CONSUMER PERCEIVED BRAND CONCEPT & CLOSE BRAND EXTENSION: A MULTI-MEDIATION MODEL ANALYSIS.

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ABSTRACT

Purpose: *This paper investigates how brand extension strategy can be used successfully by the companies while launching close brand extensions in the market. What are the antecedents (Mediating variables) of successful brand extension?*

Methodology: *One independent variable consumer perceived brand concept was used with the dependent variable "Successful brand extension evaluation" with two mediating variables. Real life close brand extension as stimuli was used in this study. Self developed questionnaire was filled by 462 respondents by simple random sampling technique.*

Findings: *Three hypotheses were tested with multi-mediation test by Preacher and Hayes. All three were accepted with most significant being Parent Brand Conviction and Brand loyalty jointly mediate the relationship between Consumer Perceived Brand Concept and Successful Brand Extension Evaluation for close extension.*

Key Words: Parent Brand Conviction, Brand Loyalty, Consumer Perceived Brand Concept, Close Brand Extension & Multi-Mediation.

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1.   INTRODUCTION

Many companies develop product with different product categories in order to plan about extending their market. These days this practice is common and it takes place in different countries as well. Brand extension strategy and decision of firms affects the profitability and economic condition by expanding domestically and globally. Brand extension is one of the finest strategies used by marketers to expand further in the market i.e. The company launches novel (commodity) merchandise under popular and accessible name of the brand. This is done because the companies think that customer will have favorable thought about the new product which is launched under established brand name and they perceive it as containing similar attributes or new attributes with good quality. The consumer also responds quickly to the offering because of their familiarity with parent brand and they also have positive feeling about it. Brand extension is very unique and famous strategy that can be used to expand market for multinational companies in the globalize world. (Estes et al., 2012) The companies also use brand extension because of the lower cost ,when a new brand is introduced in market it will have more overall cost as compared to the brand extension which results in less expense and reduced cost for the multinational companies in this competitive globalize world. The company can save billions of dollars from brand extension and it can invest in other products and brands and guaranteed success, that is why companies prefer brand extension for expanding the market share in globalize world. A large amount of the research carried out on brand extensions has been mostly from the viewpoint of promotion, in particular advertising. These days, though, a significant number of consumers' choices are based on efforts made in-store, hence increasing the importance of in-store promotion. (Smith & Burns, 2013) It is an extension in which a product uses their trusted name to launch a new product in the same or other kind so that consumers have a positive opinion about the product of their quality and reliability. For example, Caterpillar (CAT) was first introduced as steam engine later on it deals with variety of products like Caterpillar Shoes, Caterpillar Tractors, Caterpillar Sandles, Caterpillar Bags etc. (Kotler& Armstrong, 2005) To be successful with brand extension, company needs to consider some of the factors before opting for this strategy. This research paper focuses on one of the gaps that were identified in the brand extension research literature from the past studies. No substantial empirical multi-mediation model with parent brand conviction and brand loyalty as mediators between consumer perceived brand concept and consumer evaluation of brand extension has been tested in Pakistani context.

2.   PROBLEM STATEMENT

To study whether parent brand conviction and brand loyalty as mediator variables jointly have full, partial or no mediation between consumer perceived brand concept and consumer evaluation of close brand extension.
Research Objectives:

1.   Develop an empirical multi-mediation model of understanding consumer evaluation of brand extension by identifying relationships of the variables and validate the model for close extension.

2.   Identify latent variables that mediate the relationship between criterion variable and predictor variables. Mediators address "how" or "why" X(IV) causes Y(DV).In this paper parent brand conviction and brand loyalty are latent variables between consumer perceived brand concept (IV) and consumer evaluation of brand extension (DV).

3.   LITERATURE REVIEW

Brand Extension Strategy

"Brand extension is using the leverage of a well known brand name in one category to launch a new product in a different category."
In more practical terms and usage, leverage implies that customer will judge the new offering in the new category more superior on different attributes as compared to the competing brands existing. This is also referred to as extendable brand equity. Xie (2012) pointed three variables that make the understanding of brand extension simpler for a MNC;the firm should keep in mind while extending a brand into other country that is consumer-specific awareness, industry-specific knowledge, and firm-specific aspects in a host market. MNC's use brand extension strategies to expand their product categories globally, hence it is the way they have figured out for expanding their operations. Point in time when an organization utilizes their brand name for reaching out into another category or line in the "same item class or to an item arrangement new to the association" it is considered as level broadening (Pitta and Katsanis, 1995).

Marketing managers often squander much of effort on extending brands into categories just because consumers allow it. A new brand extension likewise any other new product in the market must provide: a strong reason why the consumer in the new category will prefer them to what they are buying currently. Major underlining theme of brand extension is to save money while launching new brand. In other cases, companies stretch their lines to diversify and bring more revenue to the firm. Various research attempts check the stretch-ability of the brands product line. In, other words an attempt to find the "Fit". When there was found a greater "fit" in the original brand and extended product on various aspects of quality, functionality etc, the approach of brand extension was in favor of the company(Aaker&Keller,1990).

Brand extension is also referred to as brand leveraging, a situation or point of time when a firm uses existing well established brand name which as of now exists to launch new product or products. Undoubtedly extension again could be extended into two classes. One is line growth and other is license expansion. Utilizing a current brand name and same class for entering an alternate business part comes in the plan of line broadening. Representations of line expansions are Pepsi and Diet Pepsi (Aaker and Keller, 1990). Distinctive delineations of line extensions are shampoos for different functions or attributes, for instance, dry hair, smooth hair, and dandruff hairs, etc. This procedure is generally more productive for developments in the same arrangement as consumers can easily relate to same product category. Giving away license to another firm of course is a system of using current brand name for entering an item grouping that is new to the association. Recently a study conducted by KimÊand Chunga (2012)

revealed that brand familiarity is a valid predictor of vertical extension evaluation of the company. Whereas, status consciousness proved to be positive factor that predicts the vertical and horizontal extensions. Literature specifies (Czellar, 2003; Grime et al., 2002), there are many of studies on consumer approaches to or estimate of brand extension and on its effect on the "equity" of the parent brand.

Many authors (Keller, 1993; Pappu, Quester, & Cooksey, 2005; Yoo et al., 2000) have suggested many predictors of brand equity. For instance, Pappu et al. in the year (2005) said the brand equity is based on four major variables; brand knowledge, brand relevance, quality, and brand loyalty. Keller (1993) suggested the brand awareness and brand personality are two sub-variables of brand awareness. As, Yoo et al. (2000) suggested the quality, brand loyalty, brand knowledge and the relevance are the four major pillars of brand equity. The investigation focuses on the three of the pillars of brand equity, relevance, knowledge, and quality. The 3 dimensions of brand equity have been already used in the last brand expansion research (Lee & Black, 2008).

Brand extension is a strategy in which new products has been launched under existing brand name due to which multinational firms expects that their consumers will respond to the product either positively or negatively because they are already familiar of the existing brand name or the parent brand. on the other hand there are also some disadvantages of brand extension. in case the brand extension fails, it affects the brand equity significantly, and there is also great chances that it will also disturbs the original brand image as well as its meaning in the minds of their consumers. thus it is very important for the multinational firms to pay close attention to the strategy of brand extension, because a single little mistake can destroy the brand equity on large extent. according to ê"two main advantages of brand extensions are that they facilitate new-product acceptance and provide positive feedback to the parent brand and company".ê when entering into the international market, mncs have to go through all the political barriers, the government rules and regulations, and all kinds of risks that occurs when launching a new product line. countries have traditional norms, values and informal culture are certain barriers where company decides how to position itself, so that it maybe recognized as well as company's name will be established in the international market and into the heart of local consumers (mao et al., 2012). consumer perceived concept consistency brand concept is defined as brand unique characteristics or abstract meaning may be like high status of the brand concept that may have been formed or originated from a particular configuration or product features. even concepts like highly price or brands expensive looking design. and how a company has used these concepts consistently to give meanings to the extended brand? brand concept consistency has two sub variables function oriented and prestige oriented concept. these constructs were taken from the studies of dew and kwon (2010) and park et al. (1991). parent brand conviction parent-brand conviction is the term as per volckner and sattler (2006) that represents the brand equity of parent brand of company; the trust formed in the mind of consumers on the parent brand's quality has to be play critical role that may lead to extension success. the parent brand's convictions, in short pass on to the extent or level of support provided and commitment depicted by the parent brand regarding the brand extension. brand loyalty

Brand loyalty has been described as a characteristics of consumers commitment to re-buy or post purchase behavior to again and again by same product or a preferred product/service consistently in the future, despite of other competing brands marketing efforts and offers to create switching behavior.(Moss, 2005)

According the work of Kim et al. (2001), brand loyalty is extremely   held promise to re-buy it or treat with condescension a chosen manufactured good/ service reliably in the time ahead. So affecting unexciting same brand or the same brand fixed buying, in spite of locational influence and marketing efforts containing the possible to causes moving performance.

Keller (2003), on the other side, study's brand loyalty as "brand resonance" which describes the personality of the customer brand relationship and also the expanse to which customer has the idea that they are "in sync" with the brand. Customers, with real brand resonance, have a high level of loyalty, and they will also interact with that brand and suggest or recommend other to experience that brand. It is true that brand name loyalty is one of the finest handlers of brand name equity because it is considered to be the way that takes the organization to the specific marketing advantages and best results. (For example, market share, reduced marketing costs, prestige pricing and greater trade leverage), which have been related with the brand equity (Emari, Jafari&Mogaddam, 2012).

Research Hypotheses:

Hypotheses for Consumer Perceived Brand Concept, Parent Brand Conviction & Brand Loyalty are constructed and presented below:

H1: Consumer Perceived Brand Concept is positively related to Parent Brand Conviction

H2: Consumer Perceived Brand Concept is positively related to Brand Loyalty.

H3: Parent Brand Conviction and Brand loyalty jointly mediate the relationship between Consumer Perceived Brand Concept andSuccessful Brand Extension Evaluation for close extension

Theoretical Framework Model

Figure 1
Simple model of Consumer Perceived Brand Concept and Brand Extension evaluation
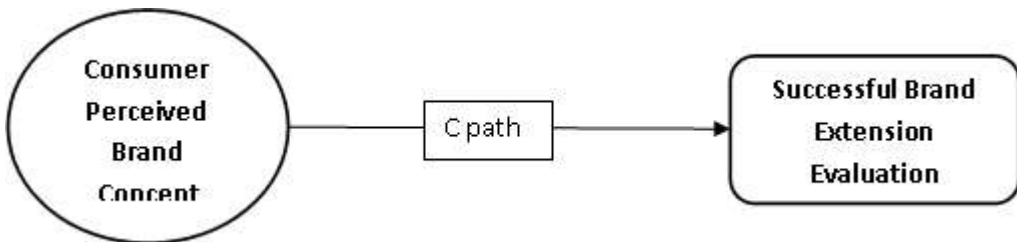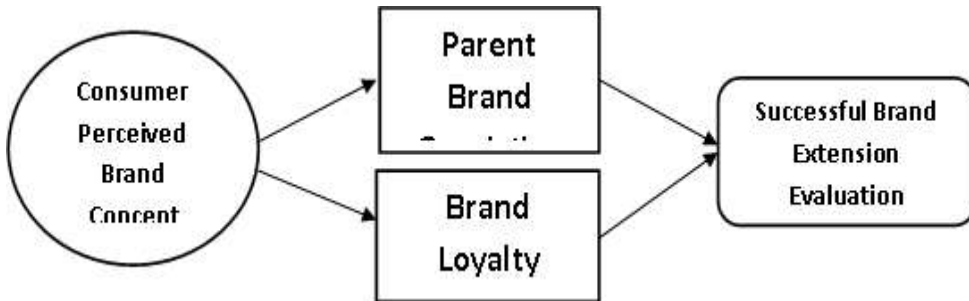
Figure 2
Multi-mediation model of Consumer Perceived Brand Concept and Brand Extension evaluation

4. METHODOLOGY

Sample and Sampling Technique

The target sample respondents were selected through simple random sampling outside famous big retail grocery stores in Karachi Pakistan like Agha's, Naheed, Chaseup and Imtiaz store and were regular grocery shoppers and consumers. Research instrument was self administered among the sample respondents.

Sample Size

For multivariate sampling, a minimum 30 samples per variables would be an appropriate representation of the sample. This study had 4 variables therefore sample size of 150 would have been an appropriate sample for data analysis but author went beyond number and 462 sample respondents were given chance to be part of research.

5. RESULTS, INTERPRETATION AND ANALYSIS

Dependent, Independent, and Proposed Mediator Variables:
(See Table 1.1 in Appendix)

To check the multiple mediation effect on successful Brand Extension Evaluation Preacher and Hayes (2008) SPSS Macro for Multiple Mediation has been used to test hypothesis 1, 2 and 3. Hypothesis H1 "Consumer Perceived Brand Concept is positively related to Parent Brand Conviction" and H2 "Consumer Perceived Brand Concept is positively related to Brand Loyalty" has been accepted as a paths standard beta coefficients are positive with .6763 and .7757 values respectively having p values less than .05 showing significant model.
Interpreting "a" path (IV to MedVs)
·   the path from **Consumer Perceived Brand Concept** to Brand loyalty is
         significant   p = .000 with beta coefficient .6763
·   the path from **Consumer Perceived Brand Concept** to Parent brand Conviction
         is significant p = .000 with beta coefficient .7757

(See Table-1.2 in appendix)

Interpreting "b" path (MedVs to DV, controlling for the IV)
·   the path from Brand loyalty to **Successful Brand Extension Evaluation** is significant p = .000 with beta coefficient =.5760
·   the path from Parent brand Conviction to **Successful Brand Extension Evaluation** is not significant p = .2324 with beta coefficient =-.1542

(See Table-1.3 in appendix)

(See table-1.4 in appendix)

(See Table-1.5 in appendix)

(See figure-3 in appendix)

Interpreting "c" path (IV to DV without the MedVs, aka the Total effect) - in this model is significant p= .0105 with beta coefficient = .1443

Interpreting "c' " path (IV to DV, controlling for the MedVs, aka the Direct effect) - in this example non-significant p = .0746 with beta coefficient = -.1257 Interpreting R square = .1345 is the amount of variance in the DV (i.e., **Successful Brand Extension Evaluation)** accounted from by **Consumer Perceived Brand Concept** (IV) and Mediating Variables **Brand Loyalty** and **Parent Brand Conviction.** So, this model has met all the criteria for mediation according to Baron and Kenny (1986) – although note that the IV-DV total effect criteria is no longer necessary. Indirect Effect of mediating variable has been presented below:
(See Table-1.6 in appendix)

Level of Confidence for Confidence Intervals:
  95

Number of Bootstrap Resamples:
  5000

The output provides the 95% Bias corrected bootstrapped confidence interval Here the author is looking to see if ZERO (0) lies within the interval range Note that LL = Lower Limit (or the lower boundary) and UL = Upper Limit (or upper boundary) of the Confidence interval.

Essentially author has asked whether it is possible (with 95% confidence) that the TRUE indirect effect would be ZERO (basically, no mediation).

1) Total effect
In this case the TRUE TOTAL indirect effect with 95% likely to range from .1713 to .3796– the estimated effect is .2700 (lying in between these two values) If (as in this case) zero does not occur between the LL and the UL then it can conclude

that the TOTAL indirect effect is significant and there is mediation caused between IV and DV.

2) Individual mediator indirect effects

In this case the TRUE indirect effect VIA Brand Loyalty is 95% likely to range from .2064 to .5819 - the estimated effect is .3896 (lying in between these two values) If (as in this case) zero does NOT occur between the LL and the UL then we can conclude that the indirect effect for this mediator is significant.

Looking at the remaining mediator parent brand conviction it can be seen that the Confidence interval that ranges from -.3255 to .0978 that includes ZERO and therefore is not significant.

(See figure-4 in appendix)

(See Table in appendix)

6. CONCLUSION

In the light of problem statement the model was empirically tested and revealed that Parent brand conviction and brand loyalty jointly have partial mediating effect on the relationship between Consumer Perceived Brand Concept and Successful Brand Extension Evaluation for close extension. While on the other hand two hypotheses, it was further reconfirmed that strong brand loyalty depicted by customer towards company has positive significant relationship with Consumer perceived brand concept. Similarly it was also observed that if company maintains strong parent brand conviction then consumer perceived brand concept is also positive. Company and marketers must take notice that if customer in the market has strong brand loyalty for the existing brand then company should not put much efforts on creating parent brand conviction in the extended brand as it will slow the process of consumer evaluation and vice versa. Summing it up that brand loyalty and Parent brand conviction should not be used together while using brand extension strategy in related product category.

6.1 Future Research

This research had few limitations and certain variables of brand extension research have been ruled out. If variables like parent brand experience and parent brand image are also incorporated somehow either by multi-mediation or double mediation model to give the research totally a new aspect and perspective. Statistical testing has been carried out on SPSS 21.0 with macro installed, if the recommended model can be tested on AMOS though structured equation modeling (SEM) and through Hoodap software then statistical analysis will be more interesting. Furthermore to increase sample size and inclusion or responses from other cities of Pakistan apart from just Karachi will make the application for generalized.

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APPENDIX

Table 1.1
IV to Mediators (a paths)

	Coeff	se	t	p
Brand_loyalty	.6763	.0435	15.5396	.0000
Parent_brand Conviction	.7757	.0414	18.7553	.0000

Table 1.2
Direct Effects of Mediators on DV (b paths)

	Coeff	se	t	p
Brand_loyalty	.5760	.1225	4.7021	.0000
Parent_brand Conviction	-.1542	.1289	-1.1959	.2324

Table 1.3
Total Effect of IV on DV (c path)

	Coeff	se	t	p
Consumer	.1443	.0562	2.5680	.0105

Table 1.4

Direct Effect of IV on DV (c' path)

	Coeff	se	t	p
Consumer	-.1257	.0703	-1.7873	.0746

Table 1.5
Model Summary for DV Model

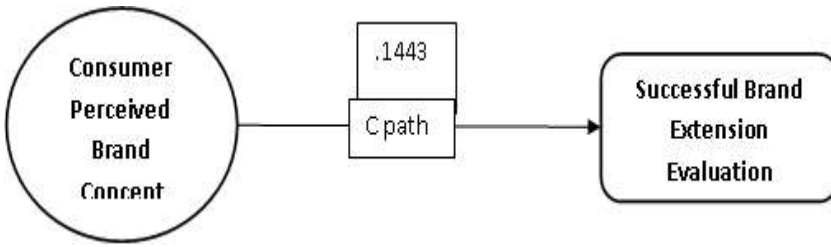| R-sq	Adj R-sq	F	df1	df2	p
.1345	.1289	23.7300	3.0000	458.0000	.0000

Figure 3: Tested Simple model of Consumer Perceived Brand Concept

Table 1.6
Bootstrap results for indirect effects
Indirect Effects of IV on DV through Proposed Mediators (ab paths)

	Data	Boot	Bias	SE
TOTAL	.2700	.2686	-.0014	.0533
Brand_loyalty	.3896	.3923	.0028	.0968
Parent_brand Conviction	-.1196	-.1238	-.0042	.1074

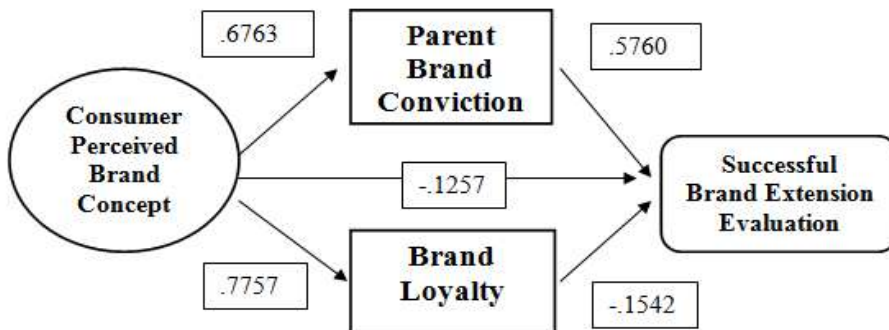| Bias Corrected Confidence Intervals		
	Lower	Upper
TOTAL	.1713	.3796
Brand_loyalty	.2064	.5819
Parent_brand Coviction	-.3255	.0978

Figure 4: Tested Multi-mediation model of Consumer Perceived Brand Concept
and Brand Extension evaluation

Hypotheses Assessment Summary

S.NO	Hypotheses	R – square	Beta Coefficient	P- value	Empirical Conclusion.
H1	Consumer Perceived Brand Concept is positively related to Parent Brand Conviction	.1345	.6763	.0000	Accepted
H2	Consumer Perceived Brand Concept is positively related to Brand Loyalty.	.1345	.7757	.0000	Accepted
H3	*Parent Brand Conviction* and *Brand loyalty* jointly mediate the relationship between Consumer Perceived Brand Concept and Successful Brand Extension Evaluation for close extension	.1345	-.1257	.0000	Accepted with Partial Mediation