

The Shift in the Classic Brand Concept

“From 1 brand = 1 product = 1 promise to 1 brand = many product = many promise, the shift in the classic brand concept. A study on the brand extension in light of consumer behaviour”

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The 1980s witnessed a Copernican revolution in the understanding of the working of the brands. Purchases of strong brands were seen as a short cut to buy customers mind (Kapferer 1992). In fact the distinguishing aspect of the modern marketing has been its focus upon the creation of differentiated brands. Market research has been used to help identify and develop bases of brand differentiation (Aaker 1991). A trademark or brand identifies a product and its sources, but it does even more (Levitt 1966). Along came brand extension. Today brand extension strategies are widely employed because of beliefs that they built and communicate strong brand positioning, enhance awareness and increase profitability (Taylor and Bearden 2002).

Why Brand Extension?

Brands are often extended beyond their original categories to reduce the cost and risk of entering a new product category (Aaker 1991). Research has proved that the success of brand extension depends on the transfer of parent brand awareness and associations to the extension (Aaker 1991). The transfer of these quality perceptions is the key in umbrella branding (Wernerfelt 1988), in which the same brand name is used for several products. Ideally, the parent brand's associations can contribute to a complex yet well defined brand image to the extension. A great benefit of brand extension is the instant communication of this salient image (Pitta and Katsanis 1995). Furthermore, brand extension can be used to take advantage of marketplace growth opportunities (Dawer and Anderson 1994; Lane 2000) and to exploit positive brand equity (Keller 1993; Kumar and Ganesh 1995; C.S. Park and Srinivasan 1994; Shocker, Srivastava and Ruekert 1994).

Some of the basic reasons that generally contribute to the brand extension are the following

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Innovations allow brands to remain up to date and demonstrate an unceasing urge to detect and respond to the profound change in customer tastes and expectations. Thus if the brand do not follow the developments, then they run the risk of being left behind. (Kapferer 1992)

The second factor being the cost of advertising, huge investment is required for product up-gradation. The cost of advertising makes it difficult to sustain many brands; companies prefer to concentrate on few brands. (Kapferer 1992)

Successful companies follow the principles of building global brand to cut cost (Aaker and Joachimsthaler 1999).

The final benefit is that it enhances the parent brand or the core product also. It might help in reinforcing the core product's brand instead of weakening it (Nageswararao and Rajakumar 1999) Brand extension is a way of defending a brand at risk in the basic market. (Kapferer 1992)

Brand extension gives access to an accumulated image capital. Potential buyers hopes to derive immediate profits from the brands by extending it and earning royalties. (Kapferer 1992)

Brand extension helps the firm to move away from being a mono-product. (Kapferer 1992)

The advertising of the parent brand can also bring about cross-fertilization (Keller 1993). If a firm is looking for growth by exploiting its assets, then brand extension is a natural strategy for it. The already strong brand can be penetrated into a new product category or it can be licensed to others for use (Aaker 1991).

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Paper Approach.

As a first step of my analysis I identified what constitutes brand extension. Then I identified empirical studies, which investigated about brand extension. Survey included extensive use of Internet, various marketing journals and some well-written books on brands. The hypothesis to understand the various scenarios in brand extensions is as follows.

H0: Established brands cannot be extended beyond the classical conception of branding other than the ameliorating quality, size and increasing varieties extension.

H1: Established brands can be extended beyond the classical conception of branding resulting in brand transforming the product and endowing it with both objective and subjective features.

Dimensions of Inquiry

To test the hypothesis I identified the various forms and dimensions of brand extension, the constraints faced in extension in consumers mind and the challenges faced in a competitive situation.

Brand extension can comprise of following areas

- New product
- New customer
- New format
- New channel
- New business
- Brand migration
- Brand recycling

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Kapferer has classified typology of brand extension into mainly close extension, also called as continuous extension and discontinuous extension. Thus there would be brands that are very close to each other and others which eliminate technological synergies and physical links between products that form real

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diversification. This would result in having brands with narrow spectrum of presence or called as 'specialised brands' and brands with wide spectrum or called 'generalist brands' (Kapferer 1992). The strategy that a company would more or less depend upon is, what consumers' perceive about the brand. The perception about the brand is built over a period of time. Aaker views brand extension in a similar way. Here extensions are differentiated on the basic difference of whether the extension is in the same or different product category (Aaker 1991).

Horizontal Extension

These apply or extend the existing product's name to a new product in the same product class or to a product category new to the company. There are two types of horizontal brand extension that differ in terms of their focus (Aaker and Keller 1990). They are termed line extensions and franchise extensions. Line extensions involve a current brand name that is used to enter a new market segment in its product class (example- Perk and Coffee Perk, in India). This is most successful in the case of extensions being in almost the same business as the core product. In contrast, franchise extension uses the current brand name to enter a product category new to the company (Tauber 1981).

Extension Distance

Close extensions are in the products in the same category where the distance of the extended product from the core product is less. Distance extension might be in unrelated product categories and rely on overall quality associations from the parent for success (Pitta and Katsanis 1995). Distancing is the purposive increase in the perceptual distance of the extension from the core product. Tulin Erdem (1998) studied the transfer of these quality perceptions of the core brand as the key in umbrella branding in which the same brand name is used for several products. The results showed strong support for the main premises

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underlying an information economics view of umbrella branding. Cross-category effects of marketing strategy and cross-category consumer choice behaviour were prevalent. This favoured the technique of providing free samples or trial runs for various products. Though the consumers expect the quality of the umbrella brand and the extension to be correlated, experience updated through free samples is done. Therefore, the brands should deliver in the case of free samples and the introductory products in order to match consumer expectations.

Vertical Extension

In the case of vertical extension, a related brand is introduced in the same category but with a different price and quality balance. The new products can extend vertically in two directions, upscale, involving a new product with higher price and quality characteristics than the original; or downscale, involving a new product with lower quality and price points.

The vertical upscale extension carries lesser risk and seems more appealing to the management. In this case functional products are ruled out. For example, when Gillette came up with a gold tone plated luxury Trac II razor in a hinged prestige gift box, there were few buyers. Upscale extensions of prestige products are more acceptable, for example, limited luxury editions of automobiles.

The vertical downscale extension, as stated earlier, is more successful in functional products such as a stripped down version of computer software at a lower price. The new product is inferior to the earlier product but the quality-price balance is appropriate. Though in the case of prestige oriented product, the core audience is bothered and feels cheated with the 'prestige' of their product being tarnished. For example, with the introduction of Pierre Cardin pens (at the price of Indian *rupees* seven each), a part of their core audience moved away as their 'designer' label was now within reach of everyone.

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David Aaker explains brand extension through his brand extension model. The model classifies extension into-the Good; what the brand name aids to the extension, more good; extensions can enhance the core brand, the bad when the name fails to help the extension and the ugly, the brand name is damaged.

Road Map into Consumer Mind

Brands are direct consequences of the strategy of market segmentation and product differentiation. It performs several functions in the mind of the consumers. (Kapferer 1992).

Functions	Consumer Benefits
Identification	To quickly see and make sense of the offer
Practicality	To allow savings of time and energy through identical repurchasing and loyalty.
Guarantee	To be sure of the quality no matter where or when you buy the product
Optimisation	To be sure of buying the best product in its category, the best performer for a particular purpose.
Characterisation	To have conformation of your self-image or the image that you present to others
Continuity	Satisfaction brought about through familiarity and intimacy with the brand that you have been consuming for years.
Hedonistic	Satisfaction linked to the attractiveness of the brand, to its logo, to its communication.
Ethical	Satisfaction linked to the responsible behaviour of the brand in its relationship with society.

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Thus brand acts as a source of value for the consumers. The classification made by Nelson (1970) and by Darby and Karni (1973) shows the clear distinction that consumers have in their mind with regards to the following types of product characteristics

- The qualities that are noticed by contract, before buying
- The qualities that are noticed uniquely by experience, thus after buying
- Credence qualities which cannot be verified even after consumption and which you have to take on trust.

In the second case the role of brand image plays an important part, it is the collective representation, which is shaped over time by the accumulated experiences of close relations, word of mouth and advertising (Kapferer 1991).

In the third case the brand needs to add aura of make-believe when it is consumed.

Identifying the brand systems would help us to understand the constraints that are faced by the marketer when the firm is in the process of brand extension.

Major brands are compared to a pyramid (Figure 1: Appendix A). The problem is that the consumers look at the pyramid from the bottom up. They start with what is real and tangible. The wider the pyramid base more the consumers doubt the authenticity of the concept. Thus the major challenge of any brand extension is to synchronise the brand concept to the values, types of communication, brand personality, and brand uniqueness. The strategic image thus, should feature all the above-mentioned characteristics. It would generally be the four or five prioritised ones (Kapferer 1991).

Discussion.

Going by the classical concept of branding more and more brands have to be introduced if the company wants to diversify. But the data shows a different picture. In today's fiercely competitive marketplace, brand extensions have

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become a standard strategy for new product introductions. Brand extensions have proliferated over the past decade, escalating to an all-time high, with estimates ranging from eighty one to ninety five percent by the beginning of this decade (*The Wall Street Journal*/January 1992). According to a 1997 US study by Ernst and Young, there is a 28 percent failure rate among line extensions and an astounding 84 percent failure rate among category extensions. This shows that, though the introduction of brand extension has become prevalent, but such practise does not necessarily guarantee success (Reddy, Holak and Bhat, 1994). The success factors identified (for example, the fit between core brand and brand extension product, quality associations with the core brand or history of previous extension of the core brand) can be quite useful in launching a brand extension. Over the years several critics have emerged to these studies. The study with regards to the fit between core brand and extension category (Barone, Miniard and Romeo 2000), suggest that brands cannot be extended beyond perceptually distant product categories. However in marketplace condition there are many successful extensions (Volckner and Sattler 2002). The classical concept of branding is very limiting, but with time and through communication, packaging, advertising, etc the brand have become rich with feature, image and representation which gives it the style (Kapferer 1991). Classical conception of the brand takes the history of the brand for its long-term reality, but then products cannot speak for themselves, it is through the brand that the producer can communicate, thereby revealing the intention of the marketer. So we can safely reject the null hypothesis and conclude that brand extension can go beyond the classical concept, the only limiting factor being the ability of the brand to leave its mark on the consumer mind with regards to the product attributes.

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There are some essential features of brand extension in a competitive situation and is comprised of two crucial strategic decisions,

- Against which competitive brand to position the new product
- The selection of product attributes or benefits that provide a differential advantage for the product compared to the competitive offerings and to attain consumers mind share (Lane 1980)

This emphasises three key factors in the implementation of the brand extension study namely, the competitive brand in the extension category, the attributes of the extension brand and the 'perceived fit' between the brand and the extension. A high fit usually spells success like in the case of Colgate toothpaste extending into the toothbrush segment under the general attribute of dental care. On the other hand a low fit would spell otherwise, like the case of the owners of *Pan-Parag* in India coming up with their range of pens under a new name Rotomac, as they feared the name *Pan-Parag* would not go down well with the users as the name of a pen.

Taking cue from the research paper of Franziska Volckner and Henrik Sattler the acceptance or failure to acceptance of the theory is based on the following factors

1. Characteristics of the parent brand (brand strength, uniqueness of knowledge structure, history of previous brand extensions)
2. Experience with the parent brand.
3. Characteristics of the extension product (experience vs search goods, uniqueness)
4. Relationship between parent brand and extension product (fit between parent brand and extension product, Kind of information which is extended by the parent brand).
5. Characteristics of the firm (size, marketing competence)

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1. Characteristics of the Parent Brand (brand strength, uniqueness of knowledge structure, history of previous brand extensions)

In this case, there is many a success stories like that of Goodnight, in India, which earlier produced only mats and the heater but later ventured into mosquito coils and liquidifiers also with much success. On the other hand, Dettol's fragrant bath soap was a failure. The consumer associated Dettol and its 'antiseptic' smell with cleanliness and being germ-free and when this was missing from the newly launched soap, they did not accept it. Here the strong brand strength worked against its extension.

2. Experience with the Parent Brand

In the case of Nestle products, the earlier experience with the brand causes the purchase of its new extension with relatively less skepticism as happened in the case of the new Nesquik. However, it may work otherwise also. During the launch of the new Tata Indica cars in India, there was a lot of trepidation as the old product of Tata Estate and Tata Sierra had a problem with their gearboxes and it was feared that the same was true in Indica's case.

3. Characteristics of Extension Product (experience vs. search goods, uniqueness)

In the case of experience goods, it is relatively easier for the extensions to build on their core brand's success as we see in the example of the success of Lux Bath Gel drawing from the success of Lux Soaps and Ponds face-wash drawing from the success of Ponds Moisturiser. There are many failures also such as failure of the Ariel washing soap though the Ariel detergent was doing well. In the case of search goods, the consumer only gives the product a fair trial owing to its brand name. The brands that have made good this opportunity are Usha Sriram who used their brand goodwill from the fans that they sold, to their

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sewing machines. The brand which have not been able to are Onida which is very successful in the television segment but could not extend it to other electronic goods and failed in its attempt at washing machines.

4. Relationship between parent brand and extension product (fit between parent brand and extension product, Kind of information which is extended by the parent brand).

The relationship between parent brand and extended product should not be so far fetched that consumers find it difficult to relate the two. If the attributes of the extended brand are too far away from the original product, using the same brand name becomes a bane than boon. Indian Tobacco Company's (ITC) CEO Y.C. Deveshwar has taken care of this fact, before plunging into unrelated areas like FMCG goods and commodity market. The general response of the consumer to the brand ITC is that they are famous for cigarettes and their Welcomgroup of hotels. Using the same brand name for commodity goods would have been hazardous for them. ITC has thus launched flour with a new brand name *Aashirwad*. If one travels south and watches the southern TV channels, one starts hitting ads for *Aashirwad* flour: a direct confrontation with Hindustan Lever's *Annapurna* brand.

5. Characteristics of the firm (size, marketing competence)

Brand extension also depends upon a firm's capability to do so. For instance it is relatively easier and safer for coca-cola to go for brand extension, because of its large market presence and marketing skills. Coca cola has been successful in its extension to mineral water segment under the name Kinley. The crux is that any brand should measure its risk taking capability before venturing into extension.

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Paradigm shift- the need to move away from 'Branding myopia'.

The new approach requires us to look at brand extension from mainly four different perspective.

1. Image formation.
2. Consumer-Brand Relationship.
3. Brand Portfolio Molecule.

Papadopoulos (1993) states: "Generally, organizational and end-buyers hold images of products, brands, and the companies associated with them, and these images affect their behaviour". Thus a better understanding can be made by knowing how the brand building process takes place in consumers' minds. The perceptual process can be termed as the beginning towards understanding the consumer formation of image towards the brand. Thus consumers may form different images of brand extension depending on when and how knowledge is entered into consumers' minds.

Recently Fournier (1998) took advantage of the richness of the inter-personal relationship metaphor to develop a framework for understanding consumer's relationships with their supermarket brands. This notion of consumers having relationships with brands extends the understanding of brand dynamics beyond existing concepts of brand attitude, satisfaction, loyalty, and brand personality (Fournier 1994). Thus the stress was in getting an insight into why consumers would try to go for long lasting relationship with a particular brand.

Chris Lederer and Sam Hill (2001) in their article 'See Your Brands Through Your Customers' Eyes' redefines the existing portfolios. Thus the outdated assumptions that companies need to concentrate only on their own brands and that each brand manager work on one brand at a time. Thus this inward looking, company-centric view of a brand portfolio is out of synch with the existing market situation. Thus the broader definition of brand portfolio would therefore include

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all those factors and brands that a consumer keeps in mind when he is in a buying decision mode. Thus the Molecule is made with a 360 degree perspective of the brand-one that reflects both the workings of the internal organisation and the perception of the external marketplace. Thus strategic brands and support brands can be identified, based on the approximate proximity of the brands it can be decided whether to combine them or to extend it. Thus this tool helps the marketer in identifying the opportunity for expanding the brands.

Implications and Conclusions.

According to a McKinsey study the success and failure of brand extension depends on the positioning of the product. Most of the brand extensions fail because they focus on aspirational rather than achievable positioning. McKinsey have identified three steps, which can help ensure success in positioning the product.

1. Ensure Relevance to Customer's Frame of Reference

One requires to be fully aware of the frame of reference with which customer views the product, and understand the combination of customer's attitudes and the situations in which the brand is used, to obtain the most powerful customer insights. Generally marketers look at the product, as they want to launch it, and not what consumers are expecting. This gap leads to non-acceptance of the product

2. Secure the Customer's Permission for the Positioning

It is paramount to obtain the permission of consumers since it helps in building the bridge that can carry customers from where they perceive the brand to be today to where one wants to take it into the future. Bridges are often best built when they leverage the unique emotional benefits of the brand's equity that are relevant to the customers. For example Nirma is widely perceived as a washing

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powder. If they had come out with another related product, they would have been more successful than in their launch of Nirma bathing soap. Nirma did not think getting customer's preference here and launched the bathing soap without seeking their permission. Result was that the campaign was a failure and finally they had to change the name from Nirma to Nima.

3. Deliver on the Brand's new Promise

It is easy to say that "do what you say", but very difficult to implement. However if this adage is not taken care of, it is harmful not only for the extended product but also for the parent product. It tarnishes the image and then great effort is required to regain the lost status. This is particularly true in service industries, given the need for tremendous organisational change, and industries that require long lead times for organisational or infrastructure changes. A typical example of this is the negative influence that US-64 scheme has had on the image of Unit Trust of India (UTI). Today UTI is undergoing the process of bifurcation. The cabinet committee on Economic affairs (CCEA) has decided to divide the scheme into two parts

- The old protected UTI (UTI-I), comprising US-64 for which assured repurchase prices have been announced and assured return schemes; and,
- The New UTI (UTI-II) comprising net asset value based schemes.

To regain the investors' confidence in the UTI which has eroded in the recent past, the package was meant to protect the pensioners and other small investors besides running the net asset value-based schemes of the fund on professional lines.

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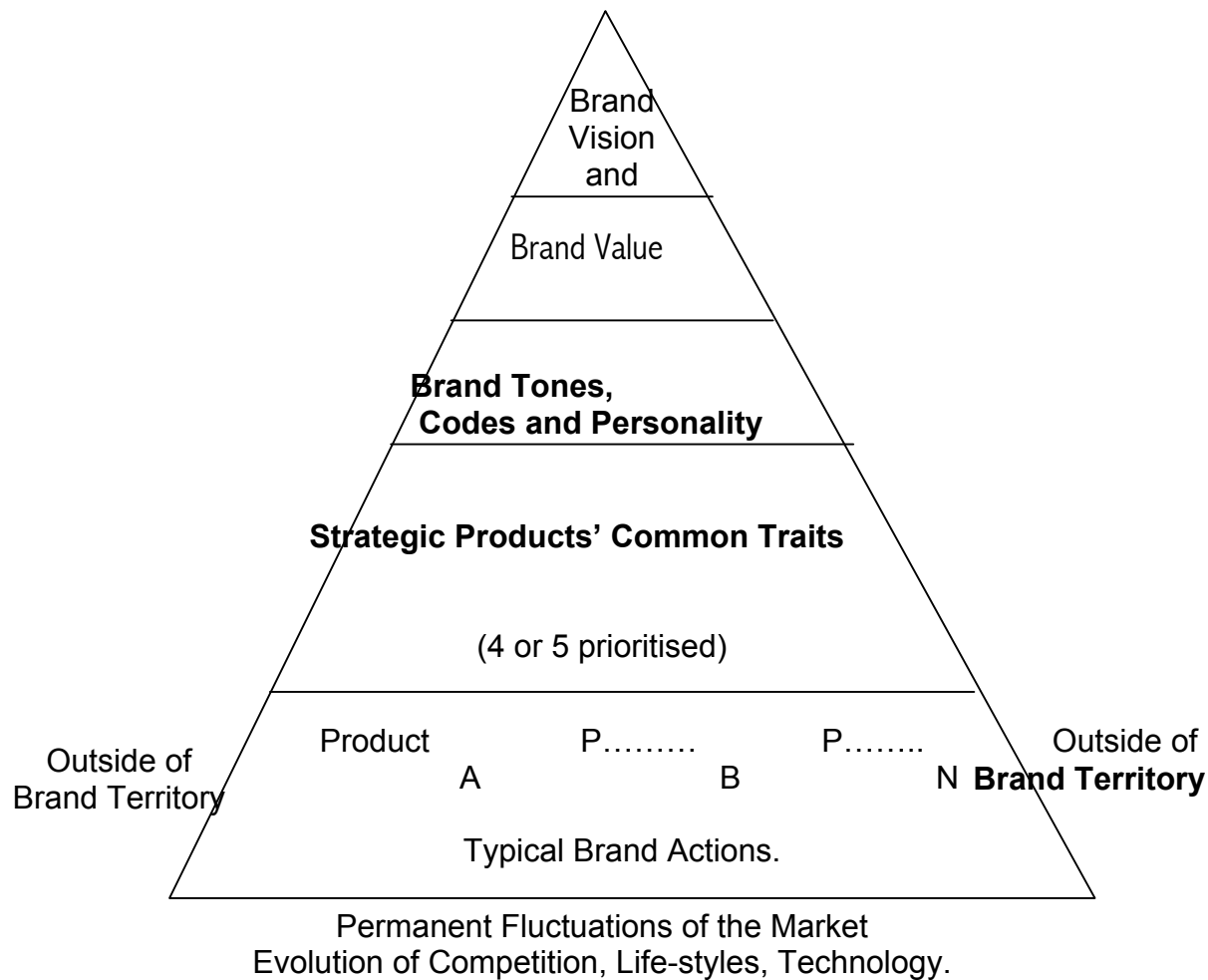


Figure 1: The Brand System

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