Factors Leading to Brand Extension: A Conceptual Analysis

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Abstract

In today's highly competitive environment, organizations are convinced that they need to adopt many marketing strategies to stay ahead in the market. One of the widely used marketing strategies is to keep launching new products with lot of varieties for outpacing competitors. Launching new products can be an attractive growth strategy, though risky. However, this can be risky too. Another aspect is brand extension. A brand extension is defined as attaching an existing name to a new product introduced in a different product category. This articles tries to find out some of the factors impacting brand extension that are considered to be important whenever the company purses brand extension strategies, especially in the Indian market scenario.

Key Words: Brand Extension, Company Factors, Consumer Factors, Product Factors, Market Factors.

1. Introduction

In the ever - changing world of marketing, companies are finding brand extension to be an effective technique of enhancing brand awareness, brand association, brand loyalty and brand perceived quality. It is difficult for brands to survive as a solitary product in today's dynamic marketing environment. In short, brand extensions have been found to enhance brand equity in the long run, be it product brands, service brands, destination brands or even celebrity brands. There are certain forewarnings associated with brand extensions which need to be suitably considered by the companies. Any brand extension exercise must be a target - market oriented as per the requirements and perceptions of the customers.

There are various reasons why companies should attempt at extending brands. The first and foremost, by extending a brand is, visibility of the brand gets enhanced. A larger cross section of the population is not only become aware of the brands but there is every possibility that by extending, the number of brand users can also increase. By extending, the core promise of a brand can be extended to new users. If a brand is stretched too far then that cannot only hamper the equity of a brand but can even spoil the reputation of a company. The concept and practice of brand extension has been discussed in a holistic manner in the article.

2. The Concept of Brand Exception

A brand is used for a product, service, or concept that is used to publicly distinguish from other products, services, or concepts so that it can be easily communicated and marketed. A brand name is the name of the distinctive product, service, or concept.

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Branding is the process of creating and disseminating the brand name. Branding can be applied to the entire corporate identity as well as to individual product or service.[1]

Brand Extension is the use of an established brand name in new product categories. This new category to which the brand is extended can be related or unrelated to the existing product categories. A renowned/successful brand helps an organization to launch products in new categories more easily. An existing brand that gives rise to a brand extension is referred to as parent brand. If the customers of the new business have values and aspirations synchronizing/matching those of the core business, and if these values and aspirations are embodied in the brand, it is likely to be accepted by customers in the new business. Extending a brand outside its core product category can be beneficial in a sense that it helps in evaluating the product category opportunities, identifies resource requirements, lower risk, and measures brand's relevance and appeal.[2]

Brand extension is the marketing strategy in which a marketer launches a new product with well-developed brand using the same brand name. Brand name is used in this strategy to increase visibility and leverage equity. An existing brand which is extended for products is known as parent brand. For example, Nike is usually dealt only with shoes but they extended the variety of products like watches, caps, jackets and so on.[3]

Brand extension or brand stretching is a marketing strategy in which a firm marketing a product with a well-developed brand image uses the same brand name for other products. The new product is called a spin-off.[4]

"Brand extension is using the leverage of a well known brand name in one category to launch a new product in a different category".[5]

According to AllAboutBranding.com, brand extension is "the application of a brand beyond its initial range of products, or outside of its category. This becomes possible when the brand image and attributes have contributed to a perception with the consumer/user where the brand and not the product is the decision driver".[6]

3. Factors to be considered before the Brand Extension

The basic factors to be considered before brand extension have been discussed as follows:

3.1 Company Factor

Enterprises should be in the leading position in existing products, should have sufficient financial resources and talent pool for new products or new extension of the industry. Otherwise, not only new industries easy-to-die, but will also lead to the main industry in decline.[7]

3.1.1 Opportunity Cost of Losing a New Brand

Every brand extension is lost opportunity to build a new brand. While extensions take away lot of pressure from the marketers, one should have a clear understanding about the potential loss of an opportunity to build a new brand.[8]

3.2 Consumer Factor

Enterprises in brand extension decision-making must take into consideration the psychological concerns of consumers. If an industry, the consumer brand attention, is not high, enterprises in this industry, the brand extension, the resistance will be smaller. Concerned about the high degree of consumer brand industry, enterprises of this industry, the brand extension, the resistance may be higher. Because consumers in choosing the products of such industries, it is usually better to invest time and effort to understand the alternative brands, such as the observation of brand image, to understand the brand quality, brand reputation, different demands and other brands, due to information asymmetry, etc. reason, most consumers would choose in this industry already exists in the strongest brands. For enterprises, give full consideration to their own industry characteristics and consumer involvement is an important brand extension success factors.[9]

3.2.1 Need Pattern of Consumers

The biggest threat of brand extension is the possible loss of focus on the parent brand because of extensions. Brand Extensions are opportunities for growth. While extending, marketers should not forget that the extensions are based on the equity of the original brand. Any change in the marketing mix strategy of the extensions will have an effect on the parent brand. This strong relationship between the extensions and parent brand should be taken into consideration during every brand promotions.[10]

3.3 Product Factors

Talking about the brand, a very important concept has to say, it is brand association. Brand association can be seen as a brand and competitive brands to distinguish the attributes or benefits, or the brand associated with a unique meaning. Many brands in the consumers stirred some unique associations, they can be abstract attributes, such as elegant, noble, stylish, but also can be a specific product attributes, such as a specific colour, flavour, corrosion-resistant, waterproof and so on. In the brand extension, if the original positive brand associations can be transplanted to a new product, then it can safely carry out the brand extension.[11]

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, the decision to extend or not will bring about a need for a change in the current positioning strategy.[12]

3.3.1 Fit between Parent Brand and Brand Extension

The fit between the parent brand and the brand extension is probably the most important factor that impacts the success of the brand extension. Fit can be analysed from multiple perspectives. But generally fit refers to the compatibility of the brand extension's product category, product attributes and associations to the parent brand's product category, product attributes and associations.

Greater the fit between the parent brand and the brand extensions, higher is the probability of the success of the brand extension.

3.3.2 Parent Brand Conviction and Parent – Brand Experience

The other important factor that influences the success of the brand extension is the quality of experience that consumers would have had with the parent brand. Such brand experience can include the physical quality of the product, the service encounters, the price and value perceptions, the post purchase service, the retail atmosphere and such. Also, the parent brand conviction, which refers to the extent of support and commitment the parent brand has towards the brand extension, also impacts the success of the brand extension.[13]

3.4 Market Factors

Brand extension success depends largely on the capacity of the market, the market level of competition, product life-cycle stages and other market factors. In general, the market capacity, as long as the enterprises have strength, have the opportunity to bring a brand bigger and stronger, it is appropriate to multi-brand; on the contrary, even if the success of using an independent brand, and is not effective, so is appropriate to brand extension . The study also showed that in the product life cycle into embryonic period of the effect of the use of brand extension will be better than the obvious maturity. Competition in the market conditions affecting the effectiveness of brand extension to another market factor, if the market competition is not fierce; it is easy to extend the success of the other hand it is easy to defeat.[14]

3.4.1 Extendibility of the Original Brand

The most important task for a marketer looking for brand extension is to have a vision for the brand. Brand extensions, as a short-term marketing strategy will be damaging for the parent brand. The development of a long term vision starts with the critical questions as to whether the brand should be extended or not. Once the marketer has decided on the extension, he has to chart a growth path for the brand. The vision involves deciding whether the parent brand should be used as an umbrella brand or as an endorser. The careful planning of the brand's future will eliminate lot of confusion in terms of positioning, category decisions etc.

3.4.2 Suitability to the Product Line

Marketers should be clear about the impact of the brand extension on the product line of the company. Authors John Quelch and David Kenny in Harvard Business Review article – Extend Profits Not Product-lines suggest that the company sales officers should take a line logic test where they should be able to explain in one sentence, the strategic role played by each SKU (stock keeping units) in the product line .The consumer should also be able to understand the how these extensions fits his/her needs.[15]

3.4.3 Retailer Experience

In spite of the ever increasing influence of the Internet shopping of even the branded products, retail spaces in the physical world still continues to have a strangle hold on distribution.

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As such, the successful-Brand Extension Success-New profit growth Martin cess of many brands is contingent on securing shelf space and the marketing push provided by the retail establishment. Similar is the case with brand extension. If the companies that extend their brands are not welcomed by retail stores and are not offered marketing support and push by the retail stores, then the success of such products are limited.

3.4.4 Marketing Support

This is one of the important factors that determine the success of brand extension that is under the control of the company. Given the proliferation of brands in the market, it is only natural that the company that invests highly in promoting its brand extension eventually ends up in a better position. Such support will help achieve two objectives-one, it will facilitate a very aggressive push and pull demand for the brand extension, and it will help create positive perceptions about the company in the minds of the consumers.[16]

4. Conclusion

Brand extensions have assumed a lot of significance in the contemporary world of branding as far as the visibility and long term sustainability of brands is concerned. However the success of brand extensions will depend upon the degree to which a certain extension will be desired and accepted by customers. Generally it has been found that the two major ingredients of successful brand extensions across industries are product similarity and concept consistency. Critics argue that brand extensions will dilute the original brand's equity. Sometimes there is a proliferation of extensions that dilute the parent brand's positioning. Any forced or irrelevant extension may ruin not just the prospects of an extended brand but also the parent brand and the company associated with the brand. Marketers thus should abstain from making certain critical errors related to brand extension and focus their efforts on aspects that go into the making of successful brand extensions. Branding experts thus often refer to brand extensions as a double edged sword which needs to be executed only after thorough research of consumer preferences for it is this aspect that serves as the starting point for all successful brand extensions.

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