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# Exploring aspects of Brand Stretching : Are Brand Extensions Success Formulae

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## **Abstract**

*The purpose of this article is to critically analyse success and risks of the strategy of brand extension or commonly called brand stretching. A brand is an amalgam of the notional images of physical products that go with the brand. Brand awareness is the ability of a potential buyer to recognize or recall that a brand is a member of a certain product category. A link between product class and brand is evolved and image is built by people's perceptions, that is, the way in which people think about or even imagine product to be . Old brands help bind consumers to their past and to the communities that shared those brands. Brand extension is always seen as a way for companies to seek growth while introducing a new product. Many companies adopt brand extension as a strategy with the aim of benefiting from the brand knowledge achieved in current markets. Brand extensions is built on existing Brand Equity. These are less expensive to launch as compared to launching an entirely new brand, and are a low risk option in these competitive times. It has been estimated that the market shares of new products using a brand extension strategy are on average 5 percent higher than those of new products marketed under new brands. Some researchers have suggested that brand extension strategies may carry the risk of diluting important consumer trust in the parent brand. But 30% of revenue of top 23 most trusted brands FMCG come from Brand Stretching.*

**Keywords :** *Brand extension, Brand Stretching , brand Knowledge, generic products*

## **Introduction**

The size of the global middle-class is forecast to grow from 1.8 billion in 2010 to 4.9 billion by 2030 – with 85% of that growth coming from Asia. This segment will not only have higher income but also bring forth a more evolved appetite for consumer products. In order to improve market penetration and increase the market share in this promising group, the companies are going for Brand build up. A brand is a distinguishing name and/or symbol (such as logo, trademark, or package design) intended to identify goods or services of either one seller or a group of sellers from amongst several of generic products and

to differentiate those goods or services supplied by them from those of competitors. A brand thus signals the sources of the product to the customer and protects both the customer and the producer from competitors who would attempt to provide apparently identical product. Once a brand acquires a position on consumer's preference, the producer likes to introduce new products under the same brand name

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which is referred to as Brand Stretching/Extension. Now, Brand stretching is a common practice among successful brands. Most of the brand extensions are line extensions but only those which have favorable relationships with the parent brand and prove to be best fit in the category have been prospering. A consumer brand-knowledge is defined in terms of the personal meaning about a brand stored in consumer memory on all descriptive and evaluative brand-related information. Different sources and levels of knowledge create awareness, attributes, benefits, images, thoughts, feelings of purchasing a product of the established brand. A strong and established brand provides the consumer – beside functional benefits – with emotional benefits, attitudes and experiences get linked to a brand and its understanding by the consumer. Since a successful Brand enjoys customer loyalty to such an extent, firms in the corporate world have long recognized the strategic role of brand extension and many have been capitalizing on brand equity through a brand extension strategy. Brand extension involves the use of a brand name of one product class in another product class. With success rate for new products less than 35%, more and more companies are resorting to have extended their brand name to existing products and new product lines.

### **Brand Extension/Brand Stretching**

The key to successfully stretching a brand is to view brand extension as a “strategic tool,” not just as a new product. Therefore, a brand that fits and brings a competitive advantage to a new category is a means of entry. As a strategy, this enables a firm to enter a new category where future new products should be offered. According to Peter Farquhar, successful brand extensions have three characteristics:

1. **Perceptual Fit:** the consumer must perceive the new item to be consistent with the parent brand.
2. **Benefit Transfer:** a benefit offered by the parent brand must be desired by consumers of the new product
3. **Competitive Leverage:** the new items must stack up favorably to established items in the new category.

When a company launches a new product and market under the umbrella of a well-known brand name, failure rates and marketing costs are reduced. It is stated that more than 80 per cent of firms resort to brand extension as a way of marketing goods and services. Competition forces firms to adopt strategies that create a competitive advantage for them. Creating a brand name with well established associations is one way of achieving this aim. Firms invest heavily in developing a brand. It is a very costly process but has many returns once success is achieved. Brand extension as a marketing strategy has become even more attractive in today's environment where developing a new product costs a lot of money and can be time consuming. The newly introduced brand extension capitalizes on the equity of the already established (core) brand name or even the company or the corporate name. The consumer familiarity with the existing core brand name aids the new product entry into the marketplace and helps the brand extension to capture new market segments quickly. The launching of new brands is much more costly than expanding existing strong brands. The strategy of brand extension is often seen as useful because it reduces cost of introduction of a new product in the marketing research and the advertising costs of a new product. This also increases the chance of success due to higher preference derived from the core brand equity. In addition, a brand extension can also produce possible reciprocal effects that enhance the equity of the parent brand. Since the market is a place of competition and cost associated with introduction of new brand always soars up, many firms are trying to decrease the risks involved as well as minimize cost in introduction of new product and market it using the name of already well known existing brand through brand extension. It is observed that Brand extensions are evaluated favorably by consumers as they transfer their positive attitudes toward the parent brand to its extension. It is said that the most successful brand extensions come from companies that really know their customers, even more so that know the limitations of their brand. The simple answer for marketers seeking ways of entering new categories, tapping new customer segments and exploring new benefit areas has been - Extend the Brand. Brand stretch can become game changers for the parent brand provided they are well thought out and strategic. While it is about entering a new market, competing

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with the existing players, the successful examples have one common characteristic e.g. integrating the

existing brand experience with the extended product portfolio. Before brand extension, the company needs to analyze:

- Does the brand extension strategy consistent with the vision strategy of the company?
- Does the brand extension strategy improve the brand image?
- Does the brand extension strategy consistent with the brand positioning strategy?
- What will be the impact on the brand in the case of unsuccessful brand extension?
- Does brand Extension improve the market Share?
- Is Brand extension necessary or Co Branding is needed now?
- Would Brand extension results help in achieving ROI.

Brand stretching strategy comes in two primary forms—horizontal and vertical. In a horizontal brand extension situation, an existing brand name is applied to a new product introduction in either a related product class (basic extension) or in a product category completely new to the firm (total extension). A vertical brand extension, on the other hand, involves introducing a brand extension in the same product category as the core brand but at a different price point and quality level (direct extension) or in a product category with less connection to the basic product line (indirect extension). There are two possible options in vertical extension. The brand extension is introduced at a lower price and lower quality level than the core brand (step-down) or at a higher price and quality level than the core brand (step-up). In a vertical brand extension situation, a second brand name or descriptor is usually introduced alongside the core brand name in order to demonstrate the link between the brand extension and the core brand name. Vertical extension is introducing a similar brand to the same product category while being different in quality and price. Additionally, vertical brand extension can be divided into up-scale and down-scale brand extension. According to the definition, it can be concluded that up-scale extension refers to a higher quality and higher price point as compared to the parent brand. Whereas, down-scale extension means extending a brand with lower quality and price. Although a brand extension aids in generating consumer acceptance for a new product by linking the new product with a known brand or a company name, it also risks diluting the core brand image by depleting or harming the equity which has been built up within the core brand name. Brands value can be exploited through its expansion which is

subject to various factors such as the core brand values, the characteristics and personality and the attitude of consumers to the brand. Successful expansion of the brand is created by increased likelihood that consumers will accept the message of a new line of products when this message includes a known element, update existing product line with new brand offerings and more efficient use of the marketing costs.

### Cases of Brand Extension/Stretching

Giorgio Armani is a good example in this context. By leveraging its expert knowledge of the fashion and luxury industry, Armani has been able to come up with winning concepts in the other product lines of cosmetics, watches, jewelry, and eye wear. But Armani has not stopped at just these product categories: Armani has extended the brand into multiple other categories such as Armani Casa (up-market furniture), Armani-branded Dolci (confectionary), and Armani-branded Fiori (Flowers). And to add to this wide portfolio of brands, Armani very recently struck a deal with a Dubai-based property group Emaar to come up with a chain of 14 Armani branded hotels and resorts investing more than US\$1 billion (6.95 billion yuan). As is the trend in the fashion industry to operate in the entire spectrum from apparel, jewellery, cosmetics, watches, perfumes, and luxury hotels, Armani has been able to leverage its brand equity to be present in most of these lucrative sectors. Brand stretching often become necessary to remind the customer that the brand exist and thriving. Brands usually gather the requisites of customers' expectations from their brand and device

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an extension plan accordingly." Brand extensions often work and are a tried and tested plan but can misfire too at times. "With a new product in the market, the parent brand gets directly associated with it. While the success of the newbie might not have much of an impact on the sales of the parent brand, it can have an adverse effect in case the new brand fails to deliver." Titan Skinn Perfumes has suitably positioned itself in the Titan House of Jewelry, watches, leather products and eye wear. Dove which is known to have changed the definition of soap, has hit the right chord by launching Elixir which caters to the hair oil market.

### Top Brand Extensions(stretching) of 2013

**1. Titan SKINN Perfumes:** Titan Company Limited widened its footprint in the personal lifestyle segment with the launch of the SKINN Titan range of fine fragrances. The selection of six scintillating perfumes bears the hallmark of Titan with the assurance of the TATA group. Bhaskar Bhat, Managing Director, Titan Company Limited said, "Being a leader in watches, jewelry and eyewear, Titan Company Limited is constantly evolving to suit needs of its customers and provide them with world-class products at great prices. It was time for us to widen our footprint in the personal lifestyle categories that are currently unorganized, underserved and under penetrated."

**2. Parle Café Cuba:** Parle Agro has re-entered the carbonated fizz drinks market with the launch of Café Cuba, a fizzy drink with a coffee flavor. The launch of new categories has become a trend and helps invigorate a jaded brand. "With café Cuba, this new category will not only strengthen our market share but also increase the carbonated beverage market pie leading to more flavor options for consumers" says Chauhan.

**3. McCafe:** At the time Starbucks was busy extending its presence in the Indian market, Mc Café declared war! Just as India was settling into the idea of drinking coffee as a preferred beverage, McDonald's Mc Café brought a little sigh of relief to the pockets of coffee lovers. Mc Donald's hopes to leverage the growing coffee-cafe market, estimated to be about R2,000 crore, "It also aims at establishing Mc Donald's as a coffee destination," says Vice-Chairman, WestLife Developement, Amit Jatia.

**4. Park Avenue Beer Shampoo:** According to a survey, men feel that 50 per cent of the impression they make is because of the way their hair is groomed and it can make or break one's overall appearance. Thus, the beer shampoo was launched to keep pace with the fast evolving man. Park Avenue Beer Shampoo has created a path-breaking category in the hair care segment by launching the first-ever shampoo for men in India. This is primarily because of the main ingredient – Beer – which is associated with fun and offers a shiny, smooth and bouncy feel to the hair.

**5. MTV Helmets:** Auto accessory firm Steelbird along with MTV introduced an incredible line up of helmets. The main reason is to promote the importance of safe riding. For those who are keen on Steelbird products, it is offered in many Pan India retail outlets. The quality of bike designs have improved and have become more colorful, sporty and vibrant and hence people now desire matching helmets to match their bike colors.

**6. Dove Elixir:** Dove entered the hair-oil category with its Elixir – the precious hair oil with real ingredients that provides the power of overnight oiling in just 30 minutes. Dove broke the clutter in the hair shampoo category and to maintain the leading position, it did not lose the chance to become the ultimate companion of a woman's tresses. The launch of Elixir has raised the bar of the hair-oil category as a whole and has made Dove one of the most dependable brands as far as hair-care is concerned.

**7. Woodland Skincare and Equipments:** After tapping the market for outdoor adventure activities almost completely, Woodland is now planning to invest in the product category of outdoor equipments. This will complete the catalogue for Woodland and its customers. Gradually, it might get into specific equipment specializations like fishing or skiing equipments. Woodland also aims to deliver skin protection in its soon- to- be launched high graded sunscreen and lotions basically protecting the skin when you are out in extreme temperatures.

**8. Dabur Real Milk Shakes:** Dabur India Ltd forayed into the packaged milk shake market with the launch of RÉAL Fruit Shakes under the brand Réal. This also marks brand Réal extending its fruit expertise into milk-based drinks. "Dabur has always been at the

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forefront of innovation. With the growing level of health awareness in India, there has been a spurt in demand for healthy functional foods. "With the launch of Réal Fruit Shakes, we aim to not only extend brand Réal to give our consumers more choices but also make the experience of having milk more enjoyable and nutritious for kids," said Dabur India Ltd General Manager-Marketing (Foods) Mr. Praveen Jaipuria.

**9. Gili apparel:** Gili, a brand of Gitanjali Group, recently extended into the apparel category and aims at becoming a lifestyle brand without a shift in the brand attribute or its target audience. But even as the brand took the route of extending into women's apparel, the attribute of being exquisite and uniquely ethnic was maintained by Gili. "We want Gili to be a lifestyle brand like Gucci and thus will be further extending into bags. Gili aims at maintaining the functional benefit of the brand. The start was a little slow but because the brand name has been there in the minds of customers for 18 years, we have received a warm response," said an official.

In many cases, the brand extension proved to be very successful strategy. Brand extensions are a strategy to ensure that new products are adopted in a marketplace. Two outcomes may result when brand extension is taken too far from parent brand prototype. A brand extension that is far removed from the parent brand may give consumers a chance to reevaluate the brand and build new associations with its attributes. If a parent brand is associated with high quality, the brand extension may benefit from consumers' perception of its quality and favorable attitude toward its attributes, thus increasing its equity. The second result may be a failed brand extension. A brand's core competency faces the problem of dilution if a brand extension deviates too far from the parent brand's historic domain of expertise. This causes confusion as to what the brand is and what it represents damaging the equity built up within the core brand name. If a parent brand is associated with inferior quality or is not perceived as a status symbol, consumers develop a skeptical attitude toward it and the brand extension may fail.

### **Benefits of Brand stretching**

Brand extension is always seen as a way for companies to seek growth while introducing a new product. Brand

extension is one of the most popular ways for companies to develop. There are reasons why it is so attractive and profitable. Economic benefit should be the first dynamic of brand extension. Brand extension can be considered as a cost effective outcome for new categories when the sales of parent brand will increase through brand extension. On the other hand, brand extension can also reduce the cost of launching a new product. It is well known that much more investments are required while introducing a new brand to the market, such as advertisement and this factor motivates managers to use the way of brand extension. It is because brand extension can help in gaining financial scale in the field of advertising. One of the most popular and effective but costly ways of branding is advertising. Good advertising makes great contribution to the development of brand products. But advertising needs a big amount of investments into the market to compete with competitors. Brand extension can achieve the efficiency of advertising. In addition, brand extension can also become an advisable way to introduce a new product without advertising. This can also lower the cost and provide easier chances for the new product when entering into the market. Secondly, brand extension reduces the risk of the new brand while entering the market. It is considered that the parent brand is famous if brand extension is applied because the new product can earn market share more easily with the help of the reputation of parent brand. Customers will be attracted as they share the loyalty and trust with the brand image of the parent product. In this case, the risk and chance failure of the new product can be reduced since the name of the parent brand can attract a group of customers based on their loyalty. Also, this is an easier way to compete with the competitors. Moreover, brand extension expands parent brands' consumer base and eventually assists in developing parent brand franchise.

### **Risks of brand extension**

Even though there are thousands of reasons and benefits of brand extension, no matter how attractive it is, brand extension is full of risks. The probability of success is uncertain and unpredictable. Ponds toothpaste is a classic case of product failure by extension. Brands need to be careful to choose the territory in which they tread. Lack of proper research before entry into a new market or segment can lead

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to catastrophic results which include wasting of big sum of money on product development and marketing. Frito-Lay Lemonade, Colgate Kitchen Entrees, Cheetos-flavored Lip Balm and Amul pizza are some more examples of failed extension. Failure of Brand extension can be attributed to following situations:

- Too many brand extensions can dilute the overall brand. By over saturating the market, customers can become confused about which product to pick within the brand and will look to another brand with fewer and simpler choices.
- Brand extensions can take resources away from other projects that could provide higher long term gains.
- One overlooked disadvantage to brand extension is that by introducing a new product as a brand extension, the company forgoes the chance to create a new brand with its own unique image and equity.
- The different varieties of extension may confuse and perhaps even frustrate consumer as to which version of the product is the "right one" for them. As a result they may reject new extensions for tried and true favorites or all-purpose versions that claim to supersede more specialized product versions.
- One risk of linking multiple products to a single brand is that the brand may not be strongly identified with any one product. Thus, brand extension may obscure the identification of the brand with the original categories reducing brand awareness.
- Brand extensions can have a negative effect on market share. Introducing a new product within the same line can cannibalize market share for existing products within that line.
- Brand extensions can have a negative effect on shelf space. With limited shelf space available at the retail level, a line extension could cannibalize your existing products' shelf space.

- If a brand extension doesn't live up to the existing expectations for the brand created by pioneer products, negative experiences with the new product can hurt overall the brand.

The real problem for tooth paste in the brand name of Ponds was that no one seemed to be interested when Ponds label was attached to the toothpaste. Also Rasna Ltd. is among the famous soft drink companies in India. But when it tried to move away from its niche, it hasn't had much success. When it experimented with fizzy fruit drink "Oranjolt", the brand bombed even before it could take off. Oranjolt was a fruit drink in which carbonates were used as preservative. Consequently, once the brand extension is failed, the image of the parent brand surely suffers from negative influence. A wide selection of extensions confuses consumers. McDonald's wanted to get a slice of the pizza business but failed to convince consumers to follow in this new category. Xerox tried unsuccessfully to transfer its brand equity from copiers to computers. Failures reduces the parent brand's original image, consumers' loyalty and brand equity at the same time. Much worse, it will bring down consumers' trust and belief in the brand name. Dettol is struggling to get away from the 'cut and care' image of its antiseptic lotion to promote its '100% bath soap'.

### Conclusion

Related brand extensions strengthen parent brand relationship quality and unrelated extensions weaken parent-brand relationship quality. The relationship between the parent brand and the brand extension depends on the congruence or fit between the original brand and the extension category. Brand extension is a very convenient way to quickly get a foot or two into a new product category. Yet, transferring the original values of great products to a new one is often a difficult exercise and one must know where is the fine line not to cross is. Brand stretching should not be seen as a panacea to growth. Brand extension is more an art than a science As such, there seems to be a single common sense rule: Just make sure that our brand stretch brings real value to the customer. So to successfully incorporate brand extension the company should :

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- 1: Take advantage of the corporate brand.
  - 2: Think of using sub-brands.
  - 3: Bring Meaningful Value to the Customer.

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