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Research on External Influence Factors of Brand Extension into New Markets Based on Ecological Niche Theory

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Abstract
In the economic era of brand, product homogeneity continues to increase market competition and expanding into new markets has become one of the inevitable choice for branding enterprises to obtain sustainable competitive advantage and excess brand profits. This paper is based on ecological niche theory and tries to analyze the external factors of brand expansion into new markets from three aspects: the climatic factor, the soil factor and the topographic factor of the brand. It also analyzes various refined factors one by one and provides the basis for enterprises' decision making on to new market expansion.

Key words: Ecological niche; Brand new market development; Influential factors; Enterprise

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INTRODUCTION

In nature, the living space that the population of a species needs to survive depends on environmental factors. Factors such as natural suitable climate, fewer competitors, increasing food and decreasing predators and so on will increase the number of individuals in the population of that species.

Brand is the economic system which is composed of human beings and their economic activities. Brand expansion means the increase of the size of the populations of an individual brand. Broadly speaking, brand expansion includes not only the brand extension, but also brand capital operation and the market space development of the brand and other contents. Market space expansion of a brand refers to the process a brand expands its successful brand with influential impact on the market or a completely new brand to a new market (Zhang, 2007). According to existing research results and the author's understanding of the connotation of broad brand expansion, this paper argues that new market expansion of a brand should specifically refers to the market expansion of the brand and this paper describes it as brand enterprises with their own strong brands and their own brand capitals to expand to other marketing regions, which means the brand establishes a new branch or brand sales outlets in other suitable cities, regions and countries so that the geographical coverage of the brand expands. It essentially is a part of brand expansion with the brand name as the link and with the brand capital as the expanding method.

Based on the ecological niche perspective, brand expansion into new markets is the result of the interaction of both external and internal ecological environments. The internal ecological environment of a brand is undoubtedly essential, but in the past there has been much discussion of that perspective; therefore, this article does not intend to talk about it again. This paper would like to discuss the external ecological environment impacting the expansion of a brand into new markets.

1. ANALYSIS OF THE EXTERNAL FACTORS IMPACTING BRAND MARKET EXPANSION

Market is the soil with which brands can survive and it also is the battleground that all brands will fight to survive. Expansion into new markets is a widely used way for brands to develop and it enables brands to obtain broader space for development and quickly occupy more market resources. Therefore, the birth, growth, maturity and expansion of a brand are related to both market and environmental factors which impact the market.

In ecology, all elements that constitute the environment are called environmental factors. Among environmental factors, those factors which have a direct or indirect impact on the growth, development, reproduction, behavior and distribution of living creatures are called biological factors. The two definitions can be applied to branding.

In general, we think that main external factors that affect the survival and development of a brand include environmental factors such as resources, demands, technology, social systems, competition and culture and so on. Hannan & Freeman believe that the brand ecological environment in general consists of ecological factors such as location, market resources, the legal system resources, social economy, science and technology and competition and the like (Hannan & Freeman, 1989). Zhuang Hui puts forward that political and economic environment, industry environment, population and natural environment, technical environment and other complex environmental factors and forces constitute the brand business environment (Zhuang, 2006). Liu Hongde explores the ecological factors of brand growth environment and comes to the conclusion that ecological factors of brand growth environment is mainly composed of economic fundamentals, policy and legal environment, institutional culture, technology environment, financing environment and competitors (Liu, 2008). Yang Baojun thinks that brand that ecological factors that affect the survival and development of brands include economic ecological factors, social ecological factors and geo-ecological factors, etc., and he has made a further refined breakdown of these factors (Yang, 2010). Jiang Xiaoyu refers to the classification of the abiotic factors for ecological environment in ecology and divides brand ecological environment into brand climatic factors, brand soil factors and brand topographical factors. The brand climatic factors include market environment, economic environment, political and legal environment and culture environment; brand soil factors include population environment, resources environment and infrastructure environment; brand topographical factors include technology environment, industry environment and media environment, etc. (Jiang, 2009) On the basis of alternation of certain environmental factors, the author adds brand competition factor and conducts a more in-depth and detailed analysis of the external factors affecting brand new market expansion.

1.1 Brand Climatic Factors

In ecology, climatic factors include light, water, air, etc. Correspondingly in branding, brand climatic factors include economic environment, policy environment and cultural environment.

(1) The economic environment factors refer to the market demand and economic resource allocation of the covered area of the brand (hereinafter referred to as "the covered area"), and they determine the brand's market capacity, product sales and continued profitability in the area.

The main factors include: per capita gross domestic product (GDP), per capita total retail sales of social consumer goods, per capita disposable income and per capita consumption spending. Per capita GDP reflects the level of economic development and the wealth of the residents living in the covered area and they determine the maximum limit of brand product prices. Per capita total retail sales of social consumer goods shows the total market capacity of the covered area. The greater the market capacity is, the brand's marketing costs can be more effectively reduced; therefore, it is an influencing factors that cannot be ignored. Per capita disposable income is directly proportional to the standard of living and it determines the real purchasing power of residents in the covered area. Per capita consumption expenditure is an important indicator reflecting the living standards and quality of residents in the covered area, and it also reflects the consumption structure of local residents, which provides the brand enterprises with basis to forecast structural changes in brand demand and the development trend and develop differentiated brand marketing strategy.

(2) The policy environment factors refer to the policies and laws and regulations related to brand development in covered areas. The greater this variable is, it indicates that the greater economic autonomy the region has and the better policy support environment the brand has. Appropriate policy environment will guide the brand expansion behavior.

The main factors include government support and tax incentives, market order stability and monetary policy. First, the regional government support programs and tax incentives have a positive effect to enhance the policy attractiveness of the covered area, and brand enterprises which are good at using such government incentives tend to get more favorable environment and resource niches and thus they are at an advantage or a dominant position in the brand competition activities. Secondly, the market order mainly refers to market access and trade order. A stable market order helps the brand expansion business steadily conducts daily management and brand promotion activities and ensures their equitable access to and use of related market resources and environmental factors so that they can reduce costs of production and brand building and increase brand profitability. Finally, monetary policy mainly includes open market operations, reserve requirements, the central bank loans, interest rates policy and exchange rate policy. Stable monetary policy will help enterprises, especially multinational enterprises, reduce new market development costs and market management risk.

(3) Cultural environment factors refer to cultural patterns and the consumer demand characteristics of the brand in the covered area. They often indirectly hinder new market expansion behavior of a brand.

The main factors are religion, customs and other differences in consumer attitudes, consumer brand preference, and brand culture atmosphere and so on. On the one hand, cultural characteristics in the area covered such as different religions, customs and consumer attitudes have an indirect impact on the demand levels, spending habits and brand awareness of local consumers and thereby determine consumers' brand preferences; therefore, they are significant in guiding enterprises, especially multinational enterprises to implement differentiated brand marketing strategy and reduce their market entry barriers; on the other hand, a good brand culture atmosphere can contribute to brand building and promotion and enhance brand's adaptability to local environment.

1.2 Brand Soil Factors

Soil factors including soil minerals, soil organic matters, soil structure and other traits influence the growth of living creatures. Correspondingly, branding soil factors include funding environment factors, population environment factors and growth environment factors.

(1) Funding environment factors refer to the basic conditions of service capabilities and the supply of funds of financial institutions in covered areas. The more favorable the funding environment is, the lower the risk and cost of brand expansion into new markets would be.

The main factors include deposits and loans balance of financial institutions, commercial banks coverage and financing channel. Deposits and loans balance of financial institutions reflects the service capacity and supply capacity of financial institutions in the area covered. The coverage of commercial banks shows the proportion of the number of commercial banking institutions and the land area in the covered region and is a factor which is positively correlated to the convenience for brand enterprises to obtain capital. The greater the number is, the lower the brand building and production costs will be. Financing channel refers to the completion level and the reasonability of financing structure of the main financial institutions, risk investment institutions, securities markets and stock markets in covered areas. They help reduce brand building and production costs and market management risks.

(2) Population environmental factors refer to the basic conditions of the population number, structure and distribution in covered areas. The market is constituted by people having a desire to buy and the purchasing power and therefore the population is the first element of the market.

The main factors include the resident population, the proportion of 15-64 year-old consumer groups and the degree of population density and other indicators. Population includes household registration population and the resident population, of which the number of the resident population is of the most significance and directly determines the size of the market and potential capacity. In the case of given income levels and purchasing power of a market, the proportion of population (15-64 years) who have actual spending power will fundamentally determines the size of the potential market demand and market attractiveness of the covered area and then decides brand products sales. Population density reflects the geo-spatial distribution of the population. The higher the population density of the covered area is, the greater the market opportunities and development potential of the brand will be.

(3) Growth environment factors refer to a variety of basic resources and related material conditions which affect brand growth in certain geographic space. A good environment for the growth of the brand can promote the brand expansion into new market.

The main factors include geographical advantages, the total annual business of posts and telecommunications, the annual transportation of cargo, the number of logistics companies, the annual comprehensive production capacity of the power supply and other infrastructure facilities. First of all, excellent geographical location has a positive role for brand market expansion, distribution and sale of the product and helps the brand expansion enterprises maximize brand profits. Secondly, the total annual business of posts and telecommunications, the annual transportation of cargo, the number of logistics companies, the annual power production capacity and other factors are a concentrated expression of the degree of affluence the basic resources and the maturity of infrastructure and logistics and other related infrastructure in the area covered. The more complete the infrastructure is, enterprises can more effectively reduce the cost of brand localization, production and operation. These factors directly affect the transmission efficiency of brand information and logistics.

1.3 Brand Topographic Factors

In ecology, topographical factors mainly refer to the fluctuation, slope and slope direction of the land. Correspondingly, in branding, they refer to the competitive environment, technological innovation environment and media channels.

(1) Competitive environment factors refer to the basic conditions regarding competition in brand expansion and brand promotion activities. They reflect the brand market development of the area covered and the intensity of the competition of the same category of brands. They have a certain degree of influence on the market size and price of the brand after entering the area.

The main factors include brand market maturity, the number of competing brands, the main competitive brand market share and the annual sales of major competing brands. First, the brand market maturity reflects the brand ecosystem development phase in which the local market is located. When the market is in the import of brands, the brand competition is weak and each competing brand can still occupy a relatively suitable niche; when the market is in the growing phase of brands, increasingly fierce brand competition makes certain brands' market space plundered and squeezed. It will probably be hard for these brands to maintain their normal survival niche. Secondly, the number of competing brands shows the saturation level of brands in this industry in the area covered and the intensity of the competition in the industry. In general, the greater the number is, the more limited the market resources that the brand expansion enterprises can obtain will be and the smaller the relative survival space of the brand will be. In addition, the main competing brands' market share is the expression of the niche distribution characteristics and market position of the major competitive brands in the covered area. The greater the market share is, the smaller the market space that the brand development companies can occupy and it will be hard for them to get the resources needed for survival and expansion. Finally, the annual sales of major competing brands show the economic strength and brand influence of the competing brands in the area covered. It objectively reflects local consumers' attitudes to its brand. Repeating consumers have a good brand awareness and loyalty and they intend to prefer their favorable brands and usually refuse new brands. Meanwhile, the larger the number is, it means the business scale, performance and brand influence of the main competing brands are bigger and it will be harder for brand expansion enterprises to obtain a suitable environment and recourse niche.

(2) Technological innovation environment factors refer to the basic condition of the science and technology development and human resources in areas covered. Brand innovation contributes to brand development and the formation and maintenance of sustainable competitive advantages. Maintaining a good brand innovation environment helps promote brand technology and product innovation.

The main factors include the total annual R & D expenditure, the number of scientific research institutions above city level, the number of patents, the number of higher education students and the number of job market. First, R & D expenditures show the investment strength and support level of the brand products or the brand innovation in the area covered. Second, the number of scientific research institutions above city level measures the research and development ability of the area covered. The greater the number is, it will be more favorable for brand expansion enterprises to have localized technological exchanges and cooperation and complete brand innovation and product upgrading. Furthermore, the number of patents indicates the technology transfer and spread situation and it determines the morphology of brand products, the replacement rate and the brand life cycle evolution rule in the area covered. Finally, the number of higher education and the number of job market reflect the ability to supply basic labor and management personnel, the supply convenience and overall quality of human resources and they help the talent localization of brand expansion businesses and thus greatly reduce the construction cost of the brand.

(3) Media channel factors mean that brand enterprises have plans to build and maintain a long-term, interactive, honest relationship with the media, and they gradually build up a brand enterprise cored media network. In terms of media promotion, they promote each other and support each other and jointly create a "caring, concerned and helping" ideal state (Deng, 2005). For brand enterprises, if there is no media access, even with the best products and ideas, they would be like missiles without launchers and they cannot work things out.

The main factors include the number of media, the media value index, the Internet penetration rate and the like. Media is the mouthpiece for brand market expansion and marketing and the number of media has a direct impact on marketing effectiveness. Media value index mainly refers to the standard of media evaluation of the media audiences, advertising pricing, view ratings and media coverage and it is a comprehensive reflection of the quality of the media. The greater the media value index is, it will be more helpful to improve the breadth and depth of brand release market information. Internet penetration rate reflects the level of information technology development in the region, and information technology promotes the development of the media, and thus the greater the value is, it will be more helpful for the development and construction of media channels and thus reduce the costs of brand enterprises to communicate and cooperate with the media.

CONCLUSION

Based on ecological niche theory, this paper analyzes the external factors affecting brand new market expansion from three aspects: brand climatic factors, brand soil factors and brand topographical factors. Among them, the brand climatic factors include economic environment, policy environment and cultural environment. Brand soil factors include funding environment, demographic environment and growth environment. Brand topographical factors include the competition environment, technological innovation environment and media channels. The author also further refines each sub factor and has a more comprehensive analysis of the external factors that affect a brand's expansion into new markets. The paper also provides the basis for brand companies to develop market expansion decisions.

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