

BRAND EXTENSIONS : THE LINK BETWEEN ENDORSER CREDIBILITY AND CHANGE IN PARENT BRAND EQUITY AND BRAND EXTENSIONS

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ABSTRACT: *One of the most valuable assets of a company is the company's brand. Brand equity of creditable global brands is measured by the globally recognized institutions every year. But the customer's sight of the company's value is so important since the company's success and survival depends on their customers. Therefore, the brand equity is far greater than physical assets. The present study aims to assess the impact of brand trust on brand equity and brand extensions. The results show that if the celebrity endorsements increase and become trustworthy, brand equity increases. And it has a positive impact on brand extensions.*

Key words: *Endorser Credibility, Brand Trust, Relationship Commitment, Brand Equity, Brand Extensions*

INTRODUCTION

Advertisers often use celebrity endorsers in their advertising as a way to influence potential buyers of their product or service. Academic interest in this issue has led to a wide variety of approaches to the examination of the mechanism and effectiveness of the use of celebrity endorsers. Examination of the influence of celebrity endorsers has spanned a wide range of issues such as the type of celebrity [1], type of media [2], and the outcome of the endorsement (e.g., attitude toward the brand [3]; risk perceptions [4]).

In this article, it has been tried to illustrate how celebrity endorsement affect brand equity. On the other hand , most of successful brands have particular brand extension strategies . A brand extension strategy entails leveraging the equity vested in a parent brand into a different product market with the aim of enhancing the new product's acceptance among consumers. Once introduced in a market, brand extensions typically influence consumers' reciprocal evaluations of parent brands by means of creating new associations and beliefs; a phenomenon referred to as a feedback effect of brand credibility and brand equity. This paper describes the relationship and explains how brand equity affect brand extensions.

CONCEPTUAL MODEL

The Proposed conceptual framework has been illustrated in Fig. 1. The model is similar to that analyzed by Dwivedi & Johnson [5] and Dwivedo & Merrilees [6]; in these models, at first endorser credibility impacts brand equity and finally brand equity influences brand extensions.

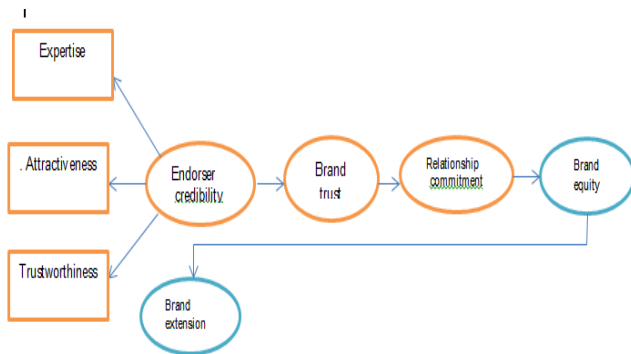


Fig. 1. Conceptual model

ENDORSER CREDIBILITY

The potential influence of endorser credibility on the trust–commitment framework is understood through using the reciprocal action theory [7]. A central tenet of the theory is that consumers often develop a sense of commitment towards a firm (or a brand) in response to its relationship making efforts. The principle of reciprocity can be extended to celebrity endorsements. The literature validates the reciprocity principle in various consumer brand relationship contexts. Celebrities provide consumers with numerous benefits that affect the development and maintenance of consumer self-identity [8]. Consumers are therefore likely to reciprocate by engaging in long term relational behavior with the brands. Thus, the following hypothesis can be suggested:

H1. Endorser credibility has a direct positive impact on brand trust.

BRAND TRUST AND RELATIONSHIP COMMITMENT

Trust is defined as a consumer perception of a brand's benevolence and impeccable[9,10] . Commitment refers to the relative intensity of identification and dependency with the service provider and the involvement in the relationship[11]. Relationships based on trust are valued by customers[12]. This leads consumers to develop emotional bonds with brands, thus creating a sense commitment to the relationship so that they continue receiving emotional benefits that arise out of trust [13]. Customers set an emotional relationship with the brand so they create a sense of commitment to the relationship and receive emotional benefits from their trust[13]. Review of the literature shows that there is a positive relationship between brand trust and commitment to the relationship. Hence, the following hypothesis is formulated:

H2. Brand trust has a direct positive impact on relationship commitment.

RELATIONSHIP COMMITMENT AND BRAND EQUITY

Consumer–brand relationships are considered critical to consumer brand evaluations [14].Customer relationships with the brand play a very crucial role in the customer's assessment of brand [14]. Commitment to relationships fosters desirable, strong and unique communication in customer's mind[15]. Therefore, it impacts on brand equity. Brand equity is a phrase used in the marketing industry which defines the value of having a well-known brand name, based on the idea that the owner of a well-known brand name can

generate more money from products with that brand name than from products with a less well-known name, as consumers believe that a product with a well-known name is better than products with less well-known names. Brand equity refers to the value of a brand. In the research literature, brand equity has been studied from two different perspectives: cognitive psychology and information economics.

Empirical evidence suggests a positive association between relationship commitment and brand equity[14,16]. Thus, the following hypothesis is suggested:

H3. Relationship commitment has a direct positive impact on brand equity.

BRAND EQUITY AND BRAND EXTENSIONS

Many companies reduce the risk of introducing new products by developing brand extensions strategies. Marketers believe that customers extend their positive attitude about the parent brand to brand extension. Consumer evaluation of brand extensions is largely dependent on consumer parent brand evaluations and assessment of fit between a parent brand and its brand extension[15].

Consumers' overall knowledge of brands is compound of a network of information nodes with connections representing brand associations. Favorable parent brands have greater positive attitudes among consumers, and when an extension from a favorable parent brand is introduced, new brand associations are created in consumer mind. About the parent brand which has little reputation when product development occurs, customers have poor belief in relation to their positive experience about brand extension [17]. Due to the inherent inter-connections in the schema, there is a mental transfer of effect from a parent brand to a brand extension[18].

Empirically, a direct positive impact of primary parent brand assessments on consumers' brand extension evaluations is reported in the literature[19,20]. Further, the degree of consumer supposed fit between a parent brand and an extension plays a key role in brand extension evaluations. Consumer perceived fit is well-defined as the consumer perception of how logical and sensible the new product is from a parent brand, in accordance with major perspectives on fit[21,22]. Thus, brand extensions that are perceived as being consistent with a parent brand provide confidence, and lead to positive brand extension evaluations[18,23]. Hence:

H4. Initial brand equity has a significant positive impact on brand extension attitude.

METHODOLOGY

This study is descriptive and correlative . one questionnaire was used for collecting information . The statistical population of this study is the customers of a famous brand "Mahram" in Shiraz, Iran and cluster sampling was used for this study. As a random sampling, 285 persons were considered. In this study, the endorser credibility, brand trust, commitment of relationships, brand equity, and brand extensions were measured through 22 – item questionnaire and with the help of likert scale . Cronbach's alpha was used to assess the reliability of the questionnaire. Cronbach's alpha for this study's variables is : celebrity endorsers = 0.680, brand trust= 0.770, commitment to relationship = 0.861, brand equity= 0.768, Brand extensions= 0.724 is considered.

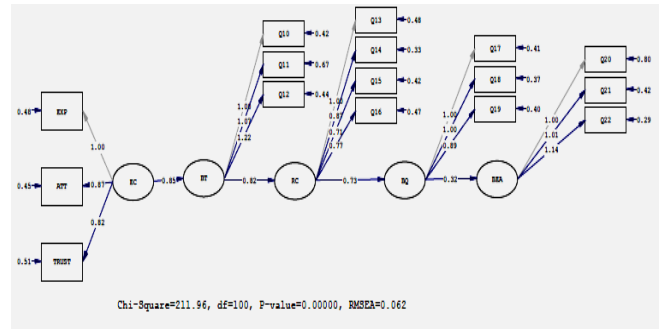


Figure2. Standardized coefficient of the structural model & measurement.

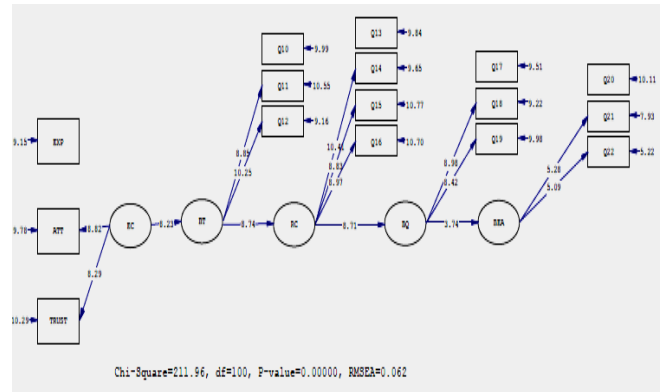


Figure 3. Structural model & measured values of t – statistics

Calculation of these figures indicates that the questionnaire the questionnaire was used to invest data and to test hypotheses . base on the research type and the significance of determining the degree of simultaneous effects of independent variables on dependent variable , structural equation technic has been used to analyse data and to test hypotheses .a

.In the following charts standardized coefficients, measured structural model, the structural model, and the measured values of t – statistics are investigated.

The result of the first hypothesis one this test has been examined according to and Figure 1 and 2. The path coefficients of exogenous variable , endorser credibility on the endogenous variables ,brand trust is 0.85 and according to the value of t=8.23 in error level 0.05 and ensure 0.95 , the statistic is meaningful so the first hypothesis is supported by research . In hypothesis 2, the Relationship of brand trust and relationship commitment were tested .The path coefficient 0.82 and according to the value of t= 8.74 in error level 0.05 and ensure 0.95 , the statistic is meaningful so the second hypothesis is supported by research . In hypothesis 3 the relation between Relationship commitment and brand equity was investigated. Testing of hypothesis 3 shows that path coefficient is 0.32 ,while t= 3.74 in error level 0.05 and ensure 0.95 so the statistic is meaningful and third hypothesis is supported by research . Hypothesis 4 is about the relation of brand's equity and brand extensions . Testing of hypothesis 4 shows that path coefficient is 0.73 ,while t=

8.71 in error level 0.05 and ensure 0.95 so the statistic is meaningful and forth hypothesis is supported.

DISCUSSION AND CONCLUSION

The current study complements multiple perspectives on celebrity endorsements. Endorser credibility (measured as attractiveness, trustworthiness and expertise) considerably influences consumer trust and commitment towards a brand, which in turn leads to useful outcomes such as the improvement of brand equity and brand extension. This chain-of-effects complements the associative network memory theory, as per which consumer knowledge of a brand in memory is symbolized as a network (a schema) of interconnected brand associations. Knowledge pertaining to an endorser of a brand represents secondary brand associations, which are vital to building brand equity [24]. Therefore, a credible endorser reminds favorable relational responses from a consumer (trust and commitment). In turn, such favorable relational response flows over to the endorsed brand, expressed as favorable brand evaluations (i.e., enhanced brand equity). Celebrity endorsers provide aspirational value to consumers, thereby potentially facilitating a consumer brand relationship. Thus, the current study reconciles the endorser credibility literature with the literature on relationship quality, thus enabling an understanding of celebrity endorsers as facilitators of consumer brand relationships. The current study unpacks the brand extension attitude to change in brand equity relationship and explicates underlying mechanisms that facilitate a conversion of extension attitudes into parent brand equity.

LIMITATIONS OF THE STUDY

We acknowledge three limitations of the current study. First, the current study is conducted using consumer responses from Iran, thereby limiting the generalizability of the findings. Future investigations should consider replicating the research model in food industries internationally in order to achieve greater external validity of the results. Second, the conceptual path from endorser credibility to brand equity is potentially moderated by consumer based variables such as consumer expertise. Experts, compared to novices, have well developed memory structures that enable them to use greater brand related information for making evaluative judgments [25], thereby potentially reducing their reliance on celebrity endorsements for making brand equity judgments. Thus, the path from endorser credibility to brand trust may be weaker for experts compared to that for novices. Finally, the current study investigates the hypothesized relationships at a given point in time, thus being limited with regards to modeling change in consumer perceptions of endorser credibility over time and the subsequent effects on brand-equity and relationship continuity expectations. Future research should consider examining the research model using a longitudinal design to model such changes in consumer perceptions over time.

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