Evaluation the Impact of Different Facets of Brand on Brand Performance and International Marketing

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Abstract: This research paper aims to evaluate the correlation of different facets of brand such, brand architecture (two extremes of brand spectrum: branded house and house of brands), brand re-positioning, brand equity, brand orientation and also international commitment on brand performance and the effect of brand performance on international marketing performance. Hypothesized model tested with a linear equation system through SEM with Lisrel. The results confirm significant correlation between branded house brand orientation and brand repositioning as strategy on brand performance, and impacts of brand performance on international marketing performance. [Mohammad Ali Abdolvand, Banafshe Golpour. **Evaluation the Impact of Different Facets of Brand on Brand Performance and International Marketing.** *J Am Sci* 2013;9(7s):76-81]. (ISSN: 1545-1003). http://www.jofamericanscience.org. 12

1. Introduction

The future of many companies lies in brands. Brands play a critical role in a firm's international expansion (Douglas, Craig et al. 2001). Established brands have a great potential for increasing the ability of companies to compete as well as generating their growth and profitability. Awareness of this potential will make brands important in the formulation of company strategies as a source for sustainable competitive advantage (Urde 1999). Branding has significant potential for international marketing (Wong and Merrilees 2007). In order to obtain a competitive edge during the process of internationalization or globalization, firms have tried to develop their brands on a global scale (Tse and Gorn 1993, Craig and Douglas 2000). The benefits of developing such brands include high quality and prestige perceived by local customers, ease in attracting potential employees and partners overseas, along with cross-border learning and cultural benefits, all of which result in cost efficiencies of marketing strategies and facilitate international market entries (Aaker and Joachimsthaler 1999, Craig and Douglas 2000, Gillespie, Krishna et al. 2002)

2. Literature Review

There is a wide recognition of brand strategy as a source of competitive advantage in domestic markets (Biel 1993). A brand in a holistic sense demonstrate the synergistic effect of all marketing efforts that ingrain and eternalize an image in customer's minds, and contribute to the success of a firm by generating stronger cash flows and higher value for shareholders as Yavovich (Yovovich 1988) states. A brand also can be used as a corporate strategic tool to increase a firm's accomplishment (Mosmans 1995). The approach of brand orientation spreads the resource-based theory of marketing strategy, in terms of how brands are constructed, progressed, preserved, and supported and can result in increased performance of firms. Expanding the brand spectrum conveys that branding is beyond marketing communications and should be considered as an integrated business approach (Rubinstein 1996). Firms must organize the various aspects of a brand and join it to the total business strategy (Rooney 1995).

The brands as an important resource of a firm can serve as a strategic reference point in formulation of firm strategy. It can form business growth by recognizing an alignment between capabilities of the firm and external environment. The emphasis of brand strategy is switched to brand-based strategy (Rust, Zeithaml et al. 2001). In parallel with their argument Urde (Urde 1994) also recommended the use of a brand as a starting point in the shaping of firm strategy. He create the concept brand orientation which uses customers and brands as central points in shaping of company strategy Urde (Urde 1994) . Brand orientation is thus an option of strategy that would conclude a firm's competitive age with favorable results for their futures survival. While the extant literature has comprised a range of topics from management of a brand to the strategic usage of a brand, the major limitation of literature is the lack of attention to the international context.

3. Construct development
- International Marketing performance

The firm's overall international marketing performance designate the extent to which a firm's economic and strategic objectives with concerning marketing a product/service to a foreign market are

obtained through planning and execution of its international marketing strategy. In current study, the firm's overall international marketing performance will be evaluate based on the studies of Calantone & Knight (Calantone and Knight 2000) and Shoham (Shoham 1999).

- **Brand Performance**

Brand performance represents the success of a brand within the market. It has been measured in a variety of ways and from different viewpoints. The items used in this study capture the essential ideas of measuring brand performance in terms of awareness, satisfaction and loyalty from studies of Chaudhuri and Holbrook (Chaudhuri and Holbrook 2001) and Reid (Reid 2002).

- **Brand Architecture**

Brand architecture is an organizing structure of the brand portfolio that specifies brand roles and the nature of relationships between brands (Aaker and Joachimsthaler 2000). Brand architecture may be defined as an integrated process of brand building through establishing brand relationships among branding options in the competitive environment (Sanchez 2004). Building a coherent international brand architecture is a key component of the firm's overall international marketing strategy, because it provide a structure to leverage strong brands in to markets, assimilate acquired brands, integrate strategy across markets (Douglas, Craig et al. 2001). This study discusses the conceptual issues of brand architecture and the impact of brand architecture and the impact of brand architecture on the brand repositioning. Current article considering brand Aaker's (Aaker and Joachimsthaler 2000) brand relationship spectrum as a guide for brand architecture. Aaker's spectrum comprises of five major elements (House of Brands, Endorsed Brands and Branded House). Two extremes of alternative brand architecture are evaluated in this study, branded house and house of brands. Samsung Corporation as an example of branded house and Kia Motor's as an example of house of brands in automobile category. In current study, brand architecture is considered the firm's current set of brands across countries, business, and product markets.

- **Brand Repositioning**

Brand repositioning is points to the adaptation of domestic brand's market position in the overseas customer's minds, to conform to overseas market situation. The concept of brand repositioning has come from marketing mix adaptation to an extended notion of brand repositioning.

- **Brand Equity**

An attempt to define the relationship between customers and brands produced the term " brand equity" in the marketing literature (Wood 2000).

Brand equity is the incremental utility or value added to a product by its brand name (Farquhar, Han et al. 1991). Brand equity, which refers to the incremental value added to a product by virtue of its brand, has been thoroughly conceptualized (Keller 1993). Researchers have found that a product's brand equity positively affects future profits and long-term cash flow (Srivastava and Shocker 1991). In a general sense, brand equity is defined in terms of the marketing effects uniquely attributes to the brand- for example, when certain outcomes result from the marketing of a product or service because of its brand name that would not occur if the same product or service did not have that name (Keller 1993). Aaker (Aaker 1996) Brand Equity Ten, (Ten sets of measures grouped in to five categories) which is a trusted scale of brand equity is used for evaluating. As it's obvious brand equity scales has several components, but there is a best single measure of brand equity available and it's price premium. The price premium is a rational summary of the strength of the brand. The logic is that if a variable has no impact on price premium, it has little value as an indicator of brand equity.

- **Brand Orientation**

An approach in which the processes of the organization revolve around the creation, development, and protection of brand identity in an ongoing interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands (Urde). Brand orientation is thus a choice of strategy that can determine firms' competitive edge, with the consequence of enhanced future survival in the long term (Wong and Merrilees 2005).

- **International commitment**

Foreign market knowledge is inevitable for successful international business and marketing activities. Firms aggregate foreign market specific knowledge through experience (Andersen 1993). Greater knowledge about a specific market generally guide to stronger market commitment (Johanson and Vahlne 1977). International commitment describes the extent to which resources are made available for marketers in international marketing activities. These resources consist of both financial and human resources. This construct is operationalized by five items from the studies of Cavusgil and Zou (Cavusgil and Zou 1994) and Mavondo and Rodrigo (Mavondo and Rodrigo 2001).

4. Hypothesis development

Relationship between brand architecture and brand performance

International markets continue to change rapidly (Craig and Douglas 1997). As markets evolve, firms need to establish explicit international brand

architecture and search for opportunities to reduce the number of brands and improve efficiency as well as harmonize brand strategy across product lines and country-markets (Douglas, Craig et al. 2001). Marketing decisions and actions have a potential impact on changing consumer knowledge regarding the brand (Ewing, Napoli et al. 2011). In order to evaluate the impact of brand architecture on brand performance in international market environment, brand performance scale is appraise for both extremes of Aaker's (Aaker and Joachimsthaler 2000) brand architectures spectrum (branded house and house of brands) and the following hypothesizes are examined:

- *H_1: Brand architecture (branded house) has positive impact on brand performance.*
- *H_2: Brand architecture (house of brands) has a positive impact on brand performance.*

Relationship between <u>brand repositioning</u> and <u>brand performance</u>

International marketing strategy points to utilize the marketing mix to construct a sustainable advantage within the international environment. The positioning issue change in to a critical issue in international context. Brand repositioning takes the forms of changing product/ service offerings, marketing activities, and psychological image of a brand in the minds of the customers within the overseas markets; therefore:

- *H_3: Brand repositioning is a positive determinant of brand performance*

Relationship between <u>brand orientation</u> and <u>brand performance</u>

As Urde states Brand orientation broadens the perspective on the operations, highlighting the strategic goals directly related to the brand. In a brand-oriented organization, the objective is - within the framework of the brand - to create value and meaning. The brand is a strategic platform for interplay with the target group and thus is not limited to being an unconditional response to what at any moment is demanded by customers. The effects of brand orientation as a strategy on brand performance are examined:

- *H_4: Brand orientation strategy has positive effects on brand performance*

Relationship between <u>brand equity</u> and brand performance

Brand equity is regarded as a very important concept in business practices as well as academic research because marketers can gain competitive advantage through successful brands. The competitive advantage of firms that have brands with high equity includes the opportunity for successful extensions, resilience against competitor's promotional pressures, and creation of barriers to competitive entry (Farquhar 1990). In conceptualizing how customer evaluate brand equity, it is viewed as consisting of two component- brand strength and brand value (Srivastava and Shocker 1991) Brand strength constitutes the brand associations held by customers. And also a brand must reposition to react to the uniqueness and special characteristics of the overseas markets. International marketing strategy points to utilize the marketing mix to construct a sustainable advantage within the international environment. The positioning issue change in to a critical issue in international context. Brand repositioning takes the forms of changing product/ service offerings, marketing activities, and psychological image of a brand in the minds of the customers within the overseas markets; therefore it seems there is a relationship between international marketing strategy and brand equity. Therefore:

- *H_5: Brand performance is a positive determinant of international marketing performance*

Relationship between <u>international commitment</u> and <u>brand performance</u>

International marketing commitment is evaluated by Kwon& Y.Hu (Kwon and Hu 2001) scale. According to Aaker's (Aaker 1996) point of view, the price premium may be the best single measure of brand equity available because, in most contexts, any driver of brand equity should affect the price premium. The price premium thus becomes a reasonable summary of the strength of the brand. Indeed, all states research to distinguish the key drivers of brand equity concentrated on what variables influenced the price premium. The logic is that if a variable has no impact on price premium, it has little value as an indicator of brand equity. Therefore in current article Aaker's scale for evaluating brand equity is applied. Sixth hypothesize is:

- *H_6: international commitment has positive impact on brand performance*

And finally the relationship of brand performance and international marketing performance is examined:

- H_7: Brand performance has positive impact on international marketing performance.

5. Research methodology

In first steps the research conducted secondary data collection (such as annual reports and brochures) on a number of well-known representatives, in order to get familier with these firms and further ascertain their qualification. Then, contacts with their representatives or Public Relation (PR) departments in South Korea were made and two firms (Hyundai Motor, Kia Motors) with interview willingness were finally chosen as the research sample in order to scrutinize research concepts in practice. In-depth interviews with top management or PR managers from their Tehran branches or representatives of these

two firms, a consideration due to the location of the research center, were arranged and continued at their premises between February and March in 2013.

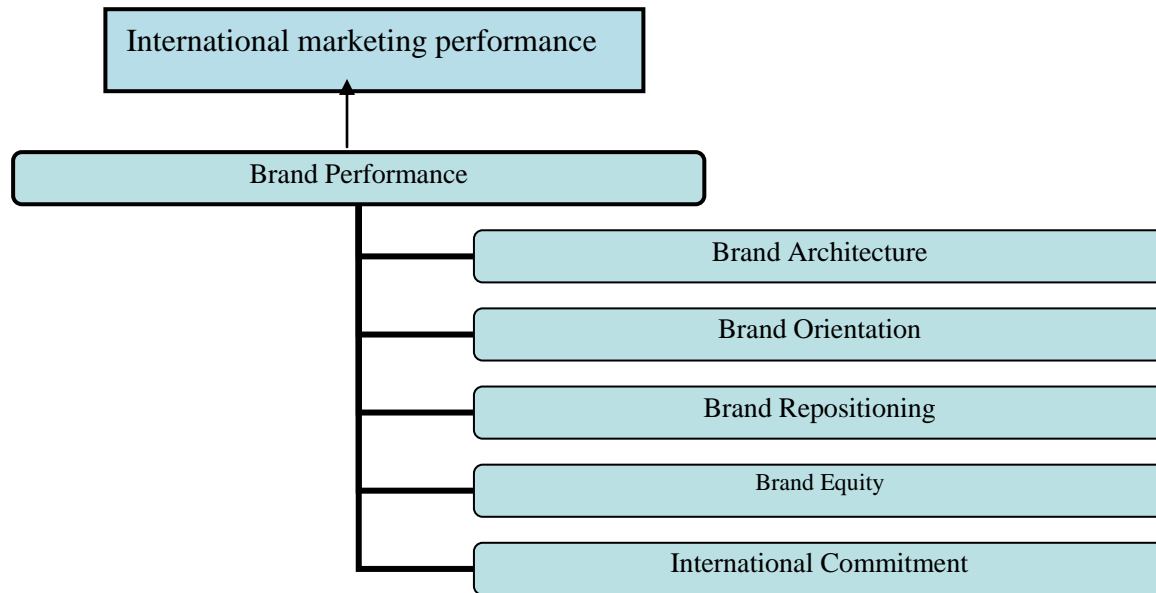Conceptual framework of the study is illustrates in figure 1.

Figure 1. Conceptual framework

Table 1 illustrate the results of KMO measure of sampling adequacy. All constructs attained a significant p-value, less than 0.001. The results of Bartlett's test of sphericity propose that the items of the construct are sufficiently correlated denoting that the data are appropriate for factor analysis.

Table I. Test of sphericity and measure of sampling adequacy

Constructs	KMO measure of sampling adequacy	Bartlett's test of sphericity
B.A	0.80	x 2 ¼ 375.6, df ¼ 3, sig. , 0.001
B.R	0.77	x 2 ¼ 893.4, df ¼ 10, sig. , 0.001
B.E	0.79	x 2 ¼ 647.1, df ¼ 45, sig. , 0.001
B.O	0.81	x 2 ¼ 1,664.2, df ¼ 15, sig. , 0.001
B.P	0.87	x 2 ¼ 1,628.0, df ¼ 28, sig. , 0.001
I.M.P	0.78	x 2 ¼ 759.7, df ¼ 10, sig. , 0.001

Reliability of the items was assessed by Cronbach α test. Items with low item-total correction were removed from the investigation. All αs are above 0.7 which denotes satisfactory internal consistency reliability (Francis 2001).

If a research program is shown to possess both of Convergent and Discriminantof validity, it can also be regarded as having excellent construct validity (Shuttleworth 2009).

- **Convergent validity**

Convergent validity tests that constructs that are expected to be related are, in fact, related (Shuttleworth 2009). The critical ratios (cr) of all the items recognized significant at the 0.05 level (cr . 1.96 ¼ p , 0.05), which indicate strong convergent validity of the measurement model.

- **Discriminant validity**

Discriminant validity tests that constructs that should have no relationship do, in fact, not have any relationship (Shuttleworth 2009). A significant χ^2 difference test was run for discriminant validity. The discriminant validity checks achieved significant results, at the 0.01 level, therefore by this test, Discriminant validity of all constructs has been proved.

Typically, a hypothesized model is tested with a linear equation system through SEM. This method of study investigates the extent to which variations in one variable corresponded to variations in one or more variables based on correlation co-efficient. SEM is usually used because it permits the measurement of several variables and their interrelationships

simultaneously. It is more versatile than other multivariate techniques because it allows for simultaneous, multiple dependent relationships between variables (Ullman and Bentler 2001).

6. Results and discussion

The model examination took place in two different phases, first, evaluating the correlation between brand architecture, brand orientation, brand repositioning, brand equity, and international commitment with brand performance and in second phase the correlation between brand performance and international marketing performance. Appraisal of a model begins with evaluation of the model fit. The conceptual model was assessed by structural modeling method based on the indexes of AGFI, RMSEA, IFI, NFI, and root mean square residual SRMR. RMSEA is an extremely informative criterion in evaluating model fit. The RMSEA index measures the discrepancy between the observed and estimated covariance matrices per degree of freedom (Steiger 1990). The results of all these indexes are satisfactory, indicating an acceptance of the model.

All 7 hypotheses achieved significant results satisfactory. The paths demonstrate positive relationship between the constructs, meaning the when a specified construct shifts positively or negatively, in harmony. The standard coefficient of 7 paths range from 0.18 to 0.71. The most considerable paths are:

H_4: *Brand orientation strategy has positive effects on brand performance*

H_7: *Brand performance has positive impact on international marketing performance.*

The results of hypothesis testing in terms of the standardized coefficients, t- statistics and significant level (p-value) for relationships between the construct components are illustrate in Table

7. Conclusion

The results authenticate the importance of brand performance impacts on international marketing performance. Initially, one of brand orientation transition from focusing on products to concentrating the company's activities around brands often results in a new strategic outlook (Urde 1994). This study confirms the positive impacts of brand orientation strategy on brand performance. Price premium as the best single measure of Brand equity has chosen to examine the impacts of brand equity on brand performance, study shows increasing in brand equity results in increasing in brand performance. Examination of the correlation between international commitment and brand performance confirm other studies in similar fields, the results shows international commitment has the most considerable impact on brand performance and eventually on

international marketing performance. Current article compared impacts of two extremes of brand architecture on brand performance. The results confirms the greater impact of branded house strategy which uses a single master brand to span a set of offerings that operate with only descriptive subbrands on brand performance.

More work is currently underway to develop a complete evaluation on brands dimension which effect on international marketing strategy to construct the entire Pareto front for the risk–return tradeoff analysis. Another experiment is to evaluate the amount of efficiency of the current each facet and develop the methods to enhance the positive effects of each dimension.

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