1 INTRODUCTION AND REVIEW OF LITERATURE

1.1 INTRODUCTION

The existing brand extension activity and available literature provide some insights into the effects of brand extension activity. However, more specific guidance is required in the emerging Indian Context. The Indian markets have not only witnessed some of the successful brand extensions of flagship brands such as Tata, Amul and Bajaj, but they have also seen the pitfalls of failure.

The major financial risk in entering new markets is the failure of new products. The cost of introducing new products is enormous and it is also increasing day by day. When a firm diversifies into a new category, marketing managers have to make conscious decisions regarding branding of products. They can employ various new product strategies ranging from new brand entry to brand extension. Brand extension is appropriate when a firm uses an established brand name to enter a new market. When the existing brand is associated with the positive brand image, it offers enormous scope to leverage the existing strength of the brand in a new market. It is also observed that consumers are comfortable in dealing with known brands in certain categories. Once the brand is widely known among the consumers, it also forms part of the consideration in choosing a product category. Psychological studies also confirm that entry of a given brand in a consideration set may prevent the entry of other brands. The number of brands which forms part of the consideration set also varies. It is quite likely that a successful brand in one category can repeat its success story in another category.

Brand extensions are attractive to firms that face the reality of high new product failure rates because they provide a way to take advantage of brand name recognition and image to enter new markets. The leverage of a strong brand can substantially reduce the risk of introducing a product/service by providing consumers the familiarity and knowledge about an established brand. Brand extensions are also advantageous to the firms in terms of reduced cost of distribution and better efficiency in utilizing the advertising and
promotional expenditures. However, the brand extension strategy is not cakewalk. The success of brand extension depends very much on the consumers' acceptance. The wrong extension can damage not only the customers' perception of the brand extension but it can also affect the existing parent brand image. The decision of brand extension involves an important strategic growth thrust. If the brand extension is a failure, substantial time and resources are lost and other market opportunities may be missed.

There are certain assumptions about consumer behavior which holds true for successful brand extension. It relates to consumers holding positive beliefs and favorable attitudes toward the original brand in memory. A brand with a positive image allows the firm to introduce appropriate new products as extensions. An extension allows the firm to capitalize on consumer knowledge of the parent brand to raise the awareness of and suggest possible associations with the brand extension. There are certain customer perceptions that facilitate the formation of positive belief and favorable attitude toward the brand extension. Different types of associations could potentially be transferred to the extensions. These associations may relate to product type attributes, a use situation, a place, product class and personality attached to the brand. For most brand extensions, a motivating rationale is that the certain positive brand associations can be carried over to the extended product category. The brand has a set of associations that vary in strength. The extent to which each of these brand associations will transfer is a major issue. The ability to transfer certain brand association will depend on the strength of association. In addition, it also depends on the appropriateness of brand association. Brands with varied product category associations, with the successful past extensions, are known to be extendable. In fact, in many cases, extensions aid the brand equity for the parent brand. For instance, brand extensions strengthened parent brand associations, and, "flagship brands" were highly resistant to dilution.

Brand extensions can provide several benefits not only to the parent brand but also to the company as a whole. It also enhances the parent brand image by improving the strength, favorability and uniqueness of brand associations. Extensions can also convey the broader meaning of the brand to consumers. Further, extension can also increase the market coverage, and, with the subsequent extensions, the distant markets can also be
effectively covered. Various studies have shown that well-known and well-regarded brands can extend more successfully into the diverse product categories which otherwise would have been difficult with the newer brands and unknown brands.

In order to understand the process by which various stakeholders including consumers evaluate the brand extension, many academic researchers have attempted to study the subject at great length. However, we observe that very few studies are conducted in the Indian market. The present study will certainly help the marketers get a perspective of the market. With the increased importance of service industries in terms of higher stake in the country's GDP, the study also captures the brand extensions for service brands, including the banking brands.

The study covers the evaluation of brand extensions on the basis of following empirical studies:

1. Consumer evaluation of real brands under different scenario of brand extensions.
2. Distributors' survey on new product launch strategies.
3. Retailers' evaluation of brand extensions in toothpaste and ready to eat product categories.
4. Experimental study on brand extensions for bank brands.
5. Employees' evaluation of future possible extension of India Post into banking category.

OBJECTIVES OF THE STUDY

Adopting a multi-disciplinary approach, the present study aims at:

1. Assessing the customer evaluation of brand extensions for the real brands in hypothetical product/service categories in the cities of Ahmedabad and Baroda.
2. Capturing the major brand associations which are relevant to brand extensions and relating it to the existing parent brand associations.
3. Evaluating the success parameters for new products' launch based on the distributors' perception in the city of Anand.

4. Comparing the brand extensions for Toothpaste and Ready to Eat product categories based on the retailers' perception of brand extension.

5. Based on experimental study, assessing the success potential for bank brand extensions in current and future hypothetical service categories.

6. Evaluating the success perception of brand extension for India Post case of possible entry in banking category in future.

7. Understanding the marketing implications in developing a strategy for successful brand extensions.

The Following broad hypotheses were also tested during the study:

1. There is significant difference in the success potential of different brand extensions between the selected real brands (Consumer Study, Retailer Study).

2. Existing brand associations of parent brand determine the success of brand extensions (Consumer Study).

3. There is significant difference between the success perception for a line extension and a brand extension (Distributor Study).

4. There is significant difference between the success perception for present extensions and future extensions for bank brands (Experimental Study).

5. India Post brand is more relevant for entry into banking category (Employees' Perception).

METHODOLOGY

The theoretical framework is based on secondary sources of information such as textbooks and research papers from various reputed journals. The brands, for the study,
were identified from various newspaper reports. Further information about the brands was obtained from the relevant websites.

The empirical study is based on primary information collected through a structured questionnaire. Responses were obtained from 403 consumers in Ahmedabad and Baroda. The consumer questionnaire was divided into the following: Customers' knowledge about the brands and various products associated with the product; Various brand associations; Similarity; Favorability and feasibility of brand extensions; Relevance of brand association in various hypothetical extendable product/service category; Overall evaluation of brand extensions, demographic information.

Distributors' questionnaire captured the success evaluation of new products in terms of product-related factors, pull-related factors and push-related factors. Responses about 42 new product launches were obtained. Retailers' questionnaire covered the evaluation of brand extension for various scenarios of brand extensions.

Experimental study compared the success evaluation of brand extensions for State Bank of India and ICICI Bank for their present extensions and future extensions. Senior Employees of Postal Department evaluated the brand extension of India Post in the banking category. Responses from 42 senior officials were obtained.

The data obtained from the above empirical study were then coded and analysed using SPSS software. The analysis involved the testing for various statistical parameters as outlined in the objectives and hypotheses. Appropriate statistical parameters were also compared for evaluating the significant differences. This is followed by the presentation and interpretation of results along with managerial implications and concluding notes.

ORGANISATION OF THE STUDY

The study is divided into following chapters

Chapter 1 covers the relevant literature review in the area of brand extensions. It also helps in understanding the findings and its significance for the study.
Chapter 2 studies the trends and progress in brand extensions by scanning the newspapers reports. Suitable brand extendable categories were identified through content analysis of newspaper reports.

Chapter 3 describes the research problem, objectives, methodology and the scope of the study.

Chapter 4 analyses the consumer survey, distributor survey, retailer survey, experimental study and employee's survey.

Chapter 5 draws broad conclusions, discussions and managerial implication of the findings of the study. It also discusses the limitation of the study and identifies areas for future research.
1.2 REVIEW OF LITERATURE

Companies spend large sums of money and enormous amount of time launching new products through new brands, leveraging existing ones and acquiring rivals. Of these, one of the strategies includes leveraging the existing brand equity through line extensions and brand extensions. The intention behind the extension strategies is to explore the advantage of the parent brand equity. Another strategy followed is using the multi-brand strategies to attract customers. Procter and Gamble has been following the multi-brand strategy. The experience of the firms employing the dual strategy is mixed. For example, Hindustan Lever Limited has embarked upon the strategy of Power Brands after revisiting the benefits of developing strong brands. Unilever, the parent company of Hindustan Lever Ltd, has curtailed the number of brands from 1100 to 400 Power Brands. In India, HLL has reduced its brand portfolio to about 30 Power Brands plus 10 regional brands.1 Dabur has developed a “Brand Architecture” which comprises five major brands such as Dabur, Vatika, Hajmola, Anmol and Real. The intention behind power brands is to have few strong brands and leveraging it further into other product categories.

The adoption of Power Brand Strategies has also brought about improvement in financial results of both HLL and Dabur. This can be corroborated from the fact that Dabur has claimed improvement in gross margin in its five Power Brands by 150 points. These companies are trying to ensure that Power Brand continues to occupy a unique position in the consumer’s mind, and, therefore, they have been able to stretch into other product categories.

Reducing the number of the brands can be divided into two distinct but complementary models:2

1. A Portfolio Approach

2. Segment Approach

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In portfolio approach, companies retain brands which conform to the broad parameters. While in segment approach, companies identify brands that they need to cater to all the consumer segments in each market. Sometimes, combination of the two is also applied.

The brand parameters, as discussed in the portfolio approach, can be:

1. **Brand Power**: For example, General Electric has the tradition to retain those brands that are number one or two in their segments. These can be categorized under Brand Power. Apart from Number one or number two, these are the brands that retailers cannot take it for granted, as there is substantial pull from the consumers.

2. **Brand Growth Potential**: The brand has to display the potential for growth either based on either its appeal to current consumers or ability to meet current customers as well as the ability to meet the consumers in the future.

3. **Brand Scale**: The brand has to be big and profitable enough to justify the investments that company would make in a marketing communication.

Extensive research has been carried out on Brand and allied topics. But in India, relatively few researches have been conducted on Brand. Therefore, a strong need is felt to understand the relevance of brand extensions on new products. With the high percentage of failure of new products, increased attention is being paid to understand the reasons for failure of New Products. I propose to include the research on Brands, New Products and finally, Brand Extensions.

1.1 **Introduction to Brands**

Consumers in diverse markets are ready to pay the premium for the Brands which matters most to them. Every marketer is striving to create a right positioning in the minds of the consumers. It means that the Company is not only selling the core product but it also offers augmented solution to the consumer for which they perceive a sufficient added value. Brand is the result of coherent marketing approach that appropriately uses all elements of a marketing mix. Brand is a powerful marketing concept that does not focus on one element of marketing mix, but it is the result of a carefully conceived way of
activities across the whole spectrum of a marketing mix, directed towards making buyers recognize relevant added values that are unique when compared with competing products and services, and which are difficult for competitors to emulate. The purpose of branding is to facilitate the organization in getting and maintaining a loyal customer base in a cost effective manner in order to achieve the highest possible return on investment. It is observed that successful brands are valuable because they guarantee consistent future income streams. This can be confirmed from the fact that brand value for strong brands is much higher than the other brands. Moreover, the proportion of brand value in its market capitalization is higher for organizations which have strong brands in their brand portfolio.

Numerous research studies have validated the strength of successful brands. Marketers try to create and retain the consumers by building strong brands. Every successful company spends huge amounts of money to create strong brands. Brand can be considered as a combination of product and image.

\[ \text{Brand} = \text{Product} + \text{Images} \]

A Brand is much more than the mere product. It stands for the blend of the physical product and the emotional images that go with it. In this context, Sundrop, a leading brand in Sunflower Edible Oil segment, can be positioned as:

\[ \text{Sundrop} = \text{Sunflower Oil} + \text{Healthy Oil} + \text{Happy Children} + \text{Loving Mother} + \text{Tasty Food} + \text{Modern Home} \]

At the same time, examples are also replete with the failures of the brand. In the Indian context, it is observed that many brands' values have deteriorated because of implementation of wrong branding policies. Advertising with an intention of positioning could have saved a number of strong brands by resorting to focused “Brand Building Advertising” because it is a unique method of advertising that sells today and helps build enduring brands over time.³

FCB, a leading advertising company, has prepared a “FCB Grid” as follows:

<table>
<thead>
<tr>
<th>High Involvement</th>
<th>Low Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thinking</td>
<td>Feeling</td>
</tr>
<tr>
<td>Informative</td>
<td>Affective</td>
</tr>
<tr>
<td>Auto, TV, Home Loans</td>
<td>Perfumes, Cosmetics</td>
</tr>
<tr>
<td>Habitual</td>
<td>Satisfaction</td>
</tr>
<tr>
<td>Pain Balms</td>
<td>Confectionery</td>
</tr>
</tbody>
</table>

Brand is the intersection between core company (product or service) strengths and what customers value. A company which builds products that correspond exactly to its strength builds value, trust and loyalty with customers. Hewlett Packard (HP) took the advantage based on first introduction, faster printing and reliable quality that has been valued by the corporate users. The integrated model includes tools for revealing and building strong brands. Organizational and brand drivers will allow the company to develop customer relationships and create brand strengthening customer interactions. Organizational drivers are mission, values and strategy while Brand drivers are principle, personality and associations. It is also important to measure the brand through “Brand Tracking”. Brand tracking can cover important traits such as:

1. Top of the Mind awareness
2. Unaided Awareness
3. Benefit Dimensions
4. Personality Dimensions
5. Current Usage

So Branding is a concept that exists to create an identifiable differentiation. Any Brand name is a sense of value to the company. A product without a brand name will be a mere commodity. The key marketing concepts of positioning, loyalty and imagery are centered on the brand name.
1.1.1 Benefits of Brand

Brand Name will:

1. Help in creating an association in the minds of consumers and acting as descriptor.

2. Provide entry barrier in its categories once it is established. Some appropriate examples are Xerox and Dettol.

3. Become an invaluable asset as in the case of Tata, Amul and Godrej.

Brand delivers a variety of benefits, which can be classified as satisfying the buyer’s rational as well as emotional needs.\(^\text{4}\) It is important that added benefits must be relevant to the customer and not just to the marketer/company. If brands are to thrive, their marketing support will have been geared towards providing the user with the maximum satisfaction in a particular context. Unless the added value is unique and sustainable against the competitive activity, the lifetime of the brand will be short.

Branding will serve a variety of purposes which are as follows:

1. Branding as a sign of ownership: Branding is seen as a basis of showing which will help its marketing for that particular offering.

2. Branding as a differentiating device: Brands succeed not only by conveying differentiation, but they are also associated with added values.

3. Branding as a functional device: Brands are also used by marketers to communicate functional capability. Marketers are striving to establish their brand as being associated with specific functional benefits. For example, Castrol GTX represents high technology engine protection. Dettol represents antiseptic protection.

\(^\text{4}\) Kapferer Jean Noel (1994), New Approaches to Creating and Evaluating Brand Equity, \(\text{Kogan Page, 1994.}\)
4. Brand as a symbolic device: In certain product categories such as fashion garments, goggles, perfumes, buyers contribute significant value to communicate about the products.

5. Brand as a strategic device: To take full advantage of brands as a strategic device, considerable amount of marketing analysis and planning is required. There are four major criteria for the success of the brand. They are:

1. At the product level, it should have the delivery benefits.

2. It should offer some intangible benefits in addition to the tangible ones.

3. The benefits it offers must be consistent with the personality.

4. The benefits must be relevant to the customer.

1.1.2 Brand Equity:

Brand equity signifies a set of assets linked to a brand’s name and symbol, which adds to the value provided by a product or service to a company or to a company’s clients. The major assets consist of:

1. Brand Name Awareness refers to the strength of the brand’s presence in the consumer mind.

2. Perceived Quality is the heart of what the consumer is buying. It gives the brand its identity.

3. Brand Loyalty is largely created by the value the consumer perceives.

1.1.3 Brand Positioning:

Brand managers mainly concentrate on two major crucial variables:

1. How a brand is positioned within the minds of customers and prospects.

2. What kind of personality the brand projects into the market place.

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Consumers position a brand by their own perceptions of the brand, including how it performs compared to other brands and other purchase alternatives. Whenever the positioning of a brand changes, it has a significant effect on a brand’s identity.

1.2 New Products

Successful organizations all over the world recognize the new product introduction as important for their survival and growth. The need for a proactive new product introduction strategy becomes critical due to the dynamic strategy of product market and more competitive situations. It has been observed that different companies follow different strategies with regard to new product introduction. The term 'new product' has been used in different contexts with different meanings. It can refer to a product concept totally new to the market or to a product new to the company which introduces the product, although it may be possible that similar products may be existing in the market.

New products can be classified as follows:

1. Products which are new to the market.
2. New product which allows a company to enter the established market for the first time.
3. Addition to the existing product lines which supplement a company’s established products.
4. Improvements in the existing products in order to replace the existing ones.
5. Repositioning of the existing products which provide better performance at a lower cost.

Marketing analysts put the success rate of new products as perhaps 2 out of 10. A study of over 75,000 new consumer products has deduced the nine reasons for the product failure. They are:

1. Market too small.
2. Ignored research results.
3. Too early or late in researching the product.
4. Insufficient Return on Investment.
5. Not New- Not different.
6. Consumers could not recognize.
7. Credibility not confirmed on delivery.
8. Did not go hand in hand with familiarity.

New products can be launched with the following strategies:

1. Relaunch/ Repositioning strategy
2. Brand / Line extension
3. New brand strategy
4. New product strategy

1. **Relaunch/ Repositioning Strategy:** When a brand continues to remain in the market for a long stretch of time without any change in its qualities such as basic formulation and features, core benefits, packaging, there is a basic tendency for the brand to suffer from brand fatigue and this is aggravated when competitors offer products with better features, packaging and more salient core benefits. A product is said to be relaunched when some changes are made with regard to packaging and other physical aspects of the product (such as the colour, size, perfume etc) along with the appropriate changes in the advertising and communication strategy. Repositioning entails appropriate changes in the market mix elements so that perceptions of the product in the minds of consumers are altered. Repositioning involves redefining target segments and also changing the benefits offered by the product along with the appropriate changes in the marketing mix elements.

2. **Brand/ Line Extension:** In markets which are highly competitive and where the cost of introducing the brand is high, brand/line extension strategy is considered. In case of Line extension, sizes and flavor of the brand may be added or changed. While in case of Brand extension, the brand name familiar to the consumer is extended to other product category. Cinthol Lime and Cinthol Cologne are line extensions while Cinthol talcum powder can
be considered as brand extension. Brand extension is a more offensive strategy as compared to line extensions.

3. **New Brand Strategy**: When an organization introduces a product with a new brand name where the organization already has a market position, then this is termed as New Product strategy. In case of New Brand Strategy, each new brand caters to a specific need of the market segment and hence the inter segment distance between different brands is likely to be greater. New Brands help in consolidating the company’s position in the chosen product line. Each brand creates a unique positioning. Procter and Gamble has been successfully following the "New Brand Strategy".

4. **New Product Strategy**: When an organization introduces a product with a new brand name in a category in which the company does not have a market position, then this is referred to as a new product strategy. Only those products that are new to the company are part of this classification.

When a firm introduces a new product, it has three main routes as how to brand it:  
1. It can develop a new brand, individually chosen for the new product.
2. It can apply existing brands in some way.
3. It can use a combination of a new brand and an existing brand.

Branding can be like walking on a tightrope. It is a like finding an optimum solution. Too many brands run the risk of too many name confusions and administering a different budget for each brand has financial implications. At the same time, too few brands will lead to broader and general message in today's “one to one” environment.

Large organizations in consumer durables show lesser dependence on brand/line extension and they accord a higher emphasis on new brand strategy. Planning a new product has to be undertaken against the environmental of political, behavioral,
economical, sociological and technological factors. These environmental forces are studied from the point of view of a company, the business ecosystem and the infrastructure.

Studies have also been undertaken in the areas of describing the impact of introducing new brand aspects of competitive environment and the firm's characteristics on the performance of new brands. The results identify the factors that affect the brand introduction strategies. Typically, the variables represent the marketing mix strategy of the introduced brand and include: product design & positioning, pricing and the marketing effort. The performance of a new brand, product, service or firm depends on:

1. The competitive environment facing the entry.
2. The capabilities of the entrant.
3. The market entry strategy.

The introduction strategy encompasses the marketing mix variable, the positioning of the new brand in relation to currently competing brands and marketing activities undertaken to support the entry.

1.3 Brand Extensions

Brand extension is utilized when a firm employs an established brand name to introduce a new product in a different product category. When a new product is combined with an existing brand, then brand extension is also called a sub-brand. An existing brand that gives birth to a brand extension brand is referred to as a parent brand. If the parent brand is already associated with multiple products through brand extensions, then it may also be called as a family brand. So brand extension is the extension of an established brand’s name to either related or unrelated product category.

Brand extension can be broadly classified into two general categories:

1. A line extension occurs when the parent brand is used to brand a new product that targets a new market segment within a product category, already served by the parent brand. A line extension often involves a different flavor or ingredient, a different form or size, or different applications for the brand. Clinic All Clear Shampoo is an example of line extension.

2. A category extension is when the parent brand is used to enter a different product category from that is currently served by the parent brand. Reliance Insurance is an example of brand extension.

1.3.1 Types of Brand Extensions

Brand extensions are further classified into two types:\textsuperscript{10}

(a) Extension into related categories

(b) Extension into unrelated categories

Entry of Cinthol brand in talcum powder category can be related to entry in related category. Entry of Tata Brand from steel category to salt category is an example of brand extension into unrelated category.

Related extension can follow the two routes:

1. Extension into the same product category also known as category related extension.

2. Extension into a category that is different but similar in benefits, association and appeal to the parent brand is also known as Image Related Extension.

Various problems have emerged due to following different definitions of brand extensions. For instance, Jean Noel Kapferer does not include the following as brand extension:

(a) A brand extension prescribed differently

(b) Different sizes

(c) Different tastes or flavours

Category-related brand extensions are part of line or range extension, and, these are also called as variants. The opinion of Subroto Sengupta also prevails similar to that of Jean Noel Kapferer. In his opinion, Lifebuoy soap and Lifebuoy liquid soap is not a Brand Extension. Hence, category-related extensions have to be treated as brand extensions in their own right. It may be noted that Al Rites as well as Jack Trout treat line extension and brand extensions synonymously. Aaker treats category-related extension and others as brand extension.
It is also necessary to see a difference between close extensions, also called continuous extensions, and discontinuous extensions. Continuous includes the extension of a brand of optics into photocopying. Discontinuous extension eliminates technological synergies and physical links between the products. They are real diversifications as in the case of Yamaha with its products from motorbikes to classical pianos. These are extensions that are far from the original territory of the brand, but some extensions can be close. These lead to brands having specialized brands and brands with a wide spectrum such as Mitsubushi, Philips, General Electric at the global level and Tata in India.

Our study of brand extension will be limited to "Category Extension" and "Unrelated Extension".

Nowadays, brand extension is on the rise. According to A.C.Neilson Company in the USA, between 1977 and 1984, 40 percent of the new product launches in the supermarket sector were brand extensions. Yet a brand extension is not a recent phenomenon. It is inherent in the luxury goods sector. Industrial brands themselves were extended beyond their initial product type to cover a range of diversified activities under the same name. We have the examples of various multinational companies such as Siemens, Philips and Sony. In India, examples of brand extended products in industrial sector include the famous corporate brand names such as L&T, Tata, Crompton Greaves. Brand extensions have been used widely by Japanese Conglomerates such as Honda, Sony, Yamaha and Mitsubushi. Of late, brand extensions have been explored successfully by Korean Giants such as Samsung and LG. Extensions from well-known corporate brands can convey longevity and sustainability. Thus, perceptions of corporate credibility in terms of expertise and trustworthiness can be a valuable association in introducing brand extensions. In India, there are various examples of brand extended products as seen in recent product launches such as Reliance India Mobile, Anchor White toothpaste and many others. Thus one strategic growth option is to exploit the assets by using it to penetrate new products as seen in the case of Lifebuoy Soap to Lifebuoy Family Talc) or license it to others for use therein (As in the case in Bumol sold by Reckitt & Piramal Ltd to Dr. Morepen’s).

1.3.2 Why Extend the Brands

The cost of introducing a new brand in some consumer markets in the USA is estimated to be about $50 to $100 million. The cost of introducing new products is increasing day by day. The increase in the price is due to the dramatic increase in the media expenditure. The more expensive and aggressive the use of promotions by established firms, higher the cost and greater the difficulty of obtaining distribution. To overcome this, one approach is line extension whereby current brand name is used to enter a new market segment in its product class (e.g. Diet Coke), and the other is brand extension where a current brand name is used to enter a completely different product class.

Brand extensions are attractive to firms that face the reality of high product failure rates because they provide a way to take advantage of brand name recognition and image to new markets. The strong brand can substantially reduce the risk of introducing a product in a new market by providing consumers the familiarity of and knowledge about the established brand. Moreover, brand extensions can decrease the cost of gaining distribution and increase the efficiency of promotional expenditures. With time, and through communication, packaging, advertising, etc the brand becomes rich with features, images and representations. The brand has evolved from a product or an object to a sign, or an image demonstrating an internal and external transformation. Some extensions are achieved through common values. For example, Nirma is related with "Value for money". Gillette is concerned more with Modern Man in the bathroom than limiting itself to razors only. Brand logic is addressing the competition a company faces and companies are constantly striving to ever increasing gains in productivity and economies of scale.

Brand extensions will help the products in transforming them to a common set of values, both tangible and intangible. Brand extensions result in the concentration of efforts on few brands. In India, of late, the relevance of brand extensions is understood well by major FMCG companies like HLL. HLL, as part of its power brand strategy, has identified 30 power brand based on their size, uniqueness, brand strength and growth potential. For example, in laundry segment, with the virtue of inherent properties, HLL will focus on Surf on the basis of best stain removal properties, Rin on the basis of the
ability to make cloth look good and Wheel on the basis of great cleaning and value. Brand extension is the only way of defending a brand at risk in the basic market. By adopting the Extension policy by companies such as Andrex by launch kitchen papers, paper tissues etc., it could regain the lost market share.

Brand extensions give access to an accumulating image capital. Some of the firms that are selling their brands to another could get the price advantage if the potential buyer derives benefits in future. Extending the brand enables the reinforcement of the image capital of the brand. Brand extension enables the product to break away from the mono-product. From the consumer's perspective, brand extensions are evaluated on the basis of what consumers know about the parent brand and the extension categories. This first evaluation is made before any advertising, promotion or detailed product information would be made available. On the basis of this baseline dairy extension, Amul has successfully ventured into Icecream and Dahi categories. It provides managers with an extension concept, and further, the manager has to decide on what kind of marketing program would be necessary.

Brand extensions are a familiar way of capitalizing on a brand's equity to sell new products or services, for example; Nike golf clothing, Oakley shoes, Sony digital cameras and Evian clothing, etc. However, although there are obvious benefits in pursuing a brand extension strategy, such as utilizing brand equity, business growth and cementing core brand attributes, etc., there are also significant downsides to the strategy. If a brand extension does not fit with the core brand, it may not add any value to the brand extension product or service resulting in the failure. Core brand attributes may well be diluted and negative attributes may be associated with the core brand.

The key to successful brand extensions is to determine if it fits or is consistent congruent with the core brand. However, managers utilize their own perceptions of the core brand as the benchmark to determine if a brand extension has the potential to fit with the brand. These perceptions of the brand are in contrast with those of consumers. To further complicate matters, managers do not fully appreciate or understand consumer's brand
extension fit judgments, and, therefore, it is difficult for them to consider all the aspects that consumers use to determine if a brand extension fits with a brand.

Even many long-abandoned brands have recently been revived and relaunched so much so that marketers are in the midst of a "retro revolution" in which revival of old brands and their images are a powerful marketing option. Retro Brands combine the advantage of old products with cutting age functions and thereby harmonize past with the present.12

1.3.3 Consumer's evaluation of Brand Extensions

1.3.3.1 Assumptions

Consumer evaluation of brand extensions has four basic assumptions:

1. Consumers have some awareness of and positive associations with the parent brand in memory. Unless there is some type of potentially beneficial consumer knowledge about the parent brand, it is difficult to expect consumers to form favorable expectations of an extension.

2. At least some of this positive association will be evoked by brand extension. Consumers are likely to infer association similar in strength, favorability and uniqueness to the parent brand when the brand extension is seen as being similar or "close in fit" to the parent brand.

3. Negative associations are not transferred from the parent brand. Any negative associations that exists for the parent brand would be "left behind" and will not play a prominent role in the evaluation of the extension

4. Brand extension does not create negative associations.

Attributes or benefits that are viewed positively, or at least neutrally, by consumers with respect to the parent brand are not seen as negative in the extension context.

To contribute to the parent brand equity, an extension must strengthen or add favorable and unique associations to the parent brand and it should not diminish the strength, favorability and unique associations to the parent brand as well as uniqueness of already existing associations for the parent brand.

The effects of the extension on consumer brand knowledge will depend on the following factors:

1. How easily can the information concerning product performance on imagery of that association is interpreted?

2. How relevant is the extension evidence concerning attributes or benefit association that is held in consumer memory for the parent brand?

3. How strongly is the existing attribute or benefit associations held in consumer memory for the parent brand?

1.3.4 Brand Extensions and Brand Equity:

Brand equity is a set of brand assets and liabilities linked to a brand, its name and symbol that add value or subtract from the value provided by a product or service to a firm. Brand equity stems from following sources: (a) Name awareness (b) Perceived quality (c) Brand associations (d) Brand loyalty (e) Other proprietary assets. In terms of creating equity for the brand extension itself, the extension must also have a sufficiently high level of awareness and some strong, favorable and unique associations. Brand awareness will primarily depend on the marketing program and resources devoted to create awareness about the extension. A typical brand building involves three core activities: (a) developing favorable brand associations, (b) making these associations readily accessible in consumer minds and (c) establishing a unique point of difference that is both easy to remember and consistently reinforced over time. Brand associations naturally tend to be more concrete than abstract. A marketer, while building a brand, should develop a brand association that is flexible to provide a basis for current positioning and subsequent leveraging. Sundrop as a healthy cooking oil has a flexibility to extend to other categories with the same health positioning platform rather than on typical edible oil brand
association. The associations and brand meaning that accrue to the brand comes from four sources. The primary source being what company communicates through its positioning strategy, its advertising execution and perceived communications. The second source is the borrowed associations that are inherent in the brand name. The period of associations, the parental referral, comparative performance of other products used with the brand and similar sources provide borrowed associations. The third source is the experience with the brand, product or service provider. The fourth source is the aspirational group to which the brand belongs.

Creating a positive image of an extension will depend on the consumer factors such as:

1. How salient are the parent brand associations in the extension context?

2. How favorable are the inferred associations in the extension context? Are these to be evaluated on the basis whether they are good or bad?

3. How unique are the inferred associations in the extension category or how these perceptions compared to those of competitors are.

Successful brand extension must achieve desired points of parity and points of difference. Without powerful points of difference, there exists a brand risk becoming “me-too” entry which is vulnerable to well-positioned competitors. To contribute to the parent brand equity, an extension must strengthen or add favorable and unique associations to the parent brand.

Attempts have been made to calculate the brand equity by using the firm’s perspective and the conjoint method as well. In case of conjoint method, brand equity is measured by comparing actual choice behavior with implied by utilities. The approach divides brand equity into attribute based and non-attribute based component base on the parameters of multi-attribute preference model. The attribute-based component captures the impact of brand building activities on the consumers attribute perceptions. The non-attribute component of brand equity captures brand associations unrelated to product attributes. This method provides market share premium and brand premium attributable to brand
equity. The model offers insights as to how the equity of the established brand can help a brand extension succeed.

1.4 Factors Affecting Brand Extensions

1.4.1 Effect of Parent Brands on Extensions

Parent brand will play an important role in the success of an extension. Market share, adequate advertising and promotional expenditure or influence in the distribution channel will reflect the strength of the Parent Brand. Success of an extension has to be evaluated from the context of profitability of the extension, market share in the parent product category and relative share of an extension compared with the largest competitor. If the parent brand is more dominant than the competitor’s at the market place at the time of extension introduction, it is imperative that relatively more number of consumers is aware of this brand and it may have positive associations for them. At the same time, an extension of a more dominant brand can leverage its brand name.

Some of the findings of the study are:

1. Extensions of strong brands are more successful than that of the weak brands.
2. Extensions of symbolic brand enjoy greater market success.
3. Extensions that receive aggressive advertising and promotional support are more successful.
4. In the case of strong brands, extensions entering earlier into a product subcategory are more successful than those entering the market later. However, late entrants could outpace pioneers with better positioning and superior technology.

A significant positive effect, in terms of similarity between parent brand and brand extension, is seen with the sample brands Rasna and HDFC. However, in the case of Rasna, the effect is much more pronounced. The relationship between similarity and

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evaluation of brand extensions are positive and significant, more so for the FMCG category.

1.4.2 Effect of Perceived Fit

Tauber (1988) studied 276 actual extensions and concluded that perceived fit is the key element in predicting brand extension success. Higher perceived similarity between the current and new products leads to a greater transfer of positive and negative effect to the new product. From a marketer's point of view, a brand can be extended to new categories only if the consumer believes that the brand has a logical fit and product fit with the new categories. One may not expect Rasna to fit with a product like an automobile. Some brands cannot be extended at all because of poor level of extension potential and some brands can be extended only to a very few categories. Some brands have a strong association with some specific product categories for which consumers reject any extension.

One of the main reasons is that the transfer of a perceived quality of a brand will be greatly enhanced when the two categories of product in some way fit together. Some theoretical perspectives also confirm the justification of relevance of a perceived fit. These are: Cognitive consistency, Stimulus generalization, Affect transfer and Categorization theory.

Categorization theory suggests that a consumer would evaluate a brand extension in two ways:

1. By piece-meal processing - whereby an extension evaluation is a function of inferred brand attitude beliefs and their evaluation importance.

2. By category based processing - whereby evaluation is a function of some overall attitude toward the overall brand.

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When consumers perceive similarity of fit between the original and an extension product classes, they would transfer quality perceptions to the new brand extension. A poor fit may not only detract from the transfer of perceived associations but may stimulate undesirable beliefs and associations. Product pairs can be perceived to fit in many ways: There are three measures which determine the perceived fit. Two measures take a demand-side perspective such as economic notions of substitutes and complements. The third measure takes a supply-side view to consider the aspects of a firm’s manufacturing abilities. Complement indicates the extent to which consumers view two product classes as complements. They are considered to be complement if both are consumed jointly to satisfy the some particular need. The second fit measures a substitute, as to what extent consumers view two product classes as substitutes. Substitute product tends to have a common application and use context. The other fit measures how consumers view the extent of relationship in product manufacturing. The negative side of not having the fit in manufacturing skills may lead to further development of negative associations. When consumers perceive the extended class to be trivial or very easy to make, a potential congruity occurs. Consumers may still view the combination of a quality brand and a trivial product class as inconsistent.

1.4.3 Effect of High Quality Brands

In the earlier study, high level of both perceived core brand quality and “fit” or similarity are necessary. In another study, favorable evaluations are still evident for high quality parent brand. On the other hand, when the core brand was perceived to be only average in quality, such favorable source attributes are less forthcoming and respondents have questioned the ability or motive of the company in offering dissimilar proposed extensions. Brand image is the consumer perceptions of quality associated with a brand. In evaluating brands, consumers develop subjective perceptions of how various brands perform across a range of criteria, both functional and non-functional. The brand image is compiled by direct experience of the brand through exposure to advertising and communication, through observation of what kind of people use the brand and occasions

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and situations in which a particular brand is used. Perceived image of the parent brand was captured using three items namely: (a) positive attitude for the brand, (b) overall satisfaction with the brand and (c) positive association with the brand.

1.4.4 Effect of Brand Portfolio Characteristic

Experimental study indicates that the number of products affiliated with a brand is positively related to consumer confidence and favorability of their evaluations of the quality of an extension of the brand. The study revealed that when the portfolio quality variance was low, there was a positive relationship between a product affiliated and consumer confidence in their judgments of the quality of an extension of the brand. There is a positive relationship between numbers of products affiliated with a brand and consumer confidence in their evaluation of subsequent extensions. Findings show that number of products affiliated with a brand does not automatically harm the brand, but on the contrary, it can strengthen it. However, managers should not resort to indiscriminate extension. Although a single deviation in performance may not harm the brand immediately, failure to manage quality variance in the long run is likely to reduce the brand strength directly.

1.4.5 Effect of Brand Specific Associations

Experiments reveal that brand specific associations may dominate the effects of brand affect and category similarity, particularly when consumer knowledge of the brand is high. Earlier researches recognized two factors that influence the consumer perceptions of a brand extension: Brand affect and similarity between original and extension product categories. However, it had ignored other associations specific to the brand itself. A great variety of associations with the brand could potentially be transferred to the extension. A brand may have an association with a use situation, a type of product use, a place or a product class. For most brand extensions, a motivating rationale is that original brand has associations that will be helpful to extensions. In terms of associative model of memory,


there are links between a brand and a set of elements such as user type and product class. As a result, the brand has a set of associations that vary in strength. The primary assumption of the categorization theory as applied to brand extensions is that consumers attempt to relate the given brand extension to other products affiliated with the brand. Consequently, the meaning of the brand continues to undergo the transformation as consumers categorize and compare the new brands with the old ones. One school of thought prevails that abstract associations may weaken the brand strength. On the other hand, many firms having multiple product categories maintain a distinct meaning for the brand by consciously focusing on an abstract dimension. Consumers have the ability to form meaningful relationships even among the most disparate stimuli. By perceiving such a relationship, it can still have a noticeable effect on consumer judgment of an extension.

In addition to the brand specific attributes, an important brand association is the overall brand attitude. Brand attitude is based on certain attributes such as durability, incidence of defects, serviceability, features, performance or fit and finish. Attitude is also closely related to the overall quality of the brand. Perceived quality is regarded as the global assessment of a consumer judgment about the superiority or excellence of a product. If the brand is associated with high quality, the extension should benefit; if on the other hand, if the brand is associated with inferior quality, the extension would be harmful.

1.4.6 Effect of Suggestive Brand Name

It is easier to develop a strong brand image by giving a brand name suggestive of that positioning. A suggestive brand name conveys relevant information about attributes or benefits in a particular brand context. Associations for a suggestive brand name must be both salient and relevant in a particular product context. So, judiciously choosing a suggestive brand name can facilitate its initial brand positioning. Suggestiveness should facilitate marketing communication efforts designed to link corresponding attributes or benefits. However, it can adversely affect subsequent marketing communications to reposition the brands in new, unrelated directions. That is, when the strong links have been created between the brand name and initial positioning, the consumer might fail to
create new positioning when exposed to market communications designed to reposition the brand.

So, great care must be taken while choosing the brand name such that:

1. It facilitates initial brand recall in purchase or consumption settings.

2. It helps in the formation of strong, favorable and unique brand associations consistent with that meaning.

The brands may reposition themselves due to changing consumer needs, competitive actions or any other changes in the marketing environment over time. A brand may need to advertise new claims to link associations that serve as either additional points of difference or additional points of parity. This may be constrained by the old advertising claims that can create positive interference effects.

The findings of the research confirm the following results:19

1. Suggestive brand names facilitate recall of initially advertised claims consistent in meaning with the brand name.

2. Suggestive brand name inhibit recall of subsequent advertise claims unrelated to the meaning of the brand name.

One implication of this study is that marketers may be better off adopting flexible branding strategies during brand extensions.

1.4.7 Effect of Advertisement Repetition and Content

The author challenges the view that incongruent or unrelated brand extensions are doomed to fail, and, demonstrates that brand extension advertisement content and repeated exposure influence consumer reactions to incongruent extensions.20 The conventional wisdom suggests that a brand’s ability to stretch may be limited. A brand’s

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concept may provide a repertoire of brand associations from which the marketer may choose to position a new extension. Extension judgment may not necessarily improve with advertisement repetition. An extension product advertisement can conjure up the brand’s image or schema, the associations that differentiate the brand and make it valuable to consumers. Extension advertisements should evoke brand associations, along with the concepts about the extension and its features, attributes and/or benefits. Advertisements should make a difference because they can increase the salience of crucial brand associations that help consumers infer brand extension benefits. Peripheral brand associations should influence extension attitudes through heuristic or conditioning process. One exposure of an advertisement may not be enough to skew thinking towards the subtle overlap between the brand and incongruent extension. When extensions are incongruent, they may require a very high elaboration in which key associations guide inferences of extension features. Repeated exposure can enhance the amount and valence of message elaboration, magnifying the advertisement’s positive impact. In the case of incongruent extensions, which invite negative thoughts at one exposure, repeated exposure should redirect processing away from the negative thoughts of inconsistency. Unless consumer sees a basis of fit, they generally disapprove of the extension.

In a study of four highly regarded brands, participants who viewed the brand extension advertisement five times evaluated incongruent extensions more positively, expressed higher usage intentions, indicated more favorable consistency judgments and exhibited greater positive elaboration than did those participants who viewed the advertisements only once. This relationship was attenuated for highly incongruent extensions, for which the advertisement evoked primarily peripheral brand associations instead of benefit brand associations. However, for moderately incongruent extensions, advertisements that evoked either peripheral or benefit associations were equally effective. An advertisement that evoked primarily peripheral brand associations did not improve consumer perceptions of highly incongruent extensions as much as did an advertisement that

evoked primarily benefit association. Negative thoughts of incongruity continued to dominate in spite of the peripheral basis of fit portrayed in the advertisement. In the case of benefit brand association, judgment of fit and usage intentions improved significantly. Brand associations are valuable because they provide a launch pad into new markets.

Advertisement heightens the salience of selected brand association and thereby consumers think about when they encounter an incongruent extension. Advertisement determines which elements of a brand's image impact on the consumer mind and aids them in comprehending the extension. An advertisement can focus collective attention on key brand association that would guide extension contemplation. A manager can influence extension perceptions through communication strategy specifically by direct advertisement and its repetition. It is also possible that some extensions are so incongruent that repeated exposure will not alter the consumer responses, no matter what associations are evoked by the advertisement. For some extensions, perceptions of incongruity may set an upper limit on perceived fit, even when the extension seems feasible. Results indicate that repeated exposure is not always required for improvement in consumer responses to incongruent extensions. However, these findings cannot be generalized for mediocre brands.

1.4.8 Firm's Capabilities

Two aspects of a firm's capabilities relate to the performance of a new entrant are: size and familiarity with the market. Study suggests that large firms have advantages beyond their greater resources because of superior reputation and image with the customers. These advantages are leveraged by strong corporates.

1.4.9 Consumer Innovativeness

Consumer innovativeness is related to the process of adoption of a new product or brand. Adoption is a mental process that an individual buyer goes through in the act of appraising and buying the new brand. Diffusion is a social process whereby a given new brand or an extension begins to be disseminated and bought by an entire market segment-

society or state or the nation. Innovativeness is a personality trait related to an individual's receptivity to new ideas and willingness to try new products and brands. The response difference between the highly innovative and less innovative customers reflects the differences in risk-taking propensity. Thus, consumers with a high level of innovativeness are likely to be more receptive to brand extensions.

1.4.10 Brand Extension Typicality

Successful brand extension depends on many strategic considerations, including the appropriateness of a company's corporate structure, applicability of the resources and ability of the personnel in the new market. It also requires a favorable attitude toward a current product transfer to a new product. Understanding whether and how this transfer occurs require an understanding of the way the attitudes are linked to a particular category label. A study explores the implications of considering a brand as representing a category.24 The purpose of the study is to explore the implications of viewing a brand and its products as a "brand category" and in particular, the effects of this categorization perspective for evaluating potential brand extensions. People perceive members of most naturally occurring categories as varying in their degree of typicality or representativeness of those categories. Another aspect of brand knowledge that may influence judgments about a brand extension is brand breadth.

1.5 Leveraging the Corporate Brand

Brand assets are difficult to develop, maintain and adapt. Market is confused with the proliferation of products, brands and sub-brands. A dynamic market makes it necessary to adapt and stretch brands.25 In this context, a corporate brand can be explored to play a prominent role in the brand portfolio. A corporate brand will potentially have a rich heritage, assets and capabilities, people, values and priorities, a local or global frame of reference, citizenship programs and a performance record. A corporate brand has deeper roots that are stronger and more relevant than product brands. GE traces back to Thomas

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Edison's days. A firm brings to market a perception of having assets and capabilities with regard to its ability to deliver innovative products and value to customers. Walmart has the technology needed to deliver a wide variety of merchandise at low price. Some firms have a cost-driven culture that supports a value proposition in the market place. Innovation, quality and customer concern are three values and priorities worth highlighting because they are so frequently seen as drivers of corporate brands.

A reputation for innovation enhances credibility. Innovation needs to be relevant and visible. Sony has benefited from being able to capture its innovation from a variety of categories within its corporate brand. Perceived quality, which requires a commitment to quality by the organization, has been shown to influence ROI and stock return. Some firms such as Southwest Airlines have created significant loyalty based on enthusiastic and visible effort to please its customers. The brand has access to organizational as well as product associations and flexibility to play several roles within the brand portfolio. Dell, IBM, Sony and Samsung are seen as the ultimate branded houses where the product brand is largely seen as the corporate brand plus the descriptor. In these cases, the use of a corporate brand as a master brand maximizes brand portfolio goals such as generating leverage, synergy and clarity.

The corporate brand is special because it explicitly and unambiguously represents an organization as well as the product. However, the brand is well suited to play an endorser role as in the case of MSN (by Microsoft) or Lion King (by Disney). Corporate Brand not only represents an organization that stands behind its product, its spirit and its substance, but it also works at an emotional level by providing a valued relationship with a respected organization. Developing and managing brand image is an important part of a firm's marketing program.26 Brand image management is a critical part of a company's marketing programme.27 Communicating a clearly defined brand image enables consumers to identify the needs satisfied by the brand and differentiating the brand from


its competitors. Brand image is the integral component of a brand's equity. Research on brand extensions has begun to examine the effects of using established versus new brands in market share. Brand image strategies and performance have received little attention. Brand image strategy should affect the product performance because images appealing to larger niches should capture a large share of product category than brands whose images are targeted to smaller niches. Brand image management is principally centered on satisfying consumer needs, and, in this context, the cultural, social, and economical dimensions of international markets must be understood. Although there are strategic advantages to target the same type of customers cross nations in many cases, niches or positioning opportunities differ across markets. Corporate brands maintain different images in different markets. For example, Levi’s blue jean creates different brand images for customers in different parts of the world. A very social, group-oriented image is used in the United States, whereas a much more individualistic, sexy image is maintained in Europe. Reebok varies the image of its athletic shoes on the basis of national and regional differences it perceives in consumer tastes and preferences. In the United States, Reebok tries to balance both lifestyle and athletic images whereas in Western Europe, the brand image is more narrowly focused on athletics and performance. Some brands have successfully targeted the same types of customers using the same brand image strategies cross nationally, but many firms have failed internationally by not adapting their strategies to cultural, economical and other market differences among markets.

Brand image strategies must be designed to appropriately position the product for the targeted market segments. Social science and management research offer insights into the

effects of cultural and socio-economic characteristics of foreign markets that may have an impact on brand image strategies.

1.6 Advantages of Brand Extensions

Given the considerable positive impact of brand extensions on the market share and advertising efficiency of new products, it is not surprising that many companies are keen to develop explicit plans for extending their brands in the form of brand extensions. Well-planned and well-implemented extensions offer the following advantages to the marketers.33

(a) Facilitates New Product Acceptance:

Marketing analyst put the success rate of new products as very low. In such a risky environment, it is advisable to take undue care while launching a new product. Marketers, therefore, resort to Brand Extensions as a guiding strategy of product planning.34 With products such as Zenith Computers & Ivory Shampoo, marketers attempt to use the equity of built up brand names to help launch new products. It has been observed that consumers form expectation over time concerning its performance. Consumers can make inferences and form expectations as to the likely compositions and performance of a new product based on the experiences they had with the brand itself and extent to which this information is relevant to the new product. As the pull is created from the consumers, retailers will have no option rather than promote a new product as a part of brand extensions. It, therefore, becomes easy to convince the retailers

(b) Reduces Cost of Marketing Programs:

Because of the push and pull considerations in distribution and promotion, it has been estimated that a firm can save 40 to 80 percent of cost and effort to launch a new product when these are introduced as brand extensions. From a marketing-communication perspective, one obvious advantage in introducing a product, as a brand extension, is that

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introductory program does not have to create the awareness of both the brand of a new product but instead can concentrate on the new product itself. Enhancing the brand image of an established brand name also helps in improving popularity of the brand as the cost of launching a new brand name skyrockets. Cost estimates for developing a new brand range from $80 million to $150 million which is increasing day by day.35

(c) Provides Feedback benefits to the parent brand

Extensions can help to clarify the meaning of a brand to a consumer and define the market in which it competes. A fascinating example to broaden product meaning is that of Xerox which expanded its traditional office copier to include other products such as a digital printer, scanner & word processor software and it is recognized as “The Document Company”.

(d) Expands the Boundaries:

Some broader meaning is often necessary for brand extension so that the firm avoids “marketing myopia” and does not mistakenly draw narrow boundaries around them. For example, to take advantage of the consumer’s propensity towards the health, Dhara had launched Sunflower Oil as Dhara Health which can be explained with the help of the following:

<table>
<thead>
<tr>
<th>Brand</th>
<th>Original Product</th>
<th>Extension Product</th>
<th>New Brand Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dhara</td>
<td>Dhara Range of Edible Oils</td>
<td>Dhara Health</td>
<td>Good Health</td>
</tr>
</tbody>
</table>

According to the customer-based brand equity model, one desirable outcome of a successful brand extension is that it may enhance the parent brand by strengthening an existing brand association and improving the feasibility of an existing brand. Core brand associations are those attribute benefits that come to characterize all the products in the brand, and, as a result, with which consumers often have the strongest associations.

1.7 Brand Extensions & Brand Dilution

Parent brands have shown to be particularly vulnerable to failed brand extension. Brand dilution could result after the introduction of dissimilar extensions because the consumers may perceive that the company is attempting to take undue advantage of its brand name. Similarly, studies indicate that Brand Extensions are more or less likely to dilute the family brand name. The results indicate that dilution effects occur when brand extensions are inconsistent with the family brand beliefs. However, they are less likely to emerge when consumers perceive the brand extensions as atypical of the family brand, and typicality of the brand extension is salient at the time beliefs are assessed. Doubts have been raised about the possibility that repeated brand extensions which eventually "wear out" a brand name, and that, unsuccessful brand extensions will dilute the equity associated with a well-established brand name. It has been found that although perceptions for a quality for a parent brand in health and beauty aids decreased with the hypothetical introduction of a lower quality extension in a similar category (like shampoo), quality perceptions in the parent brand remained unaffected when the proposed extension was in a dissimilar product category (like facial tissue). It was found that dilution effects are less likely for the flagship products. The rule of thumb that emerged from early academic research and industrial experience was that an unsuccessful brand extension could damage the parent brand image only when there was a high degree of similarity or "fit" involved. Well-established brand names can be hurt by certain kind of brand extensions. Extension delivering attributes that are inconsistent with what the

consumers expect from the family brand can produce dilution of the specific beliefs associated with the family brand name.

The risk of brand name appears to be more evident for some type of beliefs than others. The findings suggest that dilution may not be forestalled by launching brand extension in different product categories. One strategy would be to increase consumer perception that brand extension is atypical of the family brand name. This might be accomplished by placing more distance between the extension and family brand name through repackaging to make extension more dissimilar. It may be effective to shore up the positive associations consumers hold about the family brand name through increased advertising for successful family brand names or through corporate image advertising. Studies have suggested that dilution resulted when consumers directly experienced a poor performing, similar brand extension.

They have also found that dilution disappeared when they assigned the extension a hypothetical sub brand. Sub-branding sends a signal to consumers to expect differences in the extension and distances itself from the parent brand. Subbranding. Strategies can thus alter consumer attributes regarding whether or not the parent brand should be held directly responsible for failed extension.

Brand dilution will depend on three factors:

1. Strength: Brand extension which is not sufficiently strong has the potential to trigger brand dilution
2. Diagnostically: An extension programme is diagnostic of the parent brand only to the degree the consumers believe the extension is relevant to the parent brand.
3. Inconsistency: An extension experience consistent with the consumer image of the parent brand is less likely to change that consumer impression.
1.8 References


