

Consumer Evaluation of Branding Strategies for Global versus Local Brands



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ABSTRACT

While introducing a new product to the market, companies invariably evaluate two possible options. They either go for a brand extension which involves the use of an extended brand name, or alternatively opt for altogether a new brand name. Brand extension reinforces original brand image, enhances intangible financial value proposition, while simultaneously it ensures low cost implication since it is making use of existing name. On the contrary, introduction of altogether new brand adds spice to consumer's consumption experience by offering novelty and excitement. The choice between new brand name and brand extension is impacted by the perceived globalness of the brand. Global brands are those brands that are perceived as global and marketed not only locally but also in some foreign markets. Such global brands are perceived as being high on quality, prestige and confer psychological benefits on the consumers. Local brands exert emotional pull on local consumers apart from having created high awareness levels and adequately backed by extensive distribution networks in the local market. The probability of success in both choices viz. usage of a new brand name or brand extension, varies considerably between the case of local brands and global brands.

Though previous researches have studied effect of perceived brand globalness on consumer purchase likelihood and effect of branding strategies on consumer separately, they have overlooked the interaction between these two important aspects which might affect consumer evaluation of the new product. The effect of brand globalness on consumer evaluation of new brand versus brand extension has received scant attention in the literature. So, the current research examines the impact of brand globalness (global versus local) and branding strategy (new brand name versus extended brand name) on consumer attitude and purchase intention for new products. Then the moderating role of product similarity and concept consistency on consumer evaluation of new product for perceived global and local brand with new or extended branding strategies is analysed.

The results showed conclusively that functional global brand, prestige global brand and prestige local brands were preferred when the new product introduced happened to be a brand extension. This was because the abstract concepts attached to prestige products and global brands, made them extendible to distant product categories. Abstract concepts like high perceived quality, prestige, credibility created a psychological benefit in consumer mind. Thus favourable attitude and higher purchase intention for a product were generated. But functional local brands were preferred when new product introduced was a new brand name. Absence of abstract concept made the extension to a distant product category difficult. In the second stage of the research the moderating role of product similarity in consumer evaluation of branding strategy for global and local brands was examined. The result showed that for new products with high similarity, extended brand name was a favourable option. If the new product belonged to a low similar group, prestige global

brands should opt for brand extensions. But prestige local brands, functional global brands and functional local brands should prefer new brand name while introducing a new product in a dissimilar product category. The third part of the research examined the moderating role of concept consistency in consumer evaluation of branding strategy for global and local brands. The results showed that both global and local brands whether functional or prestige product category, should go for an extended brand name if the new product has high concept consistency to original brand. For the new product with low concept consistency to the original brand, preference of consumers was inclined towards new brand name rather than brand extension.

The current research can be considered as a pioneering effort to investigate a gamut of interactional variables to evaluate consumer favourability. It is burning need of the hour since companies are introducing new products using various branding strategies everyday. Companies need to be aware of what is at the top of the mind of the consumer. Marketers introducing new products need to have decision-making heuristics about what constitutes an ideal method for deciding a brand name. The research suggests that firms need to consider brand globalness, product category, new product's level of similarity to original one and new product's concept consistency level before deciding their branding strategy. It is also observed that concept consistency affects the decision regarding branding strategy more than product similarity. Even if a dissimilar product has high concept consistency to the original brand, it may be preferred, and a high similar product with low concept consistency may not be accepted as a brand extension. The research output can aid corporate in deciding the right branding strategy while introducing a new product. The study not only deepens the readers' understanding of brand extension and new product introduction literature, but also gives insight to managers for selecting the right kind of branding strategy.

Keywords: Brand globalness; New product; Branding strategy; Product similarity; Concept consistency; Consumer evaluation.

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