

BRAND EXTENSION STRATEGY THE EFFECT OF BRAND IMAGE TO CUSTOMERS

Dr. G. MURUGAN, Assistant Professor, Dept. of Business Administration, Govt Arts and Science College, Mullipuram, kankeyam.

ABSTRACT

The purpose of the study is to investigate the effect of brand extension strategy upon brand image to LG customers. Home appliances and mobile phone are considered as original product and extended product respectively. The research model includes five variables; initial brand image, perceived fit, perceived quality, consumers' attitude and final brand image. Random sampling method was used and A total 376 questionnaires were circulated, and the response rate was 100 %. The results show that initial image of the brand has positive, significant impact on consumers' attitude towards brand extension as well as final image of brand.

Keywords: Brand extension; brand image; perceived fit; perceived quality.

INTRODUCTION

Brand extension strategy refers to any attempt to develop a successful brand to offer a new or modified product on the market. Good brand reduces marketing costs and increases the probability of success [1]. When brand has a good reputation it not only makes customer trust in the brand but also acts as a powerful barrier against competitors [2]. There are many corporations trying to improve brand image within customers' mind using brand. Strong image of brand is a competitive advantage for corporations because customers who have positive assumptions about brand decide based on it [3]. When consumers encounter the phenomenon of brand extension for the first time they want to find whether their views about the product category are consistent with the new product or not [4]. One of the factors that can affect the mentality of the customer about the brand is the brand extension.

Of course there is always the risk that the brand extension hurts the brand image [5]. Many managers of domestic and foreign companies use the method of brand extension when presenting new products to market and their argument is that the subjective views and characteristics of the product is also transferred to the new product with the same name [6]. Using this strategy has advantages and disadvantages that if they be used wrongly or without studying they would have negative effect on brand image within customers' mind.

Therefore it seems necessary the companies who use this strategy evaluate its effectiveness constantly. It might failure of this strategy for a product have a negative impact on the customer's brand image [7]. The brand image is an intuitive and attractive concept which is the company's valuable asset and it must be properly managed [8]. When a company has an acceptable brand image in the eyes of customers it can increase the amount of its sales through enhancing customer satisfaction and loyalty and can also attract more investors and employees [9]. On the other hand it will be able to better compete with other companies and makes more profit for company [10].

LITERATURE REVIEW

According to Aaker (1991), "Brand extension is using an established name of one product category for entering another product category." While according to Kotler (1991), "Brand extension is the strategy of using a successful brand name for introducing a new product." Another popular definition is, " Utilizing a popular brand name to launch new products or services into a product class that is new for the company is called franchising strategy" [11]. Successful brand extensions depend on consumers.

Therefore examining how consumer evaluates the brand extension as well as reviewing it with the brand image is inevitable necessity. Thus, in this research we studied the effect of brand extension strategy on brand image in the eyes of customers of LG perceptions of fit or similarity between the new extension and the parent brand [12]. Many companies adopt brand extension as strategy with the aim of benefiting from the brand knowledge achieved in the current markets. When a company launch a new product and market under the umbrella of well - known brand name, failure rates and marketing costs are reduced. Keller (2008) states that more than 80 per cent of firms resort to brand extensions as a way of marketing goods and services.

Competition forces firms to adopt strategies that create a competitive advantage for the firm. Creating a brand name with well-established association is one way of achieving this aim. Firms invest heavily in developing a brand. It is a very costly process but has many returns once success is achieved. Brand extension can be classified in either vertical or horizontal extension [13].

Consumers' Attitudes towards Brand Extensions

The studies on consumers' attitudes towards brand extensions have been developed around their reactions to brand extensions and their relationship with the brand. In this framework, Kim, Parkand, & Kim [14] have emphasized in their studies in 2014 that the quality of the relationship between the consumer and the brand affects their decisions regarding brand extensions. It was revealed that this is valid especially when there is harmony between brand and the extended product. Fedorikhin, Park, & Thomson [15] have highlighted that consumers' attitudes towards brand extensions stem from brand loyalty rather than harmony and consumers react positively to brand extensions and take purchasing decision if the harmony between the main product and the extended product is strong and moderate.

Moreover, they have argued that consumers provide positive feedback for their environment about brand extensions and forgive more easily the possible mistakes when there is strong harmony. There are studies that analyze consumers' approach to brand extensions in the light of cognitive paradigms [16]. Accordingly, there is mutual interaction between the perception of the harmony between the main brand and the extended brand by the consumer and development of their first attitudes towards extensions and their market behaviour. In this direction, the characteristics of consumers are the determinants of their attitudes towards brand extensions. Additionally, Kim & John [17] conducted a research in 2008 and have figured out that the level of consumers' interpreting their environment has a moderating effect on the importance of the harmony between the main product and the extended product.

RESEARCH HYPOTHESES

Based upon research objective and literature review and the above suggested Model, The study will test the following hypotheses:

H1: Initial brand image has significant effect on consumers' attitude towards the extended product.

H2: Initial brand image has significant effect on perceived fit between the extended product and original products.

H3: Initial brand image has significant effect on perceived quality of extended product.

H4: Perceived fit between the extended product and original products has significant effect on consumers' attitude towards the extended product.

H5: Perceived quality of original products has significant effect on consumers' attitude towards the extension.

H6: Initial brand image has significant effect on final brand image.

H7: Consumers' attitude towards the extension has significant effect on final brand image.

RESEARCH METHODOLOGY

Population and Statistical Sample

Statistical population just includes customers of Qom city that their common characteristic is purchasing LG products. Home appliances and mobile phone are considered as original product and extended product respectively. This research does not belong to specific class of age, social, educational and job and if people purchase the products they will be considered among the statistical universe. Also the sampling method in the research is random sampling method, Cochran formula has been used to calculate the sample size.

The study will use a questionnaire that use a Likert- type scale with original five point format, the Interval Scale: (1) Strongly Negative (2) Negative, (3) Neutral, (4) Positive, (5) Strongly positive. A total of 376 questionnaires were returned for 100% response rate which provided by Consumers from Qom city. The questionnaire has two parts. The first part includes demographic variables such as gender, age and education level and the second part measures variables of the research.

CONCLUSION

The aim of this study is to examine the effect of brand extension strategy upon brand image to LG customers. Home appliances and mobile phone are considered as original product and extended product respectively. The research model includes five variable; initial brand image, Perceived fit, perceived quality, consumers' attitude and final brand image. According to the model of Salinas and Perez [4], the model of Pina et al. a model was offered for examining research hypotheses. Findings suggest that: 1- initial brand image has significant and positive effect on consumers' attitude towards the extended product, 2- initial brand image has significant and positive effect on the perceived fit between the extended product and original products, 3- initial brand image has significant and positive effect on the perceived quality of original products, 4- the perceived fit between the extended product and original product has significant and positive effect on consumers' attitude towards the extended product, 5- the perceived quality has not significant and positive effect on consumers' attitude towards the extended product, 6- initial brand image has significant and positive effect on final brand image, and 7- consumers' attitude towards the extended product has not significant effect on final brand image.

Given to the importance of initial brand image, it is suggested that the company LG increases the amount of its communication activities and since advertising is proper mechanism to improve the corporation communications, it tries to transfer an integrated message to customers in its communications activities. Also given to not being significant the relationship between consumers' attitude towards the extended product and final image of the brand LG and marketing managers of the company need to reconsider the company's extended product.

Given to data analysis it was found that the fifth and seventh hypotheses were rejected and about not being significant the fifth hypothesis we can express that today consumers do not evaluate the extended product of a brand just by the perceived quality of original products of that brand but other factors are considered such as reputation of the extended product, quality of the extended product, being innovative the extended product and etc. As to not being significant the seventh hypothesis from questions related to the variable of consumers' attitude towards the extended product we can express that today the companies can promote their brand images who are leading and innovative in the field of consumers' attitudes towards the extended product.

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