ANTECEDENTS OF BRANDED HOUSE ARCHITECTURE IN BRAND ACQUISITION

Arup Barua

University of Vaasa, Finland

Alexandra Ioanid

University Politehnica of Bucharest, Romania

Post acquisition branded house architectural formation possesses a significant strategic value in relation to consumers’ evaluation. Nevertheless, diminutive consideration has been given to the tactical aspects of firms from emergent countries that affect the deliberate extensions of branded house in the foreign acquired market. Concentrating on the international business and branding literature, this conceptual work has an apprehension and specified focus on the group of factors e.g. customer, market and firm level. Accordingly, ‘consumer level factors’ like uncertainty avoidance, long term orientation, customer innovativeness, power distance and ‘Market level factors’ like Market concentration, emerging industry and ‘firm level factors’ like prior experience, localization, country of origin and brand equity would be emphasized and assessed. Decisively implication and direction of future research would be endeavored to clarify.

Keywords: Branded house architecture, Brand architecture, Brand acquisition, Emerging countries.

Introduction

The degree of global competitiveness compels the firms from emerging countries to accentuate to extend their brand through acquisition rather than inaugurating the entire new one in the international market (Hsing-Ming, et al. 2011). Brand acquisition might be the most influential strategy for acquirer to enter the foreign market (Schweizer, 2005). Nonetheless, previous studies demonstrate that companies generally concentrate on the financial performance and cost cutting approach rather than putting an emphasis on the consumer perception in brand acquisition (Hsing-Ming, et al. 2011) and that inattentiveness persuades the future performance implausibility of acquiring companies (Homburg and Bucerius, 2005). Though parent brand leverage is lucrative in the brand architecture, failure rate of acquirer brand extension is more than 80 % (Dens and De Pelsmacker, 2010). However, Taylor and Bearden (2003) noted that success rate is less than 50%. Hence, acquirer should consider the brand equity for the brand acquisition success (Shahrokh, 2012). Besides, brand name and brand equity is extremely co-related (Shahrokh, 2012), during the brand acquisition, stakeholders’ and consumers’ main focus is immensely influenced by the potential brand name since it reassures the value for them (Gregory, 1999). Therefore, feeble brand name extension strategy might obliterate the parent brand equity and brand expansion (Xie, 2012).
However, branded house strategy builds the core brand image (Aaker, 1990). For instance, 85% brand extensions in consumer goods use parent brand name (Ernst & Young and ACNielsen, 1999) to escalate the acceptance of the new products (Blichfeldt 2004) though failure rate is extremely high in the fast moving consumer goods which is about 80 percent (Ernst & Young and ACNielsen, 1999). In the brand acquisition, acquiring companies keep the acquired brand name to maintain the brand equity such as “P&G” kept the “Gillette” brand name as a subsidiary (Jaju et al., 2006) and Lenovo kept the “ThinkPad” product brand name after acquiring IBM pc division (Ille and Chailan, 2011). An antidote, in some cases, acquirer eliminates the acquired brand name such as HSBC acquired smaller French Bank CCF (Basu, 2006). Having influenced by the above issues, this paper will endeavor to place a study concentrating on the companies from emerging countries who have product lines with parent brand name in the host market (Xie, 2012) and also have a vivid intention to extend their corporate brand image through acquiring brand from foreign markets.

Previous brand extension researches were based on domestic context such as Norway (Hem and Iversen, 2009) and USA (Yorkston et al, 2010). There are insufficient studies on international context (Buil et al, 2009; Ng 2010). Most of the researchers examined the parent brand association and perceived fit between product and corporate brand in the brand extension studies (Buil, Martinez, and de Chernaty 2009). Besides, petite concentration was put on brand management challenges (Blichfeldt, 2004) and determinants of retailer acceptance and marketing support (Volckner and Sattler 2006). Few recent studies have been gone through where it has been seen that Xie, (2012) studied on the foreign firms’ brand extension in the host country while Shahrokh (2012) studied on customer attitude to parent brand extension and Damoiseau, et al. (2011) studied on brand creation vs. acquisition in portfolio expansion strategy and Hsing-Ming, et al. (2011) studied on brand extension using parent brand personality as leverage. But, existence of any precedent researches has not been found grounding on the brand extension factors of firms from emerging countries using branded house strategy after brand acquisition. Besides, Brand portfolio expansion using existing brand is motivated in the concurrent research area expansion (Damoiseau et al, 2011). Even though it has a very limited research attention, brand acquisition has been the strategic alternative in brand portfolio expansion (Damoiseau et al, 2011). Angelina Nhat et al, (2012) noted that more studies on the factors on brand extensions along with the consumer motives are imperative. So, this study aims to bridge the gap by finding the factors influencing the branded house strategy when firms from emerging countries acquire renown brand in the host market to extend their parent brand. Thus this paper has a definite goal to establish a relation between the various factors and branded house architectural strategy.

To fill the gap, this study intends to draw a conceptual framework from the international marketing and international business literature contributing an expressive theory building (Staelin, 2005) and knowledge enlargement in the brand name extension using branded house strategy in the international market. This framework will consider the consumer, market and firm level factors. There is an optimism of future contribution to the literature in international business and marketing studies based on the branded house. Accordingly, a brief review of the related literature is obvious to enable this study to propose the allied conceptual framework along with the proposition, which will subsequently lead towards the implication and future research direction.

**Literature Review of Branded House Architecture**

Branded house structural strategy is followed to achieve two general goals (Iversen and Hem, 2008) such as perceived risk reduction and quality confirmation of the extended brand (Veronique and Raluca, 2012). It generally allocates the parent brand’s equity to all the brand partners (Aaker, 2004). It also influences customers to migrate to the new extended brand which is ensuring the quality (Veronique and Raluca, 2012). Consequently, it spreads out the brand recognition for customer to identify and take decision about the extended brand since well-known parent brand transfer their brand image (Xie, 2012) using parent brand name into the acquired brand (Bao et al, 2010). Basically, branded house strategy exists to rebrand
the acquired brand (Dechernatang, 2006). Hence, parent brand name stretching is the effective strategy in the brand acquisition (Aaker, 1991). Brand acquisition is the legal transfer of brand elements as name, logo and color combination and shape to acquire as ownership recorded by USPTO (United States Patent and Trademark Office) (Damoiseau, et al. 2011) Benefit of brand acquisition is the evaluation of cost against the actual outcome and potential synergies to reduce cost of new brand and to increase the marketing competence (Damoiseau, et al. 2011). However, new brand creation offers several benefits such as new brand introduction; addressing the customer needs and managing pace of brand expansion (Kahn and Isen, 1993) But Jones (2004) noted that brand creation is risky venture due to high probability of failure rate. Besides, new brand establishment needs marketing budgets and increases the complexities of the firms (Tybout and Calkins, 2005). So, firms from emerging counties prefer brand acquisition in the global or foreign market.

Brand architecture manages the relationship among the corporate, subsidiaries and product brands (Balmer and Gray, 2003). It constructs the brand leverage, synergy, clarity rather than brand building dissipate, confusion, marketplace and diffused focus (Aaker, 2000a). Also it drives the competitive advantage (Muzellec and Lambkin, 2008) and takes away the prolonged heritage (Mercer, 2010). It is the synonym of company name and its existence (Wheeler, 2006). Brand architecture strategy should be grounded on the brand equity (Basu, 2006). Branded house is one of the brand architectural strategies. It means parent brand name is used in the acquired brand having the dominant dynamic position; there is little or no responsibility of acquired brand (Aaker, 2004b). Brand name might be similar such as Virgin, BMW, HSBC (Aaker and Joachimsthaler, 2000a). It has following characteristics such as new offerings cost and strong brand establishment (Aaker, 2004b). It has clear identification of the brand by which internal and external stakeholders as well as customers can realize the clarity of the brand identity and product line visibility. Conversely, frail side of this strategy is that if acquired brand affects the reputation, parent brand might be affected. Basu, (2006) proposed branded house architecture where one message strategy is preferred by the M&A firms during the product branding; for instance, HSBC “World’s local bank”. However, this type of strategy does not always denote a happy family as competitors can influence the corporate brand equity. On the other hand, ‘Integration Strategy’ is similar to branded house refers to product brands and business unites under a single identity as master brand name leveraging brand associations according to hierarchy (Muzellec and Lambkin, 2008).

Basically, brand name extension is only used into the different product category (Aaker and Keller, 1990). However, it can be applied in the new product and modified product lines (Kotler, 1990). The extended brand name strategy is classified as direct and indirect naming (Vanhonacker, 2007). Direct naming is denoted as the use of parent brand name for instance Marlboro clothing and Harley Davidson, HSBC with branded house architectural strategy while indirect naming strategy is derived by parent brand but indirect way as house of brand, endorsed brand, (Angelina, 2012). Direct naming strategies are mostly dealt by classic brand name extension studies (Olavarrieta et al, 2009) while many of world’s renowned brands use the indirect name strategies as P&G, Apple Inc. (Vanhonacker, 2007). Generally, Parent brand expresses its brand personality (Phau and Lau, 2000), the meaning of brand name (Kressman et al., 2006) and representative benefits to consumers (Diamantopoulos et al., 2005) by the direct brand name (Lau and Phau, 2007). Parent brand knowledge is kept in the brand name extension following branded house structure (Olavarrieta et al., 2009). In contrary, indirect brand name extension, brand knowledge is less transferred and less associated with parent brand (Angelina, 2012). Direct name strategy transfers more brand personality and association using branded house strategy comparing to sub brand, endorsed and house of brands (Olavarrieta et al. (2009). Basically the parent brand name extension is a popular approach in brand acquisition due to media cost, supply availability and competitors’ promotions (Xie, 2012). However, the extension of parent brand name is not constantly successful depending on the brand positioning of acquired brand and the parent brand. Nan (2006) states that parent brand name is evaluated by the two factors such as brand association and perceived fit. Bottomley and Holder (2001) noted that the success of parent brand name can be evaluated by product information and fits between the new product category and brand name. Nonetheless, Aaker and Keller (1990) noted about the fit between existing brand and the extended category along with the parent brand perceived quality. Also, brand
image and fit positively influence the brand name extension performance (Xie, 2012). Parent brand association derives the customers’ brand knowledge for brand attitudes and personality (Keller, 1993). If the customers have positive attitudes with parent brand, new brand structure will be positively treated (Nan, 2006). Brand extended relevance and salience are crucial for perceive fit which may be achieved by the effective communication (Xie, 2012). Parent brand name extension is not only transferring the positive association but also negative association to the acquired brand which is a menace for the failure of overall brand acquisition (Xie, 2012). Brand name extension does not provide the significant advantage for the new product release (Xie, 2012). New brand development is time consuming and costly than parent brand transfer (Shahrokh, 2012). Firms generally acquire brand to leverage their parent brand association (Bambauer-Sachse et al. 2011).

But success of the brand name extension depends on the firms’ characteristics such as firms’ size, brand numbers in the target market, market share, brand strength, marketing support, advertising and distribution (Xie, 2012). Besides, high brand concept consistency and product feature similarity is the focal point of success for the parent brand name assortment (Xie, 2012). Volckner and Sattler, (2006) noted that parent – product fit, retailer acceptances and marketing support, parent product experiences are the main determinant of M&A brand portfolio. But Nijssen and Agustin, (2005) noted that brand positioning, extension product’s value, fit between extension and parent brand are prerequisite for brand name extension success. Country of origin (Klein 2002) and cultural effect on the parent brand name extension are the factors as well because of brand dilution by different conflicting information and responses in the Eastern and Western countries (Ng, 2010). Branded house architecture is succeeded when effective marketing strategy is initiated (Sattler et al, 2010).

**Conceptual Framework and Proposition**

Branded house architecture is relatively complex task in the cross border market than domestic market since various dimensions need to be considered after brand acquisition. This study carries on brand name extension following branded house structure after acquiring the brand and the antecedents of branded house structure as consumer, market and firm level factors (Damoiseau, 2011; Xie, 2012). Those factors consider the marketing environment, evaluation of brand association, fit and brand equity perception (Xie, 2012).

**Consumer Level Factors**

Consumer in the host country plays a significant role for the establishment of brand architecture. Generally, consumer behaviors, norms and beliefs in the host country affect the brand name extension (Xie, 2012). So, brand structure should be evaluated considering the consumer perception. Consequently, in this paper, uncertainty avoidance, long term orientation and customer innovativeness in the host country perspective after brand acquisition have been given precedence.

**Uncertainly Avoidance**

In the international business, the cultural dimension is considered while firms accomplish the global market segmentation. Hence, cultural knowledge is the dominant part to understand the target customers’ behavior (Krueger and Nandan, 2008). Hofstede (1991) denoted five cultural dimensions about the national cultural differences - uncertainty avoidance, individualism/collectivism, masculinity/femininity, and power distance, long and short-term orientation. These dimensions are more adopted in the international business and marketing literature since cultural dimensions influence the perception of brand image (Hsieh 2002). Generally, uncertainty avoidance is the weaker dimension than others (Henseler et al, 2010). Nevertheless, this dimension influentially makes role on substitutability and quality
(Henseler et al, 2010). Uncertainty avoidance dimension shows the specific cultural risk and uncertainty tolerance. Therefore, high uncertainty avoidance society is reluctant for any types of risk and opposes to modify the brand names due to predictability, stability (Hofstede, 1980). Henseler et al, (2010) got the positive relation between uncertainty avoidance and the direct brand name extension as a branded house for parent brand extension success. However, there is other close relation between uncertainty avoidance and consumer behavior regarding brand image (Hsieh 2002). In the high uncertainty avoidance society, perceive risk and uncertainty take important part for consumer perception, information cost, brand attributes, and beliefs (Erdem, Swait, and Valenzuela (2006). This dimension is incredibly imperative to examine the consumer perception about the branded house extension, acquiring brand in the host market. In contrast, new brand name is risky in the high uncertainty avoidance society due to product quality assurance by which companies face the consumer’s perceived risk. So, company tries to reduce perceived market hazard with the quality assurance using branded house structure because high uncertainty avoidance society prefer consistent brand (Xie, 2012).

Nevertheless, parent brand has higher image, branded house strategy is more influential due to low perceived risk with the less marketing cost (Erdem, Swait, and Valenzuela, 2006). Branded house strategy provides the product knowledge to consumer (Nan 2006). Also, brand extension reduces the new brand associated risk (Aaker and Keller 1990). During the parent brand extension, acquirer would take branded house architectural strategy as in the high uncertainty avoidance society; consumers might not be motivated for the other brand structure (Henseler et al, 2010). Basically, consumers trust the credible brand architecture in the high uncertainty avoidance society which is linked to the parent brand (Chaudhuri and Holbrook, 2001), with the less risk involvement (Erdem et al, 2006). Consequently, branded house strategy can alleviate the perceived risk and increase the consistent brand association in the high uncertainty avoidance host market (Xie, 2012). Subsequently, branded house strategy is more beneficial for company in the society with high uncertainty using direct name strategy. Considering the above issues, the following proposition is initiated:

Proposition 1- The High Uncertainty Avoidance has an affirmative consequence on the branded house strategy in the host market at the post brand acquisition by the firms from emerging economies.

Long Term Orientation

Long-term orientation is an approval of values associated with potential rewards, particularly insistence and carefulness (Henseler et al, 2010). Generally, every cultural dimension has significant influence on brand architecture. Henseler et al, (2010) got that there is a noteworthy relation between long term orientation and direct or indirect brand name extension in the brand architecture for parent brand extension success. Researcher also got the significant direct effect of long term orientation on brand extension as branded house strategy are successful in the long term oriented society rather than short term (Henseler et al, 2010). Accordingly, in the long-term society, parent brand with high image oriented brand gets the facilities to use the branded house strategy for their existing brand equity. In the long term oriented society, consumers are intended to have long term relationship with the parent brand Henseler et al, (2010).

Nevertheless, acquired brand has high brand equity influence to parent brand to leave that brand name and following the house of brand or highly endorsed brand strategy in the long term oriented society. If the parent brand has strong relation with customer, branded house strategy can be the superior strategy in the long term oriented society. Because, consumer in the long term oriented society take decision with their previous experiences and they also trust the parent brand (Monga and John, 2007). Previous research on the cross cultural psychology showed that Asian background society accepts the parent brand extension with low level of categorical and conceptual fit while western society opposes (Monga and John, 2007).Henseler et al (2010) got that in the long term oriented society, transferability aspect of fit are important and consumers also tolerate any offers with non-complementarities. In contrast, complementary offers are most important in the short term oriented society (Monga and John, 2007).
Brand image transferability from the parent brand to the extended brand is influential. Hence, the proposition arises here is as follows-

Proposition 2- Long term orientation has a positive effect on the branded house architectural strategy after brand acquisition in the host market by the firms from emerging economies.

**Consumer Innovativeness**

Consumer innovativeness creates circumstance where individuals are eager to get new ideas and innovative decisions independently (Xie, 2012) with less concern about the fit. It directly influences the fit and quality dimension of Aaker and Keller’s (1990), brand extension model (Vö lckner and Sattler, 2006). Generally, masculinity society moderates the consequence of fit and quality (Henseler et al, 2010). In the high masculinity society, parent brand quality is usually higher (Henseler et al, 2010). Previous researches clarify that masculinity society is positively interrelated with the consumer innovativeness (Sing, 2006). Complementarities have a higher influence on masculine society while transferability is critical for feminine cultures. Besides, complementarities have a high impact in masculine culture while transferability in the feminine culture (Henseler et al, 2010). Innovative consumers can easily adopt new brand’s communication and message as well as offer (Citrin et al. 2000). Consumer behaviors and characteristics are associated with consumer innovativeness in relation to communication and personality and socio-economic variables (Xie, 2012). The elements of the innovativeness are generally decision making ability, relationship, interpersonal communication and independence (Xie, 2012). In the host market, few social groups are innovative which might be the segmented for indirect brand name extension as the endorsed band or house of brands instead of branded house because consumers are relatively ready to take high probability to accept new products (Xie, 2012). New brand name or house of brands reduce the probability of parent brand equity dilution and spread the risk in the acquired and acquirer level. However, innovative customers can neglect the branded house due to lack of innovativeness (Klink and Smith, 2001). They are keener to have new brand without any associations while brand name extension transfers the association and brand knowledge by the side of reducing the associate risk (McCarthy et al, 2001). Finally, this is concluded that consumers have higher propensity to accept house of brand and endorsed brand strategy rather than branded house. Accordingly, it is conceptually proposed that

Proposition 3- Consumer innovativeness has a negative influence on branded house architectural strategy after the brand acquisition in host market by the firms from emerging counties.

**Power Distance**

Power Distance is more likely an autocratic structure accepted by the social members who allow the power variation in the society (Hofstede, 1991). Generally, parent's indirect brand name extension is successful instead of branded house strategy in the low power distance society concerning the fit and quality of the extended brand (Henseler et al, 2010). Previous research shows that consumers in the low power distance society are more quality concerned rather than being responsive and reliable (Furrer et al, 2000). Consumers are less loyal to the parent brand in the low power distance society, which is challenging for companies to use branded house architecture (Palumbo and Herbig, 2000). Transferability and complementarities are influential in the individualistic society. However, in the collective society, consumers do not consider the fit between parent and extended brand. If they get the strong parent brand link with the extended brand, they will accept the extended brand where branded house architecture strategy can be successful. Previous study showed that linked names in the extended brand are successful in Asia while fit would not be considered under the one brand name (Han and Schmitt, 1997). Hofstede’s index shows that collectivist society has high power distance while the individualist society has a low power distance. Consumers in the individualist and low power distance society are less devoted to brand being negatively related to branded house strategy while consumers in collectivist and high power
distance society are brand loyal and hence branded house strategy might be successful (Henseler et al, 2010). Therefore, the fourth and fifth propositions of this paper are as follows-

Proposition 4 - Low power distance has a negative effect on branded house strategy after brand acquisition in the host market by the firms from emerging countries.

Proposition 5 - High power distance society has a positive consequence on branded house strategy after brand acquisition in the host market by the firms form emerging countries.

Market Level Factors

Market Concentration

Market concentration is an aspect of market structure (Xie, 2012) and is defined by market share (Scherer, 1980). It means the specific market when few competitors dominate the specific market (Zhao and Zou, 2002). This is noted that high focused market can be dominated by the few giant companies while low focused market is controlled by many competitors and this market formation influences to competitors to take different market oriented brand structural strategies (Varadarajan, 2001). Besides, market concentration is positively related with brand acquisition in the cross border brand expansion (Damoiseau, et al, 2011). Because brand acquisition does not force to increase the supply and to down the price while new brand establishment is riskier with more supply and down price in the market (Damoiseau et al, 2011). However, market demand can be classified by core and tangential areas according to resource partitioning theory (Xie, 2012). Core demand in the market is the common demand while tangential demand is the segmented demand of customers. Generally, companies compete each other in the high focused market for the core market demand and therefore, segmented demand will be identified by companies (Xie, 2012). In that consequence, specialized companies focus on the segmented market (Swaminathan, 2001). So, mass marketing is not necessary to pick the specialized market. Current research shows that when few competitors are dominating the market, large volume of companies concentrate on the niche market (Zhu et al, 2009).

Proposition 6 - Market concentration has a negative effect on branded house architecture after the brand acquisition in the host country by the firms from emerging countries

Emerging Industry

Besides the market structure, market growth also influences the brand expansion strategy. Damoiseau et al, (2011) found a significant relationship between market growth and brand acquisition However,
other researcher proclaimed that to speed up the market entry, brand acquisition is effective (Caves and Mehra, 1986). Basically companies’ global brand expansion depends on whether they are entering in the market as mature, growing or emerging (Eisenhardt and Schoonhoven, 1990). New companies can survive easily in the emerging industry (Mata and Portugal 2002). Even companies get more profit in the emerging industry than the matured market (Xie, 2012) since emerging market increases firms’ efficiencies and productive capacity (Brouthers, 2002) and simultaneously matured market influences companies to place less investment due to uncertainty (Brothers, 2002). Emerging industry stimulates companies’ behavior to take successful branding strategies. In this situation, companies can acquire brand in the host market and take the branded house strategy to minimize the high uncertainty and risk as well as expenditure (Xie, 2012). Hence, companies can take the branded house strategy to get benefited in the emerging industry. Therefore, it is proposed that --

Proposition 7- Emerging industry has a positive effect on branded house architecture after acquiring brand in the host market by the firms from emerging countries.

Firm Level Factors

Prior Knowledge

Prior international experience motivates the expansion strategy (Brouthers and Brouthers, 2000). Besides, previous particular experiences on brand acquisition or new brand development also influence the further brand acquisition strategy (Damoiseau et al, 2011). International experience increases the inaccessible experiential knowledge. Tacit knowledge is important for companies to acquire the brand. So, international experience immensely assists companies to take branding decisions and leverage the acquirer brand in the host market (Collinson and Houlden, 2005) as in the cross border investment, cost will be increased without international knowledge. High cost and risk orientation induces firms to take branded house strategy (Aaker and Keller, 1990) though success is dependable on acquirer brand association and fit (Nan, 2006). Branded house is also interrelated to brand benefits. With the international experience, company should have host market knowledge (Xie, 2012). Before acquiring brand, local market knowledge should be as far as realistic. However, specific knowledge might not exist in the firms before brand acquisition (Downes et al, 2000). In the cross border brand extension, companies generally seek familiarity based on institutional, cultural and stakeholders of the host market since host country knowledge incredibly depends on country-to-country and seldom transferable in the dynamic market (Xie, 2012). Most of the diversified firms are linked to the brand acquisition than less diversified firms (Damoiseau, et al, 2011). Customer preference is also contingent according to country characteristics (Hunt 2000). Firm’s strategy is an important driver to develop the brand and to communicate the customers in the host market. Local knowledge increases the competitive advantage in the host market (Delios and Beamish, 2001). Without host country knowledge, parent brand association and perceived fit is hard to attain. As host market is unique in the global market, its knowledge helps companies to deal the local branding strategies. Therefore, the proposition arises here is -

Proposition-8 Host market prior knowledge has a positive effect on branded house strategy after brand acquisition in the host market by the firms form emerging countries.

Localization Strategy

Localization strategy denotes that parent brand operates the acquired brand with local circumstances; for instance- staffs might be recruited locally to manage the acquired brand (Zhu & Huang, 2007). However, own cultural practices may be inappropriate into the cross culture (Hofstede, 1985). Standardization is the cost effective marketing and production strategy regarding economic of scales and culture (Xie, 2012). It drives the firms to minimize the cost and to establish the consistent relationship and control over the customer needs. Standardized brand and marketing strategies increase the company performance. But
marketing standardization has various constraints such as local management resistance, operational incompatibility, local government regulation and so on (Cavusgin and Zou, 1994). Nonetheless, localization strategy is more essential for the local marketing environment (Xie, 2012) as variety of factors affect the branded house strategy such as marketing efficiency, over brand extension, promotional sales, brand acquisition etc (Buday, 1989). Branded house strategy might increase or destroy the brand equity of the parent brand (Xie, 2012). If it is preferred in the right host market; it would increase the market share. However, standardization is likely to construct the perceived fit and association and it affects branded house strategy favorably than localization in the host market (Xie, 2012). Generally, marketing strategy, customer’s lifestyles and values differences influence companies to modify the host market. Besides, according to network perspective, acquired brand should not only pursue the local norms and origins but also follow the international competitors, inter-organizational global network and the standard or best fit strategies (Evans et al. 2002; kraatz, 1998). Schneider (1998) noted that cultural distinction should be considered in the cross border investment. Subsequently, parent brand name and features fit can be the success of branded house strategy in the host market (Zou et al, 1997). Hence, it might be proposed that

Proposition-9 Localization strategy has a negative effect on branded house strategy after brand merging in the host market by the firms from emerging countries.

**County of Origin**

Most of the companies from emerging countries face the county of origin (Coo) deficiency to enter the global market. Hard technologies are not only the basis of innovation rather marketing is an influential driver for innovation (IBM 2010). For instance, Chinese companies are less global brand as China is not a brand developer and innovator yet (Wei and Li, 2000) and is not matured in marketing strategy along with the cultural background (Ille and Chailan, 2011). Generally, western companies develop any product or services along with the brand image and goodwill (Ille and Chailan, 2011). Usually, factor endowed countries get positive Coo effect as companies from Germany or African countries get benefits to be global brand in the manufacturing industry while France for luxury goods (Ille and Chailan, 2011). Emerging countries mostly acquire global renowned brand and keep the acquired brand name for instance Lenovo, Jaguar and Land Rover (Kumare et al, 2009) by following endorsed brand architectural strategy to brand image along with country image.

Nevertheless, Chinese brands have been succeeded with parent brand name in the global market by the strong management, western marketing principles and host country oriented strategy (Chailan, 2010). For instance, Chinese Haier brand got global brand recognition with strong management (Larcon and Haier, 2010). Furthermore, global customer perception is for China as bad quality while Japan is for good quality (Ille and Chailan, 2011). Empirical studies show that only 17 percent Americans show their interest to buy Chinese origin brands (Tucker, 2006). So, emerging countries should improve the image that is influenced by Coo effect (Ramo, 2007). Until improving the country image for the certain industry, companies from emerging countries might not be benefited to take branded house strategy after M&A. Besides, product category is another influential matter to follow the branded house strategy as Coo effect is not favorable in certain instances e.g.- Russian raw materials (e.g.-Rosneft, Lukoil and Gazprom etc) and diamonds from South Africa (Ille and Chailan, 2011) which are the industries companies from factor endowment perspectives. Furthermore, Tata group’s Titan watch brand is still not recognized global brand and allied executives noted to acquire global brand like “Swiss watch brand” with favorable Coo effect (Khanna et al, 2008). Also, some African local brands suffered lack of foreign countries recognition (Ille and Chailan, 2011). Under the light of above discussion, it is proposed that—

Proposition-10 Country of origin dimension has a negative consequence on branded house strategy in the host market after brand acquiring by the firms from emerging countries.
Brand Equity

Brand equity is the customers’ mental association with the certain brand (Hsuabg-Ming, 2011). Brand equity has five assets - brand awareness, loyalty, brand association, perceived quality and proprietary brand assets (Aaker, 1991). It is the interior perception of marketing (Buil et al, 2013). Basically, prime function of the acquirer is to create, transfer, enhance or regain the brand equity (Muzellec and Lambkin, 2006). For instance, 49% of the total Gillette value was brand equity during the acquisition by P&G (Bhadadir, et al, 2008). Hence, brand name extension is a phenomenal component of brand equity (Aaker, 1991) and brand equity is the functional concept of competitive advantage (Petburikul, 2009) related to corporate brand name. Most significantly, brand performance is the output of brand equity (Petburikul, 2009). Brand name changes after brand acquisition might dilute the brand equity of both parent and extended product brand (Muzelled and Lambkin, 2006). For instance, positive brand equity yields 30% positive stock return while the negative equity outputs 10% negative return (Ettenson and Knowles, 2006). So, in the brand acquisition, parent brand extension from the emerging countries apprehends acquiring renowned global brand present themselves as global brand; e.g. - Lenovo, Jaguar and Land rover (Ille and Chailan, 2011). Besides, acquirer from emerging countries can keep the acquired brand name to sustain the brand equity in the host country. Hence, it is proposed that –

Proposition-11 Brand equity has a negative effect on branded house architectural strategy after acquiring the brand by the firms from emerging countries.

Customer Level Factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncertainty Avoidance</td>
<td>+</td>
</tr>
<tr>
<td>Long Term Orientation</td>
<td>+</td>
</tr>
<tr>
<td>Consumer Innovativeness</td>
<td>-</td>
</tr>
<tr>
<td>Power Distance</td>
<td>-</td>
</tr>
</tbody>
</table>

Market Level Factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Structure</td>
<td>-</td>
</tr>
<tr>
<td>Emerging Industry</td>
<td>+</td>
</tr>
</tbody>
</table>

Firm Level Factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Experience</td>
<td>+</td>
</tr>
<tr>
<td>Localization Strategy</td>
<td>-</td>
</tr>
<tr>
<td>Country of Origin</td>
<td>-</td>
</tr>
<tr>
<td>Brand Equity</td>
<td>-</td>
</tr>
</tbody>
</table>

**Figure 1.** Strategic factors for branded house architectural strategy in the host country by firms from emerging countries
Conclusion

As it is said in the earlier part, this paper strives to develop conceptually by contributing the theory development on the branded house architecture in the international marketing research. This attempt is optimistically advance the knowledge. Concentration on the customer evaluation of brand extension by the firms from the emerging countries in the host country has been incaulcably emphasized. Besides, there is a conceptual framework concentrating on the three levels of factors such as customer, market and firm. In practice, uncertainty avoidance, consumer innovativeness and high power distance are positively related to the branded house architectural strategy while low power distance has a negative output. At the market level factors, it is seen that highly focused market has negative relation with branded house extension while emerging industry is positively related. At the firm level factors, prior knowledge is positively associated to the branded house architecture and other factors such as localization strategy, country of origin and brand equity has negative relationship. Furthermore, it is revealed that customers in the host country are unique and so branding strategies should be unique for the respective country. Firms from emerging countries not only follow the parent brand association and perceived fit but also follow various factors jointly affect the branded house structure.

The guidelines revealed in this study would be supportive to the managers for the firms of emerging countries in the multifaceted international market. The exposed three levels of factors are more imperative when companies design brand architecture after the brand acquisition. This conceptual work also guide the future researches on branded house structure empirically along with the other architectural strategies such as house of brand, subbrand, endorsed brand and licensing brand. Besides, a vice-versa research can be placed study on firms acquiring from developed countries. Finally, the forwarding conceptual model can be tested with the performance and therefore, it is important to note that the above conceptual model segmented in three levels is not yet empirically examined. Thus, an emergence of empirical testimony is obvious in this respect to make this conceptual model building more authentic.

References


