

Impact of Brand Extension and Brand Image on Brand Equity

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Abstract

The purpose of this study was to find out factors influencing on the brand equity. How the brand image and line extension impact on brand equity. The study statistical population was including different commercial market, Education sector and industrial sector. For the response of such research we distributed 150 questionnaires with the 25 different questions. By use of the SPSS the correlation and regression tests were applied for interpreting the result. The research results identified that there is positive significant relationship between the dependent and independent variables. The regression result showed that the model is fit and can predict future results of the research. The research will helpful for the commercial markets, related industries and specially for the managers to review their business strategies in order to attract maximum potential customers.

Keywords: brand extension, images, brand equity

1 Introduction

A brand is term, name, sign, symbol, design or a combination of them is extended to identify the goods or services of one seller or a group of sellers and differentiate them from those of competition (Kevin Lane Keller, 2001). Generally speaking when a company creates new name, logo or symbol for a new product they create the brand. Now a day's brand name is important when launching a new product category or merchandise (Blomquist and Holm, 2004). According to the (Mourad, Ennew and Kortam, 2010) all that factors which related images of brand equity being more significant than determinants that related extension line. The brand images have indirectly linked to the real features of product also a symbolic dimension to tangible parts of brand. According to the (Keller, 1999) if the brand has a lower equity of brand in the market then it is necessary to pay more intention in marketing and promotional activity for maintaining the position in the mind of the customers, which mean all that activity which are related to building the brand image in consumer's mind will be positively affect the overall brand equity.

An assumption common to virtually all research, however, is that brand influence and product category resemblance play important roles (Boush and david, 1993). That is, evaluation of an extension is a joint function of how much the brand is liked in its unique category and the resemblance between the original and extension categories. This same insight on the part of managers has prompted increased use of brand extension as a source for growth (Springen and Miller 1990), which in turn has flicker empirical research on the way consumers assess comprehensive brands. Initial research was exploratory and attempted to identify at a general level the variables that influence perceptions of an extension (Aaker and Keller, 1990).

1.2 Objectives of the Study

The main purpose of this research is to gain deeper understanding of how brand extension contributes to brand equity, or is there any impact of brand images on brand equity. Do the customers increase the worth of the brand in their mind due to better selection of new variants and new product lines?

1.3 Research questions

By increasing of the new product line what will be the worth of brand in the mind of the consumer. In the beverage industry we examine the effect of brand extension and image on brand equity. The research questions are mentioned as follows:

- Does brand extension affect brand equity positively or negatively?
- Does brand image have its impact on brand equity?

1.4 Scope of the study

In this research paper we have studied only one element of secondary brand associations that is brand extension that has a positive impact on brand equity, the other elements of secondary brand associations should also be investigated. The role of other associations such as co-branding, company, country of origin or other geographic area, channel of distribution licensing, celebrity endorsement, e.t.c must also be studied in this context.

2 Literature review

2.1 Line Extension

Now a day's consumers want more variety and choice (*Das et al. 2012*). This has increased the opportunity for line extension such as offering new colors, flavors, and size but it has also made consumers harder to reach (*Aaker and Keller, 1991*). Furthermore, retailers are also becoming more sophisticated and manage their product categories more efficiently (*Alpert et al., 1992*). Most of the retailers have introduced private labels and as the competition has increased between the brands. Response time and time to market are also critical as product life cycles have grown shorter and global competition is increasing day by day.

During 1980's line extension became more popular as introducing new product and new brands have become cost too expensive (*Tauber, 1981*). That's why managers used the brand leverage to limit the introduction cost of new products (*Hardle and Lodish, 1994*).

Along with the advertising and sale promotion, the new product entry represented a chance to build the brand equity of brands. Previous researches show the effect of advertising and sale promotion on brand equity (*Blattberg et al., 1995*).

While the line extension symbolizes the brand's major new product introduction effort, they have not been studied as well as brand extension (*Kim et al., 2001*). It is said that new line extension augment their parent brand's consumer base and also help the parent brand in the growth of parent brand franchise. Though, a wide assortment of line extension creates confusion for the customers (*Quelch and Kenny, 1994*).

Hypothesis 01: brand extension have a positively relationship with the Brand Equity

2.2 Brand Image

Brands having good image are the most important assets owned by the companies, firms with high brand equity gets high insight of the brand by its customers. Greater loyalty by the customers and less vulnerability to the competitors, marketing actions, high profit margins, less negative reactions by customers to price increases effectiveness increasing licensing and brand extension opportunities. In order to achieve brand equity firms must invest heavily to make the brand (*Keller and Lehman, 2006*).

Brand extension strategy offers an opportunity to get advantage of brand name recognition and image to enter new markets (*Aaker and Keller, 1990*). Customers are known and have access of knowledge about the brand, so it develops higher affect to the extension as compare to entirely new brand name is to be introduced. When companies use existing brand name for new products it also requires less investment for advertising, point of purchase promotions, and distribution channels e.t.c. (*Farquhar, 1898*).

Utilizing an existing and successful brand name for entering in a new product category. However as explained earlier many researcher have defined brand extension in a different way. "Brand extension occurs when companies uses established brand names to introduce new product in new product category" (*Aaker and Keller, 1990*). According to (*Farquhar, 1989*) brand extension may classify in to two categories line extension and category extension. Where line extension occurs when parent brand name is used for new product that targets different markets within the same market segment. While in category extension the existing brand name is used to enter in the new markets by having different product category. Line extension occurs when shapes, sizes and flavors are introduced to a firms existing product category using an existing brand name (*Tauber, 1981*).

However intuitively, researchers considers brand trust as a logical influence on the evaluation of usage of brand extension activities, most importantly when risk is associated with the purchase (*Jacoby and Kaplan 1972*). Well huge amount of research seeking to isolate the important components of brand extension, that has taken place over 10-15 years, yet only indirect or partial linkages have been made between brand trust and brand extension (*Keller and Aaker, 1992; Hem et al., 203; Smith and Andrews, 1995*). If we discuss the construct of trust, the various contexts in which it has been emphasized and consider any actual or perceived linkages in the two literature bodies.

Hypothesis 02: images have a positive effect on the brand extension.

Theoretical framework

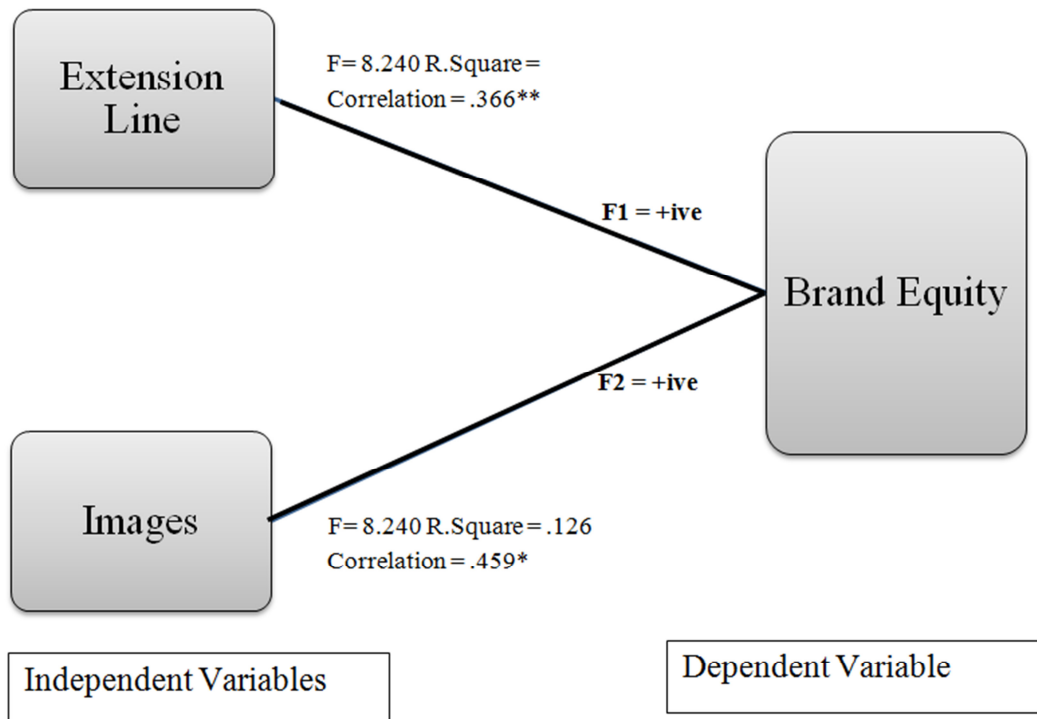


Figure 1: theoretical frame work

3 Research methodology

This section the research methodology has the purpose to explain the research position, data collection methods, and population and sampling procedures and also explains the criteria and path used in the consumer survey.

3.1 Research design:

To clearly explain the research position, the prime purpose of the research is in order to review the insight of knowledge and apply it in to practice. This is an exploratory kind of research in which I explained the impact of brand extension on brand equity in beverage sector of Pakistan. For checking the response of the consumer about the brand extension and images the target area of this research Lahore, Multan, Layyah and Dera Ghazi Khan. For this survey the random sampling technique and structured questionnaire was used. The sample size consists of the 150 respondents for gathering the response of the consumer.

3.2 Data collection:

In order to analyze data, data was collected from two ways secondary and primary. The primary data was collected from the field with the help of questionnaire. A quantitative survey was done from 150 respondents from Lahore, Multan, Layyah and D.G.Khan in order to gain primary data. The mentioned geographic areas were selected in order to get responses from big and small cities, and also with respect to the possibility of time and economic resources. In designing questionnaire the questions were designed for brand extension and images in order to get full responses from respondents.

3.3 Data analysis and interpretation

3.4 Correlation analysis

Bi-Variate correlation is applied to find the relation between dependent and independent variables. Table No. 1 Correlation analysis

		Extension Line	Images	Brand Equity
Extension Line	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	150		
Images	Pearson Correlation	.366**	1	
	Sig. (2-tailed)	0.000		
	N	150	150	
Brand Equity	Pearson Correlation	0.015	.459*	1
	Sig. (2-tailed)	0.000	0.000	
	N	150	150	150

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

In the case of research on effect of brand extension and images on brand equity, there are two independent variable (brand extension and brand image), on the other hand one dependent variable Brand equity. By making the comparison with our propose research hypothesis correlation analysis are used for clear understanding.

Hypothesis 01: brand extension have a positively relationship with the Brand Equity

According the above table the correlation result of are given in matrix which show brand extension and brand equity are highly correlated i.e. ($r = .366^{**}$ at $p=0.000$). with the confident interval of 95% which means that in this result only there are 5% chances of variations. So hypothesis accepted. For the further research we can say that brand extension influence on the brand equity

Hypothesis 02: images have a positive effect on the brand extension.

The correlation research result regarding the images given in above correlation matrix is ($r = .459^*$ at $P=0.000$). which show the positive relationship between the images and brand equity. . The p value shows the significance level which is 0.000 and is beyond the significance level in between 0.01 to 0.05. According to analysis of above table H_2 is accepted because their P value is less than the alpha level which is 0.01. So we can say that the images are brand equity

3.5 Regression Analysis

Simple liner regression is applied to check the significant relationship among the independent and dependent variables. Here brand equity is dependent variable is brand equity and brand extension, images represents independent variable (brand extension).

3.6 Brand Equity

Simple liner regression is applied on the Dependent variable Brand Equity below:

Table No.2 Model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.355 ^a	.126	.111	.43777

The above table shows the value of R square that is 1.2 %.

3.7 ANOVA

Table No.3 ANOVA

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.475	6	1.579	8.240	.000 ^a
	Residual	65.734	343	.192		
	Total	75.209	349			

The above table is ANOVA table it shows that brand equity has significant relationship with independent variables. This table explains sum square, mean square and significance level among brand equity and brand extension.

3.8 Images

Simple liner regression is applied on the Dependent variable image below:

Table No. 4 Model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.227 ^a	.126	.035	.95508

The above table demonstrates the value of R square that is 5.2 %.

3.9 ANOVA

Table No. 5 ANOVA

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	17.021	6	2.837	3.110	.006 ^a
	Residual	312.876	343	.912		
	Total	329.897	349			

The above table is ANOVA table it shows that image has significant relationship with independent variables. This table explains sum square, mean square and significance level among image and brand extension

3.10 Results and findings

Simple liner regression, correlation, and multi are applied to analyze data, the results illustrates that all independent and dependent variables have significance relationship among each other. It means that ultimately brand extension have positive impact on the brand equity of the beverages. The extended variants of beverages brands put a positive effect on the equity of the parent brand; brand extension helps to increase the brand equity in beverages sector.

All the hypotheses are accepted brand extension and images have their impact on brand equity. The research findings underline an important point which is that although consumers are the ones judging the brand and its extensions in terms of expectations, perceptions and attitudes, it still is essential for the brand managers to permanently manage the consumer's brand knowledge structures by strengthening the brand, strategy which will not only allow future growth possibilities but also a shield against failed brand extensions.

From the research analysis we came to know that brand extension in the beverage sector play a very important role in the successful entry of new products. In fact brand extension contributes a lot in brand equity in the beverage sector of Pakistan.

4 Conclusion

This is the final section of the research paper that aims to conclude with final conclusions, suggestions and further research aspects. The conclusions are drawn from the results obtained from analyzing the survey performed and the respective literature. Last but not least, the contributions of the Research in the theoretical and empirical levels as well as the directions for future research opened by our results are going to be presented.

5 Recommendations and suggestions

In this research paper we have studied only one element of secondary brand associations that is brand extension that has a positive impact on brand equity, the other elements of secondary brand associations should also be investigated.

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