1,110) = 7.29$, p < (.01)}, and a two-way interaction between processing goal and brand identification {$F(1, 110) = 7.15$, p < (.01)}. These propositions were also qualified by a significant three-way interaction {$F(1, 110) = 5.63$, p <(.05)} among the positive , negative and indifferent perceptions of the customers associated with the brand emotions. An ANOVA on the number of dissimilarities between the personality of the customer and psychodynamics associated with emotions of the brand yielded a main effect of processing goal {$F(1, 110)$ = 10.33, p < (.01)}, and two two-way interactions between processing goal and brand identification {$F(1, 110) = 8.14$, p < (.01)}. Consistent with hypothesis 1, these findings imply that customers tend to identify brands that have similarity to their own personalities and represent closeness in terms of the psychographic and emotional attributes. This effect is stronger when brands represent near similarities with the customers' own personality (Rajagopal, 2005[b]).

The simple effects tests were administered on the data sets of the study 1 that expect low variability, the results demonstrated more positive and fewer negative attributes when positive behavioral attributes of buyers was presented earlier (vs. later; M's = 2.84 vs. 2.17; $F(1, 101)$ = 4.86, $p < .05$, for positive attributes and M's = 2.08 vs. 2.78; $F(1, 101) = 4.85$, $p < .05$, for negative attributes). In contrast, under high variability, more positive and fewer negative attributes were found when buyer attributes were transferred to the brand personality (vs. earlier; M's = 2.88 vs. 2.08; $F(1, 101) = 7.07$, $p < .01$, for positive attributes and M's = 1.96 vs. 2.63; $F(1, 101) = 4.53$, p < .05, for negative attributes). These results of the study confirm the hypothesis 2 as effective consumer-brand relationship is established after the buyer realizes the purchase and simultaneously transfers the brand personality.

Another experiment was conducted to test the hypotheses 3 and 4 administering a short and purposeful questionnaire to the 87 students of the institute during 2 semesters of the academic year 2003. They were randomly assigned to conditions in a 3 (expected variability: high, low, or no instruction about variability) × 2 (decision order: positive first or negative first) between-customer personality and brand preference issues (Rajagopal, 2005[b]).

The brand likeability and clarity are influenced by the interaction between context/ advertisement congruency and product category involvement in the hypothesized direction. The contrast between the context and the advertisement seems to stimulate high involvement consumers, while similarity between the context and the ad appears to make advertisement processing easier for low involvement individuals. The analysis of the data of study 2 revealed that shared attributes in an advertisement, the interaction between features of the advertisement and behavioral intimacy attributes was significant for both positive {$F(1, 87) = 9.01$, $p <(.01)$} and negative {$F(1, 87) = 11.04$, $p (< .001)$} impacts. When the advertisements share positive attributes, the correlation between brand preference and the valence index of recall was found higher and when consumers expected high (vs. low) variability (r's = .56 vs. .22; $z = 2.01$, $p < .05$). This difference in correlations between high and low variability was negligible when the information featured unique attributes (*r*'s = .55 vs. .58; $z = -.07$, $p > .94$). Consistent with hypothesis 3, the results of the study endorses that the brand personality is perceived by the consumers when the advertisement is positive to their own personality and endorses the intimacy attributes with the communication.

An ANOVA on the evaluation index of the cognitive attributes associated with brand behavior of customers in reference to the advertising ($\alpha = .91$) yielded a main effect of positive attitude for the brands that are associated with the advertisements closed to the cognitive dimensions of customers {$F(1, 87) = 5.37$, $p < (.05)$}. It also yielded two two-way interactions between expected variability and effectiveness of advertisements {$F(1, 87) = 3.98$, $p < (.05)$} and features of communication and attribute uniqueness that have close match to the personality of customers {$F(1, 87) = 6.70$, $p < (.01)$}. These effects were qualified by a significant three-way interaction {($F(1, 87) = 5.22$, $p <(.05)$}. This result establishes the hypothesis 4 revealing that the brand personality is largely influenced largely by the affective and cognitive attributes in the process of the advertising communication (Rajagopal, 2005[b]).

4.2 Experiment-II

Brand Extensions and Consumer Behavior

The ANOVA on the diagnosticity index for the process food sector brands revealed a significant interaction between information and extension category {$F(1, 86) = 24.07$, $p < .001$}. Consistent with Hypothesis 5, the simple-effects test revealed that negative (vs. positive) information was rated as more diagnostic for close extensions {M's = 0.63 vs. 0.57; $F(1, 86) = 7.61$ $p < .01$}. In contrast, as predicted by Hypothesis 6, positive (vs. negative) information was rated as more diagnostic for far extensions {M's = 0.69 vs. 0.57; $F(1, 86) = 17.42$, $p < .001$}. Similar findings were obtained with the cosmetics products brands. Specifically, an ANOVA on the diagnosticity index yielded a significant information per extension category interaction {$F(1, 124) = 20.03$, $p < .001$}.

As expected, the simple-effects test indicated that negative (vs. positive) information was rated as more diagnostic for close extensions {M's = 0.63 vs. 0.59; $F(1, 124) = 6.36$, $p < .05$}, while subjects rated positive (vs. negative) information as more diagnostic for far extensions {M's = 0.63 vs. 0.57; $F(1, 124) = 13.13$, $p < .001$}. The data was analyzed using a 2 (extension category: close Vs. far) × 2 (information: positive Vs. negative) between-subjects ANOVA. The coefficient of correlations for the close brand extensions and positive information lead to higher degree as compared to any other relationships (Rajagopal, 2006[c]). The Figure 4.1 exhibits the consumer perceptions matrix in reference to the brand extension and information diagnosis parameters.

Figure 4.1 Consumer Perception Matrix on Brand Extension and Information Diagnosis

Brand Extension	Positive	Negative
Far	**Build Consumer Demand** $rp_1 = 0.5215$ $rp_2 = 0.5364$	**Abandon Feelings on Brands** $rp_1 = 0.1912$ $rp_2 = 0.1434$
Close	**Quick Adoption** $rp_1 = 0.9163$ $rp_2 = 0.7348$	**Discrete Adoption** $rp_1 = 0.2431$ $rp_2 = 0.3169$

Information Diagnosis

rp_1 **=** Coefficient of correlation for processed food products category brands
rp_2 = Coefficient of correlation for cosmetics products category brands
Respondents 103 in both the product category brands
Results refer to responses analyzed in different sales outlets

It was expected that, consistent with past research on the negativity effect, negative (Vs positive) information would be perceived as more diagnostic in the domain of close extensions (H5); however, positivistic effect (positive perceived as more diagnostic than negative) would be obtained for far extensions (H6). This pattern of results calls for an interaction between extension category and information. There is likelihood that information may be used as a basis of response to a subsequently measured construct and determined by (i) the accessibility of the input in memory, (ii) the perceived diagnosticity of the input for the judgment, and (iii) the accessibility of other inputs in memory. An input is considered diagnostic if it helps to assign the target to one particular category - high or low quality (Herr *et.al,* 1991). Therefore, in the context of information feedback effects, the extension information would be diagnostic to the extent that it indicates the quality of the family brand. The extension information is highly accessible; it will influence family brand evaluations, irrespective of the brand extension's diagnosticity. This is because in this condition, the extension information is highly featured and sufficient for making a judgment about the family brand name (Feldman and Lynch 1988). The trend diagnosis of information for the processed food products and cosmetics in the specific market locations-retails stores and super stores has been exhibited in Table 4.1. The analysis reveals that the correlation of brand extension variables - positive close, positive far, negative close and negative far with buying decisions on the extended brands showed lower degree of association. It may be stated in view of the results that the ambience of market outlet does not have a strong influencing factor over the information diagnostics for the consumers to make decisions on buying the extended brands (Rajagopal, 2006[c]).

Table 4.1: Trend Diagnosis of Information on Extended Brands in Retail Sales Outlets

(# Outlets = 33, # Respondents =119)

Information Variables On Brand Extensions	Analysis in reference to the variable : buying decision			
	Coefficient (r)		F	
	Processed Food	Cosmetics	Processed Food	Cosmetics
Positive Close	0.39	0.44[b]	13.51	18.83
Positive Far	0.51[a]	0.59[a]	21.16	13.85
Negative Close	0.40	0.37	42.27	16.94
Negative Far	0.34	0.41	47.91	13.62

[a] significant at 5% level
[b] significant at 10% level

The increasing availability of customer-level data on brand information and the willingness of marketers to customize the products offered through the brand extensions makes the segment-level description of household purchase decisions a compelling issue.

The respondents were provided with the brand profiles and either positive or negative attribute information about the new brand extension. The brand profiles contained the relative ranking of the competing brands in each sector. Reliability was chosen as the target attribute because a pretest indicated that it was an important attribute for both categories of the products. The comparison brands were chosen on the basis of pretests and actual consumer reviews indicating their perceptions about the brands in their respective categories. For example in the positive-information condition, the new extension introduced by some of the brands like Jumex was portrayed as being clearly superior to the moderate brands and as having the same level of reliability as the high quality brand (Jugo del Valle or Great Value). In the negative-information condition, the extension was portrayed as clearly inferior to all the competing brands in reliability. All the moderate brands (including Jumex) were assigned similar ratings on ease of use, slightly lower than those of the leading brands (Jugo del Valle and Great Value). The respondents rated the extent to which processed food products and cosmetics are reliable on three scales anchored by "strongly disagree" and "strongly agree," "extremely unlikely" and "extremely likely," "not at all probable" and "very probable." The mean of the belief parameters constituted the belief index (= 0.92). Brand evaluations were measured via three scales anchored by "very unfavorable" and "very favorable," "very negative" and "very positive," and "very bad" and "very good." These items were averaged to form an evaluation index (= 0.84). The perception on beliefs about the brand extensions in the conditions of normal accessibility of both the categories of products, in terms of reliability were enhanced in response to positive information (M close = 5.31, t = -2.05; M far = 5.46, t = -2.64; p's < .05), and were diluted in response to negative information (M close = 3.44, t = 3.21; M far = 3.90, t = 2.77; p's < .01) regardless of the extension category (Rajagopal, 2006[c]).

The impact of the positive extension information can be enhanced such as providing information about extension on the packages of other products of the same family brand name by making it more accessible in the decision situation. Similarly, diagnosticity of the extension information can be influenced by communication strategies that enhance/diminish the relevance of attribute beliefs in evaluating the family brand. The findings of the study in general establish the hypotheses framed in the paper.

4.3 Experiment-III

Brand Name and Variety Seeking Behavior

The data collected from respondents were tested for its reliability applying the Cronbach Alfa test. Variables derived from test instruments are declared to be reliable only when they provide stable and reliable responses over a repeated administration of the test. It has been observed from the test results that the variables associated with the perceived risk (4), perceived brand difference

(5) and brand and company name (5) showed the highest reliability. The significance tests and clustered mean values of the selected variables has been exhibited in Table 4.2.

Table 4.2: Significance tests and Clustered mean Values of the variables under study

Variable segments[a]	Cronbach (α)	Wilk's $(\lambda)^b$	Clusters' Means			Hypothesis Tested
			C1	C2	C3	
Risk perceived by the customers (4)	0.835	0.736 $(0.201)^{+}$	4.97	6.12	5.82	H1
Perceived brand difference (5)	0.795	0.927 $(0.163)^{+}$	5.71	7.52	6.24	H2, H3
Brand and company name association (5)	0.847	0.984 $(0.233)^{+}$	4.43	5.84	5.69	H3
Customer value enhancement through brand name and company association (2)	0.645	0.938 $(0.128)^{++}$	4.05	4.68	5.14	H4

[a] Figures in parentheses indicate the number variables in the segment
[b] Figures in parentheses represent *p*-values
$^{+}$ p = > 0.01 and $^{++}$ p = >0.05

The Wilk's Lambda, a multivariate analogue of the coefficient of alienation was also tested for the major variables which derived significant values and upon individual consideration of the predicators, all showed a statistically significant influence on the dependent variable except the variable denoting the expertise associated with the company which enhances the customers' satisfaction and augments their value (p=0.128 >0.05). The mean values on the variable segments of the clusters of respondents reveal that there is largest gap between C_1 and C_2 on perceived risk and a considerable separation may also be seen on perceived brand difference between the same clusters. However, the difference among all the three clusters C_1, C_2 and C_3 are marginal in reference to the other two variable segments- brand and company name association and customer value enhancement (Rajagopal, 2005[c]). The results exhibited in the Table 4.2 show that the statistical measurements of variable segments supports hypotheses H7, H8 and H9 framed in the study except H10.

Table 4.3: Cluster Means of the Variable Brand Name Association by Product Categories

Product Categories	Respondent Clusters		
	C_1	C_2	C_3
Dental Care (P_1)	3.77	3.92	4.15
Processed Food (P_2)	3.65	3.42	3.79
Cosmetics (P_3)	4.17	4.82	3.76
Detergents (P_4)	3.98	4.17	3.69
Toiletries (P_5)	4.19	3.87	4.06
Dairy Products (P_6)	3.46	3.68	3.83

The analysis of consumer perceptions in relation to the 14 products covered under the study as exhibited in Table 4.3 show that there exist a smaller gap between respondent clusters C_1 and C_2 in product categories P_1, P_2, P_3 and P_6. However the gap has been found larger in the product categories P_4 and P_5 as compared to the other categories of products. This suggests that customer pays higher significance to the band name and company association in purchase of unfamiliar brand in these categories. However, the brand name and a company association was not regarded as important in case of buying detergents and toiletries in the product of categories P_4 and P_5 as the respondent felt that the brand name and company association may not contribute significantly to augment the customer satisfaction and add psychometric values in using the products. The pooled inter-group matrices have been exhibited in Table 4 with reference to the four variable segments discussed in Table 4.4.

Table 4.4: Inter-group correlation matrices

Variable Segments	Risk perceived by the customers	Perceived brand difference	Brand and company name association	Customer value enhancement through brand name and company association
Risk perceived by the customers	1.000	0.380	0.371	0.227
Perceived brand difference	0.380	1.000	0.394	0.210
Brand and company name association	0.371	0.394	1.000	0.215
Customer value enhancement through brand name and company association	0.227	0.210	0.215	1.000

The results of the correlation matrices indicate that there exists a lower degree correlation between the perceived risk and perceived brand difference ($V_{1,}V_2$), brand name and perceived brand difference ($V_{3,}V_2$) and perceived risk and company name ($V_{1,}V_3$). It may be observed from the above matrix that the coefficient has a maximum value of 0.394 which do not pose a serious concern of multi-collinearity. The Eigen values have been computed to estimate the shared variance between the respective optimally weighted canonical variates of dependent and independent variables. The canonical correlations analysis has been derived considering the set of dependent and independent variables representing the canonical functions. The analysis of the data indicates that the first function (F_1) has the highest eigenvalue (0.539) which accounts for 89.36 percent while the second function (F_2) has shown relatively smaller eigenvalue (0.152) with 11.64 percent of the explained variance. The analysis reveals that the canonical correlations for F_1 and F_2 are 0.637 and 0.174 respectively. Accordingly, it may be stated that the F_1 is superior to F_2 (Rajagopal, 2005[c]). The Table 4.5 exhibits the standardized canonical coefficients of discriminant functions and functions at group centroids.

Table 4.5: Canonical Values and Fit of the Model

Canonical Functions	Variable Segments				Respondent Clusters		
	V_1	V_2	V_3	V_4	C_1	C_2	C_3
F_1	0.837	0.577	0.061	0.316	0.874	-0.152	-.0249
F_2	-0.173	0.264	0.326	0.632	0.114	0.227	-0.106

The results show that the value of coefficients among the variable segments V_1 and V_2 are of higher degree for canonical function F_1 which describes that these two variables perceived risk and perceived brand difference are basically associated with the function. Similarly, the company name and customer value variables are associated with the function F_2 as the coefficients show relative by higher values. In reference to the clusters of respondents, the segment C_1 which represents positive influence of brand name in consumers' behavior of respondents show highest value on function F_1 while C_2 represents the lowest value as the function F_1 is associated with perceived risk and perceived brand difference variables.

Such results indicate that higher perceived brand risk and brand difference may provide more confidence on the company name while making decisions towards buying the products of an unfamiliar brand. The Figure 4.2 exhibits the consumer perceptions matrix for the perceived risk, brand difference and brand name and customer values associated with the brand in reference to the clusters of respondents. The data was analyzed using a 2 (perceived risk and brand difference: high *vs.* low) × 2 (brand name influence: familiar *vs.* unfamiliar).

The results show that the coefficient of correlations for the high perceived risk and brand difference has led to quick adaptation of familiar brands in all the respondents' categories while delayed adaptation for the unfamiliar brands in the C_1 and C_2 categories as compared to other relationships. These results support the Hypotheses H7, H9 and H10 in reference to the influence of brand name towards making buying decisions on unfamiliar brands (H8).

Figure 4.2: Consumer Perception Matrix on Influence of Brand Name and Buying Decisions towards Unfamiliar Brands

Perceived Risk & Brand Difference $[V_1, V_2]$	Familiar	Unfamiliar
Low	Discrete Adaptation C_1= 0.2431 C_2= 0.3169 C_3= 0.2284	Abandon Feelings on Brands C_1 = 0.1912 C_2 = 0.1434 C_3 = 0. 1679
High	Quick Adoption C_1 = 0.9163 C_2 = 0.7348 C_3 = 0.5933	Delayed Adaptation C_1 = 0.2431 C_2 = 0.3169 C_3 = 0.1647

Brand Name & Value $[V_3, V_4]$

Values represent pooled coefficient of correlation in reference to the clusters of respondents (C_1, C2 and C_3) for all products category in the sales outlets covered under study.

4.4 Experiment-IV

Measuring Customer Value Gaps

Data has been input to the structural equations of the model discussed in the paper. The analysis of the empirical data is exhibited in the following Tables, wherein $\hat{\beta}$ represents the coefficient of relative satisfaction of the customers, ∂ denotes the variability between the corporate values and perceived values of customers associated with the product, γ_0 represents the initial satisfaction delivered by the product in terms of economic variables and γ_1 shows the customer satisfaction derived through the relational factors. The results on the analysis of the above variables refer to the short term customer values associated with the new products introduced in the retail market by the firms for competitive gains. The relational and economic variables selected for the study are illustrated in Table 2.1 (Chapter 2). The descriptive statistics of the data sets for the variable segments used in the analysis of the study is exhibited in Table 4.6.

Table 4.6: Descriptive Statistics for the Selected Variable Segments for the Study

Variable Segment	*EVS1*	*EVS2*	*EVS3*	*RVS1*	*RVS2*	*RVS3*
Sample Size	369	368	369	369	368	369
Mean	6.720	4.288	5.761	4.503	6.065	6.154
Standard Deviation	1.030	0.735	0.810	0.879	1.226	1.341
Standard Error	0.054	0.038	0.042	0.046	0.064	0.070
Skewness	-0.906	-1.085	-1.050	-0.610	-0.463	0.139
Sample Variance	1.061	0.540	0.656	0.773	1.504	1.799

The perceived customer value in reference to the product attractiveness F_x has been estimated as discussed in the paper in reference to the gaps model. The result has been exhibited in Table 4.7. The estimations represent for all the observations of the study and standard error has been calculated accordingly.

Table 4.7: Structural Estimation Results

n=369

Parameters	Robust Weighting	Optimal Weighting
$\hat{\beta}$	0.95982	0.95693
SE	0.0179	0.0154
∂	4.188	4.507
p	0.5146	1.3.966
γ_0	0.0015	5.6131
γ_1	0.0710	0.0613
Chi-square	166.06	177.11

In the above Table first column displays the results when the initial robust weighting matrix is employed and the second column presents the results from optimal weighting matrix. The standard error (*SE*) has been estimated with the adjusting parameters C_{at}, q_p^t and $\hat{Q}$ as discussed in the paper. The results showed that *SE* typically increases once the adjusted and calibrated parameters γ_0 and γ_1 have accounted for measuring the gap between the expectations of the company and customer perceptions widen in reference to a given product and market conditions (CVG-1).

It has been observed during the study that initial consumption of the new product introduced in the market remains high. However, the long term customers value is influenced by the price and non-factors associated with the product. The performances of the company in retailing management of the product in terms of just-in-time supplies, display, point of sales approaches and customer services also help in building the customer values for the product in a given market (Rajagopal, 2006[b]). The Table 4.8 exhibits the gap between the offering strategies of the new product in terms of product design and standards and the customer expectation on economic and relational variables (CVG-2).

Table 4.8 Customer Value Estimations: Product Design, Standards and Customer Satisfaction

n=369

Variable Segments	Value Estimation Parameters for New Products	$\hat{\beta}$	∂	*p*	γ_0	γ_1	Chi-Square
Economic variables	Satisfaction over price	0.962	3.94	0.283*	0.072	0.209	53.60
	Satisfaction over design	0.949	5.30	0.869	0.059	0.162	59.12
	Satisfaction on application	0.962	4.15	0.382*	0.356	0.047	84.22
	Satisfaction over non-price factors	0.930	7.48	0.694	0.721	0.055	87.26
Relational variables	Volume of supply	0.946	5.71	1.672**	0.036	0.321	64.02
	Retailer coverage	0.953	4.96	1.059**	0.210	0.369	52.86
	Just-in-time management	0.963	4.98	1.213**	0.166	0.046	66.81

p values * 1 and ** 5 percent level

It may be observed from the analysis that the difference among the $\hat{\beta}$, constant of relative satisfaction for various customer and company related variables have been marginal in the study. The p-values are also significant for most of the critical variables. This may indicate that the perceived values acquired by the customers and corporate values associated with product offerings match closely. The relational variables stand close to the economic variables, which enhances the aggregate customer value for the product offered. Hence, it may be stated that the results of the study establish the hypotheses H11 and H12.

The product positioning strategies and product delivery approaches also determine the customer values during initial period of product offering. In this process value gaps may be created among customers in a given market due to lack of coordination among these marketing functions. The Table 4.9 exhibits the measures of relative customer satisfaction in reference to product positioning strategies and retailing management.

Table 4.9: Customer Value Estimations: Product Positioning and Retailing

n=369

Strategy	Value Estimation Parameters for New Products	$\hat{\beta}$	∂	p	γ_0	γ_1	Chi-Square
Product Positioning	By design	0.821	0.197	0.268*	0.075	0.291	53.61
	By attributes	0.869	0.194	0.291*	2.142	0.055	64.81
	By application	0.824	0.126	0.166**	2.162	0.310	69.60
	By Services	0.921	0.134	0.147**	0.921	0.046	74.81
Retailing Management	By retail stores	0.626	0.146	0.211**	0.321	0.218	76.22
	By virtual shops	0.511	0.147	0.239*	0.419	0.079	54.62
	By personal selling	0.536	0.216	0.242*	0.211	0.098	58.20

p values * 1 and ** 5 percent level

It may be observed from $\hat{\beta}$ values that the appropriate product positioning strategies associated with the effective retailing management marginalizes the perception differences of the customers on new products offered in the market. The level of satisfaction derived through the virtual stores and personal selling is largely same for the respondents of the study though parameters γ_0 and γ_1 accounted for measuring the gap between the product positioning and retailing strategies of the company presented in the Table 4.8 showed wider variations (Rajagopal, 2006[b]). The results presented in the above Table reveal that strategic product positioning and effective retailing reduce the gap on customer perceptions and help in augmenting the long-run values. Hence, the hypotheses H13 framed gets established.

One of the prominent features emerged during the study is that the customer perception is largely governed by the marketing communications. The word-of–mouth, referrals and commercials issued by the firm drive the decision factors of customers towards the new products. It may be observed from the Table 4.10 that there exists a close association among the factors of communication and perceived values of the customers.

Table 4.10: Customer perceptions on the new products as an impact of the structured and non-structured communications

n=369

Effect Measurement	Value Estimation Parameters for New Products	$\hat{\beta}$	∂	p	γ_0	γ_1	Chi-Square
Communication variables	Word of mouth (P_{sw})	0.936	0.183	0.241**	0.055	0.291	54.72
	Referrals (P_{sr})	0.947	0.142	0.216*	0.036	0.281	59.22
	Commercials (P_{sa})	0.941	0.132	0.148*	0.048	0.266	61.31
Organizational dimensions	Integrated effects (P_{sc})	0.921	0.136	0.192**	0.039	0.312	64.21
	Product attractiveness (F_x)	0.943	0.139	0.198**	0.046	0.311	62.81

p values * 1 and ** 5 percent level

The analysis of the data presented in the above table reveals that there is a close association among the variables of communication, organizational dimensions and the perceived values of the customers towards new products. The results show that the variability factor ∂ is marginal for the selected variables and the $\hat{\beta}$ values are close to each variable, with significant level of *p* values. There remains minimum gap among these variables which leads to increase in the customer values. The results exhibited in Table 5, hence establish the hypothesis H14 framed for the study.

The study reveals that the customer value is embedded in the functional variables of new product development and positioning in a given market. The individual consumption behavior is largely value driven. The model discussed in the study has been tested and the fit of the customer values have been estimated by adjusting the tangible and intangible variables. This model may also be useful in determining the customer portfolio, choice matrix to determine the consumer behavior, retailer management strategies for optimizing the customer values, aggregate returns and discrete customer values (Rajagopal, 2006[b]).

4.5 General Discussion

The research on the dynamics of business relationships and the dynamics of brand relationships, with particular attention to new business environments, is becoming more significant with the increasing importance of the Internet in business activities. The previous studies have proposed taxonomy for a better understanding of the relationships and linkages between brands and customer portfolios (Rajagopal and Sanchez, 2005). Hence, the managerial importance of the topic seems evident as revealed by the Experiment-I. Advertising is by far the most important communication tool in marketing and with every advertisement brand personality is built. The media effectiveness in reference to brand personality and customer response to the brands may be studied for building long-run branding strategies. The effectiveness of any advertisement can be measured at two different levels – pre-insertion and post-insertion of the advertisement in the media along with the brand awareness programs for effective impact of communication on the customers segment. However, identifying an appropriate market and starting a meaningful relationship using relevant and entertaining content is generally a much more compelling tactic for creating loyal customers.

This research also extends previous social psychological research on impressions of individuals versus social groups by demonstrating the effect of attribute uniqueness on information processing and group judgments. The study also suggests that social psychological theory of impression formation can be useful in understanding how family brand impressions are formed in addition to the cognitive theories used by previous research on brand equity. This framework focuses on memory-based versus on-line aspects of information processing. These different processes can lead to significant differences in family brand evaluations as a function of the order of information acquisition.

The Experiment-II on one hand endorses the Keller's (1998) conceptualization and also extends it by demonstrating an interaction between fit and the brand extension information. However the best fit of the model (Figure 1) can be subject to implementation through similarity between the family brand and the extension on the basis of product-related attributes or non-product related attributes such as brand image (Keller 1998). The underlying construct is similarity between the family brand and the extension, which is likely to influence the perceived diagnosticity of the extension information for the family brand evaluation. Another interesting issue is whether the type of positive/negative information interacts therewith. However, future studies may tend to examine the ambiguities associated with consumer expectations in the context of brand extensions and provide extension information on a reliability attribute that is likely to be easily interpretable at the brand performance level, and hence diagnostic for the brand evaluation.

Brand information (positive or negative) can have an important function in markets with consumption externalities apart from its persuasive and informative roles. Information inflow on brands and outflow through inter-personal communication may act as a device to coordinate consumer expectations of the purchasing decisions of other consumers in markets with consumption externalities. The implications of positive and negative communications on the brands as a coordinating device may be analyzed by the companies to help their decisions strategically on brand extensions. However, there may be some of the forces that can lead to herd behavior in diagnosing the brand communication. Under certain circumstances, consumers may simply mimic the fellow buyers' decisions ignoring substantive private information. Although this behavior is inefficient from a social standpoint, it can be rational from the perspective of brand managers who are concerned about their reputations in the product or service market.

It is observed that a group of individuals can learn and influence decision without substantial information base on its positive or negative versions and with only a small amount of rationality. The degree of such influence may be so intensive that the decisions are repeated many times by different players. Each player chooses an optimal reply, based on incomplete information about what other players have done in the past. Occasionally they make mistakes. When the likelihood of mistakes is very small, typically coordination equilibrium will be played almost all the time over the long run. Such situations towards the diagnosticity of the information on brand extensions are not many but at the same time can not be ignored by the brand managers. Future researches may address these complexities also in terms of brand relationship and consumer decision making towards brand extensions. However, strategically a company may empower the consumers to add value to their mother brand by migrating an extended brand to the public communication networks like television, internet etc. The organization needs to recognize that any promised experience hinges on buyers' knowledge of the brand's history. Nike tried to make its promise of winning personalized, by allowing consumers to add their own word on the back of its trainers. However, the company needs to monitor the information analysis patterns in the close and far brand extensions as it plays the key role in making purchase decisions.

It has been observed in the Experiment-III that the perceptions on brand name in reference to brand risk and brand differences has been the prime factors in making buying decision for new brands among the consumers. More attention is being paid by the consumers to ascertain the brand name associated with the unfamiliar brands as the consumer feel high risk averse and entangle in decision making with perceived brand differences. The perceptions of the consumers on the corporate reputation and values associated therewith also influence the level of confidence on the brand name. The influence of brand name would be higher if the consumers perceive that the companies vary in delivering the product with a competitive advantage and augment their level of satisfaction. The study revealed that high perceived risk and brand difference induce the consumers to review the brand name in the process of making buying decisions.

Consumer perceptions play a key role in the life cycle of a brand. The role varies according to the stage in the life cycle, market situation and competitive scenario. Consumer perceptions on brand name and values associated therewith may lead to a significant impact on penetration build for new brands and for stimulating growth in existing brands provided they are anchored on a well defined activation platform that builds brand equity. However, a marketer can manipulate the company name within certain limits. The companies may need to consider the impact of increased reliance of consumers on the brand name towards the promotion of new brands as this may discourage to go for higher promotional budgets for the new brands of the company. Hence, managers may aim at achieving the economies of scale if the company's new brands are architected around the influence of the name of mother brand. It may be required for a company to invest on appealing communication strategies for creating awareness on the unfamiliar brands to influence the decision of consumers towards buying those brands that they have not tested before. The company may also need to consider emphasizing an integrated promotion strategy for new brands in reference to attributes, awareness, trial, availability and trial (AATAR) principle. Besides, the company should also observe the parameters that consumers use in determining the corporate image and brand performance. However, it is necessary for the managers to consider that consumer perceptions are one of the core dimensions of brand equity, which refers to the emotional side of a brand image and is created by all experiences of consumers with a brand. The brand image is largely constituted by the corporate reputation and company name which becomes motivation for the consumers towards making decision on the new brands.

The Experiment-IV on the measurement of customer values in retailing discusses that one of the challenges for the marketing manager of a firm is to incorporate the preferences of the customer into the design of new products and services in order to maximize the customer value. An augmented and sustainable customer value builds the loyalty towards the product and the brand. Systematically explored concepts in the field of customer value and market driven approach towards new products would be beneficial for a company to derive long term profit optimization strategy over the period. Hence, a comprehensive framework for estimating both the value of a customer and profit optimization need to be developed. On a tactical level, managers need to consider the optimum spread of customers on a matrix of product attractiveness and market coverage. This needs careful attention and the application of managerial judgment and experience to measure the value driven performance of the product of the firm. It is necessary for the managers to understand that customer value is context dependent and there exists a whole value network to measure, not just a value chain. This value network will contain important entities far beyond the ones commonly taken into consideration in financial projections and business analyses.

The model discussed in this paper provides a holistic view of the customer value by proposing ways to measure the different variable associated with it *viz.* product attractiveness, market coverage, communication and point-of-purchase services offered to the customers. The analysis of these variables would help the managers develop appropriate strategies to enhance the customer value for the new products and optimize the profit of the firm. Managers of a firm may consider the measurement of customer value with the advent of one-to-one marketing media, *e.g.* targeted direct mail or internet marketing; the opportunities to develop customer relationship management campaigns are enhanced in such a way that it is now both organizationally and economically feasible to support a substantially larger number of marketing segments in a profitable manner. The discussion in the paper on the customer value gaps in the process of marketing new products explores the possible situations that may lead to lower the customer value. An appropriate preventive strategy may be developed by the managers upon measuring the extent of such gaps to protect the deterioration in the customer values and optimize the profit of the firm.

The customer value in terms of satisfaction is one of the indicators for building profit oriented strategies in a firm. The customer value concepts may be applied by the firms to evaluate the product performance in the given market and determine the approach for short run competitive advantage. In order to gain the returns in the long run on the aggregate customer value, firms may need to methodically estimate the profitability associated thereof in terms of product attractiveness, volume of buying and market share thereof while introducing the new products in a competitive market environment. The existing theoretical and methodological issues are reviewed in this study and a new framework has been proposed for future research in measuring the customer value in specific reference to the new products as launching innovative and high technology products is a continuous process for the firms in the present competitive markets. The framework for measuring the customer values discussed in this paper provides analytical dimensions for establishing the customer relationship by the firm and to optimize its profit levels by gaining the competitive advantage in the short run.

Chapter 5

Future Research Perspectives

5.1 Brand Equity in a Competitive Marketplace

Concept of customer-based brand equity may be defined as the differential effect that brand knowledge has on consumer response to marketing activity for that brand. A brand is said to have positive (or negative) customer-based brand equity when consumers react more (or less) favorably to marketing mix activity for the brand, as compared to when the same marketing activity is attributed to a hypothetical or unnamed version of the product or service. Consumer response to marketing activity for competitive brands or an alternatively named version of the product or service can also be useful benchmarks (i.e., for determining the uniqueness of brand associations and the opportunity cost of brand extensions, respectively). Customer-based brand equity emerges when the consumer is aware of and familiar with the brand and holds some favorable, strong, and unique brand associations in memory.

Brand equity is the worth of that image and its strength as judged by its ability to remain unaffected by temporary changes in any of the comprising factors. Consumers have only one image of a brand, one created by the deployment of the brand assets at your disposal: name, tradition, packaging, advertising, promotion posture, pricing, trade acceptance, sales force discipline, customer satisfaction, repurchases patterns, etc. Clearly some brand assets are more important to product marketers than to service marketers, and vice versa. Some competitive environments put more of a premium on certain assets as well. Quality and price do not exist as isolated concepts in consumers' minds. They are interrelated. Research has shown that deep discounts do cause the consumer to believe that something is wrong. Frequent discounting serves to lower the value of the brand because of an almost subconscious reaction by the consumer who believes that quality also has been lowered (remember shirts with alligators on them?) or, in a "value rebound," consumers begin to perceive the everyday price as too high. The brand is then bought only on deal. This paper attempts to explore the various mechanism that help building the brand personality through marketing communications like advertising, word of mouth etc.

5.1.1 Brand Equity and Customer Relationship

Strong brand equity allows the companies to retain customers better, service their needs more effectively, and increase profits. Brand equity can be increased by successfully implementing and managing an ongoing relationship marketing effort by offering value to the customer, and listening to their needs. Disregarding the edge that the Brand-Customer Relationship offers in the market place and not utilizing the benefits and goodwill that the relationship creates will surely lead to failure in the long run. The central brand idea may be static among the entire customer and prospect bases, but the total sum of the brand idea or perception is rooted in the customer's experiences with the brand itself, and all its messages, interactions, and so on. In the market a strong brand will be considered to have high brand equity. The brand equity will be higher if the brand loyalty, awareness, perceived quality; strong channel relationships and association of trademarks and patents are higher. High brand equity provides many competitive advantages to the company. The brand equity may be understood as the highest value paid for the brand names during buy-outs and mergers. This concept may be defined as the incremental value of a business above the value of its physical assets due to the market positioning achieved by its brand and the extension potential of the brand (Tauber, 1998).

5.1.2 Diagnosing Brand Personality

Brand personality is an attractive and appealing concept in the marketing of today. It is one of the core dimensions of the brand identity (Aaker, 1996) and perhaps the one closest to the consumers. The personality idea responds to the tendency in contemporary society to value personal relationships. It also refers to the idea that relationships are important in social life. In terms of Maslow's hierarchy of needs, it tries to lift products to higher levels of need satisfaction, like belongingness and love and esteem. Brand personalities are created in different ways and with different tools. However, the creation always involves active communications on the side of the firm: the personality has to be disseminated to be alive. Brand equity research is an attempt to put a value on the strength of a brand in the market, in the same way that the shares/stocks put a value on the strength of the corporation in the eyes of the investors. Indeed, brand equity research has shown that the two are related - the growth in brand equity correlates with the growth in stock values, and also sales, profits, price premiums and employee satisfaction. The brand equity research has two elements:

Brand profiling - where your brand and its competitors are profiled against a set of indicators and attributes. The indicators are usually fixed within the model, but attributes may be specific to the brand or its category

Conversion model - where the model assesses the degree of strength or vulnerability you have in your customer base in relation to competition. Credit card companies use this to identify which competitive customers they should approach as they are open to alternative offers, and which they should not waste their time on because they are loyal to their existing suppliers.

5.2 Advertising as a Brand Driver

Advertising is heavily used in this process of personality creation. This follows logically from the fact that personalities are particularly useful for the creation of brand associations. Brand associations influence the' evaluation of alternatives' stage in basic consumer buying behavior models. In this stage, and for these goals, advertising is considered to be the most effective communication tools. Perhaps the most visible and best known way of personality creations is by means of celebrity endorsers. Public heroes, sports people, pop stars and movie stars are hired to lend their personality to a brand but this practice goes back to at least for a century. The practice is still growing in popularity today. Yet, basically all advertising influences the brand personality, not only when an endorser is used. In the process of personality creation, in reference to advertising and marketing communication approaches are largely used to create brand personality. Many researchers including Brassington & Pettitt (2000); Erdogan & Baker, (2000) and Redenbach (2000) have found that brands are sensitive to the communication and anchors which catalyze the consumer behavior. It may be observed that a general model of advertising has been integrated with a model of brand personality creation as discussed in some of the studies. Based on that model number of propositions are derived presented thorough analyses of the role of brand personality in the creation of brand equity, thereby linking the core issue to one of general and increasing importance.

The brand management has developed to take advantage of new loyalty marketing vehicles. Baldinger & Robinson (1996) have observed that, brand managers are supplementing their mass-media advertising with more direct communications, through direct and interactive methods, internet communications, and other innovative channels of distribution to build and maintain consumer loyalty. Simultaneously, however, brand managers have to face more threats to their brands, especially parity responses from competitors. Brand loyalty can yield significant marketing advantages including reduced marketing costs, greater trade leverage, resistance among loyal consumers to competitors' propositions, and higher profits. Preference for convenience, novelty, chance encounters and repertoire buying behavior are but some reasons for this. A new approach for measuring, analyzing, and predicting a brand's equity in a product market defines the brand equity at the firm level as the incremental profit per year obtained by the brand in comparison to a brand with the same product and price but with minimal brand-building efforts. At the customer level, it determines the difference between an individual customer's overall choice probability for the brand and his or her choice probability for the underlying product with merely its push-based availability and awareness. The approach takes into account three sources of brand equity - brand awareness, attribute perception biases, and non-attribute preference - and reveals how much each of the three sources contributes to brand equity. In addition, the proposed method incorporates the impact of brand equity on enhancing the brand's availability. The method provides what-if analysis capabilities to predict the likely impacts of alternative approaches to enhance a brand's equity.

5.3 Inter-relationships of Consumer and Brand Personality

Consumers often anthropomorphize brands by endowing them with personality traits, and marketers often create or reinforce these perceptions by their brand positioning. Brand personality traits provide symbolic meaning or emotional value that can contribute to consumers' brand preferences and can be more enduring than functional attributes. Successfully positioning a brand's personality within a product category requires measurement models that are able to disentangle a brand's unique personality traits from those traits that are common to all brands in the product category. Consumers perceive the brand on dimensions that typically capture a person's personality, and extend that to the domain of brands. The dimensions of brand personality are defined by extending the dimensions of human personality to the domain of brands.

5.3.1 Personality Attributes in Branding

Human personality traits are determined by multi-dimensional factors like the individual's behavior, appearance, attitude and beliefs, and demographic characteristics. Based on the trait theory, Batra, Lehmann & Singh (1993) observed that there are five stable personality dimensions, also called the 'Big Five' human personality dimensions. The 'Big Five' human personality dimensions are Extraversion/introversion, Agreeableness, Consciousness, Emotional stability, and Culture. Based on these human personality dimensions, Jennifer Aaker (1997) identifies the new ' Big Five' dimensions related to brands. These are Sincerity, Excitement, Competence, Sophistication, and Ruggedness. This pattern suggests that these brand personality dimensions might operate in different ways or influence consumer preference for different reasons. Whereas Sincerity, Excitement, and Competence represent an innate part of Human Personality, Sophistication and Ruggedness tap dimensions that individual's desire. Hence the following proposition has been considered as the customers identify brands that have similarity to their own personalities and represent closeness in terms of the psychographic and emotional attributes.

Brands influence consumer decisions to buy in any of the above ways, or through combinations of them, sometimes with tremendous persuasive appeal. The brand-person associations can also have a more personal nature. Brands can be associated with persons who use or used that particular brand, for example a close friend or a family member. Also, brands received as gifts can also be associated with the person from whom the gift was received. These person associations serve to animate the brand as a vital entity in the minds of the consumers. The Marlboro brand personality is a good example of how a company understands and combines the physical and emotional elements that appeal to certain customers who live or would love to live a certain lifestyle. Products such as gold credit cards, watches or prestige items help people to express themselves to others by demonstrating that they are different and have achieved something. They act as extensions of the personality, so it really is "all in the mind", and the key to brand management and development is a clear understanding of what benefits the customer is looking for. Finding with consumers what comes to mind when they hear the name of a big brand such as BMW or Gucci, they will reply with a list of attributes which go far beyond the physical tangible aspects of product and delivery, but if there is one word which brings all these things together in people's mind, it is value. Time and again, research shows that the real driving force behind market leadership is perceived value - not price or inherent product attributes. As long as a brand offers customers a superior perceived value, the good market performance will follow, which makes consistency a highly important feature of brand behavior. Hence it may be stated that consumers cultivate relationship with the brands that involve in life style, gender, age, educational background, social values and culture.

5.3.2 Brands and Conventional Knowledge

Brands are also successful because people prefer them to ordinary products. In addition to the psychological factors already mentioned, brands give consumers the means whereby they can make choices and judgments. Bases on these experiences, customers can then rely on chosen brands to guarantee standards of quality and service, which reduces the risk of failure in purchase. Today's world is characterized by more complex technology, and this can be extremely confusing to the people who are not technology minded. Brands can play an important role here by providing simplicity and reassurance to the uninitiated, offering a quick, clear guide to a variety of competitive products and helping consumers reach better, and quicker decisions. Fournier (1998) has described animism as another process mechanism that directly explains the specific ways in which the vitality of the brand can be realized. Spokespersons that are used in advertising can have personalities that fit those of the brands they advertise. Over time, the personalities of the spokespersons are transmitted to the brand. Obviously, this aspect is much less under the control of marketers. Indirectly, the brand personality is created by all the elements of the marketing mix. Betra, Lehmann and Singh (1993) suggest that the personality of a brand is created over time, by the all constituents of marketing-mix.

5.4 Brand Relationship Typology

There is the relationship between the brand-as-person and the customer, which is analogous to the relationship between two people. The brand personality provides depth, feelings and liking to the relationship. A friend relationship can involve very different brand personalities. Some friends are fun and irreverent. Others are serious and command respect. Others are reliable and unpretentious. Still others are just comfortable to be around. A focus on the friend relationship rather than the brand personality can allow more scope and flexibility in the implementation of the brand identity. The focus is upon consumer perceptions, attitudes, and behavior *toward* the brand; attitudes and perceptions of the brand itself are hidden behind the closed doors of the organization. Yet the relationship with another person is deeply affected by not only who that person is but also what that person thinks of you. Similarly, a brand-customer relationship will have an active partner at each end, the brand as well as the customer. Thus the scanning of data and framing hypotheses about the types of relationships that exist becomes essential. In the latter stage, respondents may be allocated to relationship categories on the basis of the hypothesized relationship groupings. In the process, the relationship typology is refined. The relationships are then formalized into specifications, and coders classify the respondents into those relationships. The groups are then profiled. Often the relationship groupings correspond to like, dislike, and neutral segments. This discussion reveals that higher investment in consumer-brand relationships pulls greater loyalty in the competitive environment.

The type of relationship that customers possess with the brands based on the loyalty levels is an extremely significant parameter for the marketers. Duncan and Moriarty (1998) point out that each of the new generation marketing approaches include customer focused, market-driven, outside-in, one-to-one marketing, data-driven marketing, relationship marketing, integrated marketing, and integrated marketing communications that emphasize two-way communication through better listening to customers and the idea that communication before, during and after transactions can build or destroy important brand relationships. The way consumers perceive brands is a key determinant of long-term business consumer relationships. A large proportion of consumer brand perception is obtained under low-involvement conditions and is therefore not consciously processed by the consumer's brain. Such associations tend to be stored in terms of metaphors and importantly, they tend to aggregate in clusters.

The brand personality has product attributes, corporate image and brand attributes resulting from the other two variables. The customer needs, perceived use value associated with the product and the attitudinal variables of the customer form the core of customer personality. The relationship between the brand and customer personalities has three dimensions-strong, vacillating and weak. The strong hold of the relationship leads to loyalty development while the weak links form the discrete relationship. The vacillating dimension thereof cultivates the risk of brand switching due to uncertainty of consumer decision to get associated with the brand or otherwise.

5.5 Media Influence in Brand Relationship Development

Brand personality refers to the emotional side of a brand image. It is created by all experiences of consumers with a brand, but advertising plays a dominant role in personality creation. Successful brands eventually have the opportunity to take on brand leadership positions. This is often expressed in advertising as a product superiority driver; and it works as consumers often prefer the market leader because they assume it is *better*. Strong brand positions can be built on anything enduring, including images or simply *the biggest selling*. The message must be presented consistently in all marketing initiatives. There are two central elements to brand personalities: the type of benefits offered by the brand and the type of consumer who will value them. Advertisements which show nothing but product features trying to appeal to consumers rationally. Usually the focus would be the unique sales proposition (USP) or a selling idea which can differentiate the brand from its competitors. It has been observed that the consumers will come up with the descriptions like "fun-loving, enjoyable, American style" while people will think of "rebellious and younger generation oriented" when talking about the product. Furthermore, every one wants something that can reflect or further improve his/her self-portrayal; brand personality which is created and perceived through advertising becomes a vital concern in our purchasing decisions. Advertising builds the emotional image of the brand and the brand personality associated thereof provides depth, feelings and liking to the relationship. A brand personality thus can make a brand more interesting and memorable and become a vehicle to express a customer's identity. In view f the above discussion it may be delineated that advertisements or market communications help building the brand personality of the product when consumer correlates the human qualities to the products that is advertised.

5.5.1 Reach of the Brand

The "voice of a brand" is part of the promise and experience of a brand. Customers hear the voice in automated service systems, at retail, in the media and elsewhere. The tone, content and nuances of that voice are critical. The meaning or user understanding on the product is also an important source of brand personality creation in the advertisement or any type of media communication. The communication represents the product's meanings - the claimed image of the product. Although the definition of advertising from a semiotic perspective states that the advertisement represents the actual product image, but the advertisement represents the product *only* when there is harmony between the actual and the claimed image of the product. The spokesman or anchor in advertising provides the most direct way to build this relationship with consumers and bridge the brand and the mind of the consumer. This is the consumer-brand fusion process that leads to the brand behavior in the market in the short and long-run dynamics. The key function of advertising is to communicate the brand and the promise that can be delivered to the customers. The advertisement of a product has two dimensions- representing the core promise of the product and creating the consumer personality by transferring the personality traits. This process enhances the customer-brand relationship. Personification of brand through advertisement or market communication is actualized when there is match between the personality of the advertised product and of the customer.

A consumer-brand relationship becomes functional after the purchase is realized by the customer on an appropriate opportunity. The opportunity may be derived through the marketing constituents like availability, financial schemes for the buying and pre- and post-sales services. There are models that follow the same line of reasoning, that there is input, transformation, and output in the model. The input of the model refers to the advertising exposure, transformation refers to adverting processing, and output refers to advertising responses. Branding has to do with customer perceptions and their behaviors when buying; it is not a characteristic of a product, a graphic design, a company or a category. In branding the term 'media' refers to communication vehicles such as newspapers, magazines, radio, television, billboards, direct mail, and the

Internet. Advertisers use media to convey commercial messages to their target audiences, and the media depend to different degrees on advertising revenues to cover the cost of their operations. I has been observed that effective consumer-brand relationship can be established after the buyer realizes the purchase and simultaneously transfers the brand personality.

5.5.2 Communication Sensitivity and Brand Personality

Brand-extension strategy in a competitive environment is comprised of two crucial strategic decisions: (i) *against which competitive brand* to position the new product, and (ii) *how to position* the new product. Hauser and Shugan (1983) discuss that the first decision that envisages the competitive-target decision--requires an understanding of the competitive structure and an analysis of the opportunities and threats associated with selecting a certain position and the latter is concerned with the selection of product attributes or benefits that provide a differential advantage for the new product compared to the competitive offerings. The positive advertising and communication help in building and nurturing the brand personality in the competitive situation in a market. The intimacy theory of communication builds the brand personality more effectively across varied consumer situations than exchange or seduction theory. Drawing from psychology and social psychology, it presents intimacy attributes relevant to services marketing-the "five C's of communication, caring, commitment, comfort, and conflict resolution, which play a vital role in brand personality. The concept of sensitivity of communication maybe described as the brand personality is perceived by the consumers when the advertisement is positive to their own personality and endorses the intimacy attributes with the communication.

The consumers expect to gain something from engaging in word-of mouth (WOM) or that they indirectly satisfy a desire when providing others with WOM, regardless of the root of the motivation. Incentive programs may therefore work as an extrinsic motivator, and people may engage in more WOM behaviors when incentives were delivered, and this motivation may increase as the incentive increases. There is a positive relationship between the size of the brand and promise offered therein, and a consumer's likelihood to generate WOM. The development of message strategy is linked with an advertiser and media factor. It depends on what an advertiser needs and how the message for advertising can be carried on the media effectively. A compromise to these factors would help in developing the most effective message idea, as a result of facts judged about products, markets, consumers and competitors. In this process the strength of background information is the foundation of building message ideas. It has been argued that cognition and affect influence each other, and consequently can be seen as two components of one system. The underlying idea is that thoughts are not free of feelings and vice versa. Thus, advertising processing and response are a combination of both cognition and affect. Consumers use both their cognitive and affective system to process advertising, and advertising responses can be both cognitive and affective.

5.5.3 Cognitive Dimensions in Branding

The cognition and emotion form a complex and inseparable relationship within higher-order human cognitive behavior. Higher-order image processing exists in emotions. In the central route of the elaboration likelihood model, emotions play a substantial role in understanding product features. From this perspective, understanding process of the advertisements as brand knowledge forming needs to be considered as a higher-order cognitive process which includes not only reasonable understanding of functional benefit, but understanding of benefit based on user and usage imagery and brand personality. Advertising processing comprises the sequence of cognition and does not give importance to the affect constituent of it. Both impact on the consumer’s attitude and behavior and the level of this impact does not depend on the order of the processes. However, in case of advertising campaigns with multiple and different messages, the order effects may be important. Van Osselaer & Alba (2000) discuss that though the companies have full discretion in designing campaigns, it is all the more interesting to see if it makes a difference whether they start building brand personality by appealing to affective or cognitive reactions. Therefore, the brand personality is influenced largely by the affective and cognitive attributes in the process of the advertising communication.

The cognitive response theory can be easily applied to marketing and advertising because it provides many important insights about persuasion variables and further more attempts to make predictions about variables such as distraction, repetition and issue involvement. Advertisers want the cognitive response that triggers something in the consumer's brain that gives them a favorable attitude about whatever is being advertised. One major reason cognitive responses are important to advertising is because of distracters. A distracter is a variable that inhibits the generating of cognitive responses. There are certain characteristics of the *stimulus* that *itself* may enhance or hamper the elaboration of the message. A second category of factors consists of the characteristics of the *individual* and finally the *situational factors* may be important. Several types of situational factors can be discerned. The environment of the subject at the time of exposure may influence message elaboration. Advertisements and point of purchase communications are frequently combined into clusters of messages, such as a commercial block on television, radio, or in a movie theatre. The *media context* can be an important situational factor. Media context is defined here as the characteristics of the content of the medium in which an ad is inserted as they are perceived by the individuals who are exposed to it. Media context is important. A message style that contrasts with the nature of the context may lead to positive advertising effects. This phenomenon may be explained by Meyers-Levy and Tybout (1997) as the *contrast effect* which explains the novelty of advertising and the unexpectedness of the information given in its context often lead to increased attention, because the advertisements is perceived as innovative and interesting. It has been observed that for the individuals with low product category involvement, advertising messages shown in a congruent media will lead to more positive attitudes towards the advertisement. The customers will tend to do more content analysis thereof and exercise the brand recall messages in reference to the communications that suite and vis-à-vis for the customer having high product category involvement. The comprehension to the customer on the brand and his response on the brand knowledge influence the creation of brand personality through marketing communications either by advertising or inter-personal communications such as word-of-mouth.

5.5.4 Brand Portfolio and Advertising

It is believed that the brand portfolio strategies will help in searching for the efficient frontier for the brand set - the boundary where brand managers can maximize their returns for any level of portfolio risk. However the scope of brand portfolio does not restrict membership to the brands owned by the company. The brand portfolio on the contrary, includes every brand that plays in the consumers' decision to buy. However, Hill and Lederer, (2001) indicate in their study that not every brand the company owns should be the portfolio. Brand portfolios connect the nature and identity of individual brands with the market categories they serve. These issues provide a company with the basis for building effective customer response, profitable growth involving market categories, and in some cases, for business innovation. Making a brand more valuable is a key business objective. It's part of the litany of natural goals in the modern enterprise. However, this objective must be driven by more than marketing integration and commitment to the promise of brand experience. The competitive environment of the given company is characterized not only by interactions among different companies within a given industry, but also by inters-actions among different brands produced by a single company. It is necessary to review the firm's advertising decisions under conditions of random and customer segment specific sales response to advertising within the context of multi-brand competition in order to diagnose the impact of advertising on the brand and customer portfolios thereof. Hence, the brand portfolio of a company is developed over the competing effective marketing communication as it influences the growth of sales and consumer decision in favor of the brands that are advertised close to the congruent media.

5.6 Linking Research to Managerial Implications

The conceptual synthesis of work on the dynamics of business relationships and the dynamics of brand relationships, with particular attention to new business environments, an area that is becoming more significant with the increasing importance of the Internet as a medium for business and have proposed a taxonomy for a better understanding of the relationships and linkages between brands and customer portfolios. It will be of critical importance for future researchers and practitioners to understand the increasingly complex variety of factors underlying and influencing the linkages between brands and customer relationship. In this context the managerial importance of the topic seems evident. Advertising is by far the most important communication tool in marketing and with every advertisement brand personality is built. Understanding how brand personality is created in the minds of consumers is essential for effective use of a company’s marketing tools. Effective brand management, encompassing brand personality is of paramount importance in reaching the overall company goals of satisfaction, loyalty, and profitability. The media effectiveness in reference to brand personality and customer response to the brands may be studied for building long-run branding strategies. The effectiveness of any advertisement can be measured at two different levels – pre-insertion and post-insertion of the advertisement in the media along with the brand awareness programs for effective impact of communication on the customers segment. However, identifying an appropriate market and starting a meaningful relationship using relevant and entertaining content is generally a much more compelling tactic for creating loyal customers.

Brands are also successful because people prefer them to ordinary products. In addition to the psychological factors already mentioned, brands give consumers the means whereby they can make choices and judgments. Based on these experiences, customers can then rely on chosen brands to guarantee standards of quality and service, which reduces the risk of failure in purchase. Today's world is characterized by more complex technology, and this can be extremely confusing to people who are not technology minded. Brands can play an important role here by providing simplicity and reassurance to the uninitiated, offering a quick, clear guide to a variety of competitive products and helping consumers reach better, quicker decisions.

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