



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Strategies of Diversification and Brand Extension in SME Food Companies: Which Factors Might Affect the Impact of Consumers' Preferences

Chiara Riganelli , Andrea Marchini , Bianca Polenzani , and Gaetano Martino

*Department of Agriculture, Food and Environmental Sciences, University of Perugia, Perugia, Italy
chiara.riganelli@gmail.com; andrea.marchini@unipg.it; biancapolenzani@gmail.com; gaetano.martino@unipg.it*

Received November 2017, accepted February 2018, available online March 2018

ABSTRACT

The purpose of the research is to evaluate the brand extension strategy of SMEs food companies, through the analysis of the consumers' response. The research analysed the case study of a food processing cooperative, "Gruppo Grifo Agroalimentare", which diversified its production through the acquisition of new SMEs companies. Through an hypothetical brand extension of the products, the goal is to study which factors would affect the acceptance and the purchasing of the extension. The results drive allow the SMEs food companies to know the needs of new consumers and to be able to meet these needs, both in terms of distribution and in terms of offer.

Keywords: *brand extension; local food company; food group; consumer survey; logit model.*

1 Introduction

The original social goals of cooperatives are “mutuality”, “solidarity” and “participation”, which are achieved within an economical and financial equilibrium in the long term (Hendrikse and Bijman, 2002; Mazzoleni, 1996, 2005; Ménard, 2007; Cook and James, 2016). For this reason, the analysis of the cooperatives’ performance must be carried out through two main lines: a holistic one, in which the impacts on social welfare must be considered, and an economic one, by considering its ability to remain competitive in the market (Stadler, 2007; Su and Cook, 2015).

SMEs food companies are very important in terms of rural development (Karantininis and Nilsson, 2007; Pascucci *et al.*, 2013; Zecca and Rastorgueva, 2017; Martino *et al.*, 2017). In this context food-processing cooperatives play a key role. The growth and diversification process of cooperatives occurs through the merge and acquisition of other local cooperatives, which produce different kinds of products and may have had financial troubles. The case study analysed in this research is the Grifo Latte company, which has implemented in its group medium and small-sized companies in Umbria although not being able to do an ex-ante analysis of the impact that this process would have had, or to make a financial assessment of the companies. For these reasons, the validity of this process must be necessarily verified after the implementation. This assessment should be done with an analysis of the effects of the brand-extension on the consumer.

In this context, the efficiency of cooperatives can be analysed by also considering how much they meet the consumers’ needs and if they are able to modify their traditional products and processes, without damaging the social concepts and the benefits it can bring to producers. In order to achieve this purpose, an important prerequisite is the identification of the cooperative as a quality brand, in order to guarantee competitiveness in the agri-food context (Ménard, 1996; Battaglia, 2002; Belletti *et al.*, 2005). The original concept of cooperatives, which involves the producers of the same type of product, has led to a complex situation of competitiveness: although there is a strong horizontal competition, the modifications of the consumers’ life styles require a strategy which allows product differentiation (Vindigni, 2003; Antonelli, 2006, 2003; Caroli, 2006; Iaia *et al.*, 2014).

The diversification of the production process is an important competitive factor in the agri-food context, which allows for meeting the growing consumers’ demand in term of quality and nutritional aspect (Nath *et al.*, 2010; Riganelli and Marchini, 2017). In order to reach that condition, a company must guarantee a wide array of products, which are chosen based on what might be the satisfaction and the future behavior of consumers.

A key factor in the planning of strategies is the Brand Equity, which considers the value of a product based also on the inclusion of the company’s mark logo on the package, net of the technical and functional value (Aaker, 1991, 1996). In particular, the Consumer Based Brand Equity (CBBE) theory includes the consumers’ evaluation of the Brand in terms of image and fame, quality, safety and loyalty (Keller, 1993, 2003; Lassaret *al.*, 1995; Aaker, 2003; Netemeyer *et al.*, 2004). The Brand Extension strategy allows the diversification of a company’s products, in order to meet consumers’ demand. A Brand Extension consists on affixing a mark, usually well-known and stable, to a new category of products. These new products could gain the same benefits of the existing mark’s Brand Equity, and have its same reputation, image and loyalty. There are different typologies of Brand Extension, based on the coherence that the new product will have within the consumers’ imaginary and the categories of the brand’s products (Tauber, 1993). The wider the distance between the new product and the main concept of the brand, the greater the investment will be in advertising it and in trying to make it acceptable in the consumer’s eye in order to lead to its purchase.

The phenomenon of the Brand Extension is particularly applied in the cooperative system: the managing of a brand portfolio, which is typical of a cooperative association, is based on a brand extension strategy. In the recent few years, many single-product cooperatives in the agri-food context have rapidly become multi-brand companies, preserving so the brand from the vulnerability of the single-product strategy (Milberg *et al.*, 2010).

This research focuses on this phenomenon, evaluating how the consumers respond to the brand extension strategy of a local and traditional cooperative. Through a specific case study, we imagine a possible brand extension of the products of a local Group. The goal is to study which factors would affect the acceptance of the extension and might induce the consumer to buy it.

Section 2 describes the case study of “Gruppo Grifo Agroalimentare”, and its transition from a single-product cooperative to a Group. This section also presents the model that we aim to test and the description of the data and variables used. Section 3 shows the result of the empirical analysis carried out. Finally, section 4 presents the conclusions of the study.

2 Methodology

Our approach focuses on a single case study regarding a cooperative in the dairy sector (Gruppo Grifo Agroalimentare, Umbria, Central Italy). As a first step we gathered data from documents regarding the company, and this allowed us to contextualize the investigation within the framework of the company's history and strategy. After collecting evidence from the analysis of literature and documents, we suggest four testable hypotheses.

The strategy testing was based on the quantitative analysis of the survey data. We collected the data through a questionnaire, by interviewing a sample of consumers. Then, we carried out a statistical analysis of the data in order to test the hypotheses we have suggested.

2.1 The “Gruppo Grifo Agroalimentare” case study

The Brand “Gruppo Grifo Agroalimentare” is a local dairy company with the goal to have a constant equilibrium between traditional production and innovation. The production of milk was the first (and for many years the only) product of cooperative. During the 70's the “Grifo Latte” cooperative started to differentiate its products. A new “high quality” milk can be considered a first attempt of brand extension, in particular a case of line extension, within the same product category. Subsequently, in the 80', Grifo Latte expanded its portfolio towards cheese production, with a range extension, which is closely linked to the original one, milk. These extensions are a result of the company's will to improve and keep growing, since there was a scarce probability to survive with the making of only one product. So, new marketing strategies have been carried out, without going against the original and social objectives of sustainability. The constant extension of the company's portfolio, which is carried out with new products quite distant from the original concept of milk (e.g. typical bean or traditional sauces), leads Grifo Latte to become, in 2012, a group of companies, with the name “Gruppo Grifo Agroalimentare”. The success of the extensions was due mainly to the positive image of Grifo Latte in the local consumers' eyes, which allowed to consolidating further positive reputation of the brand through their new products.

2.2 An hypothetical brand extension strategy

The research focuses on the study of the Gruppo Grifo Agroalimentare, by considering possible evolution of the Brand, and by identifying the motivations that lead to buy the new products. In order to analyse this phenomenon, we consider a possible brand extension of the company. The extension has been made to groceries because this is the production area of the cooperative, therefore to test the willingness to buy in relation to the perceived consistency, a relation with the cooperative's main products was required. The products that have been considered are: (a) fresh snack bars; (b) frozen precooked food; (c) breakfast cereals; (d) fruit juices; (e) eggs; (f) fresh pasta. Each one of them share at least one ingredient (if the original products aren't ingredients themselves) and/or the location, and/or the concept with the original range of products. They can be complementary with other goods already in the market, or they can just take advantage of the cooperative's image. To show the influence of the CBBE of the cooperative, two products have been chosen close to the original range (fresh snack bars and breakfast cereals) and another four increasingly distant from it (fresh pasta, eggs, frozen precooked food and fruit juice). The former are an example of the range extension, while the latter are representative of the brand stretching.

The motivations that can lead consumers to buy these new products derive from different factors that must be considered.

Firstly the awareness that the consumer has of the brand's image has a crucial role in the products' launch (Martínez and de Chernatony, 2004). The mark is usually associated with milk, so we expect that the more distant the extension from this product, the more difficult will the acceptance and the purchase be of the Gruppo Grifo Agroalimentare's products of the hypothetical extension (Park *et al.*, 1991). Considering this evidence, the Group should be considering this relationship in its marketing strategy, evaluating the different position of the Group's mark in the product packaging. For these reasons, it is interesting to investigate this relationship, enouncing a first hypothesis of the research:

H1: The close link with the original brand impacts positively on the propensity to buy the products of brand extension.

The second factor that we consider in order to have an evaluation of the propensity to buy the products of the extension is to be already a consumer in the category. Loyalty and habits can be considered a two-dimensional representation of each consumer, so firms can then devise proper interaction based on these two aspects (Liu-Thompkins and Tam, 2013). This relationship allows to have an evaluation of the consumers' motivation to purchase a brand extension of Gruppo Grifo Agroalimentare. As a matter of fact, previous consumers' habits could or could not influence purchasing the extension, and this result might highlight or not the strength of the brand (Olsen et al., 2013). So, the hypothesis that we aim to test is:

H2: Consumers that usually consume the extended product category are more inclined to buy the product of the extension.

The third factor that must be taken under consideration is the perceived quality of Gruppo Grifo Agroalimentare. A brand with a high consumers' satisfaction in terms of quality can attempt a less coherent extension, due to the higher success probability (Aaker and Keller, 1992; Rotemberg, 2013). Quality could be declined by the consumer for two reasons: the link with the territory or the nutritional features, which are often difficult to investigate through a first reading of label (Stranieri et al., 2010; Simeone et al., 2016). Every one of these can potentially play a role in the purchasing decisions regarding the products' extension (Völckner and Sattler, 2006). For this reason, another hypothesis can be enounced in the research:

H3: Consumers with a high quality image awareness of "Grifo Latte" are more inclined to buy the products of brand extension.

2.3 Data, model specification and variables

Data was gathered in the Umbrian region, in August of 2016, through a structural questionnaire. The samples consisted of 232 respondents. The subjects of the interview were asked to express their opinion about some quality aspects of Gruppo Grifo Agroalimentare (first set of questionnaire item) and to give an evaluation about the closeness between two marks: the existing one and another one chosen to innovate the portfolio (second set of item). Furthermore, the interview investigated the habitual consumption of samples from products within the extension's category (third set of item). Then, the questionnaire focused on possible purchasing behavior in connection to the brand extension hypotheses that were suggested (forth set of item). Finally, some questions about socio-demographic characteristics were asked (fifth set of item). The economic literature highlighted that socio-demographic and economic variables are key factors that must be taken into consideration while studying the decisions to purchase, especially in the brand extension strategy (Bottomley and Holder, 2001; Torelli and Ahluwalia, 2012). So these last set of variables are useful when taking into account some features that could play a role in the purchasing decision.

In order to test the hypotheses, we analysed the data by the following equation, obtained by the firm i for each products p of the extension:

$$Y_{ip} = \beta_1 MARK_i + \beta_2 CONS_{ip} + \sum_k \gamma_k QUAL_i + \sum_j \theta_j SOC_i + \varepsilon_i \quad (1)$$

where Y_i denotes the outcome variables. These are dummy variables that show whether or not consumers would buy the product of the extension. $MARK_i$ indicates if consumers identify links between the new mark of Gruppo Grifo Agroalimentare and the previous mark (H1). Similarly, $CONS_i$ allows to have an indication about the habitual consumption of the product concerned. $QUAL_i$ represents the set of the features through which brand quality is composed. In particular, these are the *origin* of the product, the *loyalty*, the degree of *diffusion*, the diversification of *array*, the *cheapness*, the *packaging*, the *nutritional* aspect and *organoleptic* features. Finally, SOC_i represents the socio-demographic characteristics of the sample in order to control for these characteristics. The set of variables include the *gender*, the *age*, the *size of household*, the level of *education* and of *household income*. In Table 1 are present descriptive statistics of the variables used in the model.

Considering the nature of the dependent variable, we estimated a Logit model (Dobson and Barnett, 2008; Verbeek, 2012). We applied the Logit model in order to evaluate the impact of the explanatory variables on the dichotomous dependent variables with regard to the willingness to buy the products of the extension (dummy variables, see Table 1). We have also included a robust estimation of standard errors, in order to avoid possible serial correlations in the Logit model and in order to take under

consideration a potential violation of the normality of the sample. As for the interpretation of the result, odds ratio (OR) are presented: OR are able to analyse the propensity/willingness to buy the products of the extension, given an unitary increase of the value of the independent variable. This interpretation is particularly useful in order to explain how the factor might have a role in the products' purchase.

3 Results

To better analyse the phenomenon of the brand extension we have hypothesized, we created a set of 6 Logit models, one for each product considered in the dependent variable. The results are presented in Table 2 and 3¹ in the appendix. From the results, we can answer the previous hypotheses:

Considering the socio-economical characteristics, there are some significant considerations to make with regard to the propensity to buy the products of the extension. When it comes to the propensity to buy the *fresh snack bars*, it increases in the households with higher income. Furthermore, there are negative implications in the case of respondents over 46: this result leads to conclude that this product is not targeted at those of an older age range. This last result is also valid in the case of *breakfast cereals*. With regard to *eggs*, there is a positive implication instead when it comes to the age range between 31 and 45, with a family formed by two people and with a high degree of education. This can be considered a typical family formed by a young couple, who cook by mainly using basic and common ingredients so they don't have a real need for this kind of product. Finally, taking into account the *fresh pasta*, respondents over 65 show a high propensity to buy this product. Furthermore, the propensity grows with the increase of household's size and its educational level. Finally, the propensity decreases instead in the case of a low level of household income.

Following answers to the hypotheses previously formulated:

H1: The results about the positive impact on the propensity to buy, due to the closeness of the new brand with the original one, are different according to the different products of the extension. The positive implications are shown only for two products: *fresh snack bars* and *breakfast cereals*. As we have already mentioned, these two products are a range extension for Gruppo Grifo Agroalimentare, and the acceptance of the consumers is confirmed through these results.

H2: The positive impact on the consumer, due to the habitual consumptions of the extended product category, is found for all the products considered, with positive and significant coefficients. These results led to consider the brand of Gruppo Grifo Agroalimentare strictly connected to the consumers' lifestyle habits, who are strongly inclined to buy the new products.

H3: With regard to the components of the quality, there are some different evidences among products. Considering the *fresh snack bars*, there are only two aspects that are positive and significant: the diffusion and the nutritional aspect, with odds ratio about 2 and 3 respectively. The attention to the nutritional aspect gives us information about the evolution that a food traditionally considered "unhealthy" can have with the brand of Gruppo Grifo Agroalimentare. Furthermore, the company must focalize its strategy on the distribution of product. With regard to the *frozen precooked food*, there is only an implication in the cheapness aspect, with a negative coefficient: the consumers that pay attention to the cost of the products have a propensity about 60% lower to buy frozen precooked food. Considering the *breakfast cereals*, diffusion, origin and cheapness are significant. So, we can conclude that the high quality image awareness of Gruppo Grifo Agroalimentare is not a strong factor to consider in a possible launch of this product, with a consumer potentially able to accept a price premium (Bleich and Herrmann, 2013). For the *fruit juice* product, the significance and positive coefficients are diffusion and loyalty. This last result is quite important, considering the huge distance that there is between this product and the milk: loyal consumers have a propensity to buy fruit juice products about 3 times higher than non loyal ones. Finally, considering *fresh pasta* products, we find a positive coefficient in loyalty and variety and a negative coefficient in cheapness.

¹ For the categorical variables, the class reference class is the first one. So, the coefficients must be considered in reference for the first class. For Age is the class "< or = to 30", for Family components is the category "single", for the Education is the category "Secondary school" and for the Income is the class "< or = to 10000€".

4 Conclusions

The practice of the brand extension is crucial in the modern market, where introducing new brands is becoming increasingly difficult. So, it is easier to expand and exploit an already existing brand, having benefits from its reputation.

The research hypothesizes a brand extension for Gruppo Grifo Agroalimentare by analyzing a consumer evaluation. One of the most important factors for the cooperative brand-extension is the habitual consumption of products, so if a cooperative wants to expand its brand portfolio, it should study its typical consumer and socio-economical characteristics of the extension's target. This is also important because the cooperative should know the needs of new consumers and should be able to meet these needs, both in terms of distribution and in terms of offer. This can also help the cooperative to know about the potential willingness to pay a premium price for the new product, which is possible in some cases (e.g., frozen precooked food and breakfast cereals this research), and to manage the extension accordingly (DelVecchio and Smith, 2005; Sattler *et al.*, 2010). Another important factor, in addition to the needs and habits of consumers, is loyalty. A loyal consumer will also buy the stretch extension and, because of this, it's important for cooperatives to work on the consumers' fidelity and on the brand's CBBE, before trying an extension. This result, together with those that show significance about the quality components, is in line with previous studies about brand extension (Aaker and Keller, 1990; Sunde and Brodie, 1993).

After all, this marketing strategy could work for the cooperative that has already created a behavioral loyalty and attitudinal attachment, which can affect the propensity to buy products from the brand stretching, although a line extension might be safer if the cooperative knows the consumers' needs and habits.

References

- Aaker, D. (2003). The power of the branded differentiator. *MIT Sloan Management Review*, **45**(1): 83.
- Aaker, D. A. (1996). Measuring brand equity across products and markets. *California management review*, **38**(3): 102-120.
- Aaker, D. A., Equity, M. B. (1991). Capitalizing on the Value of a Brand Name. New York.
- Aaker, D.A., Keller, K.L. (1990). Consumer evaluation of brand extension. *Journal of Marketing*, **54**(1): 27-41. DOI: <http://www.jstor.org/stable/1252171>
- Amatulli, C., Guido, G., Iaia, P. L., and Aquaro, S. (2015). Il linguaggio del silenzio nella comunicazione pubblicitaria della moda e del lusso: *un'indagine semiotica Lingue e Linguaggi*, **13**: 7-22. DOI: 10.1285/i22390359v13p7
- Antonelli, C. (2003). The digital divide: understanding the economics of new information and communication technology in the global economy. *Information Economics and Policy*, **15**(2): 173-199. DOI: [https://doi.org/10.1016/S0167-6245\(02\)00093-8](https://doi.org/10.1016/S0167-6245(02)00093-8)
- Antonelli, C. (2006). The business governance of localized knowledge: an information economics approach for the economics of knowledge. *Industry and Innovation*, **13**(3): 227-261. DOI: <http://dx.doi.org/10.1080/13662710600858118>
- Aubert, P., Caroli, E., and Roger, M. (2006). New technologies, organisation and age: firm-level evidence. *The Economic Journal*, **116**(509). DOI: 10.1111/j.1468-0297.2006.01065.x
- Battaglia, M., Mummery, D., and Smith, A. (2002). Economic analysis of site survey and productivity modelling for the selection of plantation areas. *Forest Ecology and Management*, **162**(2): 185-195. DOI: [https://doi.org/10.1016/S0378-1127\(01\)00505-9](https://doi.org/10.1016/S0378-1127(01)00505-9)
- Belletti, G., Marescotti, A., Innocenti, S., and Rossi, A. (2010). Prezzo giusto e filiera corta: una lettura dell'esperienza dei mercati dei produttori agricoli in Toscana. *Agriregionieuropa*, **6**(23).
- Bleich, S., Herrmann, R. (2013). Price versus Non-price Incentives for Participation in Quality Labeling: The Case of the German Fruit Juice Industry. *International Journal on Food System Dynamics*, **4**(1): 51-63. DOI: <http://dx.doi.org/10.18461/ijfsd.v4i1.415>.

- Bottomley, A. (2001). Our Property in Trust: Things To Make and Do. *Feminist perspectives on equity and trusts*: 257-287.
- Caroli, M. G. (2006). Il marketing territoriale. *Strategie per la competitività sostenibile del territorio* (Vol. 1). FrancoAngeli.
- Chaddad, F. (2012). Advancing the theory of the cooperative organization: the cooperative as a true hybrid. *Annals of Public and Cooperative Economics*, **83**(4): 445-461. DOI: 10.1111/j.1467-8292.2012.00472.x.
- Cook, M.L., H. James, (2016). Cooperatives, in R.W. Kolb (ed.), *Encyclopedia of Business Ethics and Society*, 2/e, Thousand Oaks, CA: Sage Publishers.
- DelVecchio, D., Smith, D. C. (2005). Brand-Extension Price Premiums: The Effects of Perceived Fit and Extension Product Category Risk. *Journal of Academy of Marketing Science*, **33**(2): 184-196. DOI: <https://doi.org/10.1177/0092070304269753>.
- Dobson A. J., Barnett A. (2008), *An Introduction to Generalized Linear Models*. Chapman and Hall/CRC.
- Greene W. H. (2011). *Econometric Analysis*. Seventh Edition. Prantice Hall, New Jersey.
- Haddad, N. O., Ton, G., Sraïri, M. T., and Bijman, J. (2017). Organisational Challenges of Moroccan Dairy Cooperatives and the Institutional Environment. *International Journal on Food System Dynamics*, **8**(3): 236-249. DOI: <http://dx.doi.org/10.18461/ijfsd.v8i3.835>.
- Heath, T. B., Del Vecchio, D., and McCarthy, M. S. (2011). The asymmetric effects of extending brands to lower and higher quality. *Journal of Marketing*, **75**(4): 3-20. DOI: 10.2307/41228605.
- Hendrikse, GWJ, Bijman, WJJ, (2002) On the emergence of new growers' associations: Self-selection versus countervailing power. *European Review of Agricultural Economics*, vol. **29**, (2):255-269. DOI: <https://doi.org/10.1093/eurrag/29.2.255>.
- Hu, H. H., Kandampully, J., Juwaheer, T. D. (2009). Relationships and impacts of service quality, perceived value, Consumer satisfaction, and image: an empirical study. *The service industries journal*, **29**(2): 111-125. DOI: <http://dx.doi.org/10.1080/02642060802292932>.
- Iacoponi, L. (2001). Impresa agraria ed ipotesi distrettuale: dai sistemi produttivi agroalimentari ai sistemi territoriali. In Conferenza Nazionale sull'impresa agricola.
- Iaia, L., Fait, M., Cavallo, F., Scorrano, P., and Maizza, A. (2014). Experiential marketing per il brand-land dei prodotti tipici: diventare marchio comunicando il territorio. Atti del XXVI Convegno annuale di Sinergie. DOI: 10.7433/SRECP.2014.37.
- Katantiniis, K., Nilsson, J. (Ed.) (2007). *Vertical Markets and Cooperative Hierarchies. The Role of Cooperatives in the Agri-Food Industry*. Springer, The Netherlands.
- Keller, K. L. (1993). Conceptualizing, measuring, and managing customer-based brand equity. *The Journal of Marketing*: 1-22. DOI: <http://www.jstor.org/stable/1252054>.
- Keller, K. L. (2003). *Building, measuring, and managing brand equity*. Aufl., Upper Saddle River.
- Lassar, W., Mittal, B., and Sharma, A. (1995). Measuring customer-based brand equity. *Journal of consumer marketing*, **12**(4): 11-19. DOI: <https://doi.org/10.1108/07363769510095270>.
- Liu-Thompkins, Y., Tam, L. (2013). Not all repeat customers are the same: Designing effective cross-selling promotion on the basis of attitudinal loyalty and habit. *Journal of Marketing*, **77**(5): 21-36. DOI: <https://doi.org/10.1509/jm.11.0508>.
- Martinez, E., de Chernatony, L. (2004). The effect of brand extension strategies upon brand image. *Journal of Consumer Marketing*, **21**(1): 39-50. DOI: <https://doi.org/10.1108/07363760410513950>.
- Martino, G., Karantiniis, K., Pascucci, S., Dries, L. K. E., and Codron, J. M. (Ed.) (2017), *It's a jungle out there – the strange animals of economic organization in agri-food value chains*. Wageningen Academic Publishers, The Netherlands.
- Mazzoleni, M. (1996). *L'azienda cooperativa: profilo istituzionale e caratteristiche della gestione*. Cislalino.
- Mazzoleni, R., Nelson, R. R. (2005). The roles of research at universities and public labs in economic catch-up (No. 2006/01). LEM Working Paper Series.
- Ménard C, (2007). 'Cooperatives: hierarchies or hybrids?' in K Karantiniis & J Nilsson (Eds.) *Vertical markets and cooperative hierarchies*: 1-18. Springer, Dordrecht, The Netherlands.
- Ménard, C. (1996). Inside the black box: the variety of hierarchical forms. In *Transaction cost economics and beyond*:149-170. Springer Netherlands.

- Milberg, S. J., Sinn, F., and Goodstein, R. C. (2010). Consumer reactions to brand extensions in a competitive context: does fit still matter?. *Journal of Consumer Research*, **37**(3): 543-553. DOI: <http://www.jstor.org/stable/10.1086/653099>.
- Nath, P., Nachiappan, S., and Ramanathan, R. (2010). The impact of marketing capabilities, operation capability and diversification strategy on performance: A resource-based view. *Industrial Marketing Management*, **39** (2), 317-329. DOI: 10.1016/j.indmarman.2008.09.001.
- Nijkamp, P., Vindigni, G. (2003). The economics of biodiversity: a multivariate meta-analysis. Vrije Universiteit, Amsterdam.
- Olsen, S. O., Tudoran, A. A., Brunsø, K., and Verbeke, W. (2013). Extending the prevalent consumer loyalty modelling: the role of habit strength. *European Journal of Marketing*, **47**(1/2): 303-323. DOI: <https://doi.org/10.1108/03090561311285565>.
- Park, C. W., Milberg, S., and Lawson, R. (1991). Evaluation of brand extensions: the role of product feature similarity and brand concept consistency. *Journal of consumer research*, **18**(2): 185-193. DOI: 10.1086/209251.
- Pascucci, S., de-Magistris, T., Dries, L., Adinolfi, F., and Capitanio, F. (2013). Participation of Italian farmers in rural development policy. *European Review of Agricultural Economics*, **40** (4): 605-631. DOI: 10.1093/erae/jbt005.
- Riganelli, C., Marchini, A. (2017). Governance and quality disclosure: the palm oil issue. *British Food Journal*, **119** (8): 1718-1731. DOI: 10.1108/BFJ-11-2016-0566.
- Rotemberg, J. J. (2013). Expected Firm Altruism, Quality Provision, and Brand Extensions. *Marketing Science*, **32**(2): 325-341. DOI: <https://doi.org/10.1287/mksc.1120.0765>.
- Sattler, H., Völckner, F., Riediger, C., and Ringle, C. M. (2010). The impact of brand extension success drivers on brand extension price premium. *International Journal of Research in Marketing*, **27**: 319-328. DOI: <https://doi.org/10.1016/j.ijresmar.2010.08.005>.
- Simeone, M., Scarpato, D., and Marinelli, N. (2016). Factors Affecting Food Label Complexity: Does the New EU Regulation Safety Consumer Issues? An Exploratory Study. *Journal of Food Products Marketing*, **22** (5): 571-583. DOI: 10.1080/10454446.2015.1121422.
- Snoj, B., Pisnik Korda, A., andMumel, D. (2004). The relationships among perceived quality, perceived risk and perceived product value. *Journal of Product & Brand Management*, **13**(3): 156-167. DOI: <https://doi.org/10.1108/10610420410538050>.
- Stadler, C. (2007). Four Principles of Enduring Success, Harvard Business Review.
- Stranieri, S., Baldi, L., and Banterle, A. (2010). Do Nutritional Claims Matter to Consumers? An Empirical Analysis Considering European Requirements. *Journal of Agricultural Economics*, **61**(1): 15-33. DOI: 10.1111/j.1477-9552.2009.00223.x.
- Su, Y., Cook, M. L. (2015). Price Stability and Economic Sustainability–Achievable Goals? A Case Study of Organic Valley. *American Journal of Agricultural Economics*, **97**(2): 635-651. DOI: <https://doi.org/10.1093/ajae/aau114>.
- Sunde, L., Brodie, R. J. (1993). Consumer evaluation of brand extension: Further empirical results. *International Journal of Research in Marketing*, **10**(1): 47-53. DOI: [https://doi.org/10.1016/0167-8116\(93\)90032-T](https://doi.org/10.1016/0167-8116(93)90032-T).
- Tauber, E. M. (1993). Fit and leverage in brand extensions. *Brand Equity and Advertising*, Hillsdale/NJ: 313-318.
- Torelli, C. J., Ahluwalia, R., Cheng, S. Y., Olson, N. J., and Stoner, J. L. (2017). Redefining Home: How Cultural Distinctiveness Affects the Malleability of In-Group Boundaries and Brand Preferences. *Journal of Consumer Research*, **44**(1): 44-61. DOI: <https://doi.org/10.1093/jcr/ucw072>
- Verbeek M., (2012), A Guide to Modern Econometrics. John Wiley & Sons Inc.
- Vinding, A. L., Drejer, I. (2006). The further the better. Knowledge intensive service firms collaboration on innovation (DRUID Working Papers 06–31). DRUID, Copenhagen Business School, Department of Industrial Economics and Strategy/Aalborg University, Department of Business Studies, Denmark.
- Völckner, F., Sattler, H. (2006). Drivers of Brand Extension Success. *Journal of Marketing*, **70**(2): 18-34. DOI: <https://doi.org/10.1509/jmkg.70.2.18>.
- Zecca, F., Rastorgueva, N. (2017). Knowledge management as a key stone of sustainable welfare in the Italian rural areas. *Rivista di studi sulla sostenibilità*, **1**: 183-201. DOI: 10.3280/RISS2017-001012.

Appendix

Table 1.
Definition of variables, means, frequencies and standard deviations

Variable name	Description	Obs	Freq	Mean	SD
<i>Dependent variables</i>					
Fresh snack bars	Dummy, respondents buy Grifo fresh snack bars =1; otherwise=0	231	72	0,31	0,46
Frozen precooked food	Dummy, respondents buy Grifo frozen precooked food =1; otherwise=0	230	45	0,20	0,40
Breakfast cereals	Dummy, respondents buy Grifo breakfast cereals =1; otherwise=0	231	101	0,44	0,50
Fruit Juice	Dummy, respondents buy Grifo fruit juices =1; otherwise=0	230	91	0,40	0,49
Eggs	Dummy, respondents buy Grifo eggs =1; otherwise=0	230	115	0,50	0,50
Fresh Pasta	Dummy, respondents buy Grifo fresh pasta =1; otherwise=0	231	108	0,47	0,50
<i>Independent variables</i>					
NEW MARK	Dummy, respondents linked new mark with the old one =1; otherwise=0	232	209	0,90	0,30
HABITUAL CONSUMPTION - Sweet snacks	Dummy, respondents consume sweet snacks =1; otherwise=0	232	11	0,05	0,21
HABITUAL CONSUMPTION - Frozen precook-food	Dummy, respondents consume frozen precooked food =1; otherwise=0	232	29	0,13	0,33
HABITUAL CONSUMPTION - Breakfast cereals	Dummy, respondents consume breakfast cereals =1; otherwise=0	230	83	0,36	0,48
HABITUAL CONSUMPTION - Fruit Juice	Dummy, respondents consume fruit juices =1; otherwise=0	231	82	0,35	0,48
HABITUAL CONSUMPTION - Eggs	Dummy, respondents consume eggs =1; otherwise=0	230	140	0,61	0,49
HABITUAL CONSUMPTION - Fresh Pasta	Dummy, respondents consume fresh pasta =1; otherwise=0	232	82	0,35	0,48
QUAL - Origin	Dummy, respondents consider important origin =1; otherwise=0	228	205	0,90	0,30
QUAL - Loyalty	Dummy, respondents consider important loyalty =1; otherwise=0	227	127	0,56	0,50
QUAL - Diffusion	Dummy, respondents consider important diffusion =1; otherwise=0	226	116	0,51	0,50
QUAL - Array	Dummy, respondents consider important array =1; otherwise=0	226	127	0,56	0,50
QUAL - Cheapness	Dummy, respondents consider important cheapness =1; otherwise=0	228	154	0,68	0,47
QUAL - Packaging	Dummy, respondents consider important packaging =1; otherwise=0	225	84	0,37	0,48
QUAL - Nutritional	Dummy, respondents consider important nutritional =1; otherwise=0	226	193	0,85	0,35
QUAL - Organoleptic	Dummy, respondents consider important organoleptic =1; otherwise=0	226	188	0,83	0,37
SOC - Woman	Dummy, respondents are woman =1; otherwise =0	232	156	0,67	0,47
SOC - Age:	Scale, age of respondents	230		3,00	0,93
SOC - Household size	Scale, household size of respondents	231		3,22	1,23
SOC - Education	Scale, level of education of respondents	232		4,40	0,70
SOC - Household income	Scale, level of household income of respondents	224		2,42	1,08

Table 2.

Model estimation: beta coefficients and odds ratio for products quite close to the original range of Gruppo Grifo

Model		(Model 1)		(Model 3)	
Hypothesis	Variables	FRESH SNACK BARS		BREAKFAST CEREALS	
		β	Odds ratio	β	Odds ratio
H1	NEW MARK	1.298* [0.74]	3.662* [2.70]	1.187** [0.55]	3.276** [1.80]
H2	HABITUAL CONSUMPTION	2.216** [0.69]	9.171** [6.34]	2.734*** [0.45]	15.388*** [7.00]
H3	QUAL - Origin	0.568 [0.67]	1.765 [1.18]	-1.650** [0.66]	0.192 [0.13]
	QUAL - Loyalty	-0.497 [0.39]	0.608 [0.24]	-0.502 [0.42]	0.606 [0.25]
	QUAL - Diffusion	0.613* [0.37]	1.847* [0.68]	0.848* [0.43]	2.334* [1.01]
	QUAL - Array	-0.045 [0.40]	0.956 [0.38]	0.567 [0.52]	1.763 [0.92]
	QUAL - Cheapness	0.022 [0.44]	1.022 [0.45]	-1.468** [0.52]	0.230** [0.12]
	QUAL - Packaging	0.156 [0.42]	1.169 [0.49]	0.231 [0.48]	1.260 [0.60]
	QUAL - Nutritional	1.214* [0.65]	3.367* [2.19]	1.052 [0.70]	2.863 [2.01]
	QUAL - Organoleptic	-0.859 [0.69]	0.424 [0.29]	1.059 [0.72]	2.885 [2.08]
H4	SOC - Woman	-0.426 [0.37]	0.653 [0.24]	-0.237 [0.40]	0.789 [0.31]
	SOC - Age: 31 - 45	-0.416 [0.47]	0.660 [0.31]	-0.676 [0.50]	0.509 [0.26]
	SOC - Age: 46 - 65	-1.553** [0.52]	0.212 ** [0.11]	-1.117** [0.52]	0.327** [0.17]
	SOC - Age: > 65	-1.759* [0.99]	0.172* [0.17]	-1.784 [1.21]	0.168 [0.20]
	SOC - Household size: 2 members	-0.542 [0.54]	0.581 [0.38]	0.037 [0.77]	1.037 [0.80]
	SOC - Household size: 3 members	-0.211 [0.62]	0.810 [0.50]	-0.651 [0.73]	0.521 [0.38]
	SOC - Household size: 4 members	-0.696 [0.61]	0.499 [0.30]	-0.199 [0.76]	0.819 [0.62]
	SOC - Household size: > 4 members	-0.787 [0.75]	0.455 [0.34]	0.307 [0.85]	1.360 [1.16]
	SOC - Education: High school	-0.449 [0.87]	0.638 [0.55]	0.181 [0.84]	1.199 [1.00]
	SOC - Education: Degree	-0.321 [0.84]	0.725 [0.61]	0.160 [0.82]	1.173 [0.97]
	SOC - Household income: 10000-20000€	-0.185 [0.50]	0.831 [0.41]	-0.592 [0.58]	0.553 [0.32]
	SOC - Household income: 20000-30000€	0.846 [0.53]	2.330 [1.24]	0.761 [0.62]	2.141 [1.33]
	SOC - Household income: > 30000€	1.030* [0.59]	2.800* [1.66]	0.079 [0.66]	1.082 [0.72]
	Cons	-1.684 [1.32]	0.186 [0.25]	-1.524 [1.29]	0.218 [0.28]
	Observations	209	209	207	207

*** p<0.01, ** p<0.05, *p<0.10.

There are robust standard errors in brackets.

Table 3.

Model estimation: beta coefficients and odds ratio for products quite distant to the original range of Gruppo Grifo Agroalimentare.

Hypothesis	Model Variables	(Model 2)		(Model 4)		(Model 5)		(Model 6)	
		FROZEN PRECOOKED FOOD		FRUIT JUICES		EGGS		FRESH PASTA	
		β	Odds ratio	β	Odds ratio	β	Odds ratio	β	Odds ratio
H1	NEW MARK	0.930 [0.81]	2.535 [2.06]	-0.022 [0.57]	0.998 [0.57]	0.586 [0.58]	1.797 [1.04]	0.433 [0.56]	1.542 [0.87]
H2	HABITUAL CONSUMPTION	2.300*** [0.54]	9.976*** [5.35]	1.705*** [0.36]	5.500*** [2.00]	0.835** [0.34]	2.304** [0.78]	0.968** [0.35]	2.634** [0.93]
H3	QUAL - Origin	-0.640 [0.81]	0.527 [0.42]	0.536 [0.69]	1.710 [1.17]	0.073 [0.60]	1.076 [0.64]	-0.137 [0.62]	0.872 [0.54]
	QUAL - Loyalty	-0.090 [0.41]	0.914 [0.38]	0.737* [0.40]	2.090* [0.84]	0.243 [0.35]	1.275 [0.45]	0.775** [0.38]	2.170** [0.82]
	QUAL - Diffusion	0.674 [0.45]	1.962 [0.87]	0.654* [0.38]	1.924* [0.73]	0.130 [0.38]	1.139 [0.43]	0.150 [0.40]	1.162 [0.47]
	QUAL - Array	0.533 [0.46]	1.704 [0.78]	0.471 [0.42]	1.601 [0.67]	0.696 [0.43]	2.006 [0.86]	1.303** [0.44]	3.681** [1.62]
	QUAL - Cheapness	-0.804* [0.43]	0.448* [0.19]	0.247 [0.44]	1.280 [0.56]	0.221 [0.42]	1.248 [0.53]	-0.723* [0.44]	0.485* [0.21]
	QUAL - Packaging	0.617 [0.48]	1.853 [0.89]	-0.417 [0.43]	0.659 [0.28]	-0.438 [0.39]	0.645 [0.25]	-0.172 [0.39]	0.842 [0.33]
	QUAL - Nutritional	0.626 [0.86]	1.870 [1.61]	0.515 [0.76]	1.674 [1.27]	-0.004 [0.75]	0.996 [0.75]	-0.277 [0.74]	0.758 [0.56]
	QUAL - Organoleptic	0.194 [0.95]	1.214 [1.15]	-0.288 [0.81]	0.750 [0.61]	0.158 [0.72]	1.172 [0.84]	0.769 [0.69]	2.157 [1.48]
H4	SOC - Woman	-0.403 [0.49]	0.668 [0.33]	-0.612 [0.37]	0.542 [0.20]	0.036 [0.35]	1.036 [0.37]	0.513 [0.36]	1.670 [0.59]
	SOC - Age: 31 - 45	-0.508 [0.66]	0.602 [0.40]	0.320 [0.50]	1.377 [0.68]	0.762* [0.43]	2.142* [0.91]	0.146 [0.46]	1.157 [0.53]
	SOC - Age: 46 - 65	-0.369 [0.54]	0.691 [0.37]	-0.058 [0.48]	0.944 [0.45]	-0.673 [0.46]	0.510 [0.24]	-0.566 [0.45]	0.568 [0.26]
	SOC - Age: > 65	-0.902 [1.28]	0.406 [0.52]	1.675 [1.20]	5.340 [6.41]	0.217 [0.92]	1.242 [1.15]	3.035*** [1.07]	20.801*** [22.39]
	SOC - Household size: 2 members	0.826 [1.20]	2.285 [2.75]	-0.874 [0.68]	0.417 [0.29]	1.191** [0.60]	3.291** [1.97]	1.061 [0.66]	2.889 [1.91]
	SOC - Household size: 3 members	1.128 [1.22]	3.090 [3.76]	0.389 [0.59]	1.476 [0.87]	0.848 [0.60]	2.334 [1.40]	1.190* [0.63]	3.288* [2.07]
	SOC - Household size: 4 members	0.558 [1.23]	1.748 [2.15]	-0.479 [0.61]	0.619 [0.38]	0.908 [0.57]	2.479 [1.41]	0.733 [0.64]	2.082 [1.34]
	SOC - Household size: > 4 members	1.381 [1.17]	3.981 [4.64]	-0.185 [0.65]	0.831 [0.54]	0.574 [0.67]	1.775 [1.18]	1.543** [0.78]	4.677** [3.65]
	SOC - Education: High school	1.125 [0.90]	3.079 [2.77]	0.388 [0.80]	1.475 [1.18]	0.664 [0.86]	1.943 [1.68]	1.756** [0.82]	5.790** [4.76]
	SOC - Education: Degree	1.417 [0.87]	4.124 [3.59]	0.042 [0.79]	1.043 [0.83]	1.480* [0.88]	4.394* [3.89]	1.941** [0.82]	6.969** [5.75]
	SOC - Household income: 10000-20000€	-0.373 [0.60]	0.689 [0.41]	-0.396 [0.50]	0.673 [0.33]	-0.362 [0.42]	0.696 [0.29]	-0.921** [0.47]	0.398** [0.19]
	SOC - Household income: 20000-30000€	0.916 [0.61]	2.498 [1.51]	-0.390 [0.50]	0.677 [0.34]	-0.015 [0.49]	0.985 [0.48]	-0.449 [0.51]	0.638 [0.32]
	SOC - Household income: > 30000€	0.216 [0.74]	1.242 [0.92]	-0.480 [0.57]	0.619 [0.35]	0.497 [0.55]	1.644 [0.90]	-0.198 [0.51]	0.820 [0.42]
	Cons	-4.887** [1.64]	0.008** [0.01]	2.222* [1.24]	0.108* [0.13]	-3.619** [1.28]	0.268** [0.34]	-4.519*** [1.27]	0.109*** [0.14]
	Observations	209	209	208	208	206	206	209	209

*** p<0.01, ** p<0.05, *p<0.10.

There are robust standard errors in brackets.