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A conceptual exploration of the strategic factors driving new brand entry decisions and their success

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ABSTRACT

New brand entry strategies, such as brand extensions and new-name brands, are increasingly being used by firms to facilitate strategic growth. Whilst the issue of new brand entry is of great strategic importance, particularly to marketing practitioners, most new brand entry research has taken a strong consumer behavior stance, with much less research being directed towards the strategic, firm-specific and market-specific drivers of new brand entry decisions and their performance. This paper takes an exploratory first step in providing a strategic management view of new brand entry by developing and introducing a conceptual framework of firm- and market-specific antecedents and moderators of two key new brand entry strategies, brand extensions and new-name brands. Specifically, this paper first explores the direct effect of a firm's resources and strategic orientation on the choice of a brand extension or a new-name brand strategy, before going onto investigate the effect of the two new brand entry strategies on performance under different environmental conditions, namely dynamism, complexity, and hostility. The paper puts forth a number of propositions and finishes off with a discussion of future research avenues.

1. Introduction

New brand introductions are frequently used by firms as a core vehicle for strategic growth (Broniarczyk and Alba, 1994). New brand entry refers to a firm's decision to enter a new market with either a new-name brand or a brand extension (Sullivan, 1991). A new-name brand is defined as the process of creating a *totally* new brand name for a new product (Sullivan, 1991). An example of a new-name brand is Toyota's introduction of the *Lexus* brand to compete in the luxury car market. Brand extensions involve the marketing of new products by leveraging existing brand names (Lane and Jacobson, 1995; Reddy et al., 1994). Kim et al. (2001), p. 211 define a brand extension as "the application of an established brand name to new products in order to capitalize on the equity of the original brand name and to capture new market segments". An example of a brand extension is the Armani portfolio of brands (*Armani* Exchange, Emporio *Armani*, and Giorgio *Armani*), each of which is targeted to a different market segment.

Recent years have witnessed a steady rise in the number of brand extensions introduced by firms into the consumer goods market (Broniarczyk and Alba, 1994; Gatignon et al., 1990). According to Lane and Jacobson (1995), nearly 95% of all new consumer products are introduced into the market using a brand extension strategy. Using an established brand name to access new markets can increase the likelihood of a successful entry strategy, because the brand extension can transfer equity from the existing brand, thus decreasing the amount of brand development, introduction and marketing investment. On the other hand, new-name brands have also grown in popularity, particularly for firms who choose to enter a higher value segment or a different value segment than that to which they normally compete in (i.e., Toyota's introduction of the *Lexus* brand; General Motor's *Saturn* brand; and Delta Airlines' budget airline *Song*). The reason for this is that a new-name brand results in the creation of a totally new brand identity and positioning strategy, allowing the firm to enter a different value segment with a totally different value proposition. For this reason, new-name brands are seen to be a more innovative strategy than brand extension entry. They are also a riskier strategy, in that the introduction and marketing investments are extremely high as a totally new brand identity and positioning must be created, and unlike brand extensions, they are unable to capitalize on the parent brand's equity (Sullivan, 1991). New-name brands involve a considerable degree of risk in the development, market entry and marketing process, but offer potentially significant rewards in terms of impacting positively and strongly on firm performance if they are successful.

The majority of studies in the marketing literature on new brand entry strategies use the consumer behavior perspective (i.e., using the information processing view and consumer preference formation to assess consumers' attitudes towards new brands) as a means of explaining new brand entry decisions and

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success (e.g., Reddy et al., 1994; Loken and John, 1993; Keller and Aaker, 1992; Smith and Park, 1992). Notwithstanding the numerous consumer behaviour-based studies conducted on this issue and the valuable insights generated from these studies, gaps in our knowledge remain. For example, whilst there is considerable evidence that a firm's resources and strategic orientation affect the strategic decision-making process (see Zhou et al., 2005; Cockburn et al., 2000; Han et al., 1998; Gatignon and Xuereb, 1997), no research has attempted to examine the direct effect of firm resources and strategic orientation on the choice of a new brand entry strategy. Moreover, the literature reflects few, if any, studies on the environmental conditions that moderate the relationship between a new brand entry strategy and firm performance, despite the number of past studies that have found that a firm's external environment affects the strategy—performance relationship (see, for example, Lukas et al., 2001; Tan and Litschert, 1994; Miller, 1987; Miller and Friesen, 1983). Both market forces and internal firm-specific factors (such as resources and strategic orientation) can affect how competitive advantage is achieved (Zhou et al., 2005).

These are very managerially relevant issues, because a more thorough examination of these firm-specific and market-specific factors will not only extend the current body of literature on the strategically important issue of new brand entry, but will also add value to management by providing a thorough insight into the impact of these factors on a particular new brand entry strategy. In fact, a number of authors (see, for example, Priem and Butler, 2001; Cockburn et al., 2000; Lieberman and Montgomery, 1998) have all made calls for more strategy research to bring together an analysis of the impact of firm-specific and market-specific factors. While the consumer behavior perspective is fundamental to the study of new brand entry, looking at new brand entry from a strategic perspective will give a more comprehensive picture of the drivers and outcomes of this issue.

In addition, as mentioned earlier, past research has found that a firm's external environment can impact on the relationship between a firm's strategy and performance (e.g., Tan and Litschert, 1994; Miller, 1987; Miller and Friesen, 1983). This suggests that a firm's external environment might also affect the relationship between a firm's *new brand entry* strategy (i.e., brand extension strategy and new-name brand strategy) and performance, with different environmental conditions resulting in one type of new brand entry strategy performing better than another type of new brand entry strategy. This implies that different environmental conditions may require different types of new brand entry strategies. Therefore, it is time that these issues were addressed, seeing that these issues are of great strategic importance to marketing managers in particular.

Whilst there are a myriad of other factors that might affect new brand entry decisions and success, such as bad timing, poor organizational fit or inappropriate target audience, this paper is concerned specifically with investigating the relationship between firm-based and market-based factors and new brand entry strategy. The key objectives of this paper are to build on and extend our limited knowledge of the strategic firm-based and market-based factors affecting new brand entry strategy and to provide an agenda for future empirical research. This paper introduces a conceptual model that has two key aims. First, the model conceptually explores the direct effect of a firm's resources and strategic orientation on the choice of a new brand entry strategy (i.e., a brand extension strategy or a new-name brand strategy). Drawing on the resource-based view theory of the firm (RBV) and the strategic orientation, innovation and branding literatures, this paper argues that a firm's new brand entry strategy is influenced by the characteristics of the resources that a firm possesses (specifically, how adaptable a firm's resources are), as well as by the firm's strategic orientation (i.e., whether the firm is market-oriented and how this affects innovative behaviour within the firm). Then, drawing on the external environment, innovation and branding literatures, the conceptual model goes onto investigate the nature of the relationships between the two new brand entry strategies and firm performance in light of different environmental conditions (namely dynamism, complexity, and hostility). Here, the paper also briefly examines the direct impact that the two new brand entry strategies have on firm performance. The paper presents a number of propositions.

The remainder of this paper is organized as follows. First, the paper introduces the proposed conceptual model and develops research propositions based on the model to explain the firm-specific drivers of new brand entry, the relationship between new brand entry and firm performance, and then the market-specific moderators of the new brand entry—firm performance relationship. Then, the paper concludes with a brief discussion of the implications of the research and presents a number of avenues for future research.

2. Conceptual framework and propositions

This study focuses on taking a more strategic management view of new brand entry. To begin to investigate several of the issues posed earlier, a conceptual framework is developed and presented that links together an examination of both firm-specific and market-specific factors to new brand entry strategic decisions and their performance. The conceptual model is depicted in Fig. 1. Specifically, the model addresses two broad, key issues. The first issue looks at how firm-specific factors drive the new brand entry strategic decision. Brand extension entry and new-name brand entry are proposed to be affected by (i) a firm's resources, and (ii) a firm's strategic orientation. The second issue explores how environmental factors moderate the relationships between the two new brand entry strategies and firm performance. Before exploring the second issue, though, the paper briefly examines the direct relationships between the two new brand entry strategies and firm performance. To begin to address these issues, I draw on the RBV (Spanos and Lioukas, 2001; Eisenhardt and Martin, 2000; Barney, 1991), strategic orientation (Gatignon and Xuereb, 1997; Narver and Slater, 1990), innovation (Varadarajan and Jayachandran, 1999; Han et al., 1998), branding (Erdem et al., 2006; Keller and Aaker, 1992; Sullivan, 1991; Aaker and Keller, 1990) and external environment literatures (Tan and Litschert, 1994; Miller, 1987; Miller and Friesen, 1983). Propositions are developed and presented.

2.1. Resource characteristics

According to Eisenhardt and Martin (2000), p. 1105, the RBV is "an influential theoretical framework for understanding how competitive advantage within firms is achieved and how that advantage might be sustained over time". The RBV focuses on the heterogeneity of firms, and looks at how these differences determine not only a firm's particular strategy, but also how successfully the firm is able to implement and execute the strategy. The RBV emphasizes the *internal* resources and capabilities of firms as a means of explaining one firm's position in a market relative to other firms, and focuses on the firm's ability to generate above-normal rates of return by adapting these resources to meet new market opportunities (Cockburn et al., 2000; Oliver, 1997). As Spanos and Lioukas (2001), p. 910 state, "the resource-based perspective posits that the essence of strategy is or should be defined by the firm's unique resources and capabilities." In other words, the RBV assumes that firms to *leverage and adapt* their resources in order to develop a sustainable competitive advantage (Priem and Butler, 2001; Barney, 1991). In light of this, we now examine

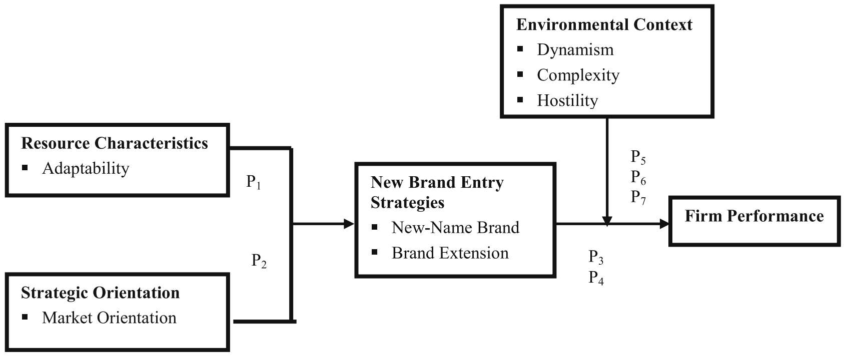

Fig. 1. The conceptual model.

the nature of the relationship between the characteristics of firm resources and the choice of a new brand entry strategy, and in the process, develop a research proposition that is derived from a review of the RBV, branding and innovation literatures.

Resource adaptability: The RBV helps a firm to address "the fit between what a firm has the ability to do and what it has the opportunity to do" (Russo and Fouts, 1997, p. 536). A firm develops a competitive advantage when it is in possession of resources that are unique and imperfectly mobile and when management possesses the ability to use these resources as a source of value creation and *adapt* them to meet new market opportunities (Barney, 1991; Grant, 1991).

Under the premises of the RBV, firms take an inside-out approach to developing a competitive advantage by leveraging and adapting existing valuable resources to meet new market opportunities (Chmielewski and Paladino, 2007; Barney, 1991). According to Schilling (1998), p. 273, "firms tend to use and build on their existing knowledge base rather than entering unfamiliar areas", which is in effect what a brand extension strategy allows a firm to do—to use and build on existing knowledge and resources (i.e., an existing brand name and capital). A brand name is an example of a valuable resource that a firm can adapt, exploit and utilize in pursuit of new markets and opportunities. Firms can leverage their accumulated investment in an existing brand name with a brand extension (Reddy et al., 1994; Keller and Aaker, 1992). Brand-name capital is embodied in the brand extension, which can help generate awareness in and build equity into the extension (Sullivan, 1991). Brand extensions share and support the parent brand's identity. Loken and John (1993) argue that as the risks associated with market entry increase, more firms will launch brand extensions in an attempt to capitalize on the goodwill that is associated with existing brand names. Therefore, brand extensions, through their adaptation of a valuable resource (i.e., an established brand name), can serve as a risk reduction mechanism for firms entering a new product category and minimize or remove barriers to entry, as they benefit from the immediate transfer of equity and brand name recognition from the parent brand (Erdem et al., 2006; Farquhar, 1989). This seems to suggest that possession of valuable resources that are adaptable will facilitate the likelihood of a firm employing a brand extension strategy as the firm is able to exploit its existing stock of resources to enter a new market (for example, Apple moving from the MP3 market with the *iPod* to the mobile phone market with the *iPhone* and more recently to the eBook market with the *iPad* by capitalizing on its strong, valuable brand name and its R&D and technology-based resources).

On the other hand, new-name brands are unable to benefit from the adaptation of existing resources through the transfer of brand-name capital (i.e., brand equity) from other brands. With a new-name brand, a firm is almost starting from scratch, in that a firm must instigate a new and separate marketing program and develop a brand identity and brand image for the new-name brand (Farquhar, 1989; Sullivan, 1991). This can be very time-consuming and challenging, and the complexity surrounding the creation of a new-name brand can be too much for some firms. Firms need to possess, or may need to acquire, a certain combination of skills and resources in order to successfully introduce a new-name brand into a market. In light of this, I put forth the following proposition:

P_1: Greater resource adaptability will increase the likelihood of a brand extension entry rather then a new-name brand entry.

2.2. Strategic orientation

The strategic orientation of the firm "reflects the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance of the business" (Gatignon and Xuereb, 1997, p. 78). According to Noble et al. (2002), p. 25, strategic orientations "are the guiding principles that influence a firm's a marketing and strategy-making activities." It has been argued that the strategic orientation of the firm leads to superior firm performance, in that it enables a firm to implement and execute an innovative strategy (Gatignon and Xuereb, 1997). However, the role of a firm's strategic orientation in implementing a new brand entry strategy has not been investigated. In light of this, I now examine the nature of the relationship between a firm's strategic orientation and the choice of a new brand entry strategy, drawing on the strategic orientation, innovation and branding literatures. This research will focus specifically on examining the impact of one key, prominent type of strategic orientation on a firm's new brand entry strategic decision—that of market orientation. Market orientation is a strategic orientation that has been extensively researched in the marketing literature as it has been found to have an impact on a firm's strategic decision-making (e.g., Zhou et al., 2005; Gatignon and Xuereb, 1997; Jaworski and Kohli, 1993). Yet, despite the strategic importance of a market orientation for the firm, it has not, to my knowledge, been examined together with the issue of new brand entry strategic decision-making.

Market orientation: A market orientation permeates throughout the whole firm and affects a firm's strategy (Varadarajan and Jayachandran, 1999). Narver and Slater (1990) relate market orientation to the organizational culture that most effectively and efficiently encourages the three key behaviors (customer orientation, competitor orientation and interfunctional coordination), that will help an organization achieve a sustainable competitive advantage by creating and providing superior value to its customers.

According to Han et al. (1998), p. 33, a market orientation results in a thorough understanding of the market and "increased boundary-spanning activity", which is defined as the "continuous, proactive disposition toward meeting customers' exigencies". In other words, a boundary-spanning activity is one whereby a firm engages in continuous innovation (i.e., adopting and implementing a new idea within an organizational environment) in order to foster customer satisfaction and meet both the expressed and latent needs of consumers (Pierce and Delbecq, 1977). The Apple *MAC* in the 1980s and the Apple *iPod* in the 1990s are examples of new-name brands that were boundary-spanning. These two brands revolutionized each of the markets in which they competed because they were so innovative and different compared with their competitors' offerings. A new-name brand strategy can be considered to be a boundary-spanning activity, in that it involves the creation of a totally new idea (strategy) for a firm: a totally new brand name and a unique positioning strategy for a new market (Sullivan, 1991). Toyota moved outside its normal operating sphere (the middle-range vehicle market) and entered the high-value, prestige car market with its new brand, the *Lexus*. This was considered to be a boundary-spanning activity for Toyota, as the prestige car market required a whole new level of engineering and R&D, completely different marketing and promotional activities, and a completely different range of market segments to target than any of the previous markets Toyota had competed in.

In addition, a market-oriented firm typically possesses a more proactive mind-set (Zhou et al., 2005; Slater and Narver, 1998). This proactivity implies an element of risk-taking on the part of the market-oriented firm, because their ability to generate, use, and disseminate market intelligence helps the firm to have a better understanding of the market and thus implement innovative strategies such as a new-name brand to enter new or unserved markets. Day (1994) concurs with this, arguing that market sensing is an integral component of a market-driven, innovative firm. A new-name brand is often perceived as a riskier strategy than a brand extension strategy because the new-name brand needs to develop strong awareness and it has no existing platform on which to build, thus making market entry more difficult (Smith and Park, 1992; Sullivan, 1991). A market orientation can eliminate many of the risks associated with entering a new-name brand into a market because a market orientation leads to a strong awareness of the external market and puts firms in a position to quickly and innovatively meet new opportunities before the competition (Slater and Narver, 1998).

On the other hand, a brand extension strategy is perceived to be a less-risky and less innovative strategy than a new-name brand strategy, because it leverages the equity of an existing brand (Aaker and Keller, 1990). A brand extension strategy allows a firm to capitalize on the success and equity it has already built into an existing brand (for example, *Mars* bar) and transfer that brand and equity into a slightly different yet related market (i.e., *Mars* ice-cream, *Mars* chocolate drink). Whilst a market orientation certainly does not preclude a firm from entering a market with a brand extension strategy, this paper argues that because market orientation increases the level of innovation and risk-taking within a firm, a market-oriented firm is more likely to consider entering a new-name brand strategy rather than a brand extension strategy into the market as a means of staying well ahead of the competition (Han et al., 1998). A new-name brand strategy, being the more innovative new brand entry strategy, may be better able to meet and solve new and different consumer needs and problems. Therefore, on the basis of the above discussion, I put forth the following proposition:

P_2: Greater market orientation will increase the likelihood of a new-name brand entry rather then a brand extension entry.

2.3. The new brand entry strategy—performance relationship

This section draws on the innovation and branding literatures to briefly examine the direct impact that brand extensions and new-name brands have on firm performance. Past literature suggests that both types of new brand entry strategies can have a positive impact on firm performance. Turning first to a brief examination of the new-name brand entry—performance relationship, a new-name brand strategy, typically being the more innovative new brand entry strategy, can have a positive impact on firm performance, in that it can be used to create new market space or a new way of conducting business within a market (for example, General Motors and its *Saturn* brand or Delta Airlines with its *Song* brand). A new-name brand strategy can thus be used to create what is called a "breakthrough in value" (Kim and Mauborgne, 1999, p. 83). Toyota did this with their *Lexus* brand—they offered a brand that competed in quality and prestige with Mercedes and BMW but that was priced more competitively (Kim and Mauborgne, 1999). Thus, a new-name brand, by not being tied to an existing positioning strategy in another market, can generate success for the firm by either creating a new market or by being used to challenge the way that products are marketed in a particular industry.

Brand extensions also can have a positive impact on firm performance. Brand extensions can generate success by substantially reducing the risk of market entry for the firm. This is because a brand extension reduces the costs of introducing a new product into the market whilst increasing the likelihood of generating almost immediate trial (Reddy et al., 1994; Broniarczyk and Alba, 1994). According to Aaker and Keller (1990), this is one of the key challenges that firms face when contemplating entry into a new market; the high financial risks attached to new market entry. Brand extensions help to minimize these risks and costs to firms. In addition, brand extensions can have a positive impact on firm performance because they also reduce consumers' perceived risk of purchasing the brand extension; the parent brand serves as a signalling device on the perceived quality of the new brand (i.e., Giorgio *Armani*), and hence facilitates trial of the new brand (i.e., *Armani* Exchange) (Erdem et al., 2006; Aaker and Keller, 1990).

Both types of new brand entry strategies can thus be perceived as core vehicles for strategic growth for a firm (Broniarczyk and Alba, 1994; Sullivan, 1991; Gatignon et al., 1990). A firm makes the decision to enter a new market with a brand extension or a new-name brand because it has either recognized potential demand in the market, or it has identified consumers' latent needs and hence aims to *create* demand in the market. For this reason and in light of the above discussion, both a new-name brand entry strategy and a brand extension entry strategy—in themselves—*should* contribute positively to firm performance. Therefore, I propose the following:

P_3: The relationship between new-name brand entry and firm performance is positive.

P_4: The relationship between brand extension entry and firm performance is positive.

2.4. Environmental context

As discussed earlier, the strategic marketing and management literature has long argued that a firm's environment affects the linkage between strategy and performance (e.g., Tan and Litschert, 1994; Miller, 1987; Miller and Friesen, 1983). Environmental characteristics can have a considerable impact on strategy and performance (Morgan and Piercy, 1998; Goll and Rasheed, 1997). Therefore, the environmental context of the firm is likely to influence the relationship between a new brand entry strategy and firm performance, which means that different environmental contexts might require different types of new brand entry strategies. This suggests that different environmental conditions may result in one new brand entry strategy performing better than another new brand entry strategy. A firm's external environment comprises a number of dimensions, including competitors, customers, technology, and government regulations. In the following discussion, I consider three such environmental contexts that I propose will moderate the relationship between new brand entry strategy and firm performance. The three environmental dimensions that this paper examines are dynamism, complexity, and hostility, as all three have often been used to characterize different aspects of a firm's external environment (Lukas et al., 2001; Tan and Litschert, 1994; Miller, 1987; Lawrence and Lorsch, 1967). The theoretical grounding for the next three propositions comes from the external environment, innovation and branding literatures.

Environmental dynamism: Environmental dynamism "is manifest in the degree of instability or turbulence of such key operating concerns as market and industry conditions as well as more general technologic, economic, social, and political forces" (Miles et al., 2000, p. 63).

In a dynamic environment, demand uncertainty is high, and it is more difficult to accurately forecast the size of the market and to develop an appropriate positioning strategy for a new brand (Sullivan, 1991). As a result, brand extensions are a riskier strategy, because the potential dilution of the parent's brand equity is high if a mistake is made with the brand extension (Loken and John, 1993; Sullivan, 1991). This is particularly the case where there may be a lack of perceived fit between the brand extension and the parent brand. Pursuing a new-name brand entry strategy rather than a brand extension entry strategy serves to minimize or even prevent the dilution of the parent brand's equity (Aaker and Keller, 1990).

Furthermore, brand extensions are less flexible and less innovative than new-name brands, therefore they are not in a position to deal with the uncertainty of a dynamic environment as well as new-name brands. The reason for this is that an established brand name has an existing positioning strategy in another market, and it may not be clear whether this positioning strategy will be relevant and appropriate for the new market (Sullivan, 1991). Therefore, it is often better for a firm to wait before entering a market with a brand extension, in order to determine the compatibility between the parent brand with the brand extension. As a case in point, Apple only recently entered the eBook market with its January 2010 launch of the *iPad*, long after Amazon had launched the *Kindle*. Apple needed to be certain not only that demand existed for the *iPad*, but that the level of technology and applications provided on the *iPad* were at least on par with, if not greater than, the other brands under its umbrella (such as the *iPod* and *iPhone*).

Conversely, new-name brands are not committed to an existing positioning strategy, which makes it easier for firms to be innovative by pursuing a new-name brand entry strategy. For example, Toyota chose to enter the highly competitive luxury car market by creating a totally new brand (*Lexus*) along with a whole new positioning, segmentation and 4Ps strategy. Similarly, General Motors started the *Saturn Corporation* brand from scratch as a way of filling a gap that existed in the US market for high quality, compact, locally-made cars that focused heavily on delivering superior customer satisfaction (Aaker, 1996). Lambkin (1988) and Miller (1987) concur with this, arguing that in dynamic, uncertain environments, firms are more likely to pursue innovative strategies. Simerly and Li (2000), p. 39 state that "for firms within industries exhibiting greater environmental dynamism top managers must develop creative and innovative strategies to deal effectively with this major challenge". Likewise, Miles et al. (2000) argue that product innovation, risk-taking, and proactivity increase as environmental dynamism increases. On this basis:

P_5: Greater environmental dynamism (a) strengthens the positive relationship between new-name brand entry and firm performance and (b) weakens the positive relationship between brand extension entry and firm performance.

Environmental complexity: Environmental complexity refers to both the heterogeneity and the number and range of factors in different environmental segments with which a firm must contend, such as the various production and marketing methods used to satisfy different segments (Lukas et al., 2001; Luo, 1999; Tan and Litschert, 1994; Miller, 1987). The mobile phone market, with multiple and distinct market segments ranging from business users to tech-savvy, entertainment-focused generation Y users to basic users, would be an example of a complex environment. *Nokia* produces mobile phones that cater to the very elementary needs (calling and sending text messages) to the more complex and high-technology ancillary needs (access to Internet, email, Twitter, entertainment, video messaging, conference calls, downloading music etc.). Environmental complexity differs from environmental dynamism, in that the latter is focused more on the unpredictability of both customers and competitors as well as how quickly market trends, innovation and research and development change within an industry (Miller, 1987). Yeoh (2000) refers to complexity as the diverse marketing efforts that result from the multifaceted variations that occur in a firm's environment. A more complex environment results in greater uncertainty.

According to Tan and Litschert (1994), firms that operate in environments that are characterized by high degrees of uncertainty are more likely to engage in innovative activities. The reason for this is that in order for firms to survive in an uncertain environment, they need to be able to react quickly enough to environmental changes and exploit opportunities, so that they stay ahead of competition and remain relevant to customers (Miller and Friesen, 1983).

Furthermore, Lambkin (1988) and Miller (1987) argue that in uncertain, complex environments, firms are more likely to pursue innovative strategies in order to exploit early-mover advantages. A new-name brand entry strategy is perceived as being a more innovative strategy than a brand extension entry strategy, therefore it is more likely that firms that wish to exploit early-mover advantages in uncertain, complex environments will be more likely to enter with a new-name brand strategy. This is a view that is also supported by Meznar and Nigh (1995), who likewise suggest that environmental uncertainty and complexity increase all types of boundary-spanning activities (of which new-name brand entry is an example).

In addition, for the same reasons outlined in the discussion on dynamism, a new-name brand entry strategy is more likely to occur in a complex, uncertain environment, because new-name brands are not committed to an existing positioning strategy in another market, thus making innovative behavior easier (Sullivan, 1991). On the other hand, brand extensions are committed to an existing positioning strategy in another market, and in a complex, uncertain market, it is difficult to determine if the existing positioning strategy will be both relevant and appropriate (Sullivan, 1991). Entering with a brand extension strategy into a complex environment increases the risk of the potential dilution of the parent brand's equity (Loken and John, 1993), hence making entry a less attractive prospect for brand extensions. In light of this:

P_6: Greater environmental complexity (a) strengthens the positive relationship between new-name brand entry and firm performance and (b) weakens the positive relationship between brand extension entry and firm performance.

Environmental hostility: Environmental hostility refers to the influence that the competitive environment has on a firm (Lukas et al., 2001). Hostility in the environment "is evidenced by price, product, technological and distribution competition, severe regulatory restrictions, shortage of labour or raw materials, and unfavorable demographic trends (e.g., decreasing markets)" (Miller, 1987, p. 74). Environmental hostility tends to be a characteristic of a more established market that is in the later stages of the life cycle (Sullivan, 1991).

Brand extensions are more likely to enter when the market is more established and competitive and when uncertainty is low (Lieberman and Montgomery, 1998). Sullivan (1991) likewise suggests that in competitively hostile markets, brand extensions are a more appropriate strategy. The reason for this is that they can borrow associations from the parent brand, thus increasing trial and awareness, while at the same time gaining access to distribution channels. As Levitt (1965) states, concentrating on maintaining and securing even more intensive distribution is necessary in highly competitive, established markets. For example, over the past decade or so, *Calvin Klein* has redefined its brand from being associated only with designer clothing by moving into different but related product categories (i.e., lingerie, accessories, and fragrances). These product categories are highly established and very competitive, however, using an existing strong brand name has made the market entry process much easier for the Calvin Klein company as they have been able to borrow and leverage associations from the parent brand.

As discussed earlier, the presence of well-established brands in a market acts as a barrier to entry (Porter, 1980). This makes entry more difficult. However, brand extensions eliminate many of the difficulties associated with entering a more competitive marketplace, because they are able to gain awareness and image by transferring equity across from the parent brand. As Smith and Park (1992), p. 301 indicate:

When a product category comprises many well-established brands, cognitive capacity is highly utilized and evoked sets are well defined. Such conditions increase the difficulty of gaining trial of a completely new brand, and so elevate the investment needed to launch a product with a new brand. Thus, the relative advantage of using a brand extension should be elevated in markets comprising many established competitors.

On the other hand, a new-name brand will find it more difficult to generate brand awareness and create a unique brand image in a competitively hostile environment. The reason for this is that a new-name brand has no prior image upon which to draw, unlike a brand extension, so consequently, new-name brands need to use the attributes of the product itself as a means of developing a brand image (Sullivan, 1991). In light of the fact that more established, hostile markets tend to be highly competitive and comprise a number of well-established, strong brands, it is more difficult for new-name brands to differentiate themselves from existing brands solely on the attributes of the product itself. Therefore, on this basis, I propose the following:

P_7: Greater environmental hostility (a) weakens the positive relationship between new-name brand entry and firm performance and (b) strengthens the positive relationship between brand extension entry and firm performance.

3. Discussion

The purpose of this research is to present a conceptual model that examines new brand entry from a more strategic perspective by examining the firm-specific and market-specific factors affecting new brand entry decisions and their performance. While there is an established body of research on the relationship between consumer behavior and new brand entry, much less attention has been directed towards examining both the firm-specific antecedents of new brand entry strategy, and the environmental conditions that moderate the new brand entry strategy–performance relationship.

This paper takes an exploratory first step in expanding the body of strategic research on new brand entry and in doing so, contributes to the existing theory by examining new brand entry decisions and performance outcomes in the context of a firm's resources, strategic orientation and the environmental conditions facing a firm. Understanding the factors that affect a firm's decision to introduce different types of new brands into a market is an issue of strategic importance to marketing managers, because as Gatignon et al. (1990), p. 390 state, "new brands have a critical role in determining a firm's long-term performance."

3.1. Implications for marketing practice

A key implication of this paper for marketing managers is that firms need to take into consideration both firm-specific factors (resources and strategic orientation) as well as market-based factors (the external environment) when making new brand entry decisions, as each of these factors can potentially affect the development of a competitive advantage. Certain environmental conditions, coupled with a firm's internal resources and strategic orientation, may be more conducive for a firm entering one type of new brand strategy into the market rather than another type. This would then suggest to marketing managers that they should not rely on using only one type of new brand entry strategy when contemplating entering a new market or different product category. Whilst brand extension strategies are in general certainly more heavily utilized as a means of entering new markets than are new-name brand strategies (Broniarczyk and Alba, 1994), there may be instances when external market forces or a firm's internal environment make the use of a new-name brand strategy more appropriate, or vice versa.

Furthermore, another important implication for marketing managers is that the degree of innovation (or boundary-spanning activity) that is required to meet a new market opportunity or perhaps to create a new market opportunity may also influence the choice of new brand entry strategy. As outlined throughout the paper, new-name brand strategies are the more innovative of the two new brand entry strategies, and thus may be more appropriate for completely new markets or where a firm wishes to make a breakthrough innovation or change the way in which the industry operates or competes (Kim and Mauborgne, 1999). On the other hand, a brand extension may be the most appropriate new brand entry strategy when the market a firm is contemplating entering is highly competitive, as the brand extension strategy can exploit the equity, awareness and associations of the parent brand to facilitate immediate trial (Broniarczyk and Alba, 1994).

3.2. Future research

Empirical work is now needed in order to explicate the key antecedents of new brand entry strategy and the key environmental conditions that influence the relationship between new brand entry strategy and firm performance. Empirical work will provide answers to the following research questions: (i) how do a firm's resources and strategic orientation affect a firm's decision to enter a market with either a brand extension strategy or a new-name brand strategy?, and (ii) how do different environmental conditions affect the new brand entry strategy—performance relationship?

Future research may extend this paper in the following ways. First, there may be other environmental conditions that moderate the relationship between new brand entry strategy and firm performance. Market turbulence and competitive intensity have been found to influence the attractiveness of the market (Gatignon and Xuereb, 1997; Jaworski and Kohli, 1993). Further research could be directed towards empirically determining the new brand entry strategy–performance relationship under a variety of different environmental conditions.

Second, this study only looks at the impact of one key strategic orientation (a market orientation) on new brand entry. However, there are other important yet less-researched types of strategic orientations (namely resource, technological and entrepreneurial) that may influence new brand entry strategic decisions. Additional research may expand the model presented in this paper by considering the impact of these strategic orientations on new brand entry. A resource orientation focuses on a firm's resources (Chmielewski and Paladino, 2007), a technological orientation focuses on new technologies (Zhou et al., 2005), whilst an entrepreneurial orientation highlights the proactivity of a firm in responding to new opportunities (Zhou et al., 2005). Each of these orientations can impact on a firm's ability to implement successful and innovative strategies. Further research may elicit answers to the research question as to whether certain types of strategic orientations increase the likelihood of a firm introducing one type of new brand entry strategy over another.

Another interesting avenue for future research is to empirically examine the drivers and outcomes of different modes of entering new products into a market (such as sub-brands and line extensions) to see if the same factors and environmental conditions influence these new product entry strategies. Line extensions (using an existing brand name for a new product that is introduced into the *same* product class) are a very common way to enter new products into the market (Nijssen, 1999; Reddy et al., 1994). Understanding how brand extensions and new-name brands differ from or are similar to other strategic options for introducing new products into the market would build on and extend knowledge in this area.

Lastly, timing of entry has been found to affect firm performance (Carow et al., 2004; Shamsie et al., 2004). Future research could focus on examining how the timing of entry decision affects the performance of both brand extensions and new-name brands, and whether earlier or later entry is the more profitable strategy for each type of new brand entry strategy. Further research could also explicate the effects of firm-specific and market-specific factors on the timing of entry decision for the two types of new brand entry strategies. This would help to provide answers to the research question on *when* firms should enter brand extensions and new-name brands into a market.

4. Conclusion

In conclusion, examining the impact of the key firm-specific and market-specific factors that influence the new brand entry strategy decision would provide both researchers and managers with a more comprehensive understanding of why a particular new brand entry strategy may be more successful with certain resources and/or a certain strategic orientation and under particular environmental conditions than an alternate new entry brand strategy. Focusing future research efforts on new brand entry strategy would build on the existing body of literature and offer a more thorough and comprehensive examination of this strategically important issue.

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