“Brand extension and purchase intention of Jordanian banks’ clients”

AUTHORS
Abdel-Aziz Ahmad Sharabati
Shafig Al-Haddad
Mahfuz Judeh
Baraa Al-Badawi

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Abstract

Product/service extension is crucial for product/service development strategies; therefore, the study aims to investigate the impact of brand extension on consumers' purchase intentions. Data were collected by questionnaire from 221 clients of Jordanian banks. SPSS 25 supported with AMOS has been used for structural equation modeling (SEM) to test the relationship and hypothesis. The study revealed that the eight brand extension sub-variables (companion product extension, brand prestige extension, brand distinction extension, component brand extension, leveraging a lifestyle, product form extension, company expertise extension, and customer franchise extension) are co-related. In general, the brand extension affects the consumers' purchase intention, whereas companion product extension, brand prestige extension, brand distinction extension, component brand extension, and leveraging a lifestyle extension significantly affect consumer's purchase intention. On the contrary, product form extension, company expertise extension, and customer franchise extension do not significantly affect consumers' purchase decisions. In conclusion, a larger number of customers in future research as well as a similar research in different countries and a specific brand case study are recommended.

INTRODUCTION

In a contemporary dynamic and constantly changing market environment, the level of customer demand is increasing, and customers need quality products/services at a suitable price. Customers trust some companies and products/services brands based on the company and product/service reputation and consumer experience. Previous studies have shown that price is an important variable. On the other hand, other variables, such as product quality/service quality, are also significant in the consumer purchasing decision process, primarily based on the brand name of a product/service or a company (Mirabi et al., 2015). Therefore, it is important to develop customer purchase intention through using the brand name and its extensions such as name, logo, signs, and emblem or merging them to distinguish the sellers’ goods or services from each other.

Buying intention or customer purchase intention refers to why consumers buy an item (Zhu et al., 2018). Brand extensions refer to launching new products/services, extending the current products/services by the parent product/service name, or using the company name, which is well established. The brand extension includes the use and application of the existing core brand name for new products to obtain equity of the original core brand as well as to reach new and unexplored consumer segments (Soomro, 2016). Brand extension seems to be the cornerstone of growth strategies, as it has been the most popular method of launching new products (Armstrong et al., 2011).
Expansion of brands is fundamental in the growth plan, bearing in mind that this turned out to be the popular format of introducing new products (Anwar et al., 2015). The introduction of the product under the same brand name can raise the brand’s equity, awareness, and image gained in markets (Wang et al., 2017). Academicians noticed that marketers must have a close look at how customers improve their interactions or relations with brands (Esch et al., 2006). Consumers’ brand attitudes positively influence consumers’ purchase intentions (Ling et al., 2010). Consumers’ attitude toward the parent brand affects brand extension evaluation, which influences purchase intention (Abid et al., 2020; Park & Cheon, 2019).

Moreover, the consumers’ evaluation of brand extension affects consumer reaction toward the brand extension and purchase intention (Sadasivan et al., 2011). Therefore, this study is dedicated to investigating the relationship between brand extension and customers’ buying intention, which is very helpful for developing proper brand names and marketing strategies. In addition, it answers the following question: do different brand extension strategies affect brand extension differently?

1. LITERATURE REVIEW AND HYPOTHESIS

1.1. Consumers’ purchase intention

A consumers’ purchase intention is the consumers’ attitude toward a specific purchase behavior, and it is the consumers’ degree of willingness to pay (Haines et al., 1970). Consumer purchase intention is related to consumers’ attitudes, behaviors, and perceptions (Yaqubi & Karaduman, 2019). There is a relationship between consumers’ attitudes and purchase intention (Pham et al., 2021). Buying intention is assumed to capture the motivation, affecting consumer behavior (Eri et al., 2011). Trust and consumers perceived benefits affect consumer purchase intention, while perceived risks negatively affect purchase intention (Ula & Fauzi, 2021). Factors that influence consumers’ purchasing behavior are awareness, knowledge, attitude, subjective norm, and behavior (Latiff et al., 2016). Factors that affect purchasing intention are perceived usefulness, perceived subjective norms, trust, behavioral control, and suppliers’ creativity (Le-hoang et al., 2019). Perceived benefits, perceived trust, perceived usefulness, and perceived quality affect consumer buying intention (MNayak et al., 2021). Perceived usefulness, ease of use, and source credibility affect purchase intention (Koththagoda & Herath, 2018). The customer purchase intention paradigm puts purchasing decisions of customers on five levels: (1) recognizing the problem, (2) searching for information, (3) alternative estimation, (4) purchasing decision, and (5) attitude after purchasing (Engle et al., 1995). The customers’ behaviors and uncertain situations affect purchase intentions (Ling et al., 2010). Consumer purchase intentions can be measured and used for decision-making about current and new products and/or services (Morwitz, 2014).

1.2. Brand extension

Consumers’ feelings and experiences play a significant role in brand extensions trust. First, brand trust positively affects buying intention (Engle et al., 1995). Next, consumers’ brand attitudes positively influence consumers’ purchase intentions (Ling et al., 2010). Third, consumers’ attitude toward the parent brand affects brand extension evaluation, which in turn affects purchase intention (Park & Cheon, 2019). A general attitude of a consumer toward product line extension can influence many factors that affect smartphone users’ purchase intention (Abid et al., 2020). There is a relationship between subjective norms, brand credibility, and social media with consumer purchase intention (Morwitz, 2014). Perceived usefulness, perceived service quality, perceived fit, and brand satisfaction influence purchase intention to buy new IT products from the same brand (Guo et al., 2018). Design components are critical for brand extension strategy, which is related to product extension fit and affect consumers’ attitudes and purchase intentions (Goh et al., 2014). Finally, the consumer’s evaluation of brand extension is influenced by relevance and similarity, which affect consumer reaction toward the brand extension and purchase intention (Sadasivan et al., 2011).

Therefore, this study considers the components (strategies) of brand extensions.
1.3. Companion product extension

Customer estimations of brand extension tend to be positive in association with the main brand and the extended categories (Aaker & Keller, 1990; Boush & Lokan, 2011; Park et al., 1991). The similarity of products is the main element for customers’ estimation of brands extension (Dani, 2012; Park et al., 1991). The similarity of product fit between new and original products is focal for customers’ estimation of brands (Aaker & Keller, 1990; Choi et al., 2018). There are characterized features of brands’ similarities of products: the complementarity, the scope of use, shared by available and new products (Aaker & Keller, 1990). There must be a restriction on extensions of product groups that have close relations with other products affiliated with the brand (Peter & Ragel, 2018).

1.4. Product form extension

The brand name decreases risk and doubts relying on the realized similarity between the main brand product and the extension (Sanfilippo & Solberg, 2017). In similar extensions, relations connected to the main brand quality must apply to the extension (Olavarrieta et al., 2009). Dissimilar extensions of the brand name will not decrease doubt and risk (Keller, 2009; Parker et al., 2018). Single-product brand extensions confirm the function of “fit” or extension of the parent brand more than multiple product brand extensions (Punyatoya, 2013). Extension estimations increase when the extension’s similarity to the parent brand increases (Aaker & Keller, 1990; Boush & Lokan, 2011).

1.5. Extension of company expertise

It means using a present brand name to indulge in a completely distinct class of the product (Zaichkowsky, 2019). This factor is mentioned under the subject of horizontal extension (Kushwaha, 2012). Horizontal brand extension can be defined as having a present name of a product specified to a new one at the same level or to a group of products that is new to the institution (Aaker & Keller, 1990). Horizontal brand extensions have two kinds, namely, franchise and line extensions. Franchise extensions use a present brand name to introduce a new category to the organization. On the other hand, line extensions use a present brand name to introduce a new item (Tauber, 1981).

1.6. Customer franchise extension

As for the difference in the quality of products associated with a particular brand, the new products are usually improved to make use of the changes in certain market sides. These sides are probable to have variations among them in the level of quality. For instance, a famous manufacturer of motorcycles with high-quality Harley Davidson gave the license of its name (for a short period) to a “low-end” cigarette manufacturer using the name Harley Thunder (Delvecchio, 2000). Putting the name of a brand parallel to products having various levels of quality affects how consumers use the brand name in estimating succeeding extensions of the brand (Childs et al., 2018).

1.7. Extension of brand prestige

Separating prestige from functional brands depends on various memory bases for the concept and feature of brand names. Customers perceive functional (feature-oriented) and prestige (abstract-oriented) brands in a different way (Park et al., 1991). Prestige and functional brands have different estimations (Aaker & Keller, 1990). The kind of brand (functional or prestige) affects how the brand’s extension is comprehended, and this is related to the way customers keep the brand image in their minds (Martínez et al., 2009). Moreover, the brand’s hedonic (emotional) value affects the brand’s perception of customers to provoke sentiments, influence, give pleasure, and convey sentimental benefits (Sheth et al., 1991; Vigneron & Johnson, 1999). The hedonic value is suggested to be the main leader of luxury brands’ extendibility (Hagtvedt & Patrick, 2009). Finally, the brand name, which can cause efficient reactions, is capable of extending to dissimilar categories (Kim, 2020), and the prestigious parent brand that has a positive impact can influence the extension (Sheth et al., 1991).

1.8. Extension of brand distinction

Innovativeness is the point at which a person can accept new ideas and is ready to make independent innovative decisions (Midgley & Dowling, 1978). It is a level at which an individual precedes others in the same social environment in adopting innovation (Steenkamp et al., 1995) and be-
ing the new product opinion leader (Midgley & Dowling, 1978). The luxury brand is connected with innovation and uniqueness. Luxury brands give obviousness, social, quality, and emotional values and uniqueness (intrinsic advantages and extrinsic advantages) (Vigneron & Johnson, 1999). Uniqueness is considered an extrinsic advantage, while emotional value (i.e., hedonic value) is considered an intrinsic advantage (Albrecht et al., 2013).

1.9. Component brand extension

The parent brand can join a category of new products with a different component, form, size, or flavor variety (Keller, 2010). This means that in a vertical extension of a brand, the new product participates in the same category as the parent brand (Aaker & Keller, 1990; Guo et al., 2018). Vertical extension entails the production of similar brands in the same category with different qualities and prices (Aaker & Keller, 1990). Vertical extensions of a brand are familiar in automobiles, and different kinds and models are provided at various levels of quality and price (Thompson et al., 2001). Customers with high income were the ones who were linked to luxury brands, as they had the will to pay extra amounts compared to mid or low-income customers (Kapferer & Michaut, 2015).

1.10. Leveraging a lifestyle

Customers can take part in creating luxury lifestyles without having luxury cars. For example, Ferrari, a famous brand of luxury cars, offered perfume under their brand name, utilizing the same image and reputation (Ahn et al., 2018). Luxury brands provide high-level performance and quality in comparison with non-luxury brands (Kapferer & Michault, 2015). The attitude toward extension affects the attitude toward the parent brand and vice versa (Chang et al., 2019). Sometimes a negative influence of luxury brands refers to the fact that customers connect unique and precise details with luxury brands (e.g., extension of the brand) (Albrecht et al., 2013).

Finally, understanding the relationship between brand extension and customers’ buying intention is very helpful for developing suitable brand names and marketing strategies. At the same time, different brand extension strategies may affect customers’ intentions differently.

Therefore, the purpose of this study is to check to what extent different brand extension components (strategies) affect the customers’ intention to buy. In addition, it investigates whether different brand extension strategies affect brand extension differently.

To answer the study question, the research model has been developed based on previous studies, such as Albrecht et al. (2013), and the following hypothesis has been developed:

$H1$: Brand extension strategies affect consumer purchase intention at the significance level of $\alpha \leq 0.05$.

2. METHODS

The paper used a convenience sampling method to collect customer data by questionnaire. Questionnaires were distributed among 300 customers, and only 221 questionnaires were returned and found suitable for statistical analysis, resulting in a response rate of 73.67% of the total distributed questionnaires. Data were coded against SPSS 25 supported with AMOS for further analysis.

2.1. Research instrument (questionnaire)

To actualize this study, the questionnaire was developed based on previous literature. It includes three parts: demographic dimensions of gender, age, and income levels. The independent variable (brand extension) was measured using statements from an instrument developed by Albrecht et al. (2013), where questions (1 to 24) measured the eight dimensions of brand extension; 3 questions for each dimension. Sometimes a negative influence of luxury brands refers to the fact that customers connect unique and precise details with luxury brands (e.g., extension of the brand) (Albrecht et al., 2013).

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3. RESULTS AND DISCUSSION

3.1. Demographic characteristics

Table 1 shows that among the 221 respondents, 39.8% were females, and 60.2% were males. Around 30.3% were between 30 and 34 years old, while 27.6% were between 25 and 29 years old. The highest percentage for income level was 40.3%, earned between 400 and 500 J.D. per month.

Table 1. Demographic characteristics

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>88</td>
<td>39.8</td>
</tr>
<tr>
<td>Male</td>
<td>133</td>
<td>60.2</td>
</tr>
<tr>
<td>Total</td>
<td>212</td>
<td>100</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 25 years</td>
<td>49</td>
<td>22.2</td>
</tr>
<tr>
<td>25-29 years</td>
<td>61</td>
<td>27.6</td>
</tr>
<tr>
<td>30-34 years</td>
<td>67</td>
<td>30.3</td>
</tr>
<tr>
<td>35-39 years</td>
<td>31</td>
<td>14.0</td>
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<tr>
<td>40 years and above</td>
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<td>5.9</td>
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<tr>
<td>Total</td>
<td>212</td>
<td>100</td>
</tr>
<tr>
<td>Income</td>
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<td></td>
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<tr>
<td>&lt; 300JD</td>
<td>28</td>
<td>12.7</td>
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<tr>
<td>300-400JD</td>
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<td>24.0</td>
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<td>400-500JD</td>
<td>89</td>
<td>40.3</td>
</tr>
<tr>
<td>500JD and above</td>
<td>51</td>
<td>23.0</td>
</tr>
<tr>
<td>Total</td>
<td>321</td>
<td>100</td>
</tr>
</tbody>
</table>

3.2. Descriptive statistics and Pearson correlation analysis

Table 2 represents the means, standard deviations, bivariate correlation, and reliability coefficients of all variables. It is imperative to observe a correlation because constructs should be correlated to be able to test a path/s among other constructs (Hair et al., 2010). Results demonstrate that all dimensions of brand extension and brand extension are correlated to purchase intention ($r = 0.48$, $p \leq 0.00$). These coefficients also indicate no problem of multicollinearity, because all the constructs are not highly correlated. Cronbach’s alpha of the factors for all variables and dimensions is more than 70%, demonstrating a satisfactory degree of internal consistency.

3.3. Exploratory factor analysis

Principal components analysis with Varimax rotation was used for exploratory factor analysis (EFA). The eigenvalues of the eight brand extension dimensions rated 73.78% of the total variance. The value of Kaiser-Meyer-Olkin 0.87 demonstrated that the sample is adequate. Bartlett's test of sphericity, which was significant ($p < 0.00$), indicated that the correlation matrix of the variables is an identity matrix (Cerny & Kaiser, 1977). Table 3 shows that all item loadings ranging from 0.61 to 0.85 presented an acceptable level of factor loadings ($> 0.50$) (Lee & Dubinsky, 2017). Since none of them had a high cross-loading with other factors (all $> 0.50$), no items were eliminated (Hair et al., 2010).

Table 2. Descriptive statistics, Pearson correlations, and reliability coefficients

| No. | Variables   | Mean  | S. Div. | Alpha | 1    | 2    | 3    | 4    | 5    | 6    | 7    | 8    | 9    | 10   |
|-----|-------------|-------|---------|-------|------|------|------|------|------|------|------|------|------|------|------|
| 1   | Companion   | 3.75  | 0.77    | 0.81  |      |      |      |      |      |      |      |      |      |      |      |
| 2   | Product     | 3.60  | 0.83    | 0.82  | 0.45 |      |      |      |      |      |      |      |      |      |      |
| 3   | Company     | 3.80  | 0.79    | 0.78  | 0.45 | 0.49 |      |      |      |      |      |      |      |      |      |
| 4   | Franchise   | 3.87  | 0.78    | 0.79  | 0.40 | 0.43 | 0.48 |      |      |      |      |      |      |      |      |
| 5   | Prestige    | 4.04  | 0.77    | 0.83  | 0.29 | 0.30 | 0.37 | 0.34 |      |      |      |      |      |      |      |
| 6   | Distinction | 3.69  | 0.81    | 0.81  | 0.36 | 0.41 | 0.45 | 0.41 | 0.35 |      |      |      |      |      |      |
| 7   | Component   | 3.65  | 0.85    | 0.82  | 0.37 | 0.43 | 0.39 | 0.42 | 0.33 | 0.41 |      |      |      |      |      |
| 8   | Lifestyle   | 3.66  | 0.89    | 0.83  | 0.38 | 0.42 | 0.42 | 0.43 | 0.36 | 0.46 | 0.39 |      |      |      |      |
| 9   | Brand Extension | 3.76 | 0.56    | 0.92  | 0.67 | 0.71 | 0.73 | 0.71 | 0.60 | 0.70 | 0.68 | 0.71 |      |      |      |
| 10  | Purchase Intention | 3.47 | 0.84    | 0.80  | 0.29 | 0.34 | 0.41 | 0.27 | 0.24 | 0.41 | 0.31 | 0.38 | 0.48 |      |      |

Note: Alpha is represented in parentheses along diagonal; ** $p < 0.01$. 
Table 3. Rotated component matrix (Component F1)

<table>
<thead>
<tr>
<th>Item</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
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<tbody>
<tr>
<td>q1</td>
<td>0.82</td>
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<td>q2</td>
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<tr>
<td>q3</td>
<td>0.73</td>
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<tr>
<td>q4</td>
<td>0.61</td>
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<tr>
<td>q5</td>
<td>0.71</td>
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<td>q6</td>
<td>0.68</td>
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<tr>
<td>q7</td>
<td>0.83</td>
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<td></td>
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<td>q8</td>
<td>0.72</td>
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<tr>
<td>q9</td>
<td>0.71</td>
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</table>

3.4. Confirmatory factor analysis

Confirmatory factor analysis (CFA) was applied to all sub-constructs of brand extension to evaluate their factor loadings. As shown in Figure 1, all the indicators are significantly loaded onto their fit factors, with standardized factor loadings ranging between 0.65 and 0.87. Therefore, all factor loadings were considered acceptable because they are beyond the minimum limits.

The first-order measurement of the model was assessed first. Table 4 shows that the overall fit statistic of the CFA results in \(X^2/df\) was 1.67, which met the threshold of less than 3.00 (Luarn & Lin, 2005). Results of CFA for the other indices required to judge the data fit indicated that (CFI) = 0.94; (TLI) = 0.92; (IFI) = 0.94; and (RMSEA) = 0.06. All these indices were within the recommended limits and suggested that the hypothesized model fit well with the sample data.

That is to say that the first-order measurement model indicated a reasonable fit with the observed data. Despite that, and since the eight variables (companion product extension, product form extension, company expertise extension, consumer franchise extension, extension of brand prestige, extension of brand distinction, component brand extension, leveraging a lifestyle) are considered dimensions of brand extension, the second-order measurement was applied to explore whether it can give a better model fit.

A comparison of first-order and second-order models shown in Table 4 highlights the differences between their goodness-of-fit results. The first-order measurement shows a good model fit with all values. However, the second-order measurement model shows a better fit and confirms the proposed eight dimensions, which were significantly loaded onto the brand extension.

Table 4. Goodness-of-fit indices for first- and second-order factor models

<table>
<thead>
<tr>
<th>Model</th>
<th>CMIN/df</th>
<th>CFI</th>
<th>TLI</th>
<th>IFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-order</td>
<td>1.67</td>
<td>0.94</td>
<td>0.92</td>
<td>0.94</td>
<td>0.06</td>
</tr>
<tr>
<td>Second-order</td>
<td>1.57</td>
<td>0.94</td>
<td>0.94</td>
<td>0.94</td>
<td>0.05</td>
</tr>
</tbody>
</table>

3.5. Convergent and discriminant validity

The alpha coefficient values for brand extension were within the range of 0.78 and 0.83, which demonstrated good reliability. Furthermore, Table
5 shows that the composite reliability (CR) estimates range between 0.77 and 0.83 (higher than 0.70), thus, demonstrating high internal consistency. Convergent validity is verified since AVE values are greater than 0.50 and CR values are greater than 0.70. All values of maximum-shared variance (MSV) are smaller than their corresponding values of average variance extracted (AVE). Discriminant validity was thus supported.

3.6. Model fit and hypothesis testing

CFA was carried out to evaluate the effect of brand extension on consumer purchase intention. The model proposed demonstrated good model-fit indices. The value of CMIN/df ratio was 1.55; CFI = 0.93; TLI = 0.93; IFI = 0.93; and RMSEA = 0.05. Based on the cut-off values, CFA produced a good fit for the hypothesized model.
Figure 2 shows the cause-and-effect relationship between brand extension and consumer purchase intention, as well as the relationships between all the eight sub-constructs and their construct of brand extension. CFA results demonstrated a good association between brand extension and consumer purchase intention ($X^2 = 527.49, p \leq 0.00$). Moreover, the results revealed that brand extension significantly affects consumer purchase intention ($\beta = .60, p \leq 0.00$). Thus, $H1$ was supported. Additionally, the t-values obtained for all the eight subcontracts were between 6.01 and 7.05. Since these values are greater than 1.96 at the 0.05 level, it can be deduced that all sub-construct items generated substantial loadings onto the brand extension.
The bivariate correlation results show that all brand extensions are closely related to each other, which means enhancing any one of them will affect components of the brand extensions. Moreover, the confirmatory factor analysis for testing the causal model shows the cause-and-effect relationship between brand extension and consumer purchase intention, as well as the relationships between all the eight sub-constructs and their construct brand extension. In addition, the results revealed that brand extension significantly affects consumer purchase intention. The eight brand extension dimensions are related to each other and affect customers’ perceptions, attitudes, behavior, and decision-making. Finally, the study concluded that consumers are affected by brand extension when they make purchase decisions. This result is supported by previous studies, such as consumers’ feelings and experiences play a critical role in brand extensions trust. Brand trust positively affects buying intention (Engle et al., 1995). Brands’ expansion affects customers’ purchase intention and is very important for growth (Anwar et al., 2015). The introduction of the product under the same brand name can raise the brand’s equity, awareness, and image gained in markets (Wang et al., 2017). There is a positive correlation between brand and consumer buying intention (Abid et al., 2020; Albrecht et al., 2013; Park & Cheon, 2019). There is a relationship between brand credibility and consumer purchase intention (Morwitz, 2014). Design components affect purchase intentions (Goh et al., 2014). The consumer’s evaluation of brand extension affects consumer purchase intention (Sadasivan et al., 2011). There is a relationship between subjective norms, brand credibility, and social media with consumer purchase intention from another side (Morwitz, 2014). Perceived usefulness, perceived service quality, perceived fit, and brand satisfaction influence purchase intention (Guo et al., 2018). Design components are critical for brand extension strategy (Goh et al., 2014). Finally, relevance and similarity affect consumer reaction toward the brand extension (Sadasivan et al., 2011).

CONCLUSION

The study investigates the impact of brand extensions on consumers’ purchase intention. The study results show that brand extension dimensions are interrelated, and brand extension is positively related to consumers’ purchase intention. Moreover, results show that brand extensions affect consumers’ purchase intention. It was shown that different brand extension strategies have different effects on brand extension as well as consumers’ purchase intentions. These results indicate that organizations should prioritize brand extensions more than new brands because organizations can benefit from a well-known brand, where the consumers trust more the brands they have good experience. Using a good brand extensions strategy will not only initiate good starting sales for new brands but also will increase other brands’ sales, improving the organization’s reputation and image. The extension strategies may include companion product extension, product form extension, company expertise extension, consumer franchise extension, an extension of brand prestige, an extension of brand distinction, component brand extension, and leveraging a lifestyle extension.

Despite lots of effort exerted in this paper, it also has many limitations, one of which was COVID-19, which has disrupted many life areas. Since this study is carried out in Jordan during COVID-19, the study recommends future research for better generalization. Moreover, conducting similar research using the same constructs in different countries helps generalize research results to other communities. A specific brand can also be used as a case study.

AUTHOR CONTRIBUTIONS

Conceptualization: Shafig Al-Haddad, Baraa Al-Badawi.
Data curation: Abdel-Aziz Ahmad Sharabati, Shafig Al-Haddad, Mahfuz Judeh, Baraa Al-Badawi.
Formal analysis: Shafig Al-Haddad.
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