

Study on The Effects of Brand Extension Strategy on Organizational Performance in Chinese Down Coat Brands

Shao Min^{1*}, Kanokporn Chaiprasit^{2*}

¹ Faculty of Business Administration, Rajamangala University of Technology Thanyaburi, Patumthani, 12110, Thailand

² Department of International Business and Logistics, Faculty of Business Administration, Rajamangala University of Technology Thanyaburi, Patumthani, 12110, Thailand

*Corresponding Author: shao_m@mail.rmutt.ac.th, kanokporn_c@rmutt.ac.th

Received: 20 August 2023 | Accepted: 15 October 2023 | Published: 31 October 2023

DOI: <https://doi.org/10.55057/ajrbm.2023.5.3.20>

Abstract: *Brand strategy for industrial upgrading is the inevitable move of China's domestic down coat industry. And only relying on the eternal charm of brand to break through the inherent limitations of product life cycle, so that enterprises can always maintain a certain high level of brand competition and sustainable development. Based on previous research, this study putted forward the hypothesis that brand extension strategy had a significant effect on organizational performance in Chinese down coat industry, and then studied and analysed the relationship between brand extension strategy and its organizational performance through SEM analysis method. The results showed that brand strategy has a highly significant effect on organizational performance ($\beta=.761^{***}$) in Chinese down coat brands, which has certain representative significance for enhance the overall competitiveness of Chinese down coat brands, ultimately, expect to be able to enter the high-end down coat market which is almost a blank market for most of China's domestic down coat brands.*

Keywords: brand extension strategy, organizational performance, Chinese down coat brands

1. Introduction

With the increasing opening of China's national door and the increasing prosperity of the domestic market economy, many foreign down coat brands have also landed in the Chinese market, increasing the competition of China's down coat market. Compared with international brands, Chinese down coat brands do not occupy advantages in sales channels and communication channels, which leads to a serious squeeze in the space for them entering high-end market. Garment enterprises in China's traditional industries have grown from price competition, quality competition and scale competition to today's brand competition. Enterprises gradually realize that it is an important means to acquire the market to have a dominant brand. Faced such situation, it is urgent for China's garment industry to create high value-added and high-level clothing brand (Liu Tangfa, Tang Heng, He Meifen, 2015). That is, brand strategy for industrial upgrading is the inevitable move of China's domestic down coat industry. And only relying on the eternal charm of brand to break through the inherent limitations of product life cycle, so that enterprises can always maintain a certain high level of brand competition and sustainable development.

From the above information, the overall competitiveness of China's domestic down coat brands is relatively weak, and it is difficult to compete with international brands. Among many domestic down coat brands in China, the dominant brand, whilst other brands are generally weak, which will bring a great potential crisis to China's domestic down coat brands. Based on the description analysis of background, this research focused on the China's down coat marketing industry, the objective of this study is to study the influence of brand extension strategy on organizational performance of China's domestic down coat brand.

2. Literature Review

Paul Temporal (2019) argued that every aspect of brand management should be driven by brand strategy, whether it is the enterprise or the product. Specifically, brand strategy includes brand position, brand design, brand communication, brand portfolio, brand renewal, or brand extension, and brand experience, which all these in turn serve the goals of brand management and brand protection.

Jiang Wei, Zhang Yingzhen, Zeng Meiyong (2013) argued that brand effect reflects organizational performance directly. Cao Yue (2017) used qualitative and quantitative analysis methods to study the correlation between the brand portfolio strategy of Semir Apparel Company and its corporate performance. The results of the comprehensive correlation analysis show that in the process of implementing the brand portfolio strategy, the combination effect of the two brands is relatively significant, and the contribution of "Bala Bala" brand to the performance is slightly better than that of "Semir" brand. From the regression analysis, it is found that the influence of Semir apparel brand portfolio on corporate performance is statistically significant. In different types of enterprises, the brand strategy of non-high-tech enterprises, foreign-funded enterprises, export enterprises and labor-intensive enterprises has a more significant effect on performance (Xu Chengyu, 2016). From the above research conclusions, we can put forward the following assumptions:

Hypothesis: Brand Extension strategy has a direct significant effect on Organizational Performance.

According to the analysis above, given previous knowledge and the present research viewpoints and conclusions, we can enrich the concept framework like the following illustration (Figure 1):

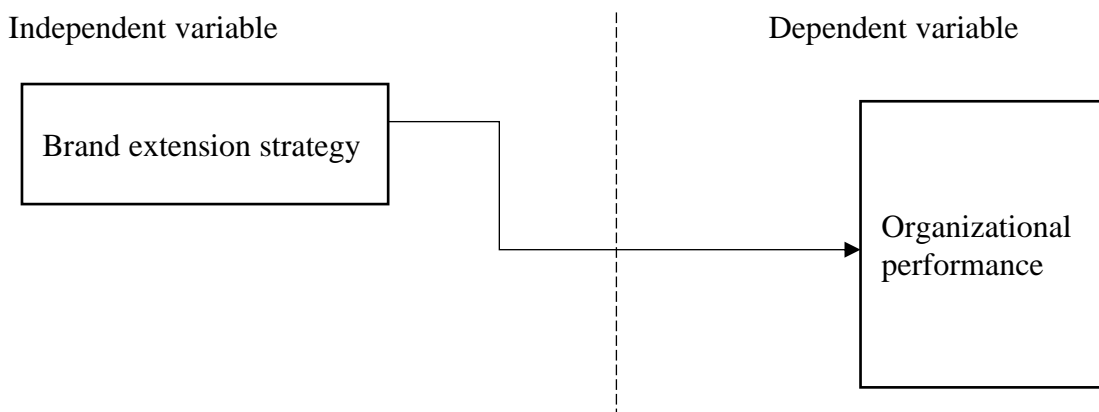


Figure 1: Conceptual framework

2. Research Methodology

The first data, also primary data, comes from the survey with questionnaires. Most key question responses were measured using a five-point Likert-type scale, mostly ranging from 1 (strongly disagree) to 5 (strongly agree). So, the level of measurement is interval, all variables are interval scale. The second data comes from related lectures, websites, etc. This survey mainly adopts written questionnaires and online questionnaires. In this study, the dominant variables were coded according to the Five-point Likert scale to facilitate data processing and interpretation. The observed variables and their abbreviations are shown in the following table.

Table 1: Abbreviation of Constructs and Observed Variables

Factor/Latent variable	Element/Observed variable	Type of variable
Brand extension strategy (BES)	Probability of success in brand extension before (BES_PS), Degree of diversity in the combination of brand extension products (BES_DD), Consistency of brand image for extended products (BES_CBI).	Independent Variable
Organizational performance (OP)	Return on investment in last year(F_ROI), Customer complaints in recent years (NF_NCC).	Dependent Variable

The population is all the companies of these leadership brands from 2017 to 2021 in China and other domestic down coat brands that out of the top 10 brands in the recent five years. Questionnaires were sent to the managers of 540 companies' samples in the field or online. Next is proposed structural model analysis. This section presented the analysis of the proposed structural model through SEM analysis in order to test the hypothesis. In this study, the structural model one was to evaluate the direct effects of the constructs and variables. The results of the analysis of structural model one showed brand extension strategy (BES) had a positive direct effect on organizational performance (OP) ($\beta=0.761$, $p=.000<.001$). It is shown in the following table, and the model one demonstrated is statistically significant at the significance level of .001 (Table 2).

Table 2: Hypothesis Testing for Structural Model One (Direct Effects)

	Estimate	S.E.	C.R.	p-value
BES→OP	.761	.028	26.735	***.000

*** p -value<.001(p -value less than .001 was at the significance level of .001)

3. Research Result

Based on model one, the research finding of the effects of brand extension strategy on organizational performance could be stated as follows. Brand extension strategy has a direct positive effect on organizational performance at the level of .001.

4. Conclusion

According to model one, brand extension strategy utilization has positive direct effects on organizational performance. So, all the hypotheses were supported. The research results of these brands can be summarized in the following table.

Table 11: Summary of tested hypotheses and significant level for down coat brands in Chinese down coat industry

Hypothesis	Significant	Result
Brand extension strategy has a direct effect on organizational performance.	.761**	Supported

5. Discussion

Based on the research result, we found that, brand strategy has a statistically significant positive influence on organizational performance directly. However, for the situation where the overall competitiveness of Chinese domestic down coat brands is lower than that of other countries' down jacket brands occupying the high-end market in China, it is still important to consider the brand value, and it has the potential to be improved, for develop the positive effect of brand extension strategy on organizational performance and enhance the overall competitiveness of Chinese domestic down coat brands, ultimately, expect to be able to entering the high-end down coat market.

Acknowledgement

We authors would like to thank Rajamangala University of Technology Thanyaburi for providing the supports for this study.

References

- Cao Yue. (2017). Research on the Brand Portfolio Strategy of Semir based on Performance (Master's thesis, Lanzhou University of Technology). https://kns-cnki-net-443.wvwn.ncu.edu.cn/kcms2/article/abstract?v=Zx5UZ-cNHTjJYnl7X5MKxe2MjqOoBleZMNYCT9cVpMjTZ_y43hm9ROamuSL6CmOz4GIU6XKzxyMT2mFA97BX7Ti0ZaTO3ugiEgWXZCiPFKjoPoCRzXSv0u71-_P911MgXw-e_ah0Hw=&uniplatform=NZKPT&language=CHS
- Jiang Wei, Zhang Yingzhen, Zeng Meiyong. (2013). Research on the distribution model of organizational performance compensation based on brand effect, China Electric Industry (Technology Edition), (11):150-153.
- Liu Tangfa, Tang Heng, HE Meifen. (2015). Research on brand competitiveness of duck and duck down coat in Gongqingcheng, Jiangxi, Science and Technology Square, (10):235-238.
- Paul temporal. translated by Liu Hui. (2020). Advanced brand management (3rd edition) [M]. Beijing: Encyclopedia of China Publishing House, 6. ISBN 978-7-5202-0758-4
- Xu Chengyu. (2016). No brand, single brand or multi brand—— Research on brand strategy selection of small and medium-sized enterprises based on performance. Macro quality research, 2016,4 (03): 32-42 DOI: 10.13948/j.cnki. hgzyj. 2016.03.003.