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## **THE INVESTIGATION INTO EFFECTS OF BRAND EXTENTION ON BRAND IMAGE (CASE STUDY: HANDMADE CARPET OF KERMAN)**

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### **ABSTRACT**

The brand image is the product of attitude that a certain image may be associated in customer's mind by expression of that brand and customer may recall the image of the given brand. This essay is descriptive-survey type and it explores the impacts of association, familiarity, the perceived quality, and attitude toward the brand on image of product brand after extension. In this survey, the effect of extension of carpet furniture and carpet bag on image of two brands i.e. handmade carpets from Kerman and Ravar cities has been evaluated. To create an appropriate image from the brand in customer's mind as a positive impact, it is probably possible that the brand to be even undermined and as a result it should be acted cautiously and alertly in extension of product items. The acquired results from this investigation signify that extension of both carpet furniture and carpet bag may undermine the brand image of Kerman and Ravar carpets as there is further association among brand extension and parent brand, there is less possibility for occurrence of this risk.

**Keywords:** *Brand Extension, Brand Image, Attitude toward Brand, Perceived Association, Kerman Province Carpet*

### **INTRODUCTION**

The previous studies on brand extension have purposed some factors, which affect on consumers' acceptance for their extension. The achievement of brand extensions is subjected to the existing information about the product and the association among trade name and class of new product. Similarly, brand extensions may facilitate the subjective and exploratory process of decision making in consumers by means of the existing brands. Many investigations have shown that the similarity between product classes might lead to attractiveness and homogeneity of brand extensions (Park, 1993) and cause transferring brand attractiveness. While brand extensions are benefitted from conveyance of positive associations, it is also possible to transfer negative subjective associations, which lead to threatening of extension attractiveness and advantages. A brand may fail to support from a certain extension and at the same time, a brand may destroy the image of parent brand by weakening of the existing associations and through reduction in special value of the parent brand name (Aaker, 1990).

The presented brand image by Keller (1993) is defined as perception and recognition of a brand as it is embedded by brand associations (Customer's subjectivity of brand) in customer's memory. In other words, brand image is a subjectivity which embedded in customer's mind when the brand name is implied. Keller (1993) described three important aspects of image as utility and popularity, power and uniqueness, and associations as well. In addition, associations may be formed by one of these factors: product repute and feature, the acquired advantages and benefits from the given product, and or attitude toward the brand. Any company intends to create the pleasant and positive associations concerning to brand that plays role in creation of positive image of brand (Aaker, 1991). Some marketing tools may be employed to create brand positive image including: The product per se, packaging or labeling, brand name, exclusive symbol or sign (logo), the used colors, promotion of annual income, retailing,

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advertisement, types of improving sale, pricing, brand ownership, country of brand, and even target market and consumers of product (Bahraini, 2008).

### **LITERATURE REVIEW**

Brand extensions have been deemed as a well-known strategy for the companies in the recent years. Its success depends on consumers' acceptance and evaluations from brand extension. To perceive the used concepts and terms better in this essay, initially it necessitates purposing a proper and clear definition from them in order to be able to create appropriate effectiveness in the reader.

- Brand: All people recognize brand as name of commercial products. In commerce, it is defined as identity of the presented product and or services. In fact, brand is a global or at least regional factor that is credible and it enjoys acceptability appropriately and it may establish strong relationship among goods and services with audience or customer (Salimi Boroojeni, 2009).
- Brand extension: it refers to using the existing brand name for production of new commodities by aiming at capturing of new markets (Parker, 1993).
- Brand image: It denotes individual image memory about a brand. Image or image of a brand includes target market impression or perception from features, interests, and situations of using s products by users, manufacturers, and even marketers. In other words, this concept refers to thought and emotion of individuals upon observation or hearing from a brand (Hawkins et al, 1997). The image of a trade name is a group of consumer's cordial ideas concerning a brand name. Image of trade brand name tends to the past and the past time may indicate this reality as well (Noorbakhsh & Arghavani, 2008).
- Brand associations: They link information node of brand to the memory.
- Attitude toward parent brand: It comprises of general evaluation by consumer from the parent brand.
- The perceived association: The perceived similarity among product of extension and current products of parent brand is called the perceived association (Czellar, 2003).
- Kerman Province Carpet Industry: Whereas in any region art and aesthetic taste is really evident for civilization and culture of that area and it reflects capability and potential for perception of natural issues and elements and beyond of them and it may distinguish that region and nation from others thus Ravar Carpet has survived as one of the paramount artifacts from the premier handicrafts made by the hands of women, men, and children in this region. This not only has caused survival of this art in Ravar region but also according to experts' view in this craft, it has maintained the reputation for Kerman Province carpet. The people have selected weaving carpet as their main occupation in Kerman and cities of Ravar, Joopar, Mahan, Bam, Jiroft, Rafsanjan, Zarand, Sirjan, Golbaf, and other towns in Kerman province and dealt with it with a lot of ambition (Irani Kermani et al, 2009). In the present study, two distinct brands of carpet from this province namely brands of Kerman city carpet and Ravar city carpet have been selected and the effect of two extensions (Kerman carpet furniture and carpet bag) are measured on these two brands.

### **Brand extension task**

Brand extension should make brand status stronger and more solid. It may create further opportunities and discover more cases of use or applications for the products and cause attracting new users and consumers but of course provided that exclusively this may not lead to the existing customers to be frustrated and annoyed by brand extension. The brand should enter in a new industry if it has maintained the consistency and conformity with the existing industry and a type of intrinsic proportion governs among new market and parent and original market since people often relate the brands of a certain industry in their mind (e.g. Sony: electronics, and Volvo: automotives) as a result few brands may survive beyond this domain and parent market. The other method thereby brand extension may witness the success, is to design and create a new classification in the market instead of entering into new classification. Concentration on a certain field and restriction of their activity on certain product or services do not mean that we have a limited

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production line. People usually look at the companies, which focus on a certain professional field or market instead of entering in various and different areas, as the expert in that industry and experts are judged as the persons, who know and act more than others in the given field (Shafikhani, 2010).

#### **Five key steps before brand extension**

- 1) Identifying long term effects of brand extension and its short term impacts on parent brand;
- 2) Determination of rate of dependency of parent brand on a certain group of product or products and review the possibility to enter in a new market;
- 3) Identifying value-added of brand extension to parent brand;
- 4) Determination of customer's unmet requirement; and
- 5) Identifying brand strong points toward its achievement and prevention from weak points and restraints of brand

Upon implementation of brand extension plan it should be assured that in parallel with computation of the resultant revenues from sale of new product, invisible costs for this extension and or negative or destructive effects, which may exert on corporate brand, to be taken into consideration. Likewise, protection from brand and maintainance of brand health in long run is always more important than acquisition of immediate and short term incomes to the great extent (Jafar Pisheh, 2009).

#### **Brand extension strategies**

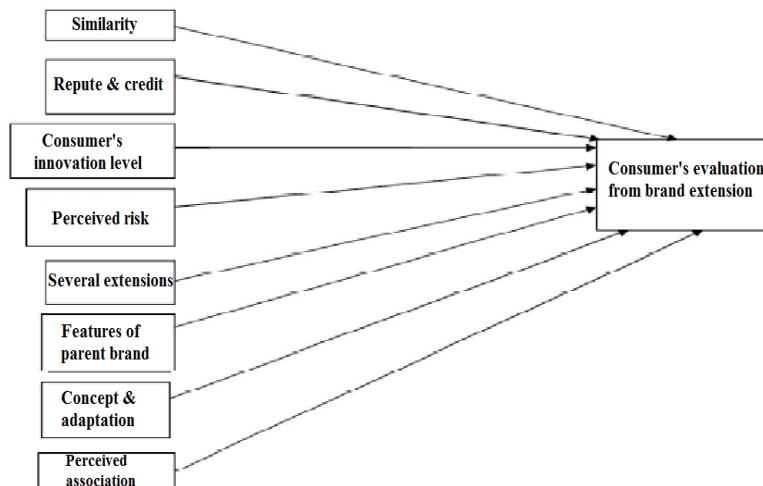
1. Expansion of product line (Danon Inc produces several types of yogurt)
2. Developing trade name (Harley Davison Company entered in cloth industry)
3. Several trade names (Supply Lasal and Pusal by Seiko)
4. New trade name (Purposing Lexus by Toyota Inc.)
5. Common trade name (Supply mobile phone by Sony & Ericson) (Jafarnejad, 2009)

#### **Previous Research**

Extension of a noticeable group of empirical documents and evidences regarding attitude of consumers in line with brand extensions has been deemed as one of the features of brand importance during recent decade. Systematic research on consumer's behavior in the course of brand extensions was started by two investigations at North America that included studies done by Aaker and Keller (1990) and Boush et al (1987), and Czeller (2003). In their studies, Aaker and Keller (1990), Bhatt & Reddy (1997, 2001), Boush & Loken (1991), and Broniarczy & Alba (1994), and Aaker and Keller (1990) explored the effect of class association (proportion) on evaluations of consumers' brand extension and they concluded that the class association might directly affect on evaluations of extension in such a way that perceiving association by high class of consumers might lead to more positive evaluations from brand extension by consumers (Aaker, 1990; Boush et al, 2001; Czellar, 2003; Bhat and Reddy, 2001, and Alba & Hutchinson, 1987). Bhat & Reddy in their studies during 1997 and 2001, and Park et al (1991) measured the impact of brand association on evaluations of extension. They came to this result that brand association might directly affect on evaluations of extension. In some of these studies, role of consumer's knowledge in evaluations of brand extensions and the created attitudes in line with brand extension was also investigated (Park, 1993; Bhat & Reddy, 2001). For instance, Aaker and Keller (1990), Keller and Aaker (1992), and park et al (1991) have explored the effect of perceived quality of the parent brand on consumers' evaluations from brand extension and their findings suggested that the consumers' perceived quality of the parent brand might be directly related to evaluations of extension and it could be transferred to extension. In their studies, Bhat and Reddy (1997, 2001), Broniarczy and Alba (1994), Boush et al (1987) proved that emotion (sense) is directly transferred from parent brand to extension. Jalees and Ali (1998) explored the impact of extension association and features of parent brand on consumer's evaluation from brand extension and it was concluded that if parent brand and extension are associated, the consumer evaluated it positively (Loken and John, 1993). Similarly, when the associations from the parent brand are strong,

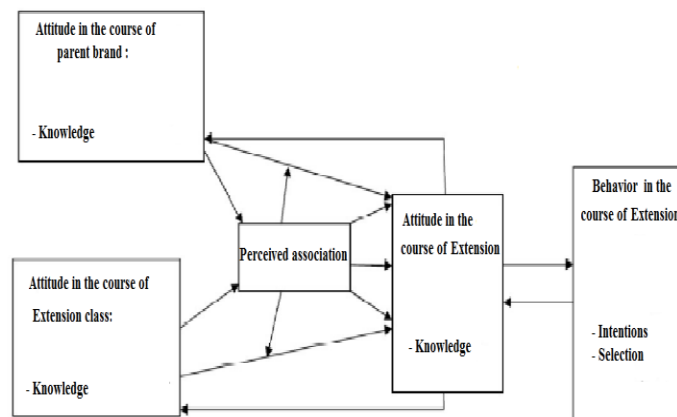
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the consumers may also perceive extension association as strong. They studied the effects of perceived association and quality of services on evaluations of brand extension and the results of this investigation also suggested the existing positive relationship among the perceived association and quality and consumers’ attitude toward extension. They also acquired similar results (Zohreh Kermani, 2010). In their investigations, Naderi Iman and Naderi Ehsan (2009) have demonstrated formation and extension of trade name by design of product and the effect of perceived association on evaluations of brand extension and the given findings signified the balancing role of consumer’s proficiency in formation of product design. Aiming at recognizing effective factors on evaluation of consumers from extension, Jalees and Ali (1996) measured empirical model for presentation and validity of this model. The considered variables in this model include similarity, repute and credit, consumer’s innovation level, perceived risk, several extensions, features of parent brand, concept and adaptation, association of brand extension. They concluded that there is a positive relationship between all above variables with consumer’s evaluation from brand extension. Their model is as follows:



**Graph 1: Jalees and Ali’s model about the effective factors on evaluation of brand extension by consumers (Loken & John, 1993)**

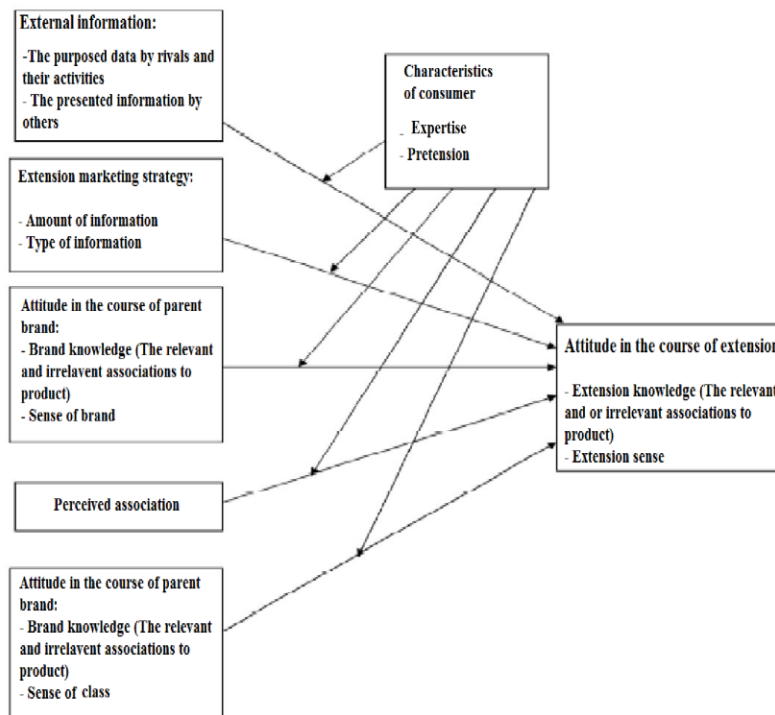
In his essay, Czeller (2003) purposed an integrated model regarding process of evaluation of extension that became a basis for many other scientific studies as well. This model is shown in graph (2).



**Graph 2: The main model for process of evaluation of extension (Czellar, 2003)**

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Similarly, Czeller (2003) presented a model for process of formation of attitude toward brand extension and in this investigation these models have been utilized to great extent.



## METHODOLOGY

The present research is of descriptive- surveying type that has been conducted for measurement of association, acquaintance, perceived quality, and tendency to brand in brand image after extension. For this purpose, questionnaire forms were distributed among consumers of Kerman Province handmade carpet. To measure research hypotheses, t-test and multivariate regression method have been also employed.

## Research hypothesis

Despite of many advantages, which have been acquired by brand extension, there is a potential that brand extension to create new problems as well such as disassembly or segmentation (disassembling parts of machineries in order to insert them in other device), failure, partial breakdowns, and downplaying of brand even though extension was done successfully. If a brand has been extended into several classes, which are not compatible to main product or a different subjectivity or associations were created by extension so this may injure brand image and if there are several associations by variation in subjectivity (many associations) (Keller, 1998). In particular, when extension is done more than the needed size, various associations may be erased from memories and this can fade brand image (Dacin, 1994). Especially brand extensions for successful extensions may expand brand name while the consumer learns to make his/ her ear to be accustomed to brand family name by reducing favorable popularity of brand (Loken & John, 1993). The result of a brand extension may lead to segmentation of sale of existing products and fading the current image (image) of parent brand. And they made distinction between subsequent extensions with their effects on brand property and at the same time they have characterized the negative effects of failed extensions on brand property. The current study does not seek for making a distinction and it considers all negative effects on image of product brand as an impact that causes to discolor brand of product.

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First hypothesis: Any brand type and extension (associated and or dissociated) may exert adverse effect on brand image of the parent product.

Second hypothesis: The brand extension that is associated to parent brand may create better brand image compared to other brand with lesser association.

Quality of brand or product is an important aspect for customers and this point that when a type of perception or awareness forms concerning the brand customer of brand evaluates it based on his/ her perception, which sometimes it is really much more difficult than delivery a good quality (Park, 1993). The customers, who strongly tended to quality of brand, may intend to convey these positive tendencies to brand extension. In other words, if parent brand is perceived as a brand with high quality then customer's acceptance is increased regarding the extension and therefore the perceived high quality of a brand may affect on image of brand extension. Hence, brand perceived quality may positively affect on image of product brand as a result of extension, thus:

Third hypothesis: The perceived quality of brand may positively affect on image of parent brand after extension.

How does a customer acquire information about brand and how much is s/he familiar with the brand? (Keller, 1998) He defines the familiarity with brand in the form of several related experiences about the product, which customer has perceived, felt, and collected them (by consuming the good and advertisement etc.). Any type of such experience by displaying the brand may increase familiarity with the given brand. The studies show that customers like to buy the brands with which they are familiar. The experience indicate that even those customers, who hear some words and or see something with no certain meaning, may be motivated in the future to select the name that they like or are acquainted with them and they select the senseless words, which have been already shown to them so request for a brand may form in this way. When a customer becomes familiar with a brand name, s/he will tend to it further and with greater attitude in comparison with the brand name to which s/he has no certain information. Acquiring knowledge about brand specific associations and subjectivity requires for the customers in order to recognize the value of brand association in classification of extension (Broniarczyk, 1994). Thus, if a customer becomes familiar with a brand then this will be followed by a positive effect on image (image) of extended product. Therefore, fourth hypothesis is as follows:

Fourth hypothesis: Customer's familiarity with a brand may positively affect on image of parent brand after extension.

How much is brand association related to extension of parent brand? Brand association is not only limited to similar classes of product, but it is emphasized on this fact that two fundamental differences, which the customers may consider in evaluation of a good and appropriate with brand class include similarity of product feature and compatibility (adaptation) of brand concept. Namely, when the brand concept is compatible with subjectivity and associations of brand a type of proportion may exist in one of associations, which are made about the given brand. The product associations may be based on product class, industrial advantages or product task, application, technology, communicative route, user, and character of brand. Strength of a brand is highly dependent on associations and subjectivity that is made by customer when s/he is exposed to brand name for his/ herself. If a brand includes strong associations, that brand may create positive attitudes and tendencies for customer. A significant association that is common both for brand and extension may create a basis for proportion (brand association and brand extension). Thus, an association may exist in one of the aforesaid cases. This point is important that how a business may define the effects in path of brand extension. Definition of business (trade) really affects on created associations about the brand.

The former studies indicate that if there is an association among extension and parent brand the customers evaluate extension positively (e.g. Aaker and Keller, 1990; Boush & Loken, 1991; Park et al, 1991; Dacin & Smith, 1994; Broniarczyk & Alba, 1990).

Fifth hypothesis: The perceived association by customers may positively affect on image of brand after extension.

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The attitudes are taken by customers for general evaluations. Customer’s attitude toward a brand determines if s/he will like the product and good and if s/he buys the product s/he will be loyal to the given product or not and when a negative attitude forms then it will be almost invariable and it usually causes the customer to avoid from the brand. Thus, attitudes toward extension are an important variable in determination of what is accepted by customer regarding extension. If there are a lot of attitude toward extension this may positively affect on image of product brand and if it is rare then it negatively affect on image of product brand and results in ignoring image of product brand. Therefore, it can be implied that achievement of marketing plans depends on creation of appropriated associations about the brand (Keller, 1998). So these positive attitudes positively affect on image of product brand. Thus it can be assumed that: Sixth hypothesis: Customer’s attitudes toward extension may positively affect on image of brand after extension.

**Data collection**

The questionnaire comprises of seven parts including image of general brand, image of product brand, familiarity, association, attitude, and demography of audience (respondent to questionnaire). Likert five-scale spectrum has been utilized in this regard.

The image of general brand before extension is measured in this study in order to compare both brands. The results of pre-test indicated that consumers might not recognize the assumed effect of extension on image of general brand. Thus, with respect to effects of brand extension in this study only image of product brand after extension is explored.

Image (image) of brand is dependent variable in this investigation (image of extension and image of product brand). The used independent variables include perceived quality of brand, customer’s familiarity with brand, and perceived association of brand extension with parent brands, and attitude (tendency) to extension.

In order to compare brands of Ravar and Kerman handmade carpets in this survey, their assumed extensions namely carpet furniture and carpet bag have been selected.

**Selection of sample**

Four different questionnaires have been gathered to collect data for four various extensions (Ravar carpet furniture, Ravar carpet bag, Kerman carpet furniture, and Kerman carpet bag).

**Table 1: Attributes of respondents to questionnaire**

Features	Frequency	Percentage
Age (year)		
15-20	46	10.2
20-25	225	50
25-30	179	39.8
Gender		
Female	210	46.7
Male	240	53.3
Education		
Primary	79	17.5
Diploma	243	54
BA	101	22.5
MA	27	6
Annual income (Rials.)		
0-8'000'000	140	31
8'000'000-16'000'000	183	40.7
16'000'000-24'000'000	75	16.7
24'000'000-32'000'000	52	11.6

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The first part of questionnaire includes some questions about image of general brand, image of product brand (before extension), perceived quality of brand before extension, and familiarity with brand. The second part of this inventory comprises of questions regarding image of product brand after extension, perceived quality (after extension), association of extension with parent brand, and attitude toward extension. The last part of this questions consists of questions concerning to demographic attributes of audiences (age, education, gender, and family income). These questionnaires were distributed among 450 buyers of handmade carpets. ANOVA for audiences and respondents to the questionnaires is given in Table (1).

**Reliability**

Before execution of any analysis on the collected data, test reliability was measured by Cronbach alpha coefficient. The results of reliability analysis are given in Table (2). As it shown in Table (2), except one case, the minimum value of Cronbach alpha coefficient is higher than 0.70 so it can be expressed that this study is highly reliable.

**Table 2: Analysis of reliability by Cronbach alpha coefficient**

	Samples			
	Ravar carpet furniture	Ravar carpet bag	Kerman carpet furniture	Kerman carpet bag
Image of general brand	0.825	0.784	0.537	0.701
Image of product brand	0.763	0.692	0.859	0.839
Customer’s familiarity with brand	0.812	0.854	0.827	0.820
Association of extension with brand	0.900	0.853	0.851	0.821
Attitude toward brand	0.874	0.881	0.919	0.912

**Findings**

To examine image of general brand before extension and image of brand for Ravar and Kerman handmade carpets before and after extension, independent t-test was conducted. Statistical significance test was done for results of independent variables and t-test for both brands concerning to image of general brand in which there was no significant difference while there was statistical significant difference in image of product brand before extension. The rate of familiarity with both brands indicates that there is familiarity with Ravar handmade carpet at good level compared to Kerman handmade carpet in which there was no significant difference. After making the audiences aware of brand extension, t-test was done on independent samples to test if there was a significant difference among samples concerning image of product brand from perceived quality of brand or not. The results showed that there is no significant difference among extension samples for evaluation of parent brand. The results of brand of Ravar handmade carpet after extension indicate that there is no significant difference among two extension samples. The results of t-test for independent sample in brand of Kerman handmade carpet showed that there is no significant difference among mean values of carpet furniture and carpet bag. Also the results of independent t-test for variable of perceived quality indicated that there is no significant difference as well. Regarding first hypothesis, two t-tests of samples show that image of product brand has been reduced for both brands after extension. The mean value for image of product brand before extension was 4.23 for all samples while mean value for image of product brand after extension was 3.07. According to the executed t-test for both samples, first hypothesis is accepted. Moreover, image of product brand was explored separately for brands and their extensions and their results are given in details in Table (3).



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**Table 3: Analysis of reliability by Cronbach alpha coefficient**

Brand or its extension	Mean		t-value	Significance level
	Before extension	After extension		
Image of general brand	4.23	3.07	20.22	0.000
Ravar handmade carpet	4.36	2.97	17.04	0.000
Kerman handmade carpet	4.17	3.25	11.90	0.000
Ravar carpet furniture	4.33	3.54	7.41	0.000
Ravar carpet bag	4.49	3.46	19.72	0.000
Kerman carpet furniture	4.04	3.66	5.06	0.000
Kerman carpet bag	4.17	3.75	12.3	0.000

With respect to first hypothesis, the acquired mean values for image of product brand were compared. Table (3) indicates t-value and significance level for both brands in general state (with considering both), two brands separately (considering both extensions), and two brands and two extensions separately.

The derived values for image of product brand before and after extension show that first hypothesis is acceptable. Image of product brand after extension may inversely affect on this variable. Table (3) displays image of product brand in general state reduces when an extension is done. If extension is proportional to parent brand the negative effects are minimized and when extension is not associated with parent brand then image of product brand will be subjected to adverse effects. Table (3) also shows that for a brand with high quality and perceived image at high level, the image of product brand will be more reduced when extension strategy is taken. In other words, when a brand has good image and its quality highly perceived if extension strategy is taken, the quality of image of product brand is much reduced until the image of product brand is at inappropriate and lower quality for the brand.

To test hypotheses 3, 4, 5, 6, and 7, multivariate regression analysis was carried out where image of product brand after extension was used as dependent variable and perceived quality of brand, customer’s familiarity with brand, perceived association by customer, and customer’s attitudes toward extension variables were employed as independent variables. Firstly, multivariate regression analysis was conducted for all samples and next step it was done separately for each of extension types (Ravar handmade carpet furniture, Ravar handmade carpet bag, Kerman handmade carpet furniture, and Kerman handmade carpet bag). The results of statistical analysis of linear correlation and incremental factors of variance inflation indicate that the maximum value of 4.048 and the minimum tolerance of 0.245 occur when variance inflation coefficient is higher than 10 and tolerance value is below 0.1 and therefore the problem of correlation among extension variables is encountered. These findings show that there is no problem of correlation among independent variables for this analysis.

It is inferred from Table (4) in multivariate regression that for all samples, all independent variables positively and significantly affect on image of product brand after extension. Thus, it can be implied that third hypothesis accepted. Variable of perceived quality of brand by customer (Beta = 0.397) has the highest positive effect on image of product brand after extension.

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**Table 4: The results of multivariate regression analysis**

	Correlation coefficient
Fixed value	0.02682
Perceived quality	0.397
Familiarity	0.061
Association	0.341
Attitude	0.184

The separate results of multivariate regression analysis for these four types of brand extensions are given in Table (5). As it observed in Table (5), Adjusted R- value has been calculated for all extensions and this indicates the percentage of variance in image of product brand after extension. All incremental factors of variance are below 10 and rate of tolerance is higher than 0.1. Thus, it can be mentioned that there is no correlation among independent variables.

**Table 5: Results of regression analysis for all extensions**

Correlation coefficient	Ravar carpet furniture	Ravar carpet bag	Kerman carpet furniture	Kerman carpet bag
Fixed value	-0.0786	0.389	0.105	-0.213
Perceived quality	0.121	0.456	0.645	0.451
Familiarity with brand	0.071	0.008	0.187	0.096
Association	0.342	0.341	0.089	0.289
Attitude	0.437	0.022	0.039	0.156
R	0.856	0.723	0.865	0.856
R <sup>2</sup>	0.742	0.526	0.745	0.736
Adjusted- R	0.753	0.541	0.742	0.723

Research limitations: Method of data collection by questionnaire is one of the constraints in the present study that may be observed in many other studies as well since rather than disadvantages of questionnaires, finding of consumers, who responds to questions of inventory honestly and without prejudice, is a difficult task. This essay is also exposed to certain limitation based on internal validity because of sample size and method of sampling. Furthermore, only two brands with their two extensions have been tested and the used extensions, which are assumed as well, may lead to lack of generalization of results.

**CONCLUSION AND SUGGESTIONS**

It was identified after taking samples and statistical analyses that brand extensions might negatively affect on brand image. But the existing association among parent brand and brand extension may reduce the negative impacts. The negative effect on brand image (as a extension result) may be much higher than its positive impacts (increase in perceived image and quality of parent brand) and in general these two types of extensions i.e. carpet furniture and carpet bag negatively affect on image for both brands of Kerman handmade carpet and Ravar handmade carpet. Some factors like the perceived quality of brand, customer’s acquaintance with brand, the perceived association by customer, customer’s attitudes to extension may positively affect on brand image of the product after extension. Therefore, it is suggested that brand extension to be executed in such a way that to retain its consistency and conformity with the parent brand and to establish a type of intrinsic association among the new market and parent and original market.

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