



BRAND EXTENSION: A RECIPE FOR SUCCESS

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ABSTRACT Brand extension is a common method used by companies to launch a new product by using an existing brand name on a new product in a different category. A company using brand extension hopes to leverage its existing customer base and brand loyalty to increase its profits with a new product offering. For brand extension to be successful, there usually must be some logical association between the original product and the new one. A weak or non-existent association can result in brand dilution. Even worse, if a brand extension is unsuccessful, it can harm the parent brand. The objective of this paper is to analyze the effect that a brand extension strategy has on brand image.

KEYWORDS : Brand Extension, Customer, Brand Image, Brand Loyalty

Brand extension as a growth strategy has been employed in many companies and has increased its popularity in the recent decades. It also has gained a lot of attention from academic field. The use of established brand names to enter new product categories or classes is defined as brand extension (Keller and Aaker, 1992). Brands are important and are becoming more crucial for a company to survive in today's fierce competitive business world. Brand names are among a company's most valuable assets (Klink and Smith, 2001). A brand name defines a unique quality, function, characteristic, promises, and trust which make it distinguishable from other products. Brand can be produced, just like any product, by the company (Karin, 2010). Obviously, using an existing brand name can substantially reduce the risk of introducing new product and thus enhance the opportunity of fast profit growing. According to Byron (1993), the reason why brand extension is so popular is because it can create growth in the cost leading competition, redefine a new direction of a business or firm, gain economic scale in advertising, introduce new products without advertising and achieve new products' success through endowing it with the goodwill but gain trial and distribution in an easier way.

Brand extension is a marketing strategy in which new products are introduced in relation to a successful brand. Various experts have defined brand extensions differently though, these definitions look quite similar. Kotler and Armstrong (2002) defined brand extension as using a successful brand name to launch new or modified products in a new category. Verma (2002) also defined brand extension as using an existing brand name to launch a product in a different category.

Firms use brand extensions to influence consumers' brand choices. Brand extension is a part of the marketing strategy to break the entry barriers between product categories through the carryover of a brand's reputation.

Brand extension has been discussed by lots of researchers (Aaker, 1991; Keller, 1993; Peter, 1989), some of them hold the opinion that brand extension can be broadly classified into two general categories: vertical extension and horizontal extension. Horizontal extension includes line extension and category extension (Peter, 1989). Having studied 276 brand extensions cases, Tauber (1990) uses 7 types of categories to understand different ways of brand extension, trying to show the numbers of possibilities in brand extension depending on company's products and customer franchise. Other researchers classify brand extensions into 3 types: range extension, line extension and brand extension (Hamish and Peter, 2008).

Well-implemented extensions can offer a number of advantages to companies: reduce the cost of developing a new brand, increase efficiency of promotional expenditures, allow for packaging and labeling efficiencies and so on (Kevin 2003). The successful sectors in brand extensions have been widely discussed by many scholars. Successful brand extension depends on many considerations, including the appropriateness of a company's corporate structure, ability of personnel in the new market, and also requires a favourable prior attitude toward transferred from current branded products to a new product (Boush & Loken, 1991; Reddy, Holak & Bhat, 1994). Keller (2003) argues that most companies are more concerned about

when, where and how the brand should be extended instead of whether it should be extended. Several advantages for a brand extension strategy: increase efficiency of promotional expenditures, reduce the cost of introductory and follow-up marketing programs and so on (Keller & Aaker, 1992; Keller, 2003; Kim & Sullivan, 1998).

In practice, therefore, brand extension has become a widely accepted growth strategy for many companies. The most typical and well-known case might be Virgin, it extended its original brand to many other businesses like: jeans, airline, vodka, mobile and etc. Other famous brands, like Coca-Cola, it has different categories, classical, diet and regular. Sports brand, Nike and Adidas, both extend their brand names to all kinds of sport related clothing. Additionally, the well-known piano producer, Yamaha, also stretches its brand and enters into motorbike industry.

Brand extension refers to the use of a successful brand name to launch a new or modified product in the same broad market. A successful brand helps a company enter new product categories more easily. For example, Fairy (owned by Unilever) was extended from a washing-up liquid brand to become a washing powder brand too. Nike's brand core product is shoes, but it is now extended to sunglasses, soccer balls, basketballs, and golf equipment's.

Brand Extension is a wonderful way to achieve business growth by exploiting the untapped equity of a brand to enter new product categories. A well-executed brand extension strategy can lead to several benefits- increased brand visibility and consumer connections, incremental shelf space at retail, entry into new distribution channels and enhanced brand associations.

Research indicates that brand extensions of existing brands are five times more successful than launching a new brand. By setting up positive consumer expectations about performance and better retailer focus due to the anticipated consumer demand, brand extensions reduce the risk of failure. Also from a marketing perspective, it is easier to focus on just the new product rather than creating awareness for both the new brand and the new product. Thus, overall, brand extension can be a very effective brand and business growth strategy.

However, a significant proportion of brand extensions are unsuccessful and thus it requires careful analysis to determine the right categories for extension as well as the approach to enter those categories.

Existing brand associations and imagery need to have a good 'fit' with the proposed categories. For example, Horlicks' brand extension into noodles did not find success in the Indian market due to the brand's strong association with health (rather than taste, which is critical for the snacking category).

It is easier to extend a brand with abstract associations into multiple categories. For example, the brand Porsche has been successfully extended into several unrelated categories such as eyewear, luggage, watches, electronics etc. due to its abstract association with style and design rather than just sports-car expertise.

The proposed extension must offer a clear differentiation from the competitors while staying true to the brand's core values and equities. For example, Godrej Consumer Products (GCPL) recently launched a premium hair-colour range in India under the salon brand BBLUNT. With its services expertise, a cool and funky image along with a strong foothold in Bollywood, the brand extension offers a strong differentiation in a segment dominated by international brands.

Size of the proposed category and degree of saturation should be assessed to determine the chances of success. It is relatively easier for a new entrant to sustain and thrive in a large category.

Some categories are fragmented and have no major players with significant market shares. This could present an attractive opportunity for brand extensions.

After short listing the categories, the brand owner needs to evaluate the right approach to enter those categories. One approach is for the brand owner to manufacture and market these products themselves. An alternative approach is for the brand owners to allow another company to produce and market these products and in return for the use of their brand, charge the manufacturer a royalty fee. Such an arrangement is called brand licensing and can be a very lucrative yet low-cost and low-risk brand development strategy. Several global brands including Philips, Honeywell, DuPont, Armani, Versace, Calvin Klein and Ferrari have embraced the brand licensing approach to extend into non-core categories and grow their brands.

The right brand extension approach could be determined using the following factors:

Product development capabilities: Entering a new category could involve significant investments in product design, development and manufacturing infrastructure. In such cases, a brand licensee with product expertise relevant to the new category could be better suited to manage the brand extension while the brand owner maintains control over the brand image through a rigorous approval process.

Size of the category: In some cases the market size of the proposed category for brand extension is quite small and unattractive for the brand owner to invest their own time and resources which could be better utilized in the expansion of the core business. In such cases, the brand licensing approach could be better suited.

Distribution channels: Sometimes the brand extensions are better suited to be sold through channels which are not being reached by the brand owner with their core products. In such cases, a brand licensee with an existing distribution network in the new category is critical to achieving faster retail placement, wider distribution and hence better results.

Brand extensions can be a significant boost to your company's bottom line but only if you choose the right categories as well as the right brand extension approach.

The benefits of brand extension are:

- 1) In the opinion of Sengupta (1998), a successful brand is like a powerhouse which contains enough energy to illuminate distant territories. This accumulation of the consumer-pulling power can be used beyond the boundaries of the brand's traditional market.
- 2) The acquaintance of the consumers with a brand increases the chances of accepting a new product by them, under the same brand name. Thus, brand extension reduces the risk associated with launching a product under new brand in the market. In fact the brand equity of an established brand makes the introduction of a new entry inexpensive. (Pitta and Katsanis, 1995).
- 3) According to Moorthi (2003) customers use established brands as quality cues i.e. they use brand name as an indirect measure of quality.
- 4) The benefit of "spillover of advertising" works for those products which are affiliated with the brand. In case of brand extension where a new product launched under same the same brand gets benefit of the advertising done for a product already existing under that brand name. Thus, it can be said that brand extension need less advertising support in comparison with new brand launches. (Sullivan, 1992).
- 5) Brand extension increases the visibility of brand.
- 6) In times of intense competition, to cover every niche, the best

strategy available to companies is to go for brand extension.

- 7) Brand extension is helpful in catering lower or premium market segment.

Brand Extension is a very important marketing strategy tool. Brand extension helps companies in many ways such as minimizing the risk of introducing a new product, reducing the cost of promotion and increasing the acceptability of the new product by consumers. But it cannot be denied that there are few disadvantages of it also. Thus it should be used and implemented carefully.

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