

Brand Extension: A Corporate Ethical Dimension

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Abstract

Brand extension is marketing strategy in which a marketer launches a new product with well-developed brand using the same brand name. Brand use this strategy to increase visibility and leverage equity. This brand extension strategy is often the most used growth strategy for brands by marketers. Many corporations engage in socially responsible behavior as a part of their normal business operations. These activities include positive actions toward the environment, social causes, and their communities. Corporate social responsibility (CSR) can benefit companies through promoting a positive public image while creating a workplace with satisfied employees, happy customers, and lower costs. This paper aims to examine how Corporates evaluate these extensions as being innovative and social responsible.

Key words: Brand Extension, Brand Extension Strategies, Corporate Social Responsibility, Corporate Brand Extension.

Introduction

An ethical corporation has to be responsible to its stakeholders. The corporate social responsibility (CSR) promotes a vision of business accountability to a wide range of stakeholders and investors.

Key areas of concern are environmental protection and the wellbeing of employees, the community and civil society in general, both now and in the future.

CSR has become important because today's heightened interest in the proper role of business in society has been promoted by increased sensitivity to and awareness of environmental and ethical issues.

Need for Corporate Social Responsibility

Corporate social responsibility (CSR) is also known as corporate citizenship, corporate giving, corporate community involvement, community relations, community affairs, community development, corporate responsibility, global citizenship, and corporate social marketing.

Brand differentiation and brand extension, when built on ethical values and social orientation, can be very well considered as the socially responsible behaviour.

In the crowded marketplaces, companies strive for a unique selling proposition that can separate them from the competition in the minds of consumers. CSR can play a role in building customer loyalty based on distinctive ethical values.

Brand Extension

“Brand extension allows companies to leverage the equity in established brands, and thereby reducing risk associated with launching new products¹.”

Brand extension is as defined by Keller, “the process where a firm uses an established brand name to introduce a new product².”

“Brand extension is using the leverage of a well known brand name in one category to launch a new product in a different category³.”

Need for Brand Extension

The following are the needs of brand extension

1. Increasing competition between less & larger players with global aspirations and ability to communicate globally.
2. Towards saturation of markets.
3. Decreasing brand loyalty.

Brand Extension Strategy

A brand extension strategy can be beneficial because it reduces the new product introduction cost and also increases the chance of success. The rationale behind the brand extension is simple: when a strong brand has been established, the brand has moved beyond the functional product into a realm of values. Since awareness of a certain brand already exists, costs of launching a new product will, ceteris paribus, be lower than in the absence of a strong brand. The main objective of brand extension is hence to leverage the intangible qualities of a brand since the functional benefits can generally be imitated.

Most companies know how to extend their brands by leveraging organizational competencies and determining unmet customer needs. However, surprisingly few have a strategic approach briefing in place to ensure that potential new product areas are consistent with a brand’s identity. Even an outstanding new product concept, satisfying a significant unmet customer need, will not succeed in the market if it is launched under the wrong brand identity⁴.

To Extend or Not to Extend

This may sound too basic a question but every marketer should ask this question about the brand. “Whether this brand should be extended in future?”

The future of the brand lies in this question. For a new brand, the decision to extend or not to extend in future will have its implication in the selection of brand name and positioning. A brand name which is highly associated with a product feature or category will have limited scope for future extensions. The positioning strategy will also have to be crafted in a manner which will facilitate future brand extensions. For an existing brand, this question will bring about a need for a change in the current positioning strategy⁵.

Benefits of Brand Extensions to the Society

There are significant benefits to a successful brand extension.

1. Perception by Consumers made easy

One of the advantages of a well-known and well-liked brand is that consumers form expectations over time concerning its performance. Similarly, with a brand extension, consumers can make inferences and form expectations as to the likely composition and performance of a new product based on what they already know about the brand itself and the extent to which they feel this information is relevant to the new product. This relieves the customers from the stress in making brand and product decisions and saves their time.

2. Reduce Risk Perceived by Customers

One research study examining factors affecting new product acceptance found that the most important factor for predicting initial trial of a new product was an extent to which a known family brand was involved. Extension of an existing brand reduces the risk perceived by the customers because of their fear and suspicion on a new brand.

3. Reduction in the Promotional Expenditure

From a marketing communication perspective, one obvious advantage of introducing a new product as a brand extension is that the introductory campaign does not have to create awareness of both the brand and the new product but instead can concentrate on only the new product itself. Hence, the cost of promotion is very much reduced thereby paving the way for reduction in the price of the products. The reduced price may render the product accessible to the poor besides the rich.

4. Avoids Cost of Developing a New Brand

Developing new brand elements is an art and science. To conduct the necessary consumer research and employ skilled person to design high-quality brand names, logos, symbols, packages, characters, and slogans can be quite expensive, and there is no assurance of success. Extending an existing product helps avoiding the cost of developing new brands and paves the way for reduction of cost and price⁶.

Limitations/Draw backs

There are several limitations/drawbacks of brand extensions.

1. The image of the parent brand can be hurt irrespective of the success or failure of the extensions. When the attributes of the extension are seen as inconsistent or conflicting with the corresponding attributes of the parent brand. This may enlarge the goodwill built over years.

2. Brand extensions may obscure the identification of the brand with its original categories, reducing brand awareness and/or diluting the brand meaning. This may lead to the issues of survival for the old products of the same brand.

Corporate Brand Extension

Corporate brand extension would influence corporate credibility (i.e.) perceived expertise trustworthiness and likeability. And thus have a positive effect on brand extension evaluation.

It emphasized one of the following three types of attributes.

1. A firm's reputation of being innovative and philosophy of launching technologically advanced products.
2. A firm's policy to offer environmentally friendly products and to manufacture products in an environmentally safe fashion.
3. A firm's philosophy to improve the quality of life in local communities through various activities and programs⁷.

Conclusion

Corporate marketing effort, when based on CSR, can be beneficial to the society as a whole, as it improves perception and evaluations of a corporate brand extension. Creating a positive corporate image and executing corporate brand strategy can be useful directly and indirectly to the society. This Brand Extension can very well be considered ethical and an element of CSR.

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