The Impact of Brand Extension Strategies on Brand Equity: with the role of mediator Brand Image (Case Study: Customers of Famila Products in Gorgan)

Farhad Taghian
Islamic Azad University, Aliabad Katoul, Iran
e-mail: farhadtaghian@yahoo.com

Abstract.

The main objective of this research is the Impact of Brand Extension strategies on Brand Equity with the role of mediator Brand Image. The research method is practical by purpose, and by nature it is one of the descriptive survey researches. The statistical society in this study are all of the customers of Famila products in the city of Gorgan. Here, the population size of society is equal to infinite, which based on Cochran formula, 384 questionnaires had been distributed among members of the research sample. In this research, the researcher has applied the simple random sampling method. In order to gathering data, questionnaires were used which had been approved by supervisor and respective experts. Furthermore, to verify its durability, Cronbach's Alpha had been used, while the results have shown the approval of all the dimensions of designed questioner. To analyze the collected data in this research, the Smart PLS software has been applied. The acquired results have represented that both brand extension strategies and the image of brand effect on its equity. Furthermore, the role of brand image mediator has been approved in effectiveness of brand extension strategies on the brand equity. Finally, the results of subsidiary hypothesises have illustrated that all of the brand extension strategies are affective on the brand equity.

Keywords: extension, image, strategy, brand equity, Gorgan

1. Introduction.

During recent decades, researchers and activists in the field of services, have paid a lot of attention to the topic of brand. The point that the brand has a value that is goes beyond the typical value of assets which has been created by professional financial activities. Therefore, most of the industrial units, such as foodstuffs are seeking to reach brand extensive chances to have more advantage of their current brand. These advantages include positive Brand images, fast return strength, facing with crisis, and an affective increase in marketing communications (Klink & Smith, 2001). Establishing a strong brand in the market is the objective of so many organizations. Financial experts believe that a commercial brand can create a value more than its common value. Today, brand is not only an efficient tool to the managers. Brand is a strategic necessity that help organizations in order to create more value for customers, and also sustainable comparative advantages.

In today`s market, having a proper notion towards brand strategies, has a major role in the organization`s success. Trade name extension strategy and extending the consumers` right to choose among various products, has become one of the most popular ways in gaining growth. According to Aaker and Keller definition (1990), brand extension is derived from the extension of the product line, which commonly created in case of new services or products in the fields such as taste, smell, size,….(from jean pants to bedspreads, from coffee to ice cream,….). brand extension can affect the equity of the original brand, or even on the company`s name. Consumer familiarity with original brand can help the new product entry and its rapid extension in new formed parts of the market. Brand extension strategy, more because of low marketing and advertisement costs and high chance for success due to original brand equity, is considered as a profitable strategy. Furthermore, brand extension can create positive mutual effects on brand equity promotion (Swaminathan & Reddy, 2001).

Unsuccessful extensions can damage the original brands and cause fundamental damages to the brand equity (Kim & et al,2016). In order to determine whether brand extension can be able to invest in its original brand or not, mean while prevent potential disadvantages, it is vital and critical to know how consumers evaluate the extensions. Brand extension success can be determined by the consumers` evaluation of extensions (Sattler & et al, 2010). Companies do strict measurements to improve the success of brand extensions. Understanding that how consumers evaluate brand extensions, is important. To improve the success of brand extension, it is necessary to study and identify the effective factors on consumers` attitudes towards brand extensions (Srivastava & Sharma, 2013).

On the other hand, daily increase in the new products` presentation costs with new brands, caused marketing managers to apply techniques to reduce costs, so, many company executives use lifestyle brand extension when presenting a new product, while they reason that opinions and ideas about the product of original brand are also transferred to the new product (Aaker & Keller, 1990).

2. Theoretical principals.

Changing characteristics of market, have a principal impact on the company`s decisions. Global environment represent many complexities for marketers in understanding the market. Companies, continuously invent and apply new marketing strategies to be survived in the market and to acquire more resources. Most of the companies depend on the production of new products and their entry into the market to satisfy the consumers` needs and preferences, and others try to apply brand extension strategies and promote their brand equity among consumers (Yuan & et.al, 2016). In spite of vast researches, which have been done in the case of the effects of brand extension on its equity, still there is no clear understanding about the way of brand extension affecting on its equity, and also the role of Brand image mediator. In today`s world, consumers consider the image of a brand as an important part of a product or service which they are buying. They do not only buy the physical product or original service, but position, prestige and advantages which they can acquire through its purchase, and this untouchable quality is that which can cause the purchase preference of a product in compare to other similar ones, so can increase its market portion of that company (Sharma & et.al, 2016).

Brand extension strategy refers to every attempts toward the extension of a successful trade name in supplying a new product or a changed one in the market. This strategy has a lot of advantages. A strong brand can create a good opportunity for the new product rapidly, which meanwhile a great amount of advertising costs of the new product, due to the familiarity, could be saved. In addition to the demand stimulation, the transmitted value of the primitive brand to the extended brand, cause to avoid the extension and introduction costs of the new brand. This advantage and many others caused that brand extension strategies become one of the most common strategies among marketing managers (Thamataiselvan & Sivaram, 2000).

Increase in competition among foodstuffs market, forced many companies to consider their brands as a competitive advantage, as sometimes industrial marketing is separated from product marketing, this premise is true in the case of brand and its management. A major portion of a foodstuff company`s credit in consumers` mind, depends on the company name and brand. Among tangible dimensions of a product, the brand image is the most significant thing that is most of the marketing strategies focus on it, and tend to highlight the brand (Mohan & Sequeira, 2016).

Srivastava & Marsha (2013), have mentioned that factors such as perceived quality, favorable consumer attitude, consumer involvement in category extension, and perceived performance in foodstuff industries are as principal elements of consumer attitude towards extension. In Sattler & et al research (2010), six factors of brand quality, fitness between brand and product extension, fit brand quality, accessibility, perceived advertising support and consumer`s experience in category extension are described as key factors in brand extension. In Martinez & Pina research (2009), three factors of fit category, extension attitude and fit image have been identified as the brand extension strategies, which their positive effect on the brand image have been evaluated. In Buil et al research (2008), the type of brand, perceived quality and culture are described as brand extension strategies.

Considering the above mentioned statements, the main research hypothesis is as follows :

Hypothesis1: Brand extension strategies affect the brand equity.

Brand extension strategy and the extension of consumer`s right for choosing different products, are determined with the aim of increasing loyal customers, saving in time and advertising costs, and finally wealth creation and value added, and because of this reason it has become one of the most popular ways in gaining growth (Atilgan & et al.2005). However, brand extension is helping in accepting a new product by consumers, through relating the new product to the familiar brand or company name. But careless using without sufficient study about this strategy, may be resulted in the failure of new product. For instance, maybe there are some associations regarding to the original product, which they are not compatible to the new one. Therefore, using this strategy maybe damage both the new product and the brand (Sirvastava & Sharma, 2013).

Brand equity is a set of assets and debits relating to the brand, which can add a value to the product or company`s services, or whatever a company may present to its customers (Bill Xu & Chan, 2010:175). The composing elements of brand equity, in this research, include brand awareness and brand identity. Good appearance and what is that seen, is a declaring of a brand identity. Choosing a symbol, requires a clear definition of brand meaning. To have a strong brand, it must be loyal to its identity. Brand equity based on customer happened whenever a customer is greatly aware and familiar with the brand and can remember strong and favorable unique associations and signs of that brand.

Regarding the above mentions, it can be said that hypothesis 2 in this research is about the effect of brand extension strategies on the Brand image. So, the second hypothesis is inferring as follows:

Hypothesis2: Brand extension strategies are effective on Brand image.

Brand image is known as one of the most important marketing concepts. However, marketers are disagree about the way of measuring of this concept. Brand image is defined as customer`s perceptions about brand, which have been refluxed in customers mind through brand attributions. In other words, brand Brand image refers to strong, favorable and unique brand attributions in the mind (Esch & et al; 2006, Keller,2008).

Consumers use brand Brand image to infer general perceptions of specific product. Customers would perceive a product more qualified and valued when they have a stronger Brand image (Severi & Ling, 2013).

Hypothesis3: Brand image is effective on brand equity.

Regarding the theoretical literature of this research, the researcher has illustrated the conceptual model of Figure 1.

Figure 1. The conceptual model.
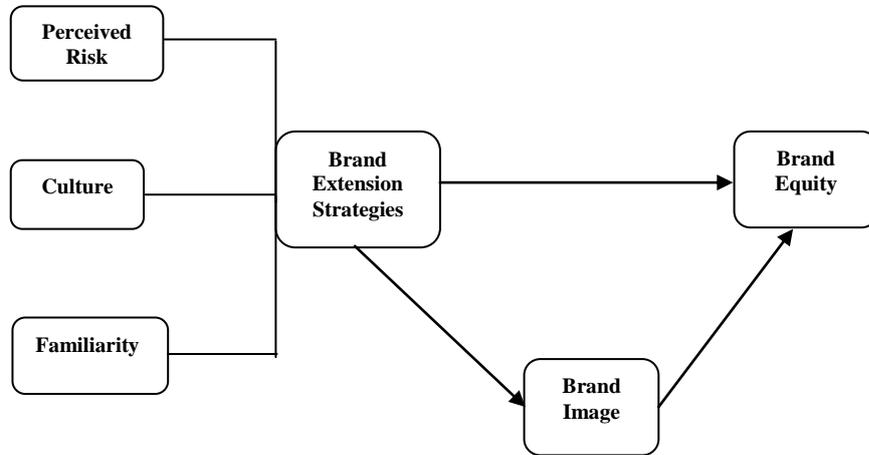
3. Methodology.

The present research is considered as an evaluation research directionally, and a survey research by strategy, which aimed to examine the hypothesis and to do this questioners have been used.

In the present research structural equations with partial least squares approach have been used to examine hypothesizes, which to do this SPSS and Smart PLS software were applied. The current research/study have been done among customers of Famila products in city of Gorgan. Regarding the population size in this research, which is equal to infinite, the sample size is considered equal to 384 persons. The sampling way here is simple random sampling. In order to collecting required data, standard questionnaires have been used, which were approved by IT and marketing experts. The questionnaire`s structure and its resources are represented in Table 1.

Table 1. The questionnaire`s structure and its resources

variables	Dimensions	Number of items
Brand extension strategies	Perceived risk	3questions$(3-1)$
	culture	3questions$(6-4)$
	familiarity	3questions$(9-7)$
Brand image		3questions$(12-10)$
Brand equity		3questions$(15-13)$

4. Data analysis.

4.1. Descriptive statistics.

In this section the researcher attempts to have a brief look to the demographic characteristics of his research. About the age matter of participated individuals in this research, the greatest size belong to people ranging between 35-45, which it is a number of 157 persons(40,88%), after that there were ages 25-35 with an abundance of 142persons(36,9%), then ages over 45 with an abundance of 64persons(16,6%). Finally, the minimum size were belong to the ages below 25 with an abundance of 21 (5,4%). In the case of second demographic question, which study the sexual characteristics, the researcher recognized that the greatest size of participated individuals here are men. In other words, in this study 236 out of 384 were women and 121 were men, that is a reveal of greater participation of women in this research. In this study out of 384 persons, 79 persons hold associate degree, 243 persons hold bachelor degree, 46 persons hold master degree and 16 person hold Ph.D degree, that is reveals most of the participation have bachelor degree. The last characteristic under

study in this research deals with the amount of income demographically. Here, the greatest amount of income was about 10 to 150 million RLs, 256 persons who have participated in this research, it means that about 66,6% of participants had this range of income. After that, the most income amount were 6000,000 RLs to 10 million RLs . In other words, in this research 87 persons, equal to 22,6%, had such an income, then 41 persons with an income over 20 million RLs , equal to 10,67% , had participated. At the end, in this study the researcher have not found persons with an income below 6000,000 RLs.

4.2.Inferential statistics.

In order to examine the research hypothesizes, structural equations model with partial least squares approach has been applied. But before interpreting the model, first the suitability of the model should be approved in three sections of measuring model, structural model and general model, to rely on its results, and indeed the stability and validity of the model should be established. To this point, in the section of measuring model, Cronbach's Alpha index, composite reliability, and convergent validity have been used, which have been represented in Table2.

Table2. the validity and reliability of measuring model

variables	Loading factor	T-value amount	Cronbach's Alpha	Composite reliability	Convergent validity
Brand extension strategies	− 0/864 0/594	69.985- 12.118	0/868	0/896	0/**580**
Brand image	0/595- 0/803	39.242- 11.132	0/813	0/765	0/**739**
Brand equity	− 0/818 0/760	38.153- 25.039	0/764	0/824	0/**600**

Acquired results show that the reliability and validity of measuring model are desirable. Because factor loading amount for each question was not less than 0/4 and the least one was 0/594 in brand extension strategies, on the one hand, the amount of T Value was not less than 1,96 , and the least amount was about one of the Barnd image questions that is also equal to 11,132. On the other hand, in the case of Cronbach's Alpha all dimensions were above 0/7, composite reliability over 0/6, and converge validity has been reported over 0/5, which represents the approval of reliability and validity of measuring model.

After verifying the suitability of measuring model , the reliability of structural model should be considered, that to do this two index of R2 and Q2 have been applied which have been shown in Tble 3:

Table3. Fitting of structural model.

variable	$Q^2> 0/15$	$R^2>0/25$
Brand extension strategy	0/202	0/463
Brand equity	0/246	0/908

And finally, the general fitting of model has been mentioned, that in models based on partial least squares , the index of GOF is used, which should be over 0/3. This index according to the formula of the present model has been calculated as following and shows the suitability of general model:

$$\text{GOF}=\sqrt{Communalities \times R^2} = 0.560$$

Now after confirming, the fitting of the model in three levels of structural equations, which had been established by Smart PLS, has been represented in the following and the research hypothesizes have been studied.

As it is seen in Figure 2 and Figure 3, in the case of meaningful coefficients it is the reported amount of T-Value, that if this amount is more than 1,96, it will represent the approval of the hypothesis. And in partial least squares model, reported numbers show β, Which represent the effect of variables on each other. In the following the main hypothesis are studied in a form of a table.

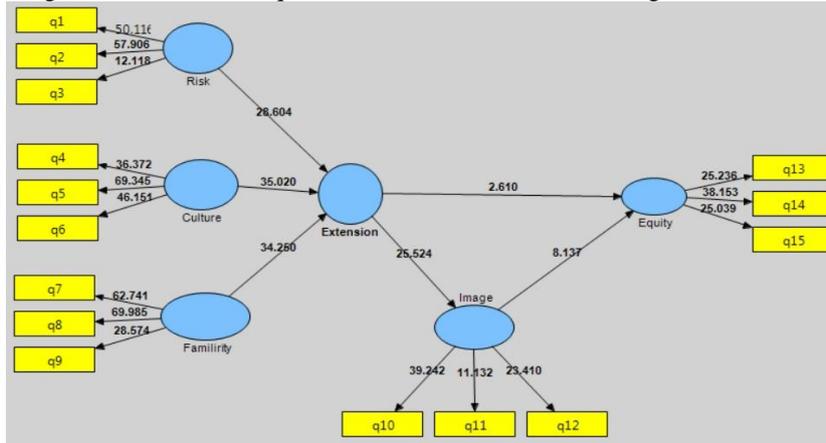Figurre2. Partial least squares model in the case of meaningful coefficients

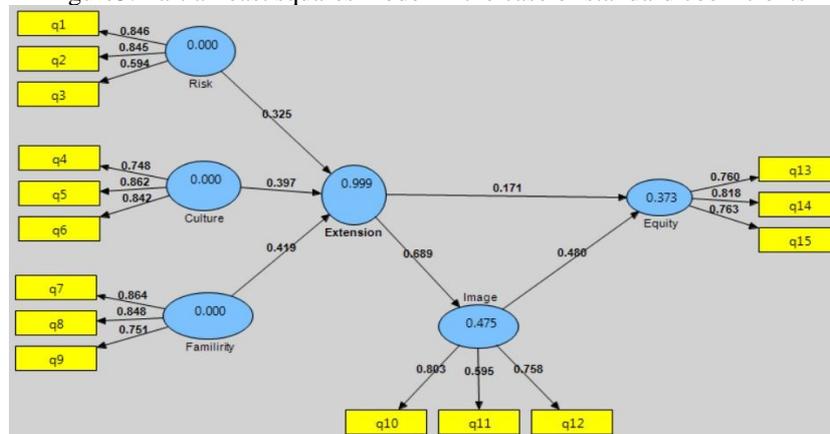Figure3. Partial least squares model in the case of standard coefficients

Table4. Summary of research results in the partial least squares model

result	T-value	β	variable			hypothesis
			Mediator	Dependant	Independent	
approval	2.610	0/171	-	Brand equity	Brand extension strategy	1
approval	8.137	0/480	-	Brand equity	Barnd image	2
approval	-	0/480 * 0/689 >0/171 Because the impact intensity in direct path is less than the indirect path and reveals the approval of the role of mediator	Barnd image	Brand equity	Brand extension strategy	3

Regarding the final output from partial least squares model, it can be said that the main hypothesizes of brand extension strategies and Brand image are effective factors on the brand equity promotion. And also results show the approval of the role of Brand image mediator on the effectiveness of brand extension strategies on the brand equity.

Table5 shows the acquired results of T test.

result	T-value	β	variable		hypothesis
			dependant	independent	
approval	8.063	0/428	Brand image	Perceived risk	1
approval	2.259	0/118	Brand image	culture	2
approval	5.121	0/301	Brand image	familiarity	3
approval	4.791	0/203	Brand equity	Perceived risk	4
approval	7.220	0/382	Brand equity	culture	5

approval	6.163	0/323	Brand equity	familiarity	6

Pointing to the above results in case of subordinate hypothesizes, it can be said that all of the research subordinate hypothesizes have been approved.

5. Conclusion and implications.

Today companies invest in significant resources, to achieve a favorable name and image. Among different advantages, a positive image, could help to the extension of business because of brand extension. Therefore, the introduction of products by the same brand can amplify the image, the acknowledgment, and totally the brand equity which acquired in the market. Companies must know that commercial naming is not merely as an action in the case of communicating with customers or as graphic designs of packing, but it denotes to a complete behavioral pattern.

In the case of the effectiveness of brand extension strategies on brand equity, it is recommended that, Famila`s company marketing managers and selling directors to pay more attention to their Brand image evaluation and brand equity; because these two elements are important and effective factors on customers` attitude evaluation of brand extension. Since brand satisfaction affect the customers` attitude evaluation, Famila management should pay attention to this matter, and also render the required measurements in order to increase the brand satisfaction among customers. To be survived in today`s competitive market, organizations should supply products or services with the aim of customers` satisfaction and their loyalty ,and also creating more value towards the encouragement of their brand Brand image , and then more value for their brand among customers. According to acquired implications from the results of hypothesis in the case of brand extension strategies on Brand image, it is revealed that extension strategies have a positive and direct effect on brand Brand image; therefore, it is suggested to Famila managers to apply advertisements proper to the culture of that region, which would result in more familiarity with the brand , so that through motivating the customers` sense of intimacy , decrease the amount of visualized perceived risk and create an immanent and proper place in their customers` minds in that region, in order to result in costumers` loyalty.

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