The concept of brand extension

This assignment is based on brand extension area of brand management. The chief objective of this research study is to examine the concept of brand extension, merits and potential risk of brand extension. Apart from it, this study also extends to investigate the factors that determine the success of brand extension with the help of brand extension model advocated by Aaker and Keller (1991). In order to begin with it is important to comprehend brand, and brand extension.

Introduction

According to Kotler, (2004 p. 16) brand is " name, symbol, sign, term, or design or combination of those to identify product of one seller from others". Brand extension also called as brand leveraging is when a firm uses a brand name which already exists to launch new product or products.

There is always very high cost associated with launching a new product into consumer market. Just like most other investment, it is substantial investment but do not confer any guarantee of returns. The span of recession compelled firm to opt cost saving techniques to raise competitiveness. One of the alternatives to save introductory cost was to go for brand extension.(Sullivian, 1991). By using the existing brand name the firm is able to tantalize the opportunity of deriving the second time profit from their foremost investment in form of research, product development and advertising. The research on consumer brand portrays that spending on advertisement on brand extended products is comparatively low than new brand of same category products (Loken, 1994). It seems to many companies that brand extension is the only available alternative to launch new product or range of products with low cost. In other words, brand extension forms a product development strategy. Brand extension is the way to achieve incorporated brand architecture.

The non academic piece on brand extension could be elucidated with the help of Coke example. The success of Dike Coke comes from the parent brand 'Coke'. Advertising the extended product may sometime create synergy between extended and parent product (Gibson, 1991). In 2006, Coca Cola enterprise introduced sixth brand extension and gained huge market share than the original brand. The extended product 'Cherry Coke' was a great success with almost no advertising expenditure. The history of brand extension reveals the fact that more than 50% of the new products introduced in the consumer market are brand extension of the existing brand name. (Pitta, 1995). Consequently there is high pressure for brand extension.

Merits of brand extension (Wyer, 1990)

The significant benefit derived from brand extension is that it allows the firm to cross the threshold into new products categories at substantially low cost.

Brand extension allows the rational introduction of new product or range of products.

Brand extension takes the advantage on paid for equity in reputed brand names.

It minimises the risk of failure to new introduced products as well reputed name is conferred to it.

It helps in creating synergy between new product and existing product with the competence use of umbrella brand & advertising.

It further strengthens the customer's perception of the original brand name.

The extended product may cause limelight to the original brand.

It may result in high profitability and high volume in original brand after launching new product through brand extension.

It is worthwhile to note that brand can be on one side as a barrier to enter into consumer market while on the other side it can be a means to enter into consumer market. (Gibson, 1991) Consequently, many well reputed companies with famous brand name is probably the best way to enter into a new product category which would have not been possible. For instance, 'Reesee' have extended their brand by launching new product buttered peanuts. Hershey Ltd. could not have done effectively without suing the existing brand name 'Reesee'. This indicates that companies can capitalise on previously invested money on R&D, advertising, etc; with the help of brand extension.

Potential risk of brand extension

It has to be noted that brand extension not only fetches success but also may lead to failure resulting in reputation of original parent brand.

The problem associated with the brand extension ranges from complete failure to partial failure. Not only the brand extension may fail the new product but it may also spoil the reputation of existing brand name. If the extended brand lacks leverage or off target or when many dissimilar brand extension are introduced in the market, they are likely to fail and may damage the image of the parent brand. For instance, Kraft Ltd. The manufacturer of confectionery items has extended its brand name to light bulbs. The relation between the parent brand and extended brand is zero. The unrelated extension may turn drastic if the brand name is synonymously used for specific products. (Hoover for vacuum cleaner)This has resulted in loss of strong mental associations the customers had with the Kraft confectionery branded products.

Brand Extension Elements

There are many ways of extending brand. The brand extension can be categorised into or horizontal or vertical extension.

Horizontal Extension

It refers to using the existing brand name to introduce new product of same category or new category. Horizontal extension can be of two types: Line and franchisee extension. (Aaker and Keller, 1991) Line extension involves using the original parent brand name to enter into a new market segment of same product category while franchisee extension involves using original parent brand name to enter into a product category which is new to the company. (Tauber, 1982)

Vertical Extension

It refers to launching a related brand into the same category of product but having different quality and price. Such extensions can augment the equity of original brand product but confers little distance with the parent brand. Such extension is very commonly observed in automobile industry where a different model of cars offers different characteristics and price in the same product category.

Brand Extension Model

Aaker & Keller (1991) comes out with the brand extension model providing the precious insight about the formation of customer's attitude towards the brand extended. There are numbers of replicated research by Nijssen, (1995), Doyle & Bottomley, (1997), Park & Milberg (1992) on brand extension suggesting that customer's attitude formation remains indefinable.

Using established brand name to enter into new product category is brand extension. (Aaker & Keller, 1991, p. 28) Influencing the power of original parent brand name to launch new products in same category or new category is an endeavour to evade risk associated with launching of new product by convincing the customers that the merits linked to the parent brand are also relevant to the new introduced product. Aaker & Keller, (1991) advocated attitude based model in which factors determining the success of brand extension were:

a) customer's attitude towards the parent brand called as 'Quality' (p. 30)

b) fit between parent and extended brand product category (p. 30)

c) distinguished difficulty of making the brand extension called as 'Difficulty'(p. 30)

The customer's perception or attitude towards the parent brand sturdily sways the acceptability of extended brand. The brand image captured in consumer's mind are perceived and received positively if product and company transfer abilities entertains value of original brand. Product transfer ability suggest how the characteristics of the parent brand product passes to the extended product while company transfer ability suggest how the company uses its skills, people, and other facilities in creating the new product.

Customer's perception plays vital role in making purchase decision. While buying a product, customers unconsciously recalls the experience they have before while consuming the different products of the same brand. The products having a better brand name with strong mental associations have high chance of accepting brand extension.

The word 'fit' constitutes of:

i) complement- the degree to which customer's sees the two products as complements to each other (p. 31)

ii) substitute- the degree to which customer's sees tow products as substitute to each other (p. 31)

iii) transfer- how customer's sees relationship in product manufacture (p. 31)

Aaker & Keller, (1991) advocated four hypothesis & tested

1) High quality ie favourable attitude towards parent brand is also associated with favourable attitude towards the extended brand. (p. 31)

2) When two product classes are fit, transfer of brand perceived quality is raised. When the fit is not strong, transfer is repressed. (p. 31)

3) The fit between 2 product class has positive association with attitude towards the brand extended. (p. 31)

4) The relation between difficulty of making product class of extension, attitude towards brand extension is positive (p. 31)

By comprehending few variables that effects customer's perception about acceptability of extended brand, marketers must develop effectual brand extension strategies. Researchers like Aaker and Keller (1991) advocated that similar parent and extended brand have resulted in successful brand extension while researchers like Park's and Smith (1993) were reluctant to accept it. Buying new products is a perceived risk to customers but depending on famous brand name helps to minimise perceived risk. Derbiax (1984) in his research found that innovativeness, personality variable, perceived risk, antecedents of similarity and attitude towards original brand name are some factors determining the success of brand extension. He stated that:

If the extended brand is similar to the category of original brand, the extended brand is likely to be more accepted than less similar product category.

If the customer's perceive high reputation of the original brand, the acceptability of the extended brand must be high

The more the perceived risk linked to the extension, the more positive will be evaluations of extended brand.

The more innovativeness of consumer's, the more positive will be evaluations of brand extended.

Types of brand extension

According to Taylor (2005) there are three types of brand extension:

Range extension- such type of extension is very close to original brand

Line Extension- Such extension are further away from parent brand but are into the same category for instance, launching new flavours

Brand extension- It refers to offering totally new product

Taylor (2005, p. 230)

Brand extension dilution

The brand extension dilution may occur when the customer's looses the grasp of the original parent brand in their mind and do not associate the brand with specific product. For instance In year 2005, Cadbury has experienced the brand dilution when Cadbury introduced new products in new category like powered mill, soups and sweet mashed potatoes etc. Extension in to too many categories can eventually lead to failure and put the question in the minds of consumers as to where the company's product fit into?. The other factor causing brand dilution are level of familiarity with the original parent brand, fit level transferred from original brand to extended brand and customer's perception to new product. When level of familiarity and loyalty towards the original brand, failure of brand extension is less as compared to less familiarity and less loyalty towards parent brand. (Judo, 2000)

Future Research

The trend of brand extension is commonly observed in fast moving consumer goods industry and is set to be expected in coming years despite of many brand extension failures. Nevertheless, the question arise is there any secret formula to create successful brand extension? or in other words is there any specific factors driving success of brand extension in a given category of products?