



## **Brand Extension Success Elements: A Conceptual Framework**

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**Abstract:** This paper identifies elements that are required to devise an effective brand extension strategy by a firm. Brand extensions are a known source of marketing new products. Firms spend a huge amount of budget on market research before extending their brand. A comprehensive literature review identifies six elements which are crucial to the success of brand extension. These elements are Parent Brand Image, Parent Brand Fit, Parent Brand Strength, Marketing Support, Quality of Parent Brand and Parent Brand Consumer Experience. A conceptual understanding of literature further suggests a direct relationship between brand extension success and elements presented in this paper. This relationship is presented in the form of conceptual framework. This framework provides guidelines for future research.

**Keywords:** Brand Extension, Elements, Conceptual Framework.

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## **1.0 Introduction**

The use of brand extension strategies has been a subject of interest, both within academic circles and the business world. Extant literature focuses on brand and brand extension. Firms are continuously looking at ways to improve the chances of success while extending their brands. With so much choices around, a parent brand has a list of considerations which need to be looked at while making the decision of brand extension.

The purpose of this paper is to review the current existing literature on brand extension, and identify the elements which are key to success while extending a brand. Six elements are identified. Furthermore, a relationship of these elements with brand extension is established with the support from literature. The proceeding part of the paper focuses on providing an overview of the concept of brand and what constitutes brand extension.

## **2.0 Literature Review**

### **2.1 Brand**

According to the American Marketing Association (AMA), a brand is “a name, term, logo or symbol, sign or combination of them to differentiate the product or services of seller from the competition”.

The brand as a name that symbolizes a long term engagement and commitment to a unique set of values, embedded into products and services, which make the organization, person or product stand apart. Brand is a name with the power to influence the market, its power increases when more people know it, trust it, convinced by it and become its advocates. Brand is a shared desirable and exclusive idea embodied in products and services. The brand has more power when this idea is shared by a large number of people (Kapferer, 2012).

The strongest brand must have the ten traits like 1) the brand forwards to provide benefits customers actually desire, 2) the brand remains relevant, 3) the pricing strategy is made by keeping in mind consumer's perception of value for money, 4) the brand is properly designed and positioned, 5) the brand stays consistent, 6) avoid from overlapping of two brands in the brand portfolio and hierarchy, 7) the brand is collection of marketing activities to develop equity, 8) managers must understand the meanings of brand to consumers, 9) a proper support should be given to brand, 10) the company keep an eye on brand equity sources (Keller, 2000).

## **2.2 Brand Extension**

Brand extensions are the new products introduced under an existing brand name or a new entrant in a different category from the parent brand (Aaker and Keller, 1990). Brand extension involves utilizing and applying the established core brand name to new products to obtain the equity of the original core brand and also to capture new and unexplored market segments (Kerin, Kalyanaram et al., 1996). Extended brand both far and near with core brand are considered beneficial for core brand due to more profitability. Generally, it is assumed that recognized brand requires low cost and expenses of introduction such as advertising cost and sales promotions etc. (Collins-Dodd and Louviere, 1999). Nevertheless, the extended brand success is uncertain. Nielsen (1999) suggests that fast moving consumer goods have more failure rate of extension which is approximately 80%. Elements of brand extension provide insights of that may help to reduce the chances of failure of brand extension. These elements provide way to evaluate the attitude of consumers about extended brand and to know about their choices. Element's important insights influence the success of brand extension (Bottomley and Doyle, 1996; Swaminathan, Fox et al., 2001).

Brand extension can reduce the beliefs associated with the flagship product but this dilution or reduction process is more serious with the parent brand name (John, Loken et al. 1998). Firms make relationships with customers through brand and effectiveness

of brand extension (Davis and Halligan, 2002). Brand extension may also increase the likelihood that a brand come to mind and create easiness to understand the brand. It enhances and facilitate a brand's awareness to ease the recall; increase the value perceived by consumer (Keller, 2003).

### **2.2.1 Types of Brand Extension:**

Brand extension is discussed from various perspectives in the literature. There are mainly two different types of brand extension. These both types are discussed below:

#### *a) Horizontal Brand Extension:*

In horizontal brand extension, core brand name is used on new entrant product (Chen and Liu 2004). There are two additional types of horizontal brand extension: line extension and franchise extension. In line extension, parent brand name is used to enter into new market segment with same product class and minor changes. Franchise extension use parent brand name to enter into new market with different product category (Pitta and Prevel Katsanis, 1995).

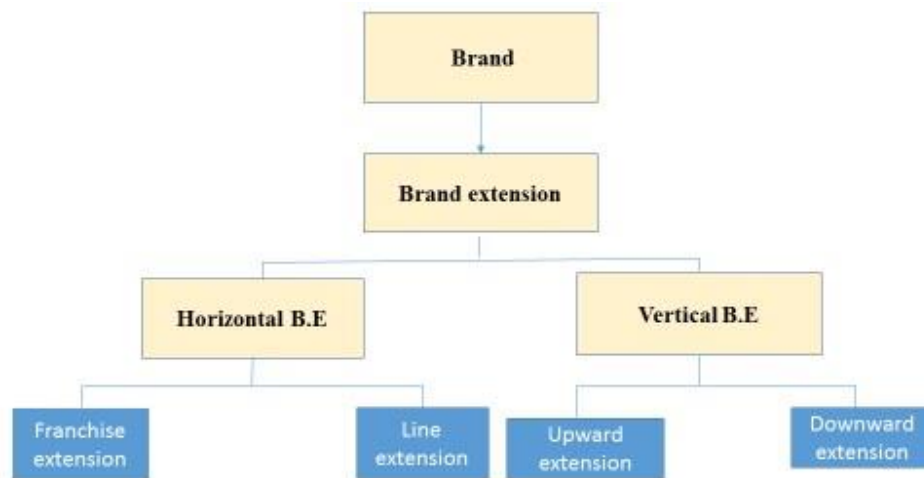
Consumers often welcome the different variety as it provides them with more choice and satisfies their variety seeking needs (Kahn, 1998). Franchise extension is referred to high risk but existing and new customers are motivated to buy a very different product which has been created from existing brand names. The introduction costs are higher as compared to line extension due to customer's unfamiliarity with the product, which results in increased marketing communications expenditures and distribution channel cost (Stegemann, 2011).

#### *b) Vertical Brand Extension:*

Vertical brand extension describes the brand's movement upward or downward with the same product category but with different price. (Kim, Lavack et al., 2001). Vertical brand extension provides an opportunity to increase the brand equity more quickly. Vertical brand extension is common practice among various industries like automobile, apparel, soft drinks etc. (Pitta and Prevel

Katsanis, 1995). Lexus is a good example of vertical upward brand extension. However, vertical brand extension might create negative impact on the core brand and evaluation of its extended product when it was not perceived appropriately by consumers (Dacin and Smith, 1994).

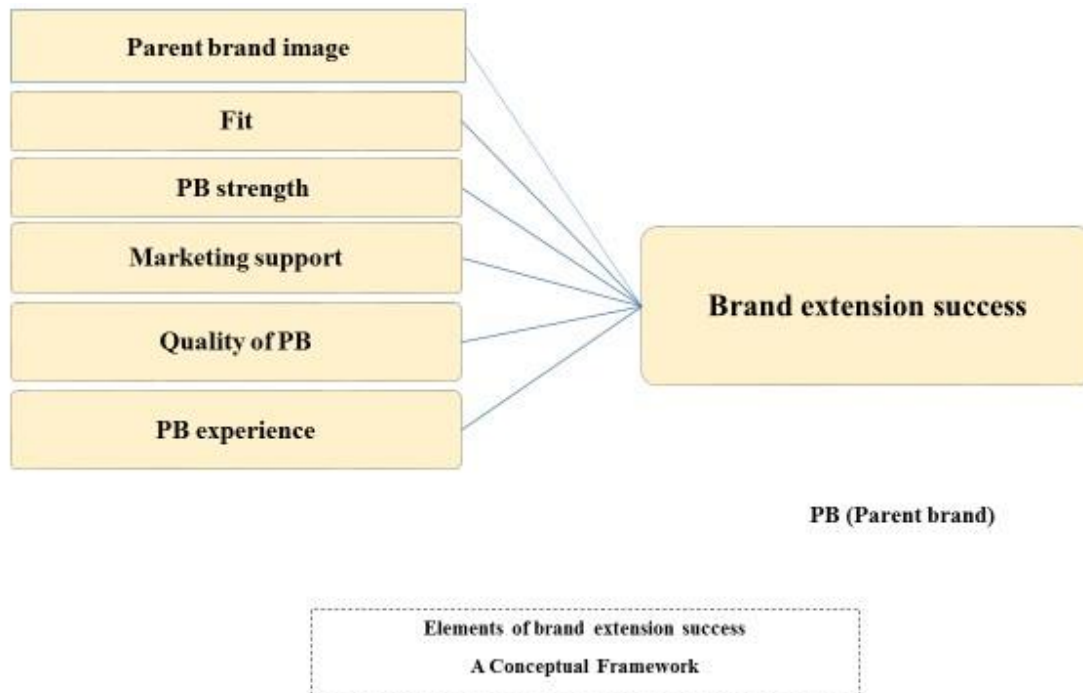
Figure 1.0: Types of Brand Extension



### 2.3 Elements of Brand Extension

Consumer evaluation of brand extension depends on Parent Brand (PB) Image, Fit between PB and Extension, PB Strength, Marketing Support (advertising, sales promotion and distribution), Quality of PB and Experience of PB (Aaker and Keller, 1990; Bottomley and Holden, 2001; Völckner and Sattler, 2006).

Figure 2.0: Conceptual Framework



### 2.3.1 Parent Brand Image

Dobni and Zinkhan (1990) describe that brand image is the perception of consumer about a brand as reflected by brand associations held in consumer's memory. Brand associations can be classified into three categories: attributes, benefits, and attitudes (Alba and Hutchinson, 1987).

Keller (1993) maintains that evaluation of extension will depend upon the association transferred from core brand to extension. Different kinds of information or brand associations (attributes, benefits and attitudes) come to mind about core brand in brand extension context.

Some parent brand associations may be relevant when consumers evaluate extension but not all. The relevancy depends on the perceived similarity to the extension product or service (Feldman and Lynch, 1988). When the similarity is high, consumers evaluate the extension through same attitude with parent brand. A favorable prior attitude of

current branded product transfers toward new product. Positive brand associations attached with core brand are considered same with extended new product (Boush and Loken, 1991). Keller (2000) suggests that sometimes the similarity of brand associations between core brand and extension is based on product related attributes (ingredients) and non-product related attributes (user and usage imagery). When the similarity is low, consumers consider specific attributes (Park, Milberg et al., 1991).

### *2.3.2 Fit between PB and Extension*

There are three dimensions of fit in which two are related with demand in perspective of economic notions of substitute and compliments in product use. The third part of fit is transfer which is related to the firm's manufacturing skills and abilities (Aaker and Keller, 1990). The perceived similarity or fit consists on shared brand associations between the parent brand and extensions at both the product and brand levels (Bhat and Reddy, 2001). Brand level fit is the perceived similarity between the extension product and parent brands image. Similarity between the extension product and original brand's current product is the product level fit (Ringle, Völckner et al., 2012).

High degree of fit has negative impact on brand extension's sale because both compete for same market. In cannibalization, brand extension steals the sale of parent brand where both products belong to same company and compete for same customers (Mason and Milne, 1994). If there is high physical similarity between extension and parent, they will have same consideration set and they can be interchangeable. So higher quality parent brand will win battle over extension due to exposure of consumers with parent brand (Srinivasan and Ramakrishnan et al., 2005).

Two dimensional definition of fit consist of 1) product/features similarity between parent brand and extension 2) image consistency (Grime, Diamantopoulos et al., 2002; Buil, Martinez et al. 2009). Dimension one is related to functional and physical similarity which is called functional fit. On this stage extension and parent brand satisfy the same needs (Dacin and Smith, 1994). The second dimension is image fit.

Brand extension share the overall brand concept, feelings and associations such as value and prestige (Salinas and Pérez, 2009). For example, Arm & Hammer toothpaste and Arm & Hammer laundry detergent have little physical similarity but satisfy the higher order needs that are consistent with the brand concept such as value and safety. Finally, the most important case is, when an extension possess low functional fit and high image fit with high quality parent brand. When an extension has high functional fit and low image fit, extension's sales will hurt. In this case, both pair will occupy same consideration set and parent brand will steal sale from extension (Guide Jr and Li, 2010).

### *2.3.3 Parent Brand Strength*

Keller (1993) suggests that parent brand strength consist of brand awareness, brand image and consumer response to brand. For a successful brand extension, it is necessary that consumers must be aware about parent brand. Consumer response and brand image are important components that form the parent brand strength (Ringle, Sarstedt et al. 2013).

### *2.3.4 Marketing Support*

Marketing support has some sub dimensions like advertising activities, product benefits, distribution, and sales promotion. The managers can exploit from these dimensions to influence the market in favor of product success. Advertising support is very necessary when a new product is introduced in the market (Reddy, Holak et al. 1994). Consumer perceives the product benefits in the newly designed product which has two facets; functional and experiential benefit (Park, Jaworski et al. 1986). Functional benefits satisfy the physiological needs of the consumer.

While experiential benefits are related to product benefits which fulfill the consumer's hedonistic needs. These benefits are pleasure seeking and inspires for repurchases. Experiential benefits increase the consumer's cognitive process in context of products.



It is largely assumed that strong brand name has minimum marketing expenditures to float brand extension and increases the product awareness (Collins-Dodd and Louviere, 1999).

#### *2.3.5 Quality of Parent Brand*

Meaning of quality is very broad in the context of brand extension. Zeithaml (1988) suggests that consumer's perception about quality of product is associated with the brand and performance of product. Aaker and Keller (1990) describe that the relationship between attitude and perceived quality exist due to high fit between core brand and extended product. While according to Bottomley and Holden (2001), evaluation of brand extension is directly affected by perceived quality regardless of fit.

#### *2.3.6 Experience of Parent Brand*

Personal experience with parent brand may generate relevance with parent brand and increase liking for the brand. Parent brand knowledge may also increase through direct experience with the parent brand (Kirmani, Sood et al. 1999).

### **3.0 Conclusion**

Brand extension is an important topic of interest among marketing academicians and practitioners. Firms are looking for ways to elevate the chances of success in their brand extensions adventures. An effective and efficient strategy should incorporate elements of multiple dimensions as presented in this paper. This paper has highlighted various elements which are discussed in the literature. These elements are believed to have relationship with the brand extension success.

The conceptual framework presented in this paper requires operationalization. In order to develop this framework into a model, empirical research is required. Researchers are invited to examine the type and strength of relationship between these elements and brand extension success. The findings from such research will be able to confirm, or modify the current framework. Furthermore, case study research with inductive

reasoning can investigate this framework from qualitative perspective. In-depth case study in different industries and contexts can add more elements, and confirm if these elements are relevant to brand extension success. A strong, tested and valid model will enable marketing managers to develop a strategy incorporating success elements, and reduce risks of brand extension failures.

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