

Consumers' Perception on Product Quality and Brand Dilution in Tobacco Industry of Bangladesh

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Abstract

Now-a- day's quality of the products is the primary concern for the customers. Customers value their money and always prefer the quality product. Tobacco industry is a potential industry and its growth is also related with national GDP. About one percent of our GDP is used in consumption of tobacco product that is why it becomes a huge market for the competitors of tobacco industry. As the cigarette is both competitive and controversial product, so marketing of this product is very difficult. There are many tobacco companies in Bangladesh. Among them British American Tobacco Bangladesh (BATB) is the pioneer and leading multinational cigarette manufacturer followed by local manufacturer Dhaka tobacco. This paper tried to find out the relation with quality and brand dilution and brand dilution occurs broadly in FMCG industry. Brand dilution is the weakening of a brand through its overuse. This frequently happens as a result of ill-judged brand extension. Price cutting that increases sales volumes but moves a brand down-market can similarly damage a brand. Brand dilution is an ever present risk for companies that rely on a strong brand for high margins. A company that owns a strong brand obviously wants to sell as much as possible, but the very strategies used to pursue this end often also brings the danger of brand dilution. However, there are three customers segments in tobacco industry. These are premium, medium and lower class group but brand dilution mostly takes place in the lower segments, which is again the source of gaining maximum revenue. Customers perceive smoking as a matter of their social status. So packaging and other criteria like quality is very important for a customer. BATB ensure quality product as well as always trying to improve the quality. Various segment of the market perceive the quality of a product differently. So in response, BATB has changed the blend of tobacco. In this process they launch various products to various segments. This process causes brand dilution. Brand dilution also occurs when companies introduce new brand to eliminate rivals product. So it is an effective way to take control over the market. Therefore, this research paper will help cigarette industry and policy makers to find out the future of tobacco industry in the context of brand dilution

Keywords: Consumers perception, Brand dilution, Brand switching, Product quality Customers segments and Brand extension.

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Introduction

Tobacco has been smoked for at least the last three thousand years. Christopher Columbus found it when he landed in the Americas in 1492, but ancient temple carvings show tobacco being smoked in Central America as long ago as 1,000 BC.

Ever since it arrived in Europe in the late 15th century, tobacco has divided opinion, sparked controversy and generated substantial revenue through tax. Not long after it reached Europe, it was being described in terms of ranging from “vile custom of manifold abuses” and “feast for the fiend” to “the divine herb” and “cornucopia of all earthly pleasure”.

Tracking its heritage back to a joint venture formed by the Imperial Tobacco Company of the United Kingdom and the American Tobacco Company of the USA in 1902, today’s British American Tobacco (a pioneer and leading multinational cigarette manufacturer) was born on the world stage. British American Tobacco Bangladesh (BATB) is the number one tobacco company in tobacco industry of Bangladesh, which was incorporated in 1972 under the Company Act 1913:7. It is the part of BAT Global that currently holds second position in the world in terms of volume share. In Indian sub-continent it has been dominating as the unique market leader for nearly a century. It was only possible because of its effective practices of management processes. According to a research in December 23, 2009, the total smokers in Bangladesh are 20.3 million. Global Adult Tobacco Survey (GATS) and Bangladesh report 2009 mentioned the number of smokers in Bangladesh more than 15 years are 43.3 percent. The cigarette industry is growing at a rate of 3.4%. The Biri market which was 70.3% of the total market is declining, now it is 69%. The smokers are upgrading from biri to low segment of cigarettes. The number of tobacco user is higher in rural area than urban area. The market share of BATB is around 44% in the Dhaka Metro.

Besides BATB, the other companies in the same industries are: Dhaka Tobacco Company, Alpha Tobacco Company, Sonali Tobacco, Abul Khair Group, Nasir Gold Tobacco, Imperial Tobacco etc.

Brand dilution occurs broadly in FMCG industry. This paper tried to find out the relation with quality and brand dilution. Customers are very loyal in most of the cases in cigarette consumption. But this loyalty varies from segment to segment. Customers take this smoking as a matter of their social status. So packaging and other criteria like quality is very important for a customer. BATB ensure quality product as well as trying to improve the quality. Various segment of the market perceive the quality of a product differently. So in response BATB has to change the blend of tobacco. In this process they launch various products in various segments. This causes brand dilution.

Objectives

The following objectives were pursued in this research -

- To find out the significant quality issues that affect the customers most.
- To find out the response of consumers with the launch of new brand with better quality.
- To find out the switching of brands from any segment and cause of dilution for quality issues.
- To know and find out the brand dilution and its effects in various segments of tobacco industry.
- To find out the customers perception about cigarette quality and the effect on brand dilution.
- To find out the customers segment that test new brand of cigarette to switch.

Methodology of the research

In this research the population had been clustered as the consumers of the cigarette (adult smoker), the management team, quality expert of the industry (Who work to determine the quality segment) and the distribution channel (who put the demand of the cigarette) – retailers. 529 sample sizes were used. Out of this 529, industry experts and management representatives were 37 and retailers and consumers were 246 each. Simple random sampling has been used for the customer and the retailer and non probabilistic sampling method was also used to some extent. Managers and quality experts were interviewed using in depth interview technique. A separate questionnaire has been surveyed for the customers and retailers to get the information of quality and the rate of switching in various dimensions. The survey was mostly generating nominal, ordinal, interval and ratio data. For statistical data analysis, frequency distribution, arithmetic mean, one tailed Z test and correlation analysis have been done.

Limitations of the Study

- The required management information for the report was somewhat confidential that's why BATB and other organizations are conservative one to transform related data.
- Conduct with top level management and industry expert to know about actual management and quality practices in the organization were difficult job.
- Due to the lack of related text books and previous study in Bangladesh literature review could not be extensive.

Literature Preview

According to Keller, Kevin Lane (Brand Extensions Hold More Promise) more and more firms realize that some of their most valuable assets are the brand names associated with their products or services. Creating, maintaining, and enhancing the strength of those brands have become a key management imperative. One important advantage of having a strong brand is that it can facilitate acceptance of new products launched using that brand name, i.e., brand extensions. Because they

reduce consumer risk and significantly lower the cost of introductory marketing programs, brand extensions have become the predominant new product strategy, and the last two decades have seen an explosion in the number of brand extensions.

Well managed brand extensions not only provide new sources of revenue, they can also reinforce brand meaning and help to build brand equity. A concern of many managers, however, is what happens when brand extensions are not successful. After all, most new products fail, and brand extensions are no exception. Will a failed brand extension damage the parent brand in some way, squandering the millions of money and countless man-hours invested in building its equity? If so, brand extensions could pose considerable risk, and managers would have to develop much more cautious approaches with their brand extension strategies.

Brand extension dilution depends on consumer involvement at the time of the extension experience. When consumers actively process negative information about an extension, the vividness of the negative experience can overwhelm the effects of similarity and lead to dilution for both similar and dissimilar extensions. When consumers were motivated to more deeply process information about an extension, however, they found that unfavorable experiences with even dissimilar extensions could potentially lead to parent brand dilution.

Another factor influencing the likelihood of brand dilution is how familiar consumers are with the parent brand. One important factor influencing familiarity is brand ownership or usage. In an experimental study, one of the authors observed different patterns of brand dilution depending upon whether consumers owned the automobile brand being extended. When low-priced extensions were introduced, dilution occurred with owners of a prestige brand (e.g., BMW) but not with owners of a non-prestige brand (e.g., Acura).

An implication of these results is that even successful extensions can lead to brand dilution because the basis of brand meaning may be different for loyal users compared to non-loyal users. Loyal users have richer, more developed knowledge structures of the brand and may have deeper convictions regarding what is central to brand meaning than non-users. Extensions may therefore be successful in attracting new users and increasing sales, but at the same time these extensions may be perceived to be inconsistent by loyal users and result in brand dilution with this group of consumers. To the extent that loyal users are more valuable to the firm, successful extensions could dilute total brand equity.

Brand dilution is a widely used idea in food and beverage sector. Many multinational companies face this brand dilution factor too. Companies like Pepsi, McDonalds, and Starbucks. As cigarette is considered as a food item which is fashionable as well as habitual product similar result could be found in the context of Bangladesh tobacco industry. BATB has a variety of product in its product line which can cause brand dilution. This research work will focus on this aspect to explore this relation of quality and brand dilution. So here are some terms which will help the reader to understand the terminology.

Brief idea on consumer perception on product quality and brand dilution on various segments of tobacco industry**Brand Dilution**

Brand dilution is the weakening of a brand through its overuse. This frequently happens as a result of ill-judged brand extension. Price cutting that increases volumes but moves a brand down-market can be similarly damage a brand. Brand dilution is an ever present risk for companies that rely on a strong brand for high margins. A company that owns a strong brand obviously wants to sell as much as possible, but the very strategies used to pursue this end often also brings the danger of brand dilution.

Brand dilution mostly occurs for goods like cola, fashion goods. In case of cigarette industry the launch of a new brand will obviously cut the consumption of other products in the same segment. Obviously the new brand will increase the revenue by cutting the revenue from other brands. But in the long run the product will grab a greater market share and it will increase the overall revenue. So brand dilution can cut the sales of a segment but it may help the organization to be more potential.

Brand Switching

Brand switching is when a consumer or group of consumers switches their allegiance from one brand of a certain type of product to another. This brand switching may be temporary, (example: if Marlboro cigarettes are not available at the shop a consumer may buy Camel as their next preference) or it may be longer lasting, perhaps for example in the case of products that last longer or from which switching away is harder.

Consumer Perception about Quality

Consumer perceives certain stimuli which will be covered by any product, or to meet a certain need consumer purchase a product which they perceive will meet the quality. When a cigarette consumer purchase a certain brand of cigarette he/she perceive some satisfaction. Different segment of customer perceive different quality, quality varies segment to segment.

Concerned Customer

Concerned customer means those customers who are quality conscious. Customers do not consume any product at an equal level. Those customers who consume cigarette more than ten sticks are considered as a concerned customer. These amounts make them master of test, which can identify fault and differentiate the taste of any brand. The concern customers are considered as the indicator for the ultimate taster of the cigarette.

Quality of Products

Most dimensions of quality and the customer's pursuant senses of satisfaction are not permanently established at the time of exchange (transaction point). As the provider maintains post-transactional control over certain dimensions, it is possible to manage the customer's perceptions of quality and value received and therefore, of satisfaction.

Quality and Price of Product

It is generally believed that as the price of a product increases, its demand decreases. But there is an exception to this general principle. There are situations when the price can act as an indicator of the quality of a product. When this happens, higher price will not necessarily lead to lower demand or sales. Although the price rise of cigarette product is a major reason of taxation policy. Prices are used as an indicator of quality of product in situation where it is difficult for customer to ascertain the intrinsic physical quality of products, and for prestige products that may be used to enhance prestige of a person in the society. In this way, quality of a product such as a premium brand cigarette like Benson & Hedges may be difficult to define and evaluate - particularly before actually experiencing the taste - and therefore price may become an important indicator of quality.

Quality of Cigarette

Quality of a cigarette can be measured in two point of view- Production quality and customers' perceived quality. Production quality mainly focuses on the product and it's making quality. In the production there are some parameter of cigarette like the weight, circumferences and pressure drop (PD) its mean and standard deviation, besides this there are issues like packaging a products and its quality which may not be very much important for every customer. Customer perceived quality are mainly focused on products errorless (Fault of a cigarette) and its taste. They are different customers whose consumption levels are different and tastes of quality are also different. So the standard is always there, which is the blend of tobacco, smoking yield of a cigarette and a good tune of everything. The quality of cigarette is ensured by the producer through four broad head. These are- 1. Finished Product Inspection. 2. Product Integrity and Traceability, 3. Customer Feedback System and 4. Continuous Improvement. These four heads ensure the quality of cigarette in every stage of production till customers smoking yields. The ultimate quality checker is the customer. They determine the quality which is acceptable and which is not.

Segments in Cigarette Industries

Cigarette industries follow different segments for marketing and satisfying customers. There are three market segments in tobacco industry- premium, medium and the lower segments. Not all the companies in tobacco industry cover these segments. Dhaka Tobacco covers the premium and lower segments, Sonali Tobacco, Abul Khaier Tobacco and Alpha Tobacco operates in the lower segments of the tobacco industries. Only BATB operates in all the segments of the market. In every segment there are various brands which may cause the brand dilution and at the same time the brand switching can occur.

Brands

Brands are names which give a reliance of quality product. As the customers' taste varies and also the price of a product is a vital matter the segment and brands are different. One common characteristic is in every segment the different brands are almost at the same prices. The operative brands in Bangladesh tobacco industries are given below.

Table 01: Segments of cigarette

| Segments | BATB | Dhaka Tobacco | Abul Khayer Tobacco | Sonali Tobacco |
|----------|--|------------------------------|-----------------------------|--------------------|
| Premium | B & H- Regular and Light | Marlboro | N/A | N/A |
| Medium | JPGL - Regular and Light, PALL MALL | Castle | N/A | N/A |
| Lower | Star, Capstan, Scissors, Pilot, Gold Flake | Navy, Gold Mine, Sheikh, K2. | Marise, Gold Life, Tope 10. | Sunmun, Gold Hill. |

Source: Primary.

So far the various segments of the research has been discussed, now the next part describe the analysis of the research where the various assumptions have been tested to gain the fair idea of brand dilution and product quality.

Research hypothesis

Hypothesis 01

Null Hypothesis (H_0): More than or equal to 70% of the customers think share of sales of any specific segment of market has been changed after the launch of new brand with better quality.
 $H_0: p \geq 0.7$

Alternate Hypothesis (H_1): Less than 70% of the customers think that share of sales of any specific segment of market remains unchanged after the launch of new brand with better quality.
 $H_1: p < 0.7$

Pre (before the quality change) and post (after the quality change) share of sales will be compared and the hypothesis have been checked.

Hypothesis 02

Null Hypothesis (H_0): More than 20% customers believe one brand is losing its customers to other brands due to quality issue. $H_0: p > 0.2$

Alternate Hypothesis (H_1): Less than 20% customers believe one brand is not losing its customers to other brands due to quality issue. $H_1: p \leq 0.2$

Hypothesis 03

Null Hypothesis (H_0): More than eighty percent consumers think that change in quality is the major reason to dilute any brand. $H_0: p > 0.8$

Alternate Hypothesis (H_1): Less than equal to eighty percent consumers think that change in quality is the major reason to dilute any brand. $H_1: p \leq 0.8$

Hypothesis 04

Null Hypothesis (H_0): More than or equal to sixty percent consumers' tastes other brand as to find a suitable test that suite them. $H_0: p \geq 0.6$

Alternate Hypothesis (H_1): Less than sixty percent consumers tastes other brands as to find a suitable test that suites them. $H_1: p < 0.6$

Analysis of data

Significant quality issues that affect the customers most

Most of the tobacco industries follow two types of basic parameter to decide product quality and fault. These two parameters are physical quality of a product and visual quality of the product. Customers are very much sentient about the quality issues which they can identify, but the consumer can identify only a few number of quality issues. Customer can identify the following quality fault of a cigarette-

- End fall out
- Loose end of cigarette
- Lick cigarette
- Damp cigarette
- Torn, hole, crack cigarette
- Tipping paper fault
- Unstuck tipping

From the customer survey this type of quality issues are identified. Customers on an average consume ten sticks of cigarette in a day, and daily total consumption of cigarette is on an average 27 billion. So this information is difficult to find out from the customers end, but whenever a customer finds any quality problem they complain to the retailer. That's why retailer can provide this information more precisely and this information is collected from the retailers. Here is the information of quality issues that complained by the customers to the retailers are given for the last six month.

Table 02: Quality complaints from Market- July to December 2009 (cigarette sticks).

| Quality Issues | July | Aug. | Sept. | Oct. | Nov. | Dec. | Total |
|--------------------------------|------|------|-------|------|------|------|-------|
| End fall out | 460 | 380 | 220 | 440 | 420 | 380 | 2300 |
| Loose end of cigarette | 520 | 480 | 420 | 300 | 420 | 460 | 2600 |
| Lick cigarette | 320 | 400 | 280 | 260 | 360 | 380 | 2000 |
| Damp cigarette | 400 | 480 | 280 | 200 | 320 | 80 | 1760 |
| Torn, holed, cracked cigarette | 300 | 380 | 420 | 480 | 460 | 360 | 2400 |
| Tipping paper fault | 80 | 100 | 120 | 60 | 40 | 140 | 540 |
| Unstuck tipping | 220 | 260 | 180 | 200 | 260 | 220 | 1340 |
| Total | 2300 | 2480 | 1920 | 1940 | 2280 | 2020 | |

Source: Compiled from BATB Quality Department.

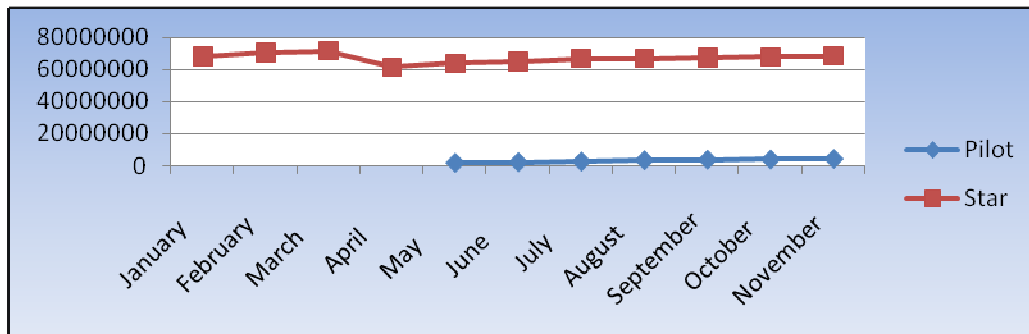
These data shows that the higher number of complain comes from the Torn, holed, cracked cigarette. Actually this is a fault, which can be identified by any customer. On the other hand other faults are little critical to identify and customer complain is less than any other segment. These faults are easily identifiable and these types of fault directly decline the quality of cigarette. Customers are very much sensitive in quality issues and the responses with quality. Though the companies take the responsibility by replacing the products, and withdraw product from the market. But this makes them lose product as wastage. To reduce these problems of quality the company can use product identification system which will help them to track the product and withdraw the defective product immediately.

Response of consumers as a result of the launch of new brand with better quality

In general customers are very much loyal to cigarette consumption. This is in that sense that they do not change the brand usually. They change brand when they think the quality is not satisfying them. Customers and their taste vary in every brand to brand and segment to segment. So when a customer finds that his /her brands do not give him the expected satisfaction they switch.

Sales can change for many reasons, but here we consider the quality issue is the major reason to brand switching. To find it out sales data of a segment can change when any new product comes into the market. British American Tobacco Bangladesh has launched a new brand named Pilot in the May of 2009. Price of Pilot and star are very close and the tobacco mix used for this new brand is also the same as the star filter. From the figure below it is seen that the sales of the Star Filter has changed after the launch of Pilot.

Figure 01: Trend analysis before and after the launch of Pilot.

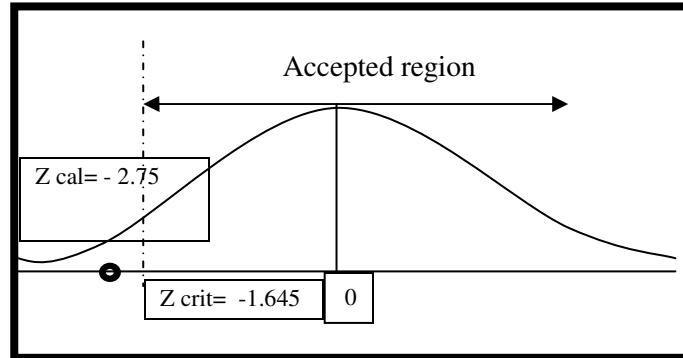


Customers of Star Filter were consuming Pilot which is similar in taste of Star. When customer find a similar cigarette with similar or relatively lower price they usually test and switch to new brand. This is an example of brand dilution, though this data do not say that all the customers of Pilot comes from the consumer of Star filter but the decrease in the sales of Star shows the relation.

Out of two hundred and forty six respondents (retailers) one hundred and fifty three retailers agree with that after the launch of new brand of cigarette with better quality sales of an existing brand will decrease. This is about sixty two percent of the total samples. From this data the **hypothesis 01** has been checked. At 95% confidence level the tabulated value of $Z_{crit} = 1.645$ and

the calculated value of $Z_{cal} = -2.75$ which is outside the acceptance region, so the null hypothesis cannot be accepted.

Figure 02: One tail test of hypothesis 01



Findings

So rejecting the null hypothesis means at 95% confidence level it can be said that if the quality of any brand change customers will change the brand provided that there is availability of alternative brands. Customers in the lower segment of cigarette have variety of brands and many alternative brands. But in the segments where the alternatives are not available customers remain loyal. Cigarette is a product which has a greater consumption. In many cases this rate even is not related with the income of the consumer. Customers with lower income consume more cigarette than these with the higher income. So whenever there is a new product in any segment of the market the number of consumer did not rise within a day. So initially some of the customers with other brand cut from their previous brand and start consuming the new brand. Ultimately the sales of the older brand will decrease. By analyzing all the data and testing hypothesis the certain decision is customer response negatively with bad quality but not positively with improved quality all the time.

Switching of brands from any segment and cause of dilution for quality issues

Globally almost every customer is price sensitive provided that close substitute products are available that's why there is a higher probability that customers from one brand might switch to other closely related brands with price change. This shift in brand preference will cause a company to lose its profit with the same market share due to brand dilution of that segment.

Hypothesis 02 has been tested on the basis of data collected from customers. Customers were asked if they consider quality would they switch from one brand to another and the answer was measured in a Likert scale measurement.

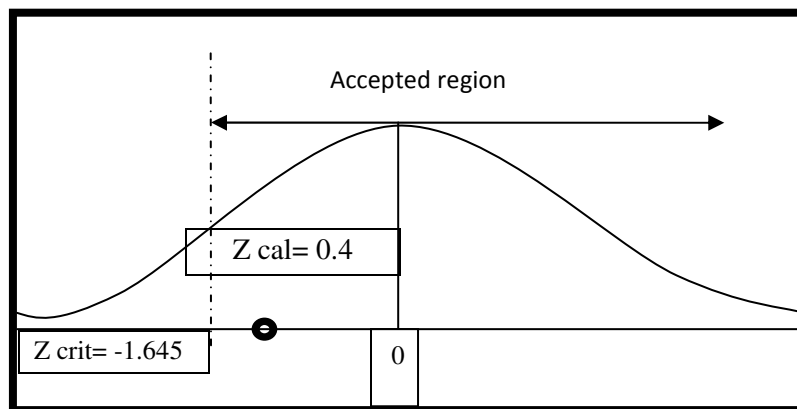
Table 03: Response from the customers.

| Point | Option | Observed Respondents | % of Observed Respondents |
|-------|--------------------------|----------------------|---------------------------|
| 5 | <i>Strongly agree</i> | 53 | 22 |
| 4 | <i>Agree</i> | 87 | 35 |
| 3 | <i>Neutral</i> | 47 | 19 |
| 2 | <i>Disagree</i> | 13 | 5 |
| 1 | <i>Strongly disagree</i> | 46 | 19 |
| Total | | 246 | 100 |

Source: Primary.

From the above table it is vivid that twenty two percent customers strongly believe that they are changing a cigarette brand due to quality issues. But those about thirty five of the customers are only agreeing this argument. Here the question is very sensitive and the data has been interpreted based on customers perception, so the strongly agree data will consider as yes.

Here at 95% confidence level it has been observed that the tabulated value of $Z_{crit} = 1.645$ and the calculated value of $Z_{cal} = 0.4$ which is within the acceptance region so the null hypothesis is accepted.

Figure 03: One tail test of hypothesis 02

Findings

The null hypothesis is accepted (rejected the alternative hypothesis) this means, one brand loose it's customer to another brand at 95% confidence level. According to customer they always expect a quality product. It is also true that with the change of the precision level the hypothesis can be rejected. Customers are the king of any product. If they perceive any product quality as bad then no matter what the company set, the product will lose its market soon.

The first step of the customers' response in case of inadequate quality is reducing the consumption. They do not switch the brand immediately. So whenever the quality of a cigarette has reduced or the customer becomes dissatisfied they immediately reduce the purchase and

switch to comparatively better brand at similar price level. It indicates one brand of cigarette is losing its customers to other brand and brand dilution is occurring. So to reduce the brand Dilution Company should be very precious and careful to the market segment.

Brand dilution in various segments of tobacco industry

Though from the secondary data it cannot be determined the rate of dilution but a rough idea can be gained from the survey.

Premium segment

Premium brand is the higher brand of cigarette in the market. There are various brands which could be considered as the premium brand. Basically in Bangladesh there are Benson and Hedges- regular, lights and Marlboro- regular and lights are the two brands which operate in the premium segment. Market of the premium segment is not very big and this is not a cash cow too for any firm, but it provides the brand image. Now in Bangladesh there are only two companies operating in this segment.

Medium Segment

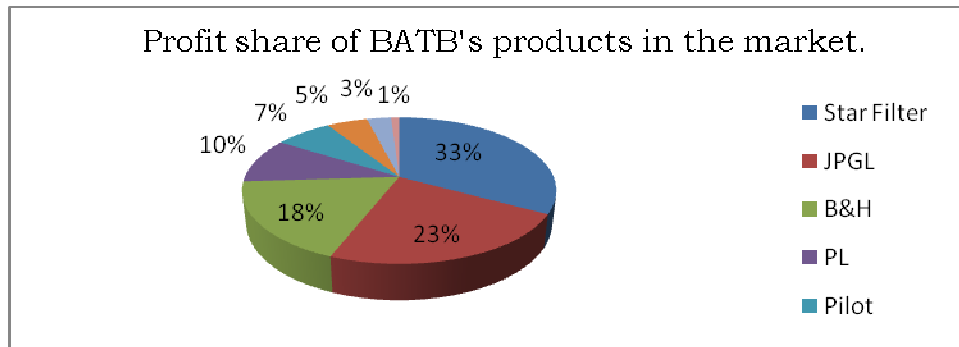
Medium segment is one of the profit seeking segments and generate more revenue for the company. In Bangladesh BATB is the only company which provides two brands of products in this segment. JPGL- John Player Gold Leaf and Pall Mall are two world class brands which is one of the revenue earning products in this segment. Though this segment has no alternatives to the consumers but consumers are very sophisticated. This segment has loyal customers. JPGL is the second highest revenue earning brand for BATB

Lower segment

In the lower segment there are several companies operating in Bangladesh. BATB produces Star filter, Gold Flake, Scissors, Capstan, Pilot; Dhaka tobacco has competitive product like Navy, Castle, Sheikh, Gold Mine. Abul Khaier tobacco produces Maries and Gold Life and Sonali tobacco produce Sunmoon and Gold Hill. The price range of this segment of product is one taka to two taka.

Dilution in Segments

British American Tobacco Bangladesh is currently producing eight brands of cigarette. Among those brands star is the cash cow, which earns the highest amount of revenue. Though the lower brand cigarette cost less but the consumption of this brand cigarette is higher than any other segment. On the other hand the JPGL which is in the medium segment rules the market.

Figure 04: Profit share of BATB's products in the market.

The chart shows the profit share of various brands in the market. Star Filter contributes about 33% and JPGL contribute 23% of the total profit. The contribution of the lower segment is about 49%. This means roughly the fifty percent of the cigarette consumers are the consumers of the lower segment. So brand dilution occurs basically in lower segment where the alternative and brands are greater.

Customers' perception about cigarette quality and the effect on brand dilution

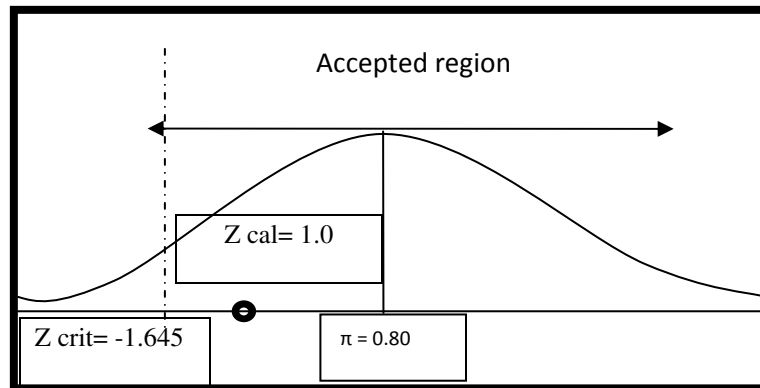
Many respondents think that change in quality is one of the major reasons to dilute any brand. The result from respondents are summarized in the below table-

Table 04: Results from respondents

| Correspondents | Frequency | Percent |
|----------------|-----------|---------|
| Yes | 203 | 82.52 |
| No | 43 | 17.47 |
| Total | 246 | 100 |

Source: Primary

From the above table it is seen that out of two hundred and forty six respondents, two hundred and three respondents alter or change their brand if they are not satisfied with their existing brand quality, which is about eighty three percent of the sample. **Hypothesis 03** has been also used to interpret this issue. At 95% confidence level observed value of $Z_{cal} = 1$ and tabulated value of $Z_{crit} = 1.645$.

Figure 05: One tail test of hypothesis 03.

Findings

From the above figure it is noticeable that the calculated value is within the acceptance region so the null hypothesis is accepted. This means, one brand loses its customer for another brand of relatively higher quality. Specifically, eighty or more than eighty percent customers switch to other brands due to quality issues. Further analysis can reveal that the segments where customers switch more, dilution happens more frequently.

Quality is a concept which varies from customer to customer. Consumers pay their penny for satisfaction, so their perceived quality vary from customer to customer. But most of the customer believes that the quality is obviously the smoking yield. From the interview of executive it was found that, customers perceived quality vary market segment to segment. The premier segments believe that the test of a cigarette is smooth and creamy. They believe the smoking yield should give the smooth feeling to the customer. The medium customers segment believes that the smoking yield should give them a strong shock. The lower segments of customers want a mouth-full smoke from their cigarette.

Market research division of the cigarette companies test the customers want and desire combination of tobacco from market survey. Beside this they have a panel of smoker who determine the tobacco mix. So every brand starts in the market with a support of the customers and become a success. Customers know the product quality and are ready to purchase it.

Customers segment that test new brand of cigarette to justify the test and to switch

Customers have some expectation from a cigarette, if the existing brand does not provide the appropriate satisfaction they will try to consume the alternative brand which will satisfy them more. If customers try other brand and switch over to that brand, this will provide evidence that

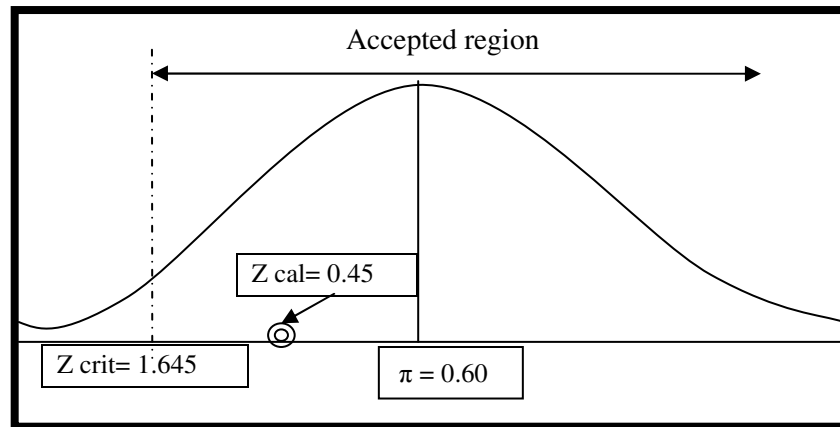
brand dilution happen as the customers get more satisfaction from other brand. Customers were asked whether they test other brand of cigarette to verify their brands test and their response are as below-

Table 05: Results from the respondents.

| Answer | Number of respondents | Frequency | Percentage |
|--------|-----------------------|-----------|------------|
| Yes | 151 | 151 | 61 |
| No | 95 | 95 | 39 |
| Total | 246 | 246 | 100 |

Hypothesis 04 also used to test this issue. At 95% confidence level observed value of $Z_{cal} = 0.45$ and tabulated value of $Z_{crit} = 1.645$.

Figure 06: One tail test of hypothesis 04.



Findings

The above table illustrate that the calculated value is within the acceptance region so the null hypothesis is not rejected. Therefore, conclusion can be drawn that customers usually taste new brand to verify or compare the taste of their brand. Moreover, Customers switch their brands whenever they think the existing brand do not satisfy them. The data collected from survey are exposed below for more illustration.

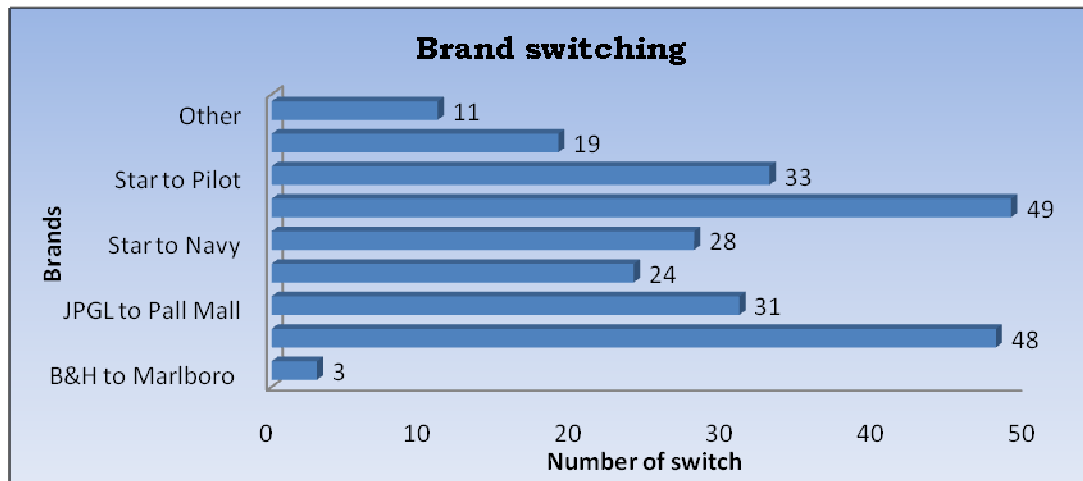
Figure 07: Brand Switching.

Chart shows that in the lower segment the number of switching is 129 out of 146, which are the highest. In the medium segment the number of brand switching is 55 (31+24) and in the premium segment the number of switching is 51(48+3). The significance point in this figure is that the number of the customers' switches from B&H to Marlboro is only three out of 246 samples. This switching is for the perceive quality they desire matches with Marlboro. But on the other hand the number of customers who switch from Marlboro to B&H is 48 out of 246. This means that the customers switch to the B&H because Marlboro cannot satisfy them with a sustainable quality. Initially the quality was good as expected but Dhaka Tobacco failed to sustain their market.

In the medium segment of the cigarette market the customer switches from JPGL to Pall Mall, and the number is 31. Here another important point is that Pall Mall is relatively lower price than the JPGL. So in this case the switching is not always the quality issues, or the customers do not want a higher quality with a little higher price. This is the consumers' perception about quality.

In the lower segment the operative brands are eight to twelve. In this segment customers are relatively reluctant about quality. The amount of switching is very high in this segment as the figure shows. So it is quite sure that the customers test other brand of cigarette to test and compare with their own brand.

Conclusion

The tobacco industry is creating its revenue through satisfying its customers. Though the government rule is discouraging the consumption of cigarette, but these rules are not in an action in reality.

It is said that the tobacco industry is a perfectly competitive market. In a competitive market the rivals will try to get into market insight and be more competitive. As introducing a new brand in

any segment is obviously cutting the share of other brands sales, it is important to consider brand dilution. Companies have to be very much sincere in positioning any brand. The most competent two companies in the tobacco industry are Dhaka Tobacco and BATB. They are introducing almost eight products in the lower segment of cigarette.

Tobacco industry is producing a controversial product, but to satisfy the customers they should produce quality product. Only by ensuring a quality product the cigarette industry can prosper with the satisfaction of the customers. The customer perceives that the product quality is something that can satisfy the customer's taste of smoking yield. Customers switch their brands whenever they think the existing brand do not satisfy them. The data collected from survey shows those customers at the lower segment switch over to other brand and another switching is Marlboro to Benson and Hedges which is a major evidence of quality.

So when a company start for a new brand they deploy people to invite customer at least to taste their brand for a single time. This is the first stage of the loop to invite a customer. So when a customer taste and find a different quality they are ready to take this brand. To avoid brand Dilution, company should place a brand in the market segment with proper judgment. Currently BATB is competing with Dhaka tobacco at the lower segment where the shares of Star and Navy are almost equal. By introducing Pilot the market share of star has reduced but at the same time the navy loses its market share to Pilot.

The aim of this study was to find a relation between quality and brand dilution. The findings of this study illustrates that the brand dilution is a function of quality. There may be some other reasons of brand dilution but the relation with quality is the most important reason for which the dilution occur.

Recommendations

The scenario of tobacco industry is very much competitive. Though this is a controversial industry as to produces product with health hazard but the revenue it generates and tax it contribute in the national economy is a great contribution. Government or no other agency can eliminate this industry despite its harmful products. So for a safe consumption tobacco industry can do the following.

- The production and quality department should be given same importance and if possible the production department and management should check and ensure the product quality.
- Product with close range of price is in a risk of brand dilution. That's why careful strategy formulation and implementation is imperatives for the lower segment. There are almost ten to twelve products are available in this segment and customer switch over each of the brand depending on various parameter and quality. The higher numbers of brand in a segment increase the possibility of brand dilution and reduce the profitability of brand sustainability.

- Pricing and quality of the product should be distinctive according to customers taste. Product with similar price is considered the same quality of product and customers are very reluctant to consume the other brand of product if the desired brand is not available.
- The difference between every segment and product should be distinctively different from every group. So placing a new brand in the market should be done through work and survey of the market.
- Customers switch their brands whenever they think the existing brand do not satisfy them. For this reason they should carry on continuous improvement of product.
- Customers are very sensitive in the contents of product quality and they are not much loyal in the lower segment of tobacco industry. Customers claim they are brand loyal but from this research it is found that customers switch frequently from one brand to another.

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