CHAPTER I
BRANDING: THE CONCEPTUAL FRAMEWORK

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INTRODUCTION:

A brand offers instant product recognition and identification. All Value added products need a distinct identity—they need a brand. Brand management is a much more complicated and sophisticated process than it may sound at first. It is a little like some people in our lives: easy to love, challenging to live with. Today the turbulent business environment has increased the demand for effective brand management. We all indeed live in a branded world, we, no doubt all make product decisions everyday. And of the various kinds of products we like only one or two brands, while we buy other things based on what is on sale on a given day. This inclination to buy branded products is rooted in two basic things: recollection and satisfaction. Branding is beneficial for four reasons: differentiation, conveys value, builds brand loyalty and builds pride. Branding is the process of choosing what promises, what kind of value and what kind of identifiable components the entity will have. Cattlemen used to brand with a burned-on visual symbol to differentiate one rancher’s herd from another, thus protecting a valuable asset. Their focus was on the butt, and the process involved some degree of pain. Commercial branding, on the other hand, directs its efforts to the brain and, if managed properly, can deliver a high degree of reward and pleasure. Some say the term brand name originated among American distillers, who branded their names and emblems on their kegs before shipment. Some even say President Lincoln, when informed that General Grant drank whiskey while leading his troops, reportedly replied, “Find out the name of the brand so I can give it to my other generals”. The process of branding was developed to protect products from failure. In 1880's, companies such as Campbell’s, Heinz and Quaker oats were growing ever more concerned about the consumers’ reaction to mass produced products. Brand identities were designed not only to help these products stand out, but also to assure a public anxious about the whole concept of factory-produced goods. The term "Brand management” was created around 1927 by Procter and Gamble and then was adopted and adapted by many other consumer product companies. According to the American Marketing Association (AMA), brand is a "name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition”. Technically speaking, whenever a
marketer creates a new name, logo, or symbol for a new product or service, he or she has created a brand.

**External Branding** seeks to distinguish our company, product or service from the competition and create a lasting impression in our prospect's mind.

**Internal Branding:** Powerful brands increase employee satisfaction, loyalty, and achievement drive.

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*Source: Lindstrom, 2005*

Figure 1: Evolution of Branding.

Today, branding has developed into a 5-dimensional aspect. What is actually meant with sensory branding or 5D branding? Sensory branding witnesses branding being taken into new heights from the conventional 2D to 5D; incorporating all the five senses of taste, sight, touch, sound and smell. By integrating this approach, an appealing ‘brand’ would be harnessed.

**BRAND TYPES:**

**Parent** Brands: A holding entity of one or more business units, is a parent brand (or the “mother” brand). Examples are Procter & Gamble and Johnson & Johnson. Many corporations fall in this segment. Like brand offspring, parent brands need to have a clear purpose, market position, personality, and promise to compete successfully. These are not necessarily the same as kids.

**Kids** Brands: These independent brands have their own set of attributes. Sometimes there are obvious, inherent family values passed down from the parent brand. Sometimes it’s hard to recognize who their parents are.

**Cousin** Brands: Brand cousins are extensions of a brand, like American Express Green,
American Express Blue, and American Express Gold. They generally have a common name component or theme, but address a niche market’s needs.

**Licensed** Brands once a brand has earned significant brand equity in the market, it can start building partnerships with complementary brands. Agreements are generally structured for brand consumption, royalties/compensation, and brand usage and identity control rights. A classic example is when McDonald’s licensed its fun, family fast-food brand to Wal-Mart, allowing the retailer the opportunity to sell McKids clothing. It was a natural fit for both parties. Successful partnerships can generate significant ongoing royalties, extend the reach of the brand to new market segments, and add to the brand’s visibility.

**BRAND MANAGEMENT REDEFINITION:**

The term "Brand management" has been used to mean a number of things: An Organizational Design, a job in the marketing department, and, a business philosophy and discipline. The 'business philosophy' of brand management is all about managing each brand separately and looking to maximize the brands’ value to the consumer. The spirit encourages respect for the value of a healthy brand. This is something that everyone in the company needs to embrace. By adding a 'human element' to the product, branding put the 19th century shoppers' mind at rest. They may have once placed their trust in their friendly shopkeeper, but now they could have placed it in the brands themselves, and the failure of mass-produced items that the factory owners had dreaded never happened. The brands had saved the day. But fast-forward to the 21st century and a different picture emerge. Now it is the brands themselves that are in trouble. They have become a victim of their own success. If a product fails, it’s the brand that's at fault. Brands indeed may have helped companies like Coca-Cola, Nike, McDonalds, and Microsoft build empires, but it is because of the brands, which have transformed the process of the marketing into one of perception building. In other word,’ image' is now everything. Consumers take product-buying decisions merely on this 'image’ rather than the reality of the product. This makes 'branding' decisions critical as brands indeed can become more valuable than their physical assets; it also means they can lose their value overnight. After all, perception is a fragile thing.

Brand management is a philosophy and a total approach to managing companies, and as
such includes much about changing minds. The total approach Brand management starts with understanding what ‘brand’ really means. This starts with the leaders of the company who define the brand and control its management. It also reaches all the way down the company and especially to the people who interface with customers or who create the products which customers use. Brand management performed to its full extent means starting and ending the management of the whole company through the brand.

**Figure 2: Total Brand Management Approach**

- **Creating the Promise:**

Creating the promise means defining the brand. A good brand promise is memorable and desirable. It cannot be effective if nobody remembers it, and is no good either if nobody wants it. A good brand promise evokes feelings, because feelings drive actions. Volvo offers feelings of safety. The promise must be unique and identified with us alone. Within an industry, promises can be very close, but if we want any hope of success, we must stake out the very specific territory of our promise and know
clearly how it is different from the promises of other firms. The right promise is not just something we make up on a Friday afternoon. It comes through a deep understanding of our marketplace and our customers. It also comes from a deep understanding of the capabilities and motivations of the people in our company. Creating a promise we cannot consistently keep, year after year, is plain suicide.

- **Making the Promise**

Once created the promise, the next (and not so trivial) step is to somehow inject it into the minds of customers, staff and everyone who receives anything from company or has any impact on what is delivered. This is where marketing people come into their own. Although it is still not their sole preserve, a large part of marketing, which includes advertising and PR, is about positioning the company and its products in the minds of customers and against competitors.

- **Keeping the Promise**

Creating and making the right promise is one thing, but then we have to keep it. If we do not, our brand will still exist, but now the promise will be of slipshod products and inconsistent delivery. Keeping promises means managing capability. It means consistent processes that are capable of delivering what is required. It means technology and systems which are reliable and usable. It means motivated people who are willing and able to deliver the goods

**PROCESS OF BRAND-LED MARKETING:**

The process of branding includes:

**Become truly 'Marketing Minded:** When many people think of marketing they think of meeting customers needs. Understanding and responding to changing customer needs is essential, but there is another dimension. Brand-led marketing ensures that we meet customer needs in a way that is different from our competitors. If we can't find this point of difference we're in danger of becoming a price-based commodity.

**Monitor the Changing Environment:** we live in a rapidly changing world of many threats and opportunities. Few business managers take adequate time out to stop, look around, and reflect on how these changes might have an impact. As a result, most companies die young.
Have a Meaningful Vision for our Business and our Brand: A business Vision (or Mission) has a number or roles: most important of which is to inspire and guide. Too many business Visions include words like 'leader', 'best', 'preeminent', 'most successful'. Words like this can mean many different things to different people. Because of that they are of limited help in inspiring or guiding the behavior of the business team. Brand Visions have just the same function. Make sure that we have a written Vision for our brand that is strong enough to inspire and guide behavior.

Build our Brand 'from the Inside Out': Building a brand is not just about advertising or 'marketing communications'. Nor is it just about your 'product' or 'service'. Our brand is really what our customers think of us, and how much trust they have in us. To build a strong brand we have to have a clear idea of how we want to be thought of, and then consider everything that we say and do.

Plan for Success: There is a phrase: “If you don't know where you want to go, any road will get you there ”. This is true in life, and it is true in business. If we want to succeed we have to have clear, measurable objectives - we have to know where we want to get to.

Become a 'Learning Business': Continuously improving our brand-led effectiveness is essential to long-term success. The best way to achieve this is to ensure that we take a little time to become a 'Learning Business' by building learning into our processes.

Be Prepared to Change: what worked in the past may not work in the future. We have to be prepared to change. Don't just do the same things better, look around for new ways of pursuing our vision and our desired brand. Explore experiment and anticipate.

Maintaining a strong brand means striking the balance between continuity and change. However, the brand can yield results by the positioning it has in the minds of the customers. Consumer knowledge is the focal point of brand equity and this brand equity provides marketers with the strategic link from past to future. Brand led marketing can help marketers to be strategically focused and taking marketing expenses as investments-investments in what consumers know, feel, recall, believe and think about the brand. This will ultimately give marketers the insight about everything the company should do to enhance its share in the market, by formulating future strategies on basis of
the evaluation of past experiences measured in terms of brand equity. Thus, the golden rule of “brand led marketing” makes it easier for companies to focus resources.

WHAT CAN BE BRANDED?

**Company Brand**: A company brand is often the “mother” of all the organization’s brands. Sometimes it acts as a holding unit for many business interests, and sometimes it is the driving business interest.

**Ingredient Brand**: An ingredient brand is precisely what its name implies: an ingredient or element of a product that has its own brand. Ingredient branding can serve as an added strategy to build a primary brand or as a way to differentiate a commodity.

**Organization Brand**: An organization brand in many cases generally refers to a not-for-profit group, special interest consortium, cause, or trade association. Service Brand transportation, information, international trade support, and supply chain.

**Event Brand**: Millions of people watch tournaments.

**Team Brand**: Branding a team offers many business and income possibilities.

**Destination Brand**: Branding a place or destination gives people a reason to visit. Whether it’s a center for the arts or a community development, branding a place solidifies the environment and defines its personality and being.

**Service or Maintenance Agreement Brand**: Getting buyers to commit to pay for product insurance or advanced maintenance can be a difficult sell. By branding the protection, one can build trust and add another layer of value to the proposition.

**Program Brand**: Within a company brand, an organization can brand a program, adding value and identity to the offering. A branded program can reward loyalty, volume buying, and even prepaid purchasing.

**Certification Brand**: Evaluating credentials, credibility, and trust are all important elements in the buyers’ decision-making process. Branding a certification can raise the value of the promise, giving the qualifications added merit and an official status. This type of branding works well in both consumer and business environments. Once a
certification program is designed, a brand can then be communicated with a logo, seal, crest, or diploma to substantiate the value further.

**Bundle of Services Brand:** Many companies are branding collections of products or bundles of services. By brand-naming a group of products, the organization has an opportunity to tell a story about an offering and provide buyers with an identity they can emotionally connect to and establish affinity with.

**Publication Brand:** A publication—whether an industry-focused report or a magazine geared to a segment of consumers—is a choice avenue for branding. Just by the nature of multiple issues or occurrences, publications give brand leaders a consistent path and connection to their audience.

**Personal Brand:** If we compete with anyone for anything, we need to establish a trust factor in our selling process, and credibility is an important attribute to marketing.

**Membership or Club Brand:** Since branding adds an extra layer of value to an offering, branding a membership or club is a natural.

**HOW TO BRAND?**

Strategic brand management involves the design and implementation of marketing programs and activities to build, measure, and manage brand equity. These concepts and techniques are to improve the long-term profitability of our brand strategies. Brand management process involves identifying and establishing brand position and values; Planning and implementing brand marketing programs; measuring and interpreting brand performance; and growing and sustaining brand equity. The four steps of branding commodities are as follows: (Sampa Chakrabarty Lahiri, 2006).

- Carving up the market from every angle and to identify those customers who are responsive to differentiation. In the markets of commodity goods, price is usually the only differentiator. But if we can brand those goods and bundle them with services, even bricks and sand can command premium prices.

- Differentiating the offering in one or more of the six "generic" dimensions of differentiation.
Bundling several differentiations into a brand and communicating the same consistently and strongly.

Aligning the business capabilities to reinforce and to defend the brand and the underlying sources of differentiation.

FUNCTIONS OF A BRAND:

The quintessential function of branding is to create a distinction among entities that may satisfy a customer’s need (Berthon, 1999). For buyer’s brands effectively perform the function of reduction: brands help buyers identify specific products, thereby reducing search costs and assuring a buyer of a level of quality that subsequently may extend to new products. This reduces the buyer’s perceived risk of purchasing the product. In addition, the buyer receives certain psychological rewards by purchasing brands that symbolize status and prestige, thereby reducing the social and psychological risks associated with owning and using the wrong product.

For sellers, brands perform the function of facilitation—that is, they ease some of the sellers tasks. Because brands enable the customer to identify and re: identify products—all things being equal, this should facilitate repeat purchases on which the seller relies to enhance corporate financial performance. Brands also facilitate the introduction of new products. If existing products carry familiar brands, customers will generally be more willing to try a new, seemingly appropriate product if it carries the same familiar brand. Brands promote, helps in premium pricing. Brands facilitate market segmentation by enabling the marketer to communicate a coherent message to a target group. It facilitates brand loyalty. Indeed effective brand management plays a great role and provides:

**Significant Value:** Increases balance sheet value as well as an increase in stock price. An effective Brand can build new assets in organization.

**Lifetime Customer Loyalty:** We all know that keeping loyal customers is worth more and costs a lot less than getting new ones.

**Higher Selling Prices, Thus Returning Greater Margins:** Many buyers will pay 6 percent to 12 percent more for branded goods and services.
**The Ability to Retain Superstar Employees:** This is the competitive advantage in a tight talent market, the magnet that draws out superstar recruits, empowers loyalty from current staff, and adds to the overall corporate brand. The brand should be applied throughout the company and throughout internal and external markets. It should be known and understood. All employees must know the brand message and how it applies to them. The greatest challenge faced when developing and building a brand is creating just the right name, slogan and symbol for the product. It will take a great deal of time and consideration.

A thorough thought process and feedback from others will help to get past this obstacle. Brands are personal expression symbols by those who consume them. Studies show brand loyalty is declining. According to the international advertising agency DDB, only 63 percent of the U.S. population today sticks to well-known brand names, down from 80 percent in 1975. The Internet and other information technologies will only make it easier for consumers to flit among brands. The seeds of that trend are already evident in the popularity of online shopping comparison engines, which serve to minimize the roles of retail brands. To combat this ramped brand defection, brand leaders have to brand with a distinct story, communicate creatively, and connect to the inner emotional values of the markets they serve. Branding has evolved; tomorrow’s brands will be a new breed. Branding needs to be increasingly consumer-oriented and driven by the readiness to provide individual consumers with worthwhile experiences. This implies investments in product and service innovation, consumer understanding, consumer-oriented ordering and delivery systems, and brand-based employee training and guidance.
### Roles That Brands Play

**CONSUMER**
1. Identification of source of product
2. Assignment of responsibility to product maker
3. Risk reducer
4. Search cost reducer
5. Promise, bond, or pact with maker of product
6. Symbolic device
7. Signal of quality

**MANUFACTURER**
1. Means of identification to simplify handling or tracing
2. Means of legally protecting unique features
3. Signal of quality level to satisfied customers
4. Means of endowing products with unique associations
5. Source of competitive advantage

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**Figure 3: Brand roles**

(Adapted from kevin Lane keller, 1998)
ELEMENTS OF EFFECTIVE BRANDING:

**Figure 4: The Process of Branding**

**Intent:** Brand management aims to create brand by intentional action. Deliberate decisions are made about brand personality, brand values, brand positioning, brand logos, etc. Attention is paid to customers and competitors.

**Action:** Despite best intent, there’s many a slip and the enactment of brand-oriented plans will never come off perfectly. Even when people start with a perfect intent, they have to formulate their action based on their inner world of understanding. A company value is the totality of what their people do, not a neat list of values on the website.

**Perception:** When the brand messages in all their glorious forms reach the people standing in their way, the brand itself is starting to form. This happens in the perception that is created in the heads of both intended customers and innocent bystanders. It is as perceived by everyone who touches the brand in any way, whether from a lifetime’s experience or a brief third-hand mention from a passing stranger. Perception does not come clean and pre-packaged. We take direct experience and infer meaning by passing it through a set of highly-biased perceptual filters. First we
classify, using broad mental models and unique memories. Then we assess for immediate threats. Then we test against expectations and goals, re-predict the future and compare against our values. To complicate things further, all of this is biased by our current emotional state. The eventual perception we infer is thus far from the sensory inputs we receive. Even after the original perception, we continue to ponder, muse and reflect on our experiences, changing their meaning even further. Perception is the brand as experienced. Perception is not reputation, but reputation is perception.

**Transmission:** it can be first hand brand experience or secondhand based on what others say about the brand. And if that transmission is third-hand, fourth-hand or more, then the effect is multiplied further. Communicated perception is reputation, but from a single person it is just a single data-point.

**Communication:** We not only listen to other people when they talk about brands -we also talk back, asking them questions and offering our own perceptions. Out of the conversation a shared meaning (or as much as this can happen) arises. Thus brand reputation may be viewed as being socially constructed. Thus reputation is not created in individual perception, nor even in a second-hand, unidirectional transmission, but in the dynamics of real communication between two or more individuals.

**Diffusion:** There are thousands of such conversations that travel across the unbroken network of human relationships. This is where the total reputation of the brand is built. There are many factors that affect diffusion, some people know more people and talk more than others. Some people are listened to more carefully than others. The brand perception as received by these people will thus travel further than from others. But people belong to groups and almost by definition converse more with in-group people and have different attitudes toward them than towards out-group others. Reputation is thus likely to grow differently within each group.

**Decision:** In the final analysis, the value of a brand comes in the simplification that it brings to decision-making. The inferred promise of a brand enables us to short-cut the evaluative part of the decision process. In our inner construction of the brand we have already done this, mapping out a simplified meaning.
BRAND FAILURES:

Despite the fact that branding is so vital, yet companies are still getting it wrong. Brands are failing every single day and the company executives are left scratching their heads. If the brand image becomes tarnished through a media scandal or controversial incident or even a rumor spread via the Internet, then the company as a whole can find itself in deep trouble. Yet companies cannot opt out of this situation. They cannot turn the clock back to age when branding didn’t matter. And besides, they can grow faster than ever before through the creation of a strong brand identity. Brand should be a shorthand summary of its company. So branding is no longer simply a way of averting failure. It is everything. Companies live or die on the strength of their brand. The purpose of this study is to make an attempt to look at a wide variety of the brand failures and explore the staggers to brand success. Even big global giants such as Coca-cola and McDonalds' have proved just as likely to create brand flops as smaller and younger companies with little marketing experience. Failure is an epidemic, contagious as brands watch each other and replicate their mistakes. While Coca-cola and McDonalds' may be able to afford the odd costly branding mistake, smaller companies, for them failure is fatal. After all, we learn more from failure than from success. Building brands with the high budgeted advertising and then watching in a state of limbo brands failing is a matter of concern for all in today's business world. Failure indeed is inevitable, however by analyzing the "horror stories" of brand failures, can help in identifying the key danger areas, and, that is the rationale of this research; to identify when good brands do bad and suggest some measures by highlighting the lessons of brands failures.

The brand failure is:

- The withdrawal of the brand from the Market for any reason.
- The inability of a brand to achieve required market share.
- The inability of a brand to achieve anticipated life cycle.
- Failure to achieve profitability
- Inconsistent Corporate Identity
- Poor visuals
- Not training employees
- Failure to track branding efforts
FACTORS OF BRAND FAILURES:

There are various reasons by which certain brands fail these are:

- Not thinking analytically.
- Not maintaining the brand.
- Trying to appease everyone.
- Not knowing who you really are.
- Not fully committing to branding.
- Not having a dedicated marketing plan
- Using too much jargon.
- Trying too hard to be different.
- Not knowing when you have got them.

Today most products are bought, not sold (Al and Laura Ries, 1986). Branding “presells” the product or service to the user. Branding is simply a more efficient way to sell things.’ Although this is true, this new focus means that perfectly good products can fail as a result of bad branding. So while branding raises the rewards, it also heightens the risks. (Gobé, Marc, 2001)

Scott Bedbury (2006), Starbucks’ former vice-president of marketing, controversially admitted that ‘consumers don’t truly believe there’s a huge difference between products,’ which means brands have to establish ‘emotional ties’ with their customers. However, emotions aren’t to be messed with. Once a brand has created that necessary bond, it has to handle it with care. One step out of line and the customer may not be willing to forgive. This is ultimately why all brands fail. Something happens to break the bond between the customer and the brand. This is not always the fault of the company, as some things really are beyond their immediate control (global recession, technological advances, international disasters etc). However, more often than not, when brands struggle or fail it is usually down to a distorted perception of the brand, the competition or the market. This altered view is a result of one of the following seven deadly sins of branding (Maitt Haig’s, 2003):
- **Brand amnesia.** For old brands, as for old people, memory becomes an increasing issue. When a brand forgets what it is supposed to stand for, it runs into trouble. The most obvious case of brand amnesia occurs when a venerable, long-standing brand tries to create a radical new identity, such as when Coca-Cola tried to replace its original formula with New Coke. The results were disastrous.

- **Brand ego.** Brands sometimes develop a tendency for over-estimating their own importance, and their own capability. This is evident when a brand believes it can support a market single-handedly, as Polaroid did with the instant photography market. It is also apparent when a brand enters a new market for which it is clearly ill-suited, such as Harley Davidson trying to sell perfume.

- **Brand megalomania.** Egotism can lead to megalomania. When this happens, brands want to take over the world by expanding into every product category imaginable. Some, such as Virgin, get away with it. Lesser brands, however, do not.

- **Brand deception.** Human kind cannot bear very much reality (T. S Eliot, 1964). Neither can brands. Indeed, some brands see the whole marketing process as an act of covering up the reality of their product. In extreme cases, the trend towards brand fiction can lead to downright lies. For example, in an attempt to promote the film A Knight’s Tale one Sony marketing executive invented a critic, and a suitable quote, to put onto the promotional poster. In an age where markets are increasingly connected, via the Internet and other technologies, consumers can no longer be deceived.

- **Brand fatigue.** Some companies get bored with their own brands. You can see this happening to products which have been on the shelves for many years, collecting dust. When brand fatigue sets in creativity suffers, and so do sales.

- **Brand paranoia.** This is the opposite of brand ego and is most likely to occur when a brand faces increased competition. Typical symptoms include: a tendency to file lawsuits against rival companies, a willingness to reinvent the brand every six months, and a longing to imitate competitors.

- **Brand irrelevance.** When a market radically evolves, the brands associated with it risk becoming irrelevant and obsolete. Brand managers must strive to maintain
relevance by staying ahead of the category, as Kodak is trying to do with digital photography.

**BRAND FAILURES IN EMERGING MARKET:**

Emerging Indian market has witnessed failures varying from low magnitude to very high magnitude like:

- Pepsi café chino,
- Ready to eat pizza from Amul.
- Dulux paints Seven Day Fragrance.
- Ponds toothpaste.
- Black Cherry Vanilla Coke.
- Diet Black cherry Vanilla Coke.
- Virgin Cola, Virgin Vodka, Virgin jeans.
- GPI Ms. Cigrattes.

**MYTHS ABOUT BRANDS:**

Companies have faith in brands otherwise they would have never launched them. But this faith is based on the myths like: -

- If a product is good, it will succeed.
- Big companies will always have brand success.
- Strong brands are built on advertising.
- If it’s something new, it’s going to sell.
- Strong brands protect products.

**CLASSIFICATION OF BRAND FAILURES:**

Further the brand failures can be classified as:

- Classic Failures like New Coke, Sony Betamaro, Ford Edsel and McDonalds’ Arch Deluxe, etc
- Idea Failures like Pepsi, Kellogg’ Cereal Mates, Sony Godzilla, etc
• Extension Failures Like Heinz All Natural Cleaning Vinegar, Ponds Toothpaste, etc
• PR Failures like McDonalds’ the McLibel trial, Exxon etc.
• Culture failures like Kellogg in India, Pepsi in Taiwan.
• People Failures like Enron, Arthur Anderson etc.
• Rebranding failures like Consignia, Tommy Hilfiger, etc
• Internet and New technology failure like Pets.com, voice pod, etc
• Tired brands: Kodak, Rover, Levis, etc

BRANDING ALTERNATIVES:

Branding is one of the most important factors influencing an item’s success or failure in today’s marketplace. A brand is the combination of name, words, symbols or design that identifies the product and its company and differentiates it from competition. Businesses use branding to market a new product, protect market position, broaden product offerings, and enter a new product category. A marcoms tool that a marketer can employ for branding decision-making is the Four Branding Alternatives (Tauber 1988). Four Branding Alternatives is a strategic marketing communications technique. It is a fun and creative approach that can add value to any discussion that likes to discuss brands and how they could be innovatively developed. It is used when an organization considers adding a product to its portfolio and its associated brand name. The two variables for this matrix are Product Category (Existing or New) and Band Category (Existing or New). The four alternatives are:

• **New product branding** — creating a new name for a new product in a category completely new to the company.
• **Flanker branding** — protect market position by marketing another brand in a category in which the firm already has a presence.
• **Brand line extension** — use of the company’s brand name in the firm’s present product category. Example: PepsiCo’s Pepsi and Diet Pepsi.
• **Brand leveraging (franchise extension)** — use of the existing brand name to enter a new product category is called leveraging.
### BRAND LINE EXTENSION:

A company introduces a brand line extension by using an established product’s brand name to launch a new, slightly different item in the same product category. For example, Diet Coke is a line extension of the parent brand Coke. While the products have distinct differences, they are in the same product category and the extension (Diet Coke) is very dependent initially on customer recognition of the brand name Coke. More than half of all new products introduced each year are brand line extensions. New flavors, package sizes, nutritional content or products containing special additives are included in this definition.

Edward M. Tauber (1990) studied 276 brand extensions and concluded that most of them fit into one of the following seven categories. Examples from Indian Emerging Market are:
<table>
<thead>
<tr>
<th></th>
<th>Same Product in a Different Form</th>
<th>Godrej shaving cream to shaving cake</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Distinctive Taste/Ingredient</td>
<td>Horlicks to Elaichi/chocolate Horlicks</td>
</tr>
<tr>
<td>3</td>
<td>Companion Product</td>
<td>Colgate toothpaste to Colgate tooth brush</td>
</tr>
<tr>
<td>4</td>
<td>Customer Franchise</td>
<td>Liril soap to talcum powder</td>
</tr>
<tr>
<td>5</td>
<td>Expertise</td>
<td>Bajaj from Scooters to 100c.c. vehicles</td>
</tr>
<tr>
<td>6</td>
<td>Benefit/Attribute/Feature</td>
<td>Ponds Freshness talc to Soap</td>
</tr>
<tr>
<td>7</td>
<td>Designer/Ethnic Image</td>
<td>Park Avenue Men’s garments to Men’s toiletries.</td>
</tr>
</tbody>
</table>

**Figure 6: Indian Emerging Markets.**

![Diagram of EFFECTS OF EXTENDING A BRAND TO A NEW PRODUCT]

**THE GOOD**

( THE BRAND NAME AIDS EXTENSION )

**MORE GOOD**

( THE EXTENSION ENHANCES THE BRAND NAME )

**THE BAD**

( BRAND FAILS TO HELP EXTENSION )

**MORE UGLY**

( FOREGONE OPPORTUNITY TO CREATE NEW BRAND EQUITY )

**THE UGLY**

( THE BRAND NAME IS DAMAGED )

**Figure 7: EFFECTS OF EXTENSION**

(Adapted from David Aaker .1991)
CONSUMER EVALUATION OF BRAND EXTENSIONS:

The ever-changing market characteristics have huge impact on the corporate decisions. The global environment also poses several complexities to the marketer in understanding the market. The companies constantly develop newer marketing strategies to stay ahead in the market and reap more benefits for its stakeholders. More number of companies are relying on launching new products in the market to meet the changing consumer needs and preferences. This strategy is proven but not without risk. Some authors estimate that 30-35 % of all new products fail (Montoyo et. al., 1994; Booz et.al., 1982). Others estimate more negatively in that only two out of ten products launched are successful in the market. Adding to the difficulty in accurately predicting
the market dynamics, the promotion cost and shelf space cost makes the company's new product launches even more difficult (Aaker 1996).

Companies are taking hard steps to reduce these failure rates. One way of dealing with the rate of failures of new products is using a firm's competence. Many business organizations are leveraging their brand names to reduce the risk of failure of new products. A brand extension is the use of well-known brand names for new-product introductions (Aaker and Keller, 1990; Keller, 2003; Klink and Smith 2001). For FMCG (Fast Moving Consumer Goods) as well as services more than 80% of the new products introduced are brand extensions (Rangaswamy, et.al., 1993; Ernest and Young and Nielsen 1999). Brand extension strategies are beneficial because they reduce new product introduction costs, and perceived risk in new product, hence increasing the chances of success (Aaker and Keller, 1990; Keller 1998).
IMPORTANCE OF BRAND LINE EXTENSIONS:

Brand line extensions reduce risk associated with new product development. Due to the established success of the parent brand, consumers will have instant recognition of the product name and will be more likely to try the new line extension. As a result, promotional costs are much lower for a line extension than for a completely new product. More products expand the company’s shelf space presence – enhancing brand recognition. For example, consider Campbell’s Soups – the strength of the Campbell’s brand lowers costs of launching a new flavor of soup, such as Creamy Chicken Noodle, due to the established brand name and package design. Consumers who have enjoyed Campbell’s Chicken Noodle Soup are likely to try Campbell’s Creamy Chicken Noodle Soup, even with minimal impact from advertisements and promotions. In general, firms with broad product lines have

- More potential customers
- The opportunity to sell more to each customer
- Greater marketing efficiency
- Greater production efficiency
- Increased profits at the introduction and growth stages of product line extensions
- Lower promotional costs of product line extensions.

POTENTIAL THREATS OF BRAND LINE EXTENSIONS:

First, if the new line extension fails to satisfy, consumers’ attitudes toward other products carrying the same brand name may be damaged.

Secondly, there is potential for intra-firm competition between the parent product and the line extension, or between two or more line extensions. The key to avoiding intra-firm competition is to clearly differentiate between products. (Aaker, 1991). Although similar, the products must be different enough that they will not compete with one another as much as they will rival other companies’ brands.

WHEN DOES BRAND LINE EXTENSIONS WORK?

A brand line extension strategy is not for every company. There are a number of questions that must be answered in order to make the best decision for our situation. The most basic questions include:
• Can my company develop a product extension with characteristics that clearly differentiate it from the established product?
• Are these characteristics believable and needed?
• Does my company have the resources necessary to develop a differentiated product?
• Will net combined sales of the established product and the line extension product be greater than sales of the established product alone?
• Will the cost of product development and promotion be covered by the sales of the new brand?
• Is there already a high level of diversity in the product category?
• Will my company have to borrow a large level of funding from the established brand in order to fund the line extension?

Successful brand line extensions are not entirely new products; they are simply new branches on the main plant. In order to optimize the power of the overall brand, line extensions have to make sense, be part of a long-term plan and reflect the core images and message of the brand.

EXTENSION FAILURES:

When a company has saturated a market with one product, it has two choices for growth. Enter a new market or introduce a new product. Many businesses adopt the second choice. Using a brand that also has recognition can be appealing (Tuaber, 1989). The extension results in immediate consumer recognition. Successful brand extensions can occur. Diet coke was a global hit. Richard Branson has successfully extended his VIRGIN brand into a diverse range of products and services. Not all brands are able to stretch to other product lines or services. But many companies do not believe this. Harley Davidson found this out when they put their brand on perfume and aftershave. Their biker customers were not impressed. The brand stood for ‘strong, masculine and rugged’ not girly stuff like ‘how you smell’.

For brands that inspire strong loyalty, the temptation to test that loyalty to its limits by stretching the brand into other product categories will be strong. However this can be a
dangerous path to take. Brand extensions may increase sales in the short-term, but can devalue the identity of the brand in the long-term if an extension goes awry.

RESEARCH INSIGHTS ON BRAND EXTENSIONS: (Kevin Keller, 2008, Strategic Brand Management).

- Successful brand extensions occur when the parent brand is seen having favorable associations and there is a perception of fit between the parent brand and the extension product.
- There are many basis of fit: product–related attributes and benefits, as well as non-product related attributes and benefits related to common usage situations or user type.
- Depending on consumer knowledge of the categories, perceptions of fit may be based on technical or manufacturing commonalities or more surface considerations such as necessary or situational complimentarity.
- High-quality brands stretch farther than average quality brands, although both types of brands have boundaries.
- A brand that is seen as prototypical of a product category can be difficult to extend outside the category.
- Concrete attribute associations tend to be more difficult to extend to extend than abstract benefit associations.
- Consumers may transfer associations that are positive in the original product class but negative in the extension context.
- Consumers may infer negative associations about an extension, perhaps even based on the other inferred positive associations.
- It can be difficult to extend into a product class that is seen as easy to make.
- A successful extension can not only contribute to parent brand image but also a brand to be extended even farther.
- An unsuccessful extension hurts the parent brand only when there is strong basis of fit between the two.
- An unsuccessful extension does not prevent a firm from “backtracking” and introducing a more–similar extension.
- Vertical extensions can be difficult and often require sub-branding strategies.
The most effective advertising strategy for an extension emphasizes information about the extension (rather than reminders about the parent brand).

**BRAND LEVERAGEING:**

A brand leveraging strategy uses the power of an existing brand name to support a company’s entry into a new, but related, product category. For example, the manufacturer of Mr. Coffee coffee makers used its brand name strength to launch Mr. Coffee brand coffee. While coffee machines and coffee beans are in different product categories, there is a strong enough correlation between the two items that the brand name has a powerful impact on consumers of both categories. Brand leveraging communicates valuable product information to consumers about new products. Consumers enter retail outlets equipped with preexisting knowledge of a brand’s level of quality and consistently relate this knowledge to new products carrying the familiar brand. Generally, consumers maintain a consistent brand perception until disappointed – creating a risky advantage for established brands.

**IMPORTANCE OF BRAND LEVERAGEING:**

Brand leveraging is an important form of new product introduction because it provides consumers with a sense of familiarity by carrying positive brand characteristics and attitudes into a new product category. Instant recognition of the brand is established, and consumers with a favorable brand opinion likely will try a new product they perceive to have a similar quality level and attributes as their original favorite.

Additionally, because the products are in different categories, they will not compete for market share – the crux of a successful branding strategy. For example, Bic is a strong brand name with years of experience in marketing low-cost disposable plastic products such as the Bic pen. Thus, Bic is positioned well to introduce products that capitalize on these same basic strengths – products such as disposable razors and cigarette lighters. To avoid disappointing brand-loyal consumers, the greatest risk involved in brand leveraging, it is important to maintain a consistent level of quality within the brand across category lines. Likewise, it is as important to leverage a brand only into new categories that are related to the original product. Trying to sell too many diverse products will dilute the brand name and yield poor results. For example, the Frito Lay
name is extended from potato chips into other types of snack foods and dips. However, an introduction of Frito Lay lemonade did not succeed because the fruity, sweet drink had little connection to other Frito Lay products. Other examples that did not work in the consumer market include Smucker’s ketchup, Ben-Gay aspirin, and Fruit of the Loom laundry detergent. However, M&M ice cream, Reese’s peanut butter and Minute Maid orange soda experienced success because the brands held direct and logical connections to their new categories. Additional advantages of brand leveraging include:

- More products mean greater shelf space for the brand and more opportunities to make a sale.
- The cost of introducing a brand leveraged product is less than introducing an independently new product due to a much smaller investment in brand development and advertising designed to gain brand recognition.
- A full line permits coordination of product offerings, such as bagels and cream cheese, potato chips and ranch dip, peanut butter and 2Q jelly, etc.
- A greater number of products increase efficiency of manufacturing facilities and raw materials.

Brand leveraging does present challenges. To avoid brand dilution, leveraging should be limited to entering only those categories that are directly related to the original product. Potential exists for damaging the reputation of the parent product if new products fail. Also, manufacturing and inventory costs may be higher as a result of product diversification.

WHEN DOES BRAND LEVERAGING WORK:

A brand leveraging strategy will not work in every situation. There are important questions that should be considered in order to make the best decision for your brand:

- Does the new product fit into the established product family?
- Does the brand have attributes or features that easily and effectively carry into new categories?
- Is the brand name strengthened or diluted by representing two (or more) differentiated products?
• Does your company have facilities necessary to manufacture and distribute a new and differentiated product?

• Will sales of the new product cover the cost of product development and marketing?

• A brand leveraging strategy can be extremely successful and profitable if it is correctly implemented and provides new products with the right image.
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