CHAPTER – 2

CONCEPT OF BRANDING AND BRAND EXTENSION STRATEGY

2.1 Introduction

Branding refers to the creation of an identity for a company’s products or services or for the company itself, which distinguishes or differentiates one company and its products or services from that of another company. Branding comprises of several elements that make up a brand such as the logo, name, packaging, reputation for customer service, delivery speed, low price, high quality, etc. Branding results in building up an expectation that consumers have about a company and its products or services. Brands thus enable a buyer to easily identify the offerings of a particular company. The concept of brand has been expressed by various authors, researchers, and marketers in many ways which have already been discussed in Chapter 1. In this chapter the concept of brand, functions of a brand, brand management strategy, branding models, brand equity, brand extension strategy with special reference to the FMCG segment and how consumers evaluate brand extension will be discussed.

A brand results in a set of perceptions and images that represent a company and its products or services. Although a brand is often defined by a logo, name, tag line, symbol or sign, it is actually much more. A brand is the promise to customers of what will be delivered or experienced – this is the core element of a brand - what will consumers get when they purchase a product or service. The promise is not just those tangible aspects of the product but also includes the feelings that consumers get when they use the products or services. The manner in which consumers perceive a brand defines a Brand. If there is a mismatch between the promise and the consumer’s expectations, the brand may be a failure or have limited growth.
potential. If the brand does not meet consumer expectations, then the consumer will switch to another brand that meets his/her expectations. Brands are generally developed over time through various means of communication such as advertisements, recommendations from other users and actual experiences while using a product or service. In short, a brand consists of tangible elements such as a logo, name or symbol and intangible elements such as promise, perception, expectations, and all these elements work together to consistently communicate the brand promise, brand perceptions, brand expectations, and brand personality. Once developed, brands provide a powerful means through which many different products can be launched – thus providing a company tremendous competitive advantage in their product or service offerings. Brands exist as long as it influences the market. When we talk about brand management, it takes into account the whole system, relating to brand concept with inherent value to products or services, which are identifiable by names, logos and symbols. As can be seen in Figure 2.1, brands are living systems made up of three interacting elements - products or services, brand names & symbols and brand concept.

![Figure 2.1: The Brand System](Source: Kapferer, 2004)
In order to gain market share and leadership a brand must be:

- Embodied in products, services and places
- Enacted by people at contact points
- Activated by deeds and behaviours
- Distributed

The *brand triangle* helps managers to structure the various issues related to brand management. Brand management is about gaining power by making the brand concept widely known, inducing consumers to buy and become brand loyal, encouraging them to share the exclusive features, concepts, ideas and positive experiences about the products with others. Brand is a name with power to influence the market, getting more and more people know about it, get convinced by it and ultimately trust it.

### 2.2 Types of Brands

There are different types of brands, the concept of which are important to understand especially when the decision needs to be taken for a new product through a new brand or brand extension. The company needs to define whether the concept will be functional, symbolic or experimental. Basically there are three types of brands. These are:

**Functional Brands** – These brands are generally bought by the consumers to fulfil a certain functional need. They have to be tied closely to specific product categories in the consumers mind to be successful. Since many brands share the same category, functional brands try to differentiate them by providing better quality or better economy. Hence, to achieve a strong brand position, functional brands have to either provide the best functionality or provide economy in price, or both. The company normally adopts different strategies like adding new variants or new functionalities to a brand or creating a new brand that combines the functionalities of two or more separate products. Another strategy to grow may be through brand
extensions in new product categories. The extension in new product categories should relate to the parent brand, only then it will be viewed as more appropriate. This indicates that functional brands if intended for extension should be within the product categories that have similar features, or relate to the same needs / functions, as otherwise extension may fail.

**Image Brands** – Image brands deliver value to the consumers by distinguishing themselves from others through their image or, in other cases, serving as a kind of identification to be a member of a certain group. Image brands basically distinguish themselves by offering a unique set of associations or an attractive image. The product category where products are relatively undifferentiated, or where quality is difficult to evaluate, Image brands can often be found. Image brands can be created by adding product features that uplift the image of the brand, establishing an emotional relationship with the consumers associating a brand with a specific type of user. These brands generally employ clever advertising campaigns to build it. Therefore, to succeed in Image brands, the firm has to build an emotional connection with the consumer. To build an Image brand needs lot of time and resources because the image that the brand defines needs to be implanted in the mind of the consumer. Once the Image brand is established, the firm can gain from the competitive advantage it is able to generate. The consumers purchase the product primarily for the Image it is associated with, and the product price becomes less important to them. This type of brands may resort to brand extension for growth strategy. As the consumers’ perceptions of these types of brands are attached to their emotions, brand extension can be stretched to different categories.

**Experiential Brands** – Experiential brands focus on the feeling of the consumer while interacting with the brand. The experience is realized through an interaction of the brand and the consumer at the time of consumption and the personality of the consumer plays an important role. The feeling or the experience of consumption will vary from person to person or for the same person at different times. Hence, the
aspect of consistency is the most challenging task for an experiential brand, as it is a very difficult task to give the same experience all the time. Since the competitors may easily and rapidly imitate a product characteristic, it is becoming more difficult to differentiate a product by its features. So the companies have started focusing on the larger experience of the consumer.

### 2.3 Role and Functions of Brands

In a global economy subject to a changing market dynamics and heightened competition, the role of brands has never been greater. They serve as a route map for purchasing behaviour and when managed properly, generally accrue significant value to the owners. Brands allow the consumer to shop with confidence, when there is an array of choice. The diversity of choice puts pressure on those making and selling products or services to offer high quality, excellent value and wide variety. It also puts pressure on them to find more potent ways of differentiating themselves and securing competitive advantage. The real power of successful brands is that they meet the expectations of those who buy them or in other words, they represent a promise kept and thereby creating a trust, belief and loyalty of the brand – thereby inducing the buyer to make repeat purchases without any fear.

According to Dalrymple and Pearson, 2000; brands carry out various functions for the buyers and the sellers as well. For the buyers’, brands can help to identify products and thus simplify their product decision by reducing their search costs and assuring a certain level of quality. As a result consumers perceive lower risks in buying the product. Another benefit of brand is that consumers may obtain psychological rewards such as status, prestige, feel good factor and reducing their risk of buying a wrong product. Sellers on the other hand can reap the benefit from brand image like repeat purchase, product differentiation, increase in market share and thereby building brand equity. Berthon et al., 1999; have developed the brand function model as shown in Figure 2.2.
Attributes of Leading Brands and What Makes Them Great and How Consumers Evaluate

The three principal attributes that leading brands share are:

1. **A compelling idea** - The success behind a leading brand is that it must have a compelling idea which captures the consumers’ mind, attention and loyalty by fulfilling an unsatisfied need or something which has not been fulfilled earlier.

2. **A resolute core purpose and supporting values** - The core purpose and supporting values should remain in place even though there may be changes or revision in the firm’s business strategy due to changes in the business environment. So even if some revision or changes in the product category of
leading brands are made to grab market opportunities or to cater to market requirements, it is ensured that these brands do not shift from their core purpose and positioning.

3. **A central organisational principle:** According to the Chairman of Ogilvy & Mather, “once the enterprise understands what the brand is all about, it gives direction to the whole enterprise. You know what products you are supposed to make and not make. You know how you are supposed to answer your telephone. You know how you are going to package things. It gives a set of principles to an entire enterprise.” Hence, once the brand position, purpose and values are established, management levers to guide decision-making. The whole concept of the brand becomes integral in the decision-making process. But to make the brands great and everlasting in the minds of the consumers’ the following five distinctive traits are normally followed:

1. **Consistency in delivering on their promise:** All the leading brands convey their promise to the market to encourage the consumers to purchase the product or service they are offering. And at the time of consumer decision they will do everything within the power, to deliver on the promise.

2. **Superior products and processes:** The brand leaders exactly know the core competency and the value of their brand. They always try to offer products and services that are superior to others in order to retain and attract more customers and make them more loyal to brand.

3. **Distinctive positioning and customer experience:** The brand leaders identify and capture what is special about their products and offerings and convey it to desired customers to experience and thereby develop an emotional connection.
4. **Alignment of internal and external commitment to the brands**: Generally brand managers and marketing personnel focus their strategies on consumers. The employees may not be informed or the last one to know about the marketing strategies. But the leading brands take the support of the internal staff, since they know that an internal culture supportive of the brand strategy has a far better chance of delivering a consistent yet differentiated experience. So the internal values are meshed with the brand value to bring the cultural values of the firm into the products and services.

5. **An ability to stay relevant**: The leading brands always maintain their relevance to its targeted customers, always keeping them ahead of their competitors. They sustain their creditability by improving and maintaining consumers’ trust and loyalty to their brands.

The following model (Figure 2.3) has been developed by Chuck Brymer, to show that everything the customer experiences in the process of evaluation, trial, purchase and adoption is a verification of the original promise. He also said that all leading brands communicate their promise to the consumers and influences them to buy their products or services. But at the same time they continuously monitor that the promises so made have been delivered. The consumers experience everything through the process of evaluation, after the trial. Purchase of the product and adopt them after verifying the original promise.
Figure 2.3: The Promises and Verifications of a Brand
(Source: The Economist, Brands and Branding)

However, for every great brand, there are scores of failures. Even once successful brands may lose their way. The most common cause of losing leadership maybe taking the brand for granted. This may happen if brand owners treat the brand asset as a cash cow.

The decline of a brand, as shown in Figure 2.4, begins with a slide in the level of perceived difference between it and the competition and in particular, with the opinion leaders of the product category. The consumers’ emotional and esteem values may remain in their minds, but the consumers’ start realising that the quality gap has been bridged between the brand and its competition. The benefit of this study is to highlight that the drop in differentiation signals the beginning of decline,
however strong the liking score may be. For instance, consumers may like few big brands as they have known these brands since long, but may not consider them that they are the sign of superior product quality. This is the point when the brand managers should be concerned before decline starts by taking suitable measures to arrest the decline.

![Figure 2.4: Paths of Brand Growth and Decline](Adapted from Jean-Noel Kapferer, The New Strategic Management).

2.4 Brand Evolution Trajectory

It is the consumers’ loyalty and their franchise that helps the brands to get its strength. The strong brands command premium price as loyal consumers are willing to pay that. The critical issue here is to find out what trajectory brands follow in their journey to become powerful. The brands can broadly be divided into four classes: poor brand, power brand, utility brand and hollow brand.
**Poor Brand:** Poor brand marks the beginning or early stage of the life cycle and gets stuck at this stage without any evolution. Technological evolution and standards mark this stage. Brands in this cell rarely succeed unless the competitive space is filled with players who want to compete with low quality and low image strategy.

**Product Brands:** Product excellence is the first logical step to break away from poor brand cell. Product excellence is the first immediate step available for a brand to move on a strong brand trajectory. It is known that one of the reasons of building strong brands is to provide quality products satisfying the functional benefits. But only good quality product may not bind the consumers into a relationship. Therefore, to bind the consumers into a relationship, the brand needs to go beyond the strength of the product to evolve into a provider of emotional or symbolic satisfaction. The products functionality or performance must be complemented with consumers’ psychological satisfaction.

**Hollow Brands:** Sometimes the path of brand building takes a wrong way rather than the difficult right path to gain in the market. The brands build high consumer expectations using advertising, wrong promises without corresponding product development. This brand building strategy may draw consumers initially but has a short life as they cannot keep the consumers expectation.

**Power Brands:** These brands not only stand for excellence in product or functional delivery but also supported by strong brand values. The power brands go beyond the product and develop a strong bonding with the consumers and create a brand value. They gradually evolve into a sign, symbol, logo, that stands for deep satisfaction. Power brands draw their strength by aptly shifting the consumer’s attention from product to image. At this stage their brand value becomes very high because of the consumers commitment and emotional attachment with the brand. If a consumer identifies an emotion or image with the brand, the bonding so formed is difficult to dismantle. The critical issue is to find out what trajectory brands follow in their journey to become powerful. The common thread that runs across the
successful brands is their evolution from technical excellence to emotional or symbolic excellence. The following Figure 2.5 is *The Brand Evolution Trajectory Model* which shows the paths of Poor brand, Strong or Power brand, Hollow brand and Product brand.

![Figure 2.5: Brand Evolution Trajectory Model](image)

**Figure 2.5: Brand Evolution Trajectory Model**  
(Adapted from Harsh V. Verma, Brand Management)

Most of the present consumer-driven businesses are built around brands. The brands have a very substantial impact on the financial success of a company. The research study shows companies with strong brands surpass others in generating profits and creating shareholders value. Thus, the importance of brands drives the company to manage the brands efficiently. Most successful companies recognize these intangible assets as resources to be nurtured, developed and put to work to generate value for the firm.
2.5 Brand Equity

Introduction

*Brand equity* is a term which describes the value of having a well known brand name, based on the concept that the owner of a well known brand name can generate more sales from products with that brand name. There are many definitions of Brand Equity, of which the following two capture the essential essence. (i) Business Dictionary defines Brand Equity as “*A brand’s power derived from the goodwill and name recognition that it has earned over time, which translates into higher sales volume and higher profit margins against competing brands*”. (ii) The American Marketing Association offers the following definition of Brand Equity: “*The value of a brand. From a consumer perspective, brand equity is based on consumer attitudes about positive brand attributes and favourable consequences of brand use*.” A strong Brand Equity, based on the perception of the consumer, is a major factor which can increase the competitive advantage of a firm which ultimately reflects in superior financial performance. Therefore brand, with strong Brand Equity, is a very valuable asset of a company. Elements that can be considered to comprise brand equity are easy recall and recognition of logos, names and other visual elements by the consumers, positive perceptions of quality and service and other brand promises. Brand equity is created through strategic investments in brand building activities and appreciates over time if managed effectively.

Brand equity can be defined as “a set of brand assets and liabilities linked to a brand, its name, and symbol that add to or subtract from the value provided by a product or service to a firm and/or to that firm’s customer” (Aaker, 1991). Aaker classifies the brand equity into brand loyalty, name awareness, perceived quality, brand associations and other proprietary assets. He explains the concept of brand equity as shown in Figure 2.6. The Brand Equity creates value for the consumers as well as the firm. The Brand Equity provides value to consumers by enhancing consumers’ interpretation and processing of information, confidence in the purchasing decision, removing the perceived risk and finally consumers’
satisfaction. The firm’s value gets enhanced through efficient and effective use of marketing programmes, development of brand loyalty, brand extensions, trade leverage and competitive advantage.

Figure 2.6: How Brand Equity Generates Value
(Adapted from: Managing Brand Equity: Capitalising on the Value of a Brand Name, David A. Aaker, 1991)
Brand Equity plays a pivotal role in enhancement or reduction in the value from the consumers’ point of view. The following are the reasons why brand equity is important for the consumers.

1. A brand value aids the consumers in information processing. Consumers interact, process and store information about brands and products which help them in taking decisions. The existence of brands simplifies their process of decoding the information and storing the information in a proper order. Brands show them the path to reduce the risk of unnecessary information and at the same time relevant information without getting confused during the decision making process.

2. A brand’s assets boost the consumers’ confidence in the purchase making decision. It becomes easier for the consumers to take decision as they are familiar with the brand’s name, attributes, image and above all the brand value. They are assured of their quality and consistency. Some brands also give them some kind of status or prestige value in the society.

3. The final value for the consumer comes when they get satisfaction from the usage. The brand associations and quality move the product beyond a thing only, embracing it with images that consumers value and identifies with.

The relation and concept between the brand and brand equity is the brand image. It is an intervening variable. Brand equity is the value side of the brand. This value is quantified and defined in economic terms like incremental cash flows which could be linked with the brand name. How brand contributes to the monetary value of the firm? So brand is more than a name, it is the amalgamation of meanings, images and associations. A brand is what it stands for in the consumers’ mind. Brand lives, grows and dies in the minds of the consumers. The key concept between the brand and brand equity is the brand image in the minds of the consumer. According to Ambler, 2003; intangible, market-based assets provide a richer understanding of marketing performance, reconciling short-term and long-term performance, as well as bridging marketing and shareholder value. Hunt and Morgan, 1995; in their paper
remarked that competitors can emulate financial and physical assets but intangible assets represent a more sustainable competitive advantage. Millward Brown, in his research study “The Business of Brands- Collective Intelligence for Marketing Today” develops a system for measuring current consumers’ loyalty and for understanding and likelihood of a brand’s growth in market share. He says that a brand with positive momentum has greater potential to benefit from its own marketing actions and resist the actions of competitors. A brand with negative momentum has to struggle hard to grow and is vulnerable to the action of other brands. But all brands whether strong or weak, have consumers with different degrees of brand loyalty. Therefore, to estimate and manage a brand it is very important to understand the consumers’ loyalty, and research findings conclude that those with strong loyalty towards a brand spends a much higher proportion of their category expenditure on that brand than those where consumers have lower brand loyalty (Figure 2.7).

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<tr>
<th>Bonding</th>
<th>BrandDynamics™ Pyramid</th>
<th>Share of category expenditure</th>
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<tr>
<td>Advantage</td>
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<td>Presence</td>
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**Figure 2.7 : Share of Category Expenditure Increases with Loyalty**  
(Adapted from Millward Brown, The Business of Brands- Collective Intelligence for Marketing Today).
Previous research studies of Cobb-Walgren, Ruble and Donthu, 1995; Agarwal and Rao, 1990; establish that there is a positive effect of brand equity on consumers inclination to buy and consumer perceptions of product quality. Brand equity has become very important to understand its impact on the market share. Financial measures such as sales and profit are only partial indicators of marketing performance due to their historical orientation and typically short term horizon. Intangible, market-based assets on the other hand provide richer understanding of market performance, reconciling short and long-term performance.

2.6 Brand Equity Models

The Brand Resonance Pyramid Model

According to Keller, 2001; the customer-based brand equity (CBBE) model has been developed emphasizing how brands should be developed in terms of consumers’ knowledge, awareness and loyalty towards the brand. The CBBE model views brand building as an ascending series of steps, from bottom to top:

1. Ensuring identification of the brand with customers and an association of the brand in customers’ mind with a specific product class or customer need.
2. Firmly establishing the totality of brand meaning in the minds of consumers by strategically linking a host of tangible and intangible brand associations.
3. Eliciting the proper consumer responses in terms of brand-related judgement and feelings; and
4. Converting brand response to create an intense, active loyalty relationship between consumer and the brand.
The model’s four steps as stated above leads to establishing a pyramid of six ‘brand building blocks’ with consumers as shown in Figure 2.8.

**Figure 2.8**: Customer-based Brand Equity Model Pyramid
(Adapted from Kevin Lane Keller, 2009; Building strong brands in a modern marketing communications environment).

The CBBE model puts stress on the duality of brands - the rational route to brand building is the left side of the pyramid, whereas the emotional is the right hand side. The creation of significant and strong brand equity requires reaching the top or the pinnacle of the brand resonance pyramid, which occurs only if the right building blocks are put into place. In the above model, following are the meanings of the various terms:

**Brand salience** means how easily and often consumers think of the brand under different purchase and consumption situations.
Brand performance signifies how well the product or service meets consumers’ functional needs.

Brand imagery explains the extrinsic properties of the product or service, including the ways in which the brand attempts to meet consumers’ psychological or social needs.

Brand judgement means the consumers own judgement, opinions and evaluations.

Brand feelings indicate the consumers’ emotional responses and reactions in relation to the brand.

Brand resonance means the nature of relationship consumers have with the brand and extent to which consumers are emotionally bonded with the brand. So the intensity and depth of psychological attachment with the brand and level of activity endangered by this loyalty is reflected by brand resonance.

Other views on Consumer-based Brand Equity
Kapferer, 2004; attempted to link consumer-based brand equity dimensions i.e. brand assets with brand equity, which is the net discounted cash flow attributable to the brand after paying the cost of capital invested to produce and run the business and cost of marketing through CBBE consequences such as price premium. According to him to build strong brand equity, it is essential for the brand to earn financial benefits.

According to Aaker, 1991; Keller, 1993; the concept of CBBE evolves from cognitive psychology and information economics. The conceptual dimensions of brand equity emerges out of brand awareness, brand associations, perceived quality, brand loyalty and other proprietary brand assets such as patents, trademarks, channel relationship.
According to Keller, CBBE is “the differential effect of brand knowledge on consumer response to the marketing of the brand.” So the brand’s positive or negative value depends entirely on the consumers’ response to the brand name.

Further to this, many empirical works as well as conceptual studies on CBBE have been carried out. The majority of conceptual studies concluded that brand awareness and brand associations are very important for CBBE. The empirical study focused on consumer-brand relationship, consumer equity and how to assess intangible factors. The research on brand equity developed various models to value brand equity. Srinivasan, 1979; Park and Srinivasan, 1994; Jourdan, 2002; use the multi-attribute model to measure consumer-based brand equity.

**BrandAsset Valuator Model (BAV)**

Brand Asset Valuator Advertising agency Young and Rubicam (Y&R) developed brand equity model known as BrandAsset Valuator (BAV). This model captures the data drawn from a very large number of consumers, almost 800,000 in 51 countries, and compares the brand equity of thousands of brands in different categories. The four key factors that are considered are:

i) Energized differentiation - to measure the degree of differentiation of a brand from others, leadership and perceived momentum, i.e. the brand’s strength.

ii) Relevance - to measure the appropriateness and breadth of a brand’s appeal i.e. the brand’s strength and future growth and value.

iii) Esteem – to measure the brand loyalty, how the brand is regarded and respected, i.e. past performance of the brand.

iv) Knowledge - to measure the brand awareness and consumers’ bonding with the brand, i.e., past performance and present value of the brand.

Thus, energized differentiation and relevance are the leading indicators which show the brand strength; esteem and knowledge are the current indicators which show the
brand stature indicating current operating value. The various aspects of the BrandAsset Valuator Model are shown in Figure 2.9.

![BrandAsset Valuator Model Diagram](image)

**Figure 2.9 : BrandAsset Valuator Model**
(Adapted from Philip Kotler and Kevin Lane Keller, Marketing Management).

**BRANDZ Model**

Milward Brown, marketing research consultant of BRANDZ and WPP has developed the BRANDZ model of brand strength, at the heart of which is the Brand Dynamics Pyramid. The Brand Dynamics Pyramid shows the number of consumers reached at each level.
i) Presence: Consumers active familiarity with brand on the basis of past experience of brand’s promise, trial, knowledge and saliency.

ii) Relevance: How much relevant is the brand to the consumers on the basis of needs, price range, or the consideration.

iii) Performance: Consumers’ evaluation of the product performance, whether it is acceptable and consumers have short-listed it.

iv) Advantage: Assessing that the brand has an emotional and rational advantage over the other existing brands in the same category.

v) Bonding: Exclusive bondage with the brand emotionally or rationally over the other brands.

Therefore, the consumers at the top of the pyramid show strong bonding and relationship with the brand and are brand loyal and willing to pay a premium price for it. The consumers at the bottom level do not have strong relationship and the marketing challenge is to move them upwards (Figure 2.10).

**Figure 2.10: BrandDynamics™ Pyramid**
(Adapted from Philip Kotler and Kevin Lane Keller, Marketing Management).
2.7 Brand Extension Strategy

Introduction

Brand extension is a part of brand management to diversify and leverage the existing brand by entering into new product category. The strengths and positive images of existing brands/parent brand are leveraged to bring another success story for new product. Brand extension is increasingly used by companies as a part of strategy for product development. It is viewed as one of the means to attain integrated brand architecture. A strong reputation of parent brand can minimize risk of new product launch by taking advantages of consumers’ brand awareness, knowledge and experiences of the established parent brand. Since the marketers are finding it more challenging than ever to introduce new brands in an already crowded market, they are increasingly turning towards brand extensions. To overcome the high costs and risks involved in introducing new brands, companies make use of their established brand names to attract new markets and introduce new products to customers, (Aker, 1990; Keller, 2007), distributors (Herbig and Milewicz, 1994), and firms (Keller, 2007;).

According to Arsalan and Altuna, 2010; brand extensions help in reducing marketing costs, broadening choices and increasing the brand success. These are the reasons why more and more firms have adopted the concept of brand extension which involves utilizing and applying the established parent brand name to new products to capture new and unexplored markets segments, as the firm’s strategic tool, to generate more revenues, reduce marketing costs and product failure rate. As Brown, Ourusoff, Ozanian and Staee, 1992; Keller, 1998 said that more than 80% of all new products launches are through brand extensions.

In brand strategy, the firms try their level best to establish their brand image formidable in the consumers’ mind and develop a strong brand, thereby establishing strong brand equity. Growth is very important for the company to survive. To achieve this growth, more and more companies are leveraging their brand equity especially to avoid failure in developing a new brand, reduce expenditure and
thereby attain competitive advantage. When an innovation is not in the core of a brand, then the brand extended out of this core brand, is also called brand stretching. It utilizes and applies the established brand name to new products to obtain the equity of the original core brand and also to capture the new and unexplored market segments. The brand extension perspective introduces two radical modifications, first, it maintains that a brand is a single and long-lasting promise but this promise can be or should be expressed and embodied in different products. Brand extension exemplifies the move from tangible to intangible values, from a single product-based benefit to a larger benefit, thus making the brand able to cover a wider range of products. Hence, brand extension helps the company for diversification and growth in other product categories. Since diversification is a strategic concept which has implications for the whole company, thorough analysis needs to be done before deciding to go for brand extension. Brand extension takes the brand into new and unknown markets, which may be dominated by entrenched competitors. Not only financial risks are involved if the extension fails but can also cause potential damage to the image of the parent brand, distribution channels, trade members and end users.

2.8 Types of Brand Extensions
According to Research International, 2004; there are three types of extensions - range, line and brand extensions. Taylor, 2004; developed a model to define extension as follows (Figure 2.11)
Figure 2.11: Forms of Brand Extensions
(Adapted from William Seyama, Factors of Successful Brand Extensions in the FMCG Segment, 2006)

Another classification of Brand Extension is based on whether the extension is of Horizontal type or Vertical type. These two types are further sub-divided into two more categories as shown in Figure 2.12
**Figure 2.12 : Brand Extension Classifications**
(Adapted from Peter, 1989; Pitta & Katsanis, 1995; Keller, 2003).

*Line extension* is an extension of the same line to enrich the basic promise through diversity like providing new tastes, new flavours etc. or a finer segmentation of a need like many variants of shampoo catering to the nature of hair, age, scalp problem etc. Line extension may be adopted to provide complementary products like providing all hair related products like shampoo, hair oil, gel, conditioner etc.

Therefore, through line extension, the brand aims to grow intensively, and also tries to keep the consumers within its product range. It helps to solve the problems of the same consumer for the same need and consumption situation. This is not a diversification, and not often recognized as brand extension.

**Reasons for Line Extension:** Line extension strategy has enjoyed considerable support of the brand managers. Product categories belonging to FMCG, consumer durables and services line extension is very popular. It is considered as an expansion move. The following are the reasons why line extensions are preferred by the firms.
1. Consumer Segmentation - In the modern marketing era, customer aggregation is becoming very difficult to hold and operate upon. The aggregate markets are now evolving into finer segments. It is relatively easier now to find segments on a more sophisticated basis. In such a scenario, it becomes easier for the marketers to meet the demands of the various emerging consumer segments by line extension. Line extension is less expensive and low risk strategy to meet effectively the needs of customer segments.

2. Consumer Need for Variety - The market today is at work to promote consumer’s need for variety. The standardization of products and consistency in quality is encouraging the consumers to try new products or brands. To retain the loyal consumers, the company provides a number of variants under the same parent brand. It also enables the company to remain in competition with its competitors.

3. Pricing Breadth - Line extension influences the consumer’s desire to ‘move up’ to a higher price range. This results in more sales and profits. In the same way, the marketer may launch a product at a lower price point than its core brand for their consumer.

4. Capacity Utilization - By increasing sales through line extension the firm can increase its production, which in turn helps the firm to utilize its plant capacity to the fullest. It helps to recover the fixed costs and achieve efficient cost of operations.

5. Quick Gains - Line extensions provide an opportunity to achieve quick gains in sales performance. It is less expensive than launching a new product or brand. Moreover, creation of new brands involves a lot of uncertainty. So the firm goes for line extension to generate more sales with relatively less spending.

6. Competitive Reasons – Companies with a more extensive product line up is usually in a better position to get access to shelf space. Therefore, a customer
who finds in a store a brand in various shapes, forms, flavours, sizes etc. will obviously have a wide choice. The new entrants or competitors will find it difficult to make their presence felt. Similarly, a firm may be forced to extend the line because of the competitive situation. To counter competition the firm may have to go for line extension. But line extension comes with some risks too. These are:

i) Line Confusion – If there is line extension without sound logic and reasoning then it will create a situation of over segmentation and blurred product vision. A lot of products or varieties under one brand confuse the consumers and retailers.

ii) Encourage Varieties and Brand Switching - The brand loyal consumers are the dream of any firm. The loyal or committed consumers keep on buying the same brand repeatedly because of the brand image or brand attributes. Line extensions provide various variations to the brand. This may push the consumers to the cognitive thinking mode and seek variety. Line extensions may also encourage brand switching behaviour and brand loyalty may be weakened.

**Category Extension** involves using an existing brand name to launch a product in a different category. The key difference between line and category extension is that line extension is carried out within the product category, and in category extension, the product category differs. Typically, in category extensions, the brand moves to another product category, in which it is open to question whether it has the ability to deliver the same benefit. Brand extensions are necessary to compete in a mature market and to ensure growth and profitability. Category extension relies on the ability to create a competitive advantage by leveraging the reputation attached to the brand name in a growth category, different from the brand’s present categories. Category extension is based on the premise that the core brand has a strong brand
equity associated with a number of consumer benefits and high level of trust which are transferable to the new category. The benefits and brand values should also be relevant to that new category. To be successful in this extension, the products and services extended should be able to deliver a real perceived advantage over the competition, both to consumers and the trade. The reasons for category extensions are:

1. **Cost of New Launches** – To develop and create a new brand is very expensive. The firm reduces cost by launching new product through category extension and increases its profitability.

2. **Promotional Efficiency** - At the time of launching a new product, promotional costs are reduced as brand name awareness is already there in the consumer’s mind. When a firm has a large number of brands it is very expensive to support them. The category extensions help them to enhance their promotional efficiency.

3. **Consumer Benefits** - Since consumers are aware of the parent brand, they are more certain about the quality in the extended products. Hence, their perceived risks of choosing new products are reduced due to their prior familiarity with the brand. It is expected that a brand loyal consumer will be more inclined to an extended product than a completely new brand.

4. **Feedback Effect** – Brand Extension may also help the parent brand in many ways. The extension can bring clarity in brand meaning and can broaden the product meaning. It helps the parent brand’s associations more by adding or strengthening these associations which the consumers are looking for. Extensions can also resolve definitional issues and avoid the firm being trapped in a limited marketing scope.
**Vertical Extension** is defined as introducing a similar brand to the same product category while being different in quality and price (Keller and Aaker, 1992). According to Kim and Lavak, 1996; Xie, 2008; vertical extension can be divided into up-scale and down-scale brand extension. The up-scale extension refers to a higher quality and higher price point as compared to parent brand. Down-scale extension means extending a brand with a lower quality and lower price than the parent brand.

Tauber’s Growth Matrix, 1981; depicts the difference between Line and Brand Extensions more lucidly and appropriately. The matrix, shown in Figure 2.13 depicts the firm’s growth opportunity by using two dimensions, Product Category and Brand Name.

![Diagram](image)

**Figure 2.13 : Firm’s Growth Matrix** (Adapted from Tauber, 1981).

Igor Ansoff’s Growth Matrix (Collis and Montogomery, 1998); has influenced Tauber’s Growth Matrix. In the brand strategy development, the use of Ansoff’s
Growth Matrix model has also been frequently used (Figure 2.14).

\[
\begin{array}{c|c|c|c}
\text{Existing Products} & \text{New Products} \\
\hline
\text{Existing Markets} & \text{MARKET PENETRATION} & \text{PRODUCT DEVELOPMENT} \\
\hline
\text{New Markets} & \text{MARKET DEVELOPMENT} & \text{DIVERSIFICATION} \\
\end{array}
\]

**Figure 2.14 : Ansoff’s Growth Matrix**

2.9 Identification of Potential for Brand Extensions

Brand extension strategy determines how far a brand can be extended. Therefore, before making any decision for brand extension it is important to know the parent brand well i.e. the attributes the consumers are associated with. What is its personality? What identity it has in the consumers’ mind? Is there any latent associations or traits? Therefore the brand’s extendability depends on its character and perceptions.

**Product Brand:** In this case there is little difference between the product and the brand. Here brand is in close approximation of the product. The brand has been used for identification for internal purpose. These brands do not play any important role from the consumers’ point of view. Hence, product brands have lesser scope for category extension.
**Formula Brand:** A brand which comes in the formula brand category simply signifies that a standard procedure has been used to make the product. For example, this type of brand may be found in cooking oil categories defining some specific attribute like purity, aroma etc. This brand has little scope for category extension.

**Know-how Brand:** This brand reflects an expertise developed by any firm in a particular specialised area of activity. Amul India has developed expertise in milk processing in India. The know-how brand has greater flexibility in extending their brands. They use their expertise in developing new products in different categories and also utilise their logistic support, for example Sony, Honda.

**Interest Brand:** These types of brands are defined by its centre of interest. It may reflect its core spirit. For instance, Nike’s focal point is winning. This brand has flexibility and can be extended, keeping the promise in the extended brand.

**Philosophy:** The brand at this level acquires more intangible character and orientation. The philosophy transforms the product in a realm altogether different from the physical reality for example luxury brands, fashion brands etc. This brand gives very good support for the extended brands.

Brand extendibility is a function of connections it enjoys in the minds of the consumers. Many brands break away from product orientation to reflect their consumers’ emotion. These reflections may consist of aspirations, images, emotions, values and experiences. The brand which connects with the inner urges of the consumers do well in the extended category.

Once the brand’s perceptions have been realized, the extrapolation of the brand’s distinctive features is necessary to identify their consequences. Brand extension is a strategic choice accompanied by other changes like changes in production, know-how, distribution channels, communication, and corporate culture. According to Davis, 2002; before going into brand extension strategy the questions to be answered are: Is the brand extension strategy consistent with the vision strategy? Is
the brand extension strategy consistent with the brand positioning strategy? What will be the impact on the parent brand in case of unsuccessful brand extension?

Davidson, 1987; distinguishes a number of concentric zones around an inner core, the outer core, the extension zones and finally the no-go areas (Figure 2.15). The market survey with close-ended questions provides information on the immediate vicinity of the brand (the outer core). In order to find out how potential the brand is to adopt extension, once again qualitative investigation is necessary. The other factors like why they are refusing due to conservative outlook or incompatibility with the brand can be found out. What attributes, objective and subjective, would be necessary for it to be added to bear the brand name. Is the product superior to the present market offer? Therefore, along with identifying the success factors of the extension category, in the testing phase one has to find out whether the factors are coherent with the parent brand and also superior to its competitors. Hence, one must consider extension as an innovation and its added value should be considered.

Figure 2.15: Perimeters of Brand Extension
(Adapted from Davidson, 1987)
2.10 Brand Extension Model

The research on brand extension has mainly focused on identifying consumers’ evaluation of brand extension. Are the consumers finding it attractive? On failure of extension, will it dilute the parent brand image? According to Kapferer, brand extension is a process and involves eight key steps:

i) To assess the brand equity of the parent brand i.e. brand image, emotional attachment with the brand and its key competencies among the various segments of the population.

ii) To assess the intrinsic attractiveness of likely extension categories.

iii) To assess the transferability of the brand assets in the desired extension categories.

iv) To find out the relevance of the brand extended - any real benefit from the brand extended.

v) To assess the ability of the company to render the expected benefits as imbibed in the core brand.

vi) To assess the superiority of the extended brand over its competitors in the market.

vii) To assess the ability of the company to sustain competition in the extended category and acquire the leadership through time.

viii) Finally to assess the image of the parent brand through feedback and also the core brand’s impact on sales. The following brand extension model has been developed by Kapferer (Figure 2.16).
Categorisation Theory and Brand Extension

Sujan, 1985; is one of the first researchers to use Categorisation Theory to understand evaluations of consumer products. According to this theory, it suggests that individuals use schemas to help them organise information about entities. A Schema is a cognitive structure that represents knowledge, or a concept about an object. Individuals form schemas for entities because information about the entity is very important and relevant. Sujan has suggested that when the consumers become familiar with a brand name, they form schema for that brand. As the consumers collect and process more information the schema for the brand becomes more developed. The categorisation theory has been used by the brand researchers so as to understand how consumers evaluate brand extension. Boush and Loken, 1991; suggest that if the product characteristics are consistent with the brand schema, consumers will evaluate the product based on beliefs about the brand. So if the consumers have perceived the brand favourably, positive goodwill associated with the brand name will be transferred to the extension product. But if the extension
appears to be inconsistent with the brand beliefs, the consumer will judge the extended product on its own merit.

Kalamas et al., 2006; have used categorisation theory to argue that when parent brand affects directly or indirectly, the chances of success is more applicable for congruent brand extension. It has been said in many research papers that parent brand associations played no significant role for moderately congruent or incongruent brand extensions. So categorisation theory beliefs that as the brand moves outside its perceived rightful domain with respect to price, point and class level, positive brand equity will not be transferred to the vertically extended product. This model works well for certain categories but is less reliable for others.

**Congruency Theory on Brand Extension**

Horizontal extension researchers on the other hand noted that the greater the similarity, consistency and congruity between the brand and its extension product, the higher the probability of acceptance by consumers. They also believe these concepts seem relevant for the vertical extension too.

**Implicit Theory and Brand Extension**

The implicit theories of the self in the interpretation and understanding of human behaviour is gaining increasing acceptance among the social psychologists. Dweek, Chiu, and Hong, 1995; have suggested that people possess implicit theories about the malleability of their own personality traits and that these implicit theories affect the inferences made when judging the traits of others. People tend to follow one of the two theories: entity theory i.e. fixed entities that cannot change and the other is incremental theory i.e. traits are situational, dynamic, and able to change with time and effort. So implicit theories determine whether personality traits of an individual are considered fixed or malleable and the same may be applied in case of a brand. Implicit theory may be applied to evaluate consumer perceptions and acceptance of brand extension.
2.11 Factors for Effective Brand Extensions

Aaker and Keller propose that there are many assumptions about consumer behaviour which are essentially relevant and important for the success of brand extensions. These are:

- The parent brand enjoys positive beliefs and favourable attitude in consumers’ memory.
- This pre-existing positive beliefs and favourable attitude are transferred and leveraged in the brand extension and help to succeed in the extension.
- The negative associations are not transferred to the brand extension, and also not created in the brand extension.

Therefore, the consumers’ experience of the parent brand and how they have perceived the brand are important for the extension of the brand. The consumers’ brand awareness, brand loyalty, brand association, perceived quality and perceived risks certainly help for the parent brand’s extension. Therefore, the acceptability of brand extension depends on i) Brand’s Reputation, ii) Perceived Similarity, Fit and Complementary iii) Perceived Risks and iv) Consumer Innovativeness.

Brand Reputation

It refers to the consumer perceptions of quality with the parent brand. The brand power depends on the consumer’s favourable inclination towards the brand. This can be measured through brand awareness, brand recall and brand equity. If the brand is associated with good quality and commands high brand equity it will definitely help the extension.

Perceived Similarity and Fit

The similarity between the parent brand and its extension is an important basis for determining the fit between them and greater transfer of positive and negative effect to extensions (Boush et al., 1987; Park et al., 1991; Dacin et al., 1994). A study conducted by the University of Minnesota Consumer Behaviour Seminar, 1987; found that transferability of skills and assets of the parent brand and complementary
nature between the extension and parent brand are the two important fit variables. The complementary indicates the extent to which consumer views brand and the extensions complementing each other. It is important to recognize not only product feature similarity such as price, design, look but also brand concept consistency like product category, status etc. So transferability and complementary are the most important fit variables which help the extension successfully.

**Perceived Risk**

It implies that consumer experience a pre-purchase uncertainty regarding the extent of expected loss resulting from purchase and use of the product. A brand which is extended into a new product category offers a new alternative to consumers, but also perceptions of risk to consume it. If the parent brand has good brand image and reputation, definitely it will relieve the consumer from uncertainty and risk involved in the product or service.

**Consumer Innovativeness**

This implies personal trait of an individual’s receptivity to new ideas and willingness to try new products and brands. The most important feature of this variable is the satisfaction that gained from taking risk. According to Smith and Park, 1992; well-known, established brand reduce the risk associated with buying a new product. Highly innovative consumers are likely to be more venturesome and may try new brands.

### 2.12 Risks in Brand Extensions

Brand extensions despite being very popular in the contemporary marketing strategy may encounter severe consequences if not utilised properly. Matt Haig, 2003 the author of “Brand Failures” analysed 100 biggest branding mistakes and in his book said that brand extension failures were caused by mainly: 1) Companies’ lack of understanding of what their brands stand for, with the disastrous result that brands are extended into irrelevant categories or overstretched, and 2) Some extensions are too similar to core brands, and this results in cannibalization.
Keller, 2003; said that the main disadvantage of brand extension is that if it fails it can hurt the parent brand’s image. According to Taylor, 2004; one in every two brand extension fails because of over extensions. Loken and John, 1993; have said that the brand extension failures can cause dilution of specific attribute beliefs that consumers have about an established brand. Brand extensions carry the risk of diluting what the brand name means to consumers, especially in the case of extensions that are inconsistent with the brand image or which fail to meet the consumers’ expectation in other way (John, Loken, and Joiner, 1998). When extensions fail it drains out lot of resources and the greater damage being hurting the parent brand image. Al Rites and Laura Rites suggest that “the easiest way to destroy a brand is to put its name on everything.” Over extended brands lose their identity and their meanings. Extensions involve transfer of parent brand associations to the extensions. The nature of the parent brand is very important determinants of extension success. Therefore, before embarking upon extension, a brand’s extendibility must be judged to avoid any risk of failures.

2.13 Branding and Brand Extension Strategy in FMCG Segment

Branding is very widely used in consumer non-durables (commonly referred to as the Fast Moving Consumer Goods or FMCG Sector) such as toothpaste, soaps, food items where there are hundreds of firms offering a plethora of similar products competing for a slice of the market - and successful branding helps in securing a place in the consumer’s mind. Branding not only applies to FMCG products but also to durable products such as refrigerators and computers, Industrial products such as Steel Bars and Cement as well as Services such as beauty parlours and fitness centres. Products which have a quicker turnover and relatively low cost are known as Fast Moving Consumer Goods. FMCG products are those that get replaced within a year, for example soaps, toiletries, cosmetics, soft drinks, chocolates etc. as well as non-durables like, batteries, bulbs, consumer electronics etc. FMCG industry alternatively called CPG (Consumer Packaged Goods) industry as it deals primarily
with the production, distribution and marketing of consumer packaged goods. The absolute profit made in this industry is relatively small. So they generally sell in large numbers so as to earn cumulative profit large. The success of an FMCG product depends greatly on its marketing strategy. A marketer pursues a wide combination of strategies like extensive distribution network, design, suitable advertising, sales promotion and brand extension, both line and category extension, to retain the existing as well as new consumers of their product. Brand extensions are very important for the growth of a business and it has become a very common practice for the companies, especially in the FMCG sector to grow in its sales and profits. As launching a new brand takes considerable amount of time and money, companies are adopting brand extension strategy in order to achieve growth. For major FMCG companies like Hindustan Unilever, Procter & Gamble, Dabur, Marico, Godrej, Nestle etc, the use of brand extension is quite common as they concentrate on established brand names in order to generate sales amid negative factors such as high inflation and the global economic slowdown. According to marketing research company IMRB, the FMCG companies launched 251 products (223 variants and 28 brands) in the calendar year 2007 as against 191 (173 variants and 18 brands) in 2006. According to Nielsen survey, 2012; in India’s FMCG market which was about Rs. 1,670 billion in 2011, brand extensions are estimated to have contributed nearly 30%. The new brand launches accounted for an approximate 10% success rate. The study also revealed that marketers have realized that fewer brands with larger and strong brand are better for business success. Hindustan Unilever has reduced the number of brands from 1400 to 600 only. Therefore, the companies are stretching their parent brand as it is cheaper, easy to handle and less risky than creating and launching a new brand. But despite these advantages, the failure rate is still around 50% in brand stretching.

Nestle launched a record number of variants – from its Maggi Cuppa Mania (the instant cup noodles), Maggi Bhuna Masala (a readymade cooking aid), to Maggi Pichkoo (a tomato ketchup pouch pack). It also introduced NesVita Pro-Heart, a fat-free packaged milk product. Other FMCG leading players such as Marico had
launched Saffola Functional Food for ‘diabetics management’. Britannia launched NutriChoice 5 Grain, a biscuit made from five ‘healthy cereals’, Dabur also launched pudina variant of its popular Hajmola brand, and also extended its Dabur Gulabari skin-care range. There are other FMCG companies who too resort to brand extension.

2.14 FMCG Growth Strategy

Tauber, 1981; had suggested a growth matrix that differentiated brand extensions from other new product forms (Figure 2.14). After that Lane and Sutcliffe, 2006 proposed a ‘Jigsaw Brand Matrix’ to extend the existing literature on brand portfolio strategy. He proposed additional four growth options and five additional strategic categories. The four additional growth options as described Lane and Sutcliffe, 2006; (Figure 2.17) are as follows:

![Jigsaw Brand Matrix](image)

**Figure 2.17 : Jigsaw Brand Matrix** (Adapted from Lane and Sutcliffe, 2006)
Piggybacking - when products enter a new category with a related brand name, and then this being used as a related brand name to launch new products. For example “Parle-G”, India’s leading biscuit manufacturer attempting to enter the confectionary snack market with Parle-Poppins and Kisme Toffee Bar.

Associate Brand – The launched product is related to a product category with a new brand name as the new product can work side by side with the parent in order to extend to new consumer segments, for example, Global Beer supplier United Breweries extension from beer into spirits, wines, vodka and in champagne to name a few.

Strength Extension – In order to capitalise and strengthen of a parent brand, the strategy of using an existing brand name to a related product category is being used.

Flanker – When an established product having a related brand name fighting for a fixed position within its parent category. For example Hindustan Unilever Limited has three or more products under the same brand name, targeted at different consumer segments (Surf Excel). In Product Flanking strategy the company develops and introduces different combinations of products at different prices, to cover as many market segments as possible.

i) The company offers the same product in different sizes and price combination to tap diverse market opportunities.

ii) The basic idea behind this concept is to flank the core product by offering different variations of size and price so that consumers find some brand to choose from. For example, Vicks the cough and cold relieving medicine is now available in different sizes, and also inhalers, cough drops and cough syrups.

The five additional strategy directions are:

**Matrix Branding** – In this strategy the brand and category extensions are utilised without adopting a fully diversified or multi branding category approach.
**Diversified Branding** – Different brands, not similar to each other enter in a partly related or unrelated segment.

**Elastic Branding** – Different related or unrelated product extensions centred around the core brand name.

**Focus Branding** – The core brand name is used to develop any product or service.

**Multi Branding:** A company often nurtures a number of brands in the same category. The various motives behind this strategy are:

i) To capture as much of the market share as possible by trying to cover as many segments as possible, as it is not possible for one brand to cater to the entire market.

ii) This also enables the company to lock up more distributor shelf space. For example Hindustan Lever has Dove in the ultra premium segment, Lifebuoy for the economy segment and brands like Rexona, Liril, Lux for the intervening segment.

The “Jigsaw Brand Matrix” developed by Lane and Sutcliffe is yet to be empirically tested and verified, though it is helpful for brand extension strategy. The model did not include co-branding though it is a widely used technique in FMCG industries.

**Co-branding:** A brand can also be leveraged by entering another product class, not by brand extension but by co-branding. One form of co-branding is to become a branded ingredient in another brand. The strength of the brand name would be exploited without becoming involved in running a new business. So in co-branding advantages of brand extension would be taken with less risk.

Another form of co-branding is by creating a composite brand- the bundling of two or more brands to provide an enhanced consumer benefit or reduced cost. The problem is finding right fit and solving the implementations problems of two organisations, with different systems and cultures, working together.
2.15 Necessity of Brand Extensions in FMCG Segment:

The companies take brand extension strategy:

i) In expectation that the extensions will be able to give growth in the market share by leveraging the equity of a successful brand. The new product will stand in its own right in the course of time.

ii) The existing brand name, image, awareness, give the new product instant recognition and easier acceptance which facilitates competitive advantage.

iii) The company enters into new product category easily.

iv) There is an advantage of economy as the costs involves in launching a new brand very high and risky too. For example Amul, which extended from Amul milk powder to Amul ghee, Amul butter, Amul cheese, cheese spread and finally Amul chocolate.

In terms of categories, brand extensions in personal-care, household-care and processed foods drove growth in the FMCG sector.

Usually well-managed brand extensions, cannot only help in reinforcing brand meaning but can also help to build brand equity. However, a concern for many managers is its failure in the same way as how new products fail in the market. Care should be taken to see a brand is matured well before extending it so diversely in different categories. With the success of the core brand in the short span, brand owners are tempted to extend its parent brand much sooner than done in the past. As we see in case of “Maggi” brand launched in India in 1982, by Nestle SA. The company introduced a new category of instant noodles in Indian market called Maggi Noodles. It was an instant hit and Nestle India Limited maintained its strong leadership in the instant noodles category until the early 2000s. Moreover, over the years Maggi brand was extended into soups, ketchup’s, sauces, pickles etc. But these product extensions were not as successful as the instant noodles and Maggi Pickles was the worst. The failure of the extensions into soups, pickles, ketchup suggest that the brand owners are too fast to estimate their brand equity in the core
brand for the positive effect on the extended brand. Moreover consumers’ perceptions of fit with Maggi Noodles did not match with the extended products.

Nielsen’s study identifies five ways how brand extensions in India especially FMCG sector are successful in India:

1. Brand stretches gain share and build distribution faster than new launches.

2. Brand stretches are two times more likely to succeed in a highly fragmented category.

3. Sixty-five percent of successful brand stretches have a premium index lower than the parent brand.

4. Strong parents have strong children.


2.16 Present Scenario of FMCG Companies

Indian urban consumers are becoming more global in their aspirations and desires. Their consumption of FMCG products are also increasing. In the rural area of India, middle class population constitutes a potential market lying to be tapped by the FMCG companies. Robust demands for existing FMCG products are encouraging more and more FMCG players to extend their existing brands and expand their product portfolio as well. Moreover, to expand the market share and sustain long term growth, most of the FMCG companies in India are going for brand extension strategy. Besides brand extension strategy various major FMCG companies have launched new and innovative products and ideas. During the Financial Year 2013, some of the new launches and extensions are given below in Table 2.1.
<table>
<thead>
<tr>
<th>Company Name</th>
<th>New Launches</th>
<th>New Variants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dabur India Ltd.</td>
<td>Babool Salt Toothpaste, Gulabari Saffron &amp; Turmeric Cold Cream and Lotion, Air-freshening Gels under the brand Odonil.</td>
<td>Turmeric and Saffron-based bleaches under Fem; Packaged Juices under the brands Réal and Activ and Anardana variant in Hajmola.</td>
</tr>
<tr>
<td>Hindustan Unilever Ltd.</td>
<td>Tresemmé range of Shampoos and Conditioners, Elixir range of Oils, Lux Deodorant, Lakme Eyeconic Kajal.</td>
<td>Close-up Eucalyptus Mint, Axe Apollo, Pureit Advanced and Pureit Marvella UV.</td>
</tr>
<tr>
<td>ITC Ltd.</td>
<td>Dark Fantasy Choco Fills – Coffee, Butterscotch Zing, Kaju Badam Cookies, Creme Lacto and mint-o Ultramintz (sugar-free extra strong mint), Vivel Cell Renew Body Lotion, Hand Crème / Moisturizer and Vivel Perfect Glow Skin Toner.</td>
<td>Bingo, Tangles; Couture Spa range of Soaps under the Fiama Di Wills brand.</td>
</tr>
</tbody>
</table>

**Table 2.1 : New Launches and Product Extensions by FMCG Companies**

(Adapted from Research Report: FMCG Industry, July 30, 2013)