

## The Effect of Brand Names Union on the Profitability of Institutions, Case Study: Sony Ericson Mobile Phone

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### Abstract

*In today's competitive markets, the financial risks and marketing related to the introduction of new products under the unfamiliar brand names together with the long process of forming consumers favorable attitudes towards the new brand names, has pushed many of companies for alliances and joint investments with partners in line with them. While using such strategies without studying them can bring about irreparable losses for companies, the present paper attempts to study the related researches and thus conduct a field study on Sony Ericson brand name in order to evaluate the application effect of brand union strategy on the profitability of institutions. The population of this study is the students having Sony Ericson mobile phones in the city of Yazd. The results of the study indicates that brand union strategy is an appropriate study for positioning a new product in the market and is considered as a competitive advantage in the market which leads to the improvement of the consumer's attitude towards the product, however, it does not lead to the purchasing of the product and the profitability of the business enterprise by increasing the probability of purchasing of goods by the consumer.*

### 1. Introduction

Brand name, as one of the major issues in marketing management since 1990, was raised and it is counted as one of the most important dimensions in the global industry as well. Strong brands and trademarks provide a set of financial and non-financial benefits for the corporations. These benefits include increased customer loyalty, more flexible companies operations dealing with environmental crisis, higher profit margins, and brand names development opportunities ... (See Bin and et al, 2006). In recent years, the researches on identification of factors that affect customer satisfaction and loyalty have been developed. In most cases, loyalty of consumers is vital to the business organizations because attracting new clients is usually more expensive than keeping existing ones, and as proposed by many authors in most of the available researches; loyal customers as a "competitive asset" should be saved. Many of marketing researchers emphasize the vital role of interpersonal relationship between client and seller in client's satisfaction, the creation of favorable attitude towards the brand, enhancement of the link between consumers and brands, and the clients' loyalty as a key to brands success. (Motamen and et al 2011).

A large part of a company is comprised of its inappropriate assets; then brand and trademarks are considered as an important component of intangible assets that is influenced by the variations in market demand, client's priorities, technological advantages, and other external factors in the market. The actual value of the firm is affected, too. On the other hand, loyalty towards brand and trademarks can lead to distinct competitive advantages including reduced marketing costs, Stability and greater customer's loyalty dealing with rivals plans and higher profits. It is crucial for a firm to review the position of its brand and trademarks and to analyze its performance within a period of time when the customers are influenced the most. Performance analysis of brand and trademarks helps to verify the identity and its image in overall concept of enterprises (Ghaffari et al, 2010). Stable quality and satisfaction with a product leads to customers' trust in one particular brand and it is the reason for its getting priority in clients selection set positively affecting the purchasing behavior of customers. In fact, the successful brand and trademark develops and maintains the mental image of the clients. It also provides competitive advantages including development of potential market opportunities, more flexibility, and creation of competitive barriers against competitors' marketing strategies (Kim et al, 2008).

When two or more brand products are being merged such as IBM and Intel, they are perceived as an attached brand name. The authors present a rationale to show why sometimes such alliances can be an appropriate strategy.

Therefore, the companies launch to merge with other corporations in order to consolidate their future position in the market. This integration may include the physical merging of products through which one product cannot be used without the presence of the other, or it just includes improvement of complementary use through which one product can be used independent of one another. Regardless of the merging nature, the concept by which two brands are attached, which is

the result of their common grounds promotion, leads to a phenomenon which is considered in this paper.

## 2. Literature Review

Perhaps the most distinctive skill of professional marketers, say is their ability to create, maintain, and promote a brand. Marketers believe that determining the brand is both the essence and art of marketing.

American Marketing Association defines the term brand in 1960 as a brand, a name, a term, a sign, a logo or a design or some combination of these used to identify the goods or services of a seller or a group of sellers and to differentiate these goods or services from the goods and services used by rivals.

In short, the brand causes the seller or manufacturer to be recognized. Vendors based on trademark law, have the right to use their trademark perpetually (Kotler, 2006). A brand name of product is defined as a name, a word, a sign, a symbol, or a combination of these that would be used as an index for the product. It also helps the consumer to distinguish between our product and competitors'. Like Benz, Toyota, and Sony and.... Brand is part of the products name but it is not all of it.

Marking has turned into a fundamental issue in merchandising policy and on the other side manufacturing goods with one brand requires a remarkable financial investment. Most of the produces have come to this point that if they shoulder the production responsibility and leave the determination of trademark to others, it will be more economical (Kotler and Armstrong, 2007). Finally, they recognize that the fact that the companies which manipulate the trademarks are in power since consumers are loyal to the brand names not the goods.

A brand is a living memory, whose nature can only be realized through products and its advertisement. Content of a brand grows in light of cumulative memory of such actions provided that it is ruled by a policy or single thought. The importance of memory in creation of a brand indicates why its image can be structured differently from generation to generation (Noel Kaberfer, 2006) a brand grants products' meaning and direction to them. Brand says why products exist, how and where do they come and go. It also formulates their policies. A brand is not a written fact on a piece of stone, but it has to adapt itself to time, changes in buyers, and technology.

One of the most important steps in creating the image of a new product or a service is the selection and designing of a brand. Since before giving an explanation on a product and its advantages and functions are described the brand shows off. On the other side, the brand can be granted to a company as a powerful instrument as it is among those of factors that cannot be pirated or copied (Bigdelloo, 2002).

### 2.1 Dimensions of brand

Selecting a brand people not only note one of its features, but based on the product type and their own primary thought, take multiple characteristics into account as well. Of course they cannot immediately recall all the cases to assess them, but they can only think of some of its major features and evaluate it according to the order of the brands and number of its main characteristics (Sutherland, Ghorbanloo, 1993).

The order of the options is the order that is created in the mind and this sequence can affect the final decision. Thus, it is necessary to increase this privilege through advertisement in order not to allow the other brand name to come to the mind of the consumer. These features in relation to products are different from services. From Garvin's perspective what is important to consumers in association with products include:

Product performance, product features, product reputation, product durability, product reliability, serviceability, product beauty, and its compatibility with what it claims and what are important from the consumers' perspectives regarding the services are: to reassure customers, having tangible characteristics, mutual understanding and respect for the customer, accountability and above all reliable service.

Considering how a consumer would select a brand, we recognize that they usually decide based on two basic dimensions. Of course the mentioned-above factors are included in these dimensions (Chernatony, 1998). The logical assessment: contains all what the client expects from the function of the product like reliability, durability and, etc.

Emotional Assessment: includes all what a consumer selects a product based on its own emotional assessment and may be inconsistent with rational criteria (Sutherland, Ghorbanloo, 1993). Of course these dimensions are independent of one another and the consumer grades the brands based on these dimensions, and thus the advertisement plays a key role in this process.

## 2.2 Seven functions of brand

- The brand must particularly specify the product for the client
- The brand must express something about the product benefits and features.
- The brand must be easily expressed.
- The brand should be used in other countries (not in conflict with the culture of other countries).
- The brand must be capable of legal protection.
- Brand must have interchangeable values.

## 2.3 Brand alliances

In recent years two important themes, in the world of science and technology, have been dominating the issues pertaining to brand alliances. The very first subject under discussion goes for the brand's value and the latter is related to generalization of the brand (brand image transfer). The particular Importance is attached to the expansion of the brand issue, as designing a new brand or managing a group of brands is getting more and more difficult. Therefore, many companies for reduction of their own brand volumes or for gaining more benefit from the brands available are under pressure. Forming, expanding, and extending brands could appear through number specific features. However, so far the option of uniting with other brands has faced lack of attention (Baumgart, 2003)

The union of the brands could be defined the same as all the business activities in which two or more titles are submitted to the consumers. (Rao, Qiu Yu, and Rakert, 1999)

Brands union appears in several different forms. For instance, in studies of Rao and Rakert (1994) the term brand is used to elaborate the condition under which two brand names are connected that is the two brands attachment, such as IBM and Intel.

In accordance with their issues the accompaniment of two brands may include product physical integration of in which one product cannot be assumed without the other one or it can be a symbolic union among brand names, logos, or other dimensions of the brand in which one product can be assumed or consumed independent of the other, or it can be presented physically with multiple brands on one product. Such as Day Cook and Natra Sweet, Apple, and Motorola or either symbolically through alliances of brand names titles, logos and other brand assets within business communication efforts. Including Coca-Cola and Bacardi ROM (Rao, Qiu Yu and Rakert, 1999).

Rao and Rakert (1994) argue about the brand alliances capability of being an option for developing domestic brand titles, and also count it as an option for traditional strategies of brand development.

Jenuin ad and Vychert (2007) hold the belief that nowadays brand alliances are very common and almost there have been no consumer goods manufacturers not considering such option strategically.

Myfret (2004) also noted that in recent years, brand alliances has intrigued an increasing attention and has won importance.

Rather than the very successful brands attachment, other pertaining activities to brands accompaniments could be alluded to which do not lead to positive results are to fail. Therefore, an important question is raised that is what chances and risks are involved in making a brand name and they include what sort of potentials for the brand name management?

When two or more brand products are being merged such as IBM and Intel, they are perceived as an attached brand name. The authors present a rationale to show why sometimes such alliances can be an appropriate strategy. They present a decision making pattern in order to analyze and discuss the advantages and costs of co-branding alliances in variety of applications.

In 1988 Sunkist received 10.3 billion by awarding her name license to be used on a variety of products such as soda, candy and vitamins.

The Good Year Company claims that the car manufacturing companies such as Merced's-Benz and Audi confirm the quality of their tires and recommend them. On the whole what do the earlier made recommendations contain in the field of brand management? Firstly, they recommend that the brand titles such as Sunkist are worthwhile assets that can be exchanged.

When Kraft, for example, was purchased by Philip Morris than 13 billion dollars (more than 600% of face value), the industry observers noted that the monetary value of a brand is a considerable sum. Secondly, maybe as the brand title is a worthwhile asset; it is possible to be combined with them in order to make up an increasing union in which the subtotal price is more expensive than each of them separately.

Therefore the merger of Audi and Good Year represents coordinated efforts of one or two companies for

consolidating their further position in their market. These compounds may be comprised of their physical integration of their products. Through which one product can be used independent of one another such as the merging of Intel and IBM or it can be only for, their common grounds promotion, through which the product can be, used independent of another such as (Bacardi and Coca-Cola-ROM).

What makes a company like Good Year decide that its product combination with another is an appropriate strategic option? What has caused them to select a particular brand to merge with? These two key questions are essential for understanding the phenomenon of brand integration. Brand integration may be an effective alternative to the traditional brand. So far the conditions under which the integration counts to be a proper option and the characteristics of a good union (which is based on features of the product) are not perceived. Therefore, brand name integration is an issue that deserves careful and serious consideration.

### **3. Profitability**

One of the most important sources of information to evaluate the performance of the economic unit is profit that will be an appropriate indicator for investor's decisions. Despite the wide provided applications to the profit concept, but there is no complete agreement on its general definition. This disagreement is greater when the concept analyzed in economics and accounting systems. However, on the economics and accounting range of these two scientific ranges that are affected by the company's business activities, and that they consider similar variables there is a general agreement, but there is a disagreement between the programing and measuring the amount of profit.

Economic profit indicates an excess profit as result of an investment which is more than profit and is the best alternative. In other words, the economic benefit of an investment is the difference between interests earned from investments made and it is known as the cost of lost opportunities. The economic benefit is interpreted in different ways such as "achievable residual income", "income", "abnormal profits", "super profits" and "residual income". Also other terms like "economic added value", "cash value" and "shareholder value" are used in the sense of economic profit (Mingy, 2007)

This study did not allow us to have an access to detailed financial profit of the organization we attempted to use indexes that directly or indirectly contribute to increased profits such as improved consumer attitudes, purchase the product at a higher level, and the increased consumer purchase level. Then we deal with the brand alliance strategy impact on the profitability of the organization.

Hokmi, Dorsa (2011) in a research titled "Comparison of the effects of developed brand and new brands on the consumer evaluation of new products" dealt with the influence to generalized strategy (development) of brand on consumer assessment of new brand merchandise.

Hamidi, MR, et al (2010) in a study titled "Assessment pattern of Consumer attitude towards brand extension" examined the views and attitudes of the development of the consumer of the product towards generalization and extension of a brand.

Ghazanfari Sakina Khatoun (2010) in a study titled "Evaluation of the relation of generalized business strategy and consumer attitudes about new product (case study of companies operating in the city of Sari)" dealt with the role the brand plays in consumer perceptions of a new product.

In 2008 Hao (Andy) in a research titled "Evaluation of selecting brand partners in a homogeneous sample" attempted to consider the selection of brand partners based on relevant theory, which is derived from social psychology. This provides practitioners with a practical guide in selecting a partner for your brand. In his research he focuses on two objectives. 1) Providing a summary of the most important researches carried out on brand alliance 2) identifying the potential research areas in the field of brand alliance that has been neglected.

### **4. Methodology**

The population of this study is the students using Sony Ericson mobile phone in the city of Yazd. Given that in this study the population is limited. The sample size of 355 patients was calculated using Cochran formula. In order to collect data and measure the desired variables, the questionnaire was used. Face and content validity of the instrument (questionnaire) have been approved by ten professors and scholars and the reliability using Cronbach's alpha formula is equal to 0.9 which is the indication high reliability.

#### 4.1 Analysis Method

##### 4.1.1 First hypothesis: Brand alliance leads to improved consumer attitudes about the product.

**Table 1:** One-group t-test in relation to comments mean about research hypothesis.

Index	Number	Mean	SD	SE	The expected mean 3					
					Mean Dif.	t	D.F	Sig. Level	Critical t	
Variable								0.95	0.99	
Consumer Attitude Improvement	345	3.26	0.728	0.039	0.26	6.61	344	0.001	1.97	2.59
Purchasing the product with higher price	345	3.02	0.649	0.035	0.02	0.58	344	0.562	1.97	2.59
Purchasing level Increase	345	2.89	0.851	0.046	-0.11	-2.51	344	0.013	1.97	2.59

According to absolute value of calculated at (6/61) that is greater than the critical t table (2/59) with probability level 0/01 and the degree of freedom of 344, (or in other words its significance level is smaller than 0/01,  $p = 0/001 < 0/01$ ), the null hypothesis is rejected. Therefore, with 99% confidence it is said that there are 3 significant differences between the obtained mean and the expected mean and that the obtained mean for originally expected hypothesis is significantly higher. In other words, the brand alliance results in consumer attitudes towards products and the first hypothesis are confirmed.

##### 4.1.2 Second hypothesis: Brand alliances results in purchasing the products by the consumer in a higher price level.

According to absolute value of calculated t (0/58) that is smaller than the critical t table (1/97) with probability level 0/05 and the degree of freedom of 344 (or in other word, its significance level is larger than 0/01,  $p = 0/562 > 0/05$ ), the null hypothesis is confirmed. Therefore, with 95% confidence it is said that there are not 3 significant differences between expected mean and the obtained mean and the second hypothesis is rejected.

##### 4.1.3 Third hypothesis: Brand alliance leads to increased business profitability by increasing the likelihood of purchasing by the consumer.

According to absolute value of calculated t (2/51) that is greater than the critical t table (1/97) with probability level 0/05 and the degree of freedom of 344, (or in other words its significance level is smaller than 0/05,  $p = 0/013 < 0/05$ ), the null hypothesis is rejected. Therefore, with 95% confidence it is said that there are 3 significant differences between the obtained mean and the expected mean and that the obtained mean for originally expected hypothesis is significantly lower. In other words, brand alliance does not lead to increased business profitability by increasing the likelihood of purchasing products by consumer. And the third hypothesis is rejected.

## 5. Discussion

In today's growing competitive market and the high cost of delivering new products to market, organizations have concluded that in order to reduce their risks, they have to make use of brand naming strategies including brand union. Based on what presented in the marketing texts, brand strategy, alliance strategy is a proper strategy for positioning a new product on the market and is considered as a competitive advantage in the marketplace. The strategy in this study was examined from the perspective of consumers and consumer's behavior through three hypotheses including attitude, shopping with higher prices and increased purchasing levels. However, the first hypothesis was confirmed, the rest were rejected. Therefore, it is recommended if a brand owner wants their brand to be unioned with another, must study the functions of his future business partner and in case thees of functions are in desirable level they have to proceed with the union alliance brand strategy to increase the likelihood of success.

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