



## Effect of Brand Extensions on Parent Brand

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### Abstract

Brand extensions have become a popular way of introducing new products into the market. Brand extensions leverage a firm's most valuable hidden asset, its brand name. The brand extension adds or deletes something in the core brand concept. In the Indian market also classic brands like Dove, Ponds, Saffola, Pears, etc. have gone for successful extensions that have increased the profitability of the companies and have added to the Brand Equity of the parent brands. The brand extension can enhance or dilute the parent brand image and this is a serious concern for brand managers today. This conceptual paper tries to explore the factors that affect the success of brand extensions and how it affects the parent brand image. A conceptual model is developed that sees certain moderating variables that determine the success and enhancement.

**Key words:** Brand extension, Brand Image, Parent Brand and Fit.

### Introduction

Creating strong brands has become imperative for any successful organization in tensely competitive environment. Fierce competition forces firms to adopt strategies that create a competitive advantage for the firm. 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 (Keller, 2008). This strategy is frequently used in mature fast-moving consumer goods (FMCG) categories such as personal care products (Ambler and Styles, 1997).

However, firms do not always have the financial strength to create a new brand name for each newly developed product. One important advantage of having a strong brand is that it can facilitate acceptance of new products launched using that brand name, i.e., brand extensions. (Dawar and Anderson, 1994; Milewicz and Herbig, 1994). Because they reduce consumer risk and significantly lower the cost of introductory marketing programs (Keller, 2003). According to Buday (1989), the companies rational behind extending brands are to attain economies of scale. Keller (2003) states that more than 80 per cent of firms resort to brand extensions as a way of marketing goods and services.

According to James (2006), companies need not to create a new brand name for new product category; companies should use the name of known, successful and well established brand instead of creating new product name, in other words, brand extension is used. The brand extension is also a new style for brand management which creates the value for single name and makes it a mega Parent brand.

Usually a more economical strategy is used to introduce a new product under the umbrella of already existing product. Well managed brand extensions not only provide new sources of revenue, they can also reinforce brand meaning and help to build brand equity. The parent brand becomes stronger with each successful extension it has.

### Definition

Brand extension has been defined by many experts as a name of an established brand being stretched into a new or related category. Aaker and Keller (1990), define brand extensions as “the stretch of the established franchise to a different product class”. Brand extensions, are different from “line extensions”, which tend to offer modifications to existing products or services in the same product class e.g. flavour, size (Webster, 2000). Brand extensions leverage a firm's most valuable hidden asset, its brand name (Tauber, 1981, 1988). The brand extension adds or deletes something in the core brand concept. Brand concept is defined as the image of a particular brand as it is commonly understood by consumers. Brand concept can broadly be of two types: functional-oriented brands or prestige oriented brands. Functional-oriented brands are positioned on attributes, utility and features. Whereas prestige-oriented brand give a emotional benefit of status and class.

### Definitions of Brand extensions

Brand extensions, “the stretch of the established franchise to a different product class”.	Aaker and Keller, 1990
A brand extension is any effort to extend established brand names to launch new or modified products or lines.	Kotler, 1991
Brand extensions refer to using “an established brand name in one category to introduce products in totally different categories”.	Choi, 1998, p. 655
Variation on quality levels of product within a category is referred to as a vertical extension; variation on the function or category of the product is referred to as a horizontal extension.	Randall et al., 1998
A brand extension, on the other hand, is when “a current brand name is applied to a new product in a completely different product category”	Speed, 1998 p. 105
Brand extension is a popular brand strategy to attach an existing brand name to a new product introduced in a different product category.	Swaminathan, Fox & Reddy, 2001
A brand extension strategy can be conceived as a means of optimizing relationship with consumers.	Davis and Halligan, 2002

## Types of Brand extensions

Brand extensions can be divided into: Horizontal extensions and Vertical brand extensions (Kim and Lavack, 1996).

**1. Horizontal Extensions:** When a company introduces a complete new product either in product class and product category is called Horizontal extension. Keller (1998, p. 451) defines line extensions as: “A line extension is when the parent (core) brand is used to brand a new product that targets a new market segment within a product category currently served by the parent (core) brand”. There are two varieties of horizontal brand extensions which 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 which is used to enter a new market segment in its product class. Diet Coke and Diet Pepsi are examples of line extensions since they focus on the diet conscious segment for colas not served by their parent products. In contrast, franchise extensions use a current brand name to enter a product category new to the company (Tauber, 1981). Most of the recent research in brand extension has focused on horizontal extensions. Unsuccessful horizontal extensions are less likely to damage the core brand than vertical extensions since horizontal extensions are often in different – and more distant – product categories. Typically consumers will recognize that such horizontal extensions are not closely related.

**2. Vertical Extensions:** Similarly, when a company introduces a new extension in same product category but price and quality of product is different is called vertical extension (Keller and Aaker, 1992; Sullivan, 1990). 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 (e.g. Marriott Hotels, Courtyard Inn by Marriott). Vertical extensions offer management the quickest way to leverage a core product’s equity. Vertical new product introductions can extend in two directions, upscale, involving a new product with higher price and quality characteristics than the original; or downscale, involving a new product with lowers quality and price points. Downscale vertical extensions may offer the equivalent of sampling to a new market segment, and bring some market share enhancement. Functional products use this strategy. Prestige products allow upscale but not downscale extensions. Consumers seem to recognize and accept the enhanced prestige brand image of such upscale extensions.

## Customer Evaluation of Brand Extensions

During the last decade there have been a number of empirical studies addressing the consumer’s evaluation of and extension and impact of different type of extension on the core (original) brand image (Aaker and Keller, 1990; Romeo, 1991). Much of the research examining brand extensions has focused on factors that impact a brand’s acceptance in a new product category and customers evaluation of brand extensions. Consumer evaluation has been given importance because of two reasons: they are believed to be a key element in indicating extension and core brand success (Aaker and Keller, 1990; Boush and Loken, 1991) secondly, favorable consumer evaluations are thought to be essential in developing brand equity (Pitta and Katsani, 1995).

### 1. Parent brand characteristics

These specifically include: perceptions about the breadth of the parent brand portfolio (Boush and Loken, 1991); the past extension history; the brand knowledge of customers in the parent brand (e.g. Fiske and Pavelchak, 1986; Boush and Loken, 1991); the prestige of the parent brand (Park et al., 1991); any strong “associations” related to the parent brand (e.g. MacInnis and Nakamoto, 1990; Park et al., 1991), which might include the extent to which the brand has strong product level or more generic associations (Rangaswamy et al., 1993); the parent brand image (Park *et al.*, 1991).

### 1.2. Brand breadth

The concepts of brand breadth or brand portfolio refer to the number and variability of the products represented by a brand name (Boush and Loken, 1991; Dacin and Smith, 1994). As both dimensions have an opposite effect on extensions (Dacin and Smith, 1994; DelVecchio, 2000) and it is relatively rare to find extensions with substantial quality discrepancies, in the following lines we will concentrate on the number of products dimension.

Generally, broad brand extensions are preferred to narrow ones (Dacin and Smith, 1994; Sheinin and Schmitt, 1994). As they are present in a higher number of products, broad brands evoke more associations in consumers (Boush and Loken, 1991) and the benefits are more accessible (Meyvis and Janiszewski, 2004)...b ex-6

### 1.2 Past extension history

Keller and Aaker (1992) observe that a previous successful extension not only fosters the attitude to the extension but can also improve the attitude to the extended brand. This may be explained by the fact that consumers perceive the new product as more coherent with the brand (DelVecchio, 2000; Klink and Smith, 2001) and there is a stronger recovery of brand associations (Dacin and Smith, 1994; Dawar, 1996)...b ex-6

### 1.3 Brand knowledge

The level of consumer knowledge is also a parameter to moderate the effect of Fit on the extension.

### 1.4 Brand associations

Brand associations reflect “the unique meaning associated with the brand name” (Rangaswamy et al., 1993, p.62) and the extension evaluation will depend on the prominence of these associations in the extension context (Keller and Aaker, 1992; Glynn and Brodie, 1998)...b ex-15. The more closely the extension product resembles favorable qualities of the brand, the greater the likelihood that consumers will be willing to accept it (Park et al., 1991; Boush and Loken, 1991). The associations should be transferred from the core (original) brand to the extension for the latter to be successful (Aaker and Keller, 1990; Pitta and Katsani’ 1995)

### 1.5 Brand image of the parent brand

The brand image of the parent brand can be classified into two types: products with function-oriented brand images and products with prestige-oriented brand images. Function-oriented products are visualized in terms of brand unique aspects that are related to product performance. In contrast, a prestige oriented brand is visualized primarily in terms of a consumer's expression of self-image. Each type of product has unique brand associations and lends itself to different forms of extension. Some of the studies have examined the consumer evaluation of the extension and the core brand name. For both function-oriented and prestige-oriented brand names, the most favorable consumer reactions can be expected when brand extensions and core brands have high concept consistency and high product feature similarity (Park *et al.*, 1991). This reinforces the need for fit between the core product and its extension. Research has also supported the premise that brands considered to be of higher quality, and prestige brands, possess greater potential to be extended into more dissimilar product categories (Keller and Aaker, 1992; Park *et al.*, 1991; Lahiri and Gupta, 2005).

### 1.6 Parent Brand Equity

A number of studies have suggested that brands with high brand equity are best positioned to benefit from brand extensions (e.g., Aaker and Keller, 1990; Smith and Park, 1992; Echambadi *et al.*, 2006; Völckner, and Sattler, 2006). The perceived strength, quality, and symbolic value of the parent brand appear to contribute to the success of extensions (Reddy *et al.*, 1994; Lahiri and Gupta, 2005; Vanhonacker, 2007). Strong brands are well positioned to capitalize on extension opportunities as brand-specific associations are often transferred from the parent brand to the extension (Broniarczyk and Alba, 1994).

## 2. Perceived Fit

This concept refers to the relation between parent brand and extended category, which can be assessed in terms of concrete attributes (Boush and Loken, 1991; Dawar, 1996) or broader associations (Broniarczyk and Alba, 1994; Kim, 2003). Related brand extensions strengthen parent brand relationship quality and unrelated extensions weaken parent-brand relationship quality. Relationship between the parent brand and the brand extension depends on the congruence or fit between the original brand and the extension category (Aaker and Keller, 1990). Successful brand extensions depend on consumers' perceptions of fit or similarity between the new extension and the parent brand (Aaker and Keller, 1990; Czellar, 2003; Klink and Smith, 2001; Volckner and Sattler, 2006). Brand fit is not simply restricted to same product category but it is also related to other product classes. According to suggestion of Park *et al.* (1991), consumer evaluates brand extension fit by two different ways. First customer judge the brand extension similarities with parent brand while steadiness of brand concept is the second source. Customer can perceive brand fit by considering any of the brand similarity. According to Aaker (2004), brand fit may exist in consumer mind because of his/her association with brand. This association with brand may be because of following reasons i.e. product features, products functionality, product application and used technology. The strength of brand fit is highly dependent on consumer association and attachment with parent brand. Numerous studies suggest there exists a direct positive effect upon the attitude towards an extension when consumers believe that the new product somehow "fits" with the brand image (Aaker and Keller, 1990; Broniarczyk and Alba, 1994; Nijssen and Agustin, 2005; Völckner, and Sattler, 2006; Kalamas *et al.*, 2006; Echambadi *et al.*, 2006; Chowdhury, 2007). When perceived fit is high, the evaluation of the extension is very likely to be based on the parent brand beliefs (Milberg *et al.*, 1997; Monga and Houston, 2002; Czellar, 2003; Mart'inez and de Chernatony, 2004), which will be regarded as appropriate to infer the quality of the new offer (Ahluwalia and Gu'ghan-Canli, 2000). The introduction of extensions in related markets is equally a good way of protecting or improving brand image. In a high-perceived fit scenario, consumers will associate the brand quality to the new product and reinforce any pre-existing associations. On the contrary, remote extensions are seen as not very reliable (Dawar, 1996) and they will arouse the consumer rejection, which will be transferred to the brand image (Loken and John, 1993).

## 3. Marketing support

The consumer attitude towards a brand extension largely depends on the marketing support (Völckner and Sattler, 2006). The literature supports the fact that individual's perceptions and attitudes vary when brand extensions are accompanied by advertising information. Adopting an extension evaluation approach, Aaker and Keller (1990), Bridges *et al.* (2000) study various communication strategies that can be used for marketing and promoting the extensions. According to Nijssen (1999), advertising and promotional support on the extension may be beneficial to the extended brand's products. Bridges *et al.* (2000) conclude that these communication strategies positively affect extension-brand perceived fit, and this perception will result in better image (Loken and John, 1993; John *et al.*, 1998). Furthermore, Balachander and Ghose (2003) have proved that the exposure to advertising on the extension results in a preference for the parent brand.

## 4. Corporate Credibility

Corporate image (sometimes also referred to as organizational image or institutional image) is the "image associated with the name of an organization" (Rynes, 1991). Strong corporate brands are often leveraged, because of their assumed positive impact on consumers' perceptions (Brown and Dacin, 1997). Corporate image is a valuable asset that companies need to manage (Abratt and Mofokeng, 2001). A favourable corporate image can boost sales through increased customer satisfaction and loyalty (Andreassen and Lindestad, 1998). The associations that constitute corporate image relate to both tangible and intangible characteristics (Kennedy, 1977). Corporate brands are more likely to possess intangible attributes than product brands, whose associations are more product-specific (Keller and Aaker, 1997). Hatch *et al.* (2003) point out that strategic differentiation in corporate branding focuses on the values and emotions held by the organization, since the objective is positioning – not of products but of the whole corporation. Corporate image may be improved through a brand extension strategy, the product branding literature acknowledges that brand extensions may also have negative effects (John *et al.*, 1998; Loken and John, 1993).

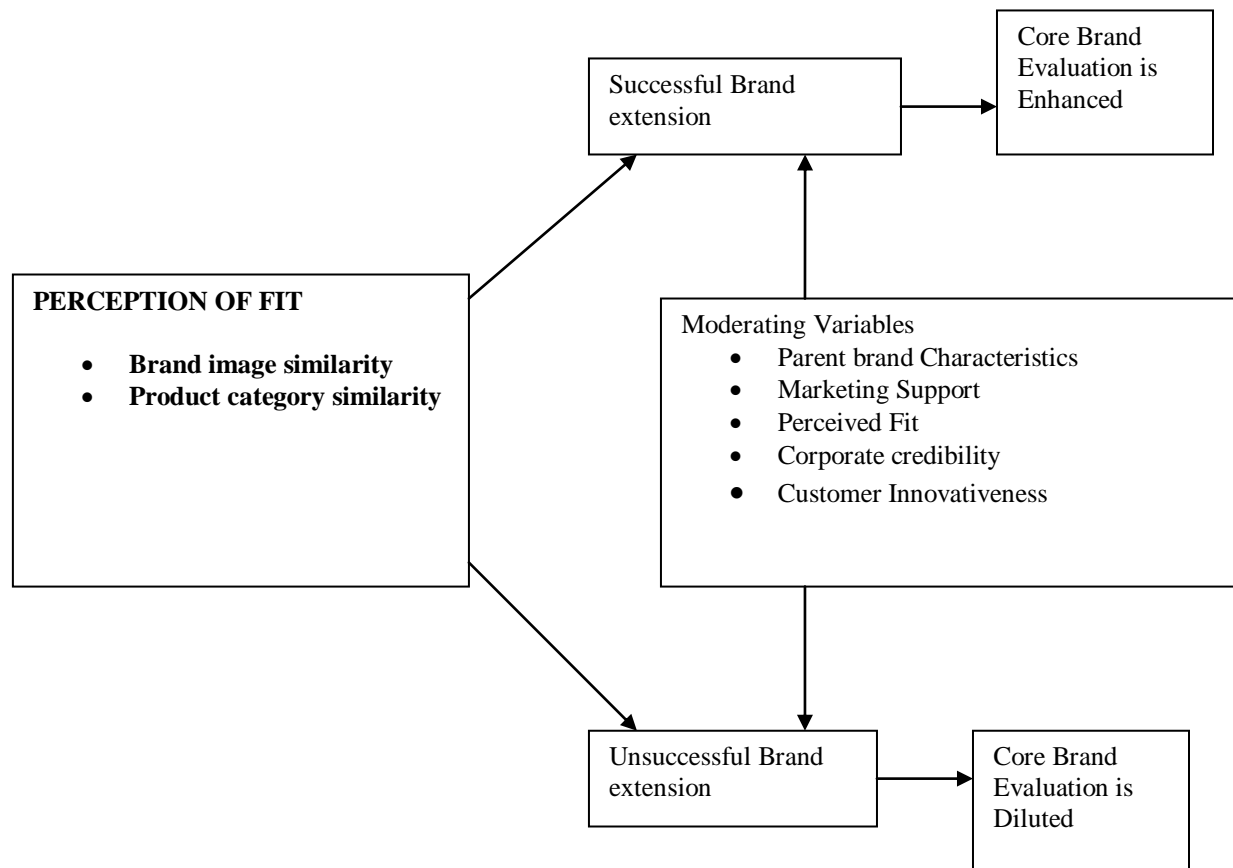
## 5. Customer Innovativeness

### Effect of Brand extensions on Parent Brand

Brand extensions may have a positive or a negative influence on the parent brand, so it is important to understand the specific impact on dimensions such as brand image, brand awareness, and customer-brand relationships. The introduction of extensions in related markets is equally a good way of protecting or improving brand image. Most theories studying the effect of extensions on brand image agree that the information transmitted by close extensions produces no significant effects on brand beliefs (Park et al., 1993). However, theories like the “bookkeeping model” suggest that brand image always changes in the light of new information (Loken and John, 1993).

The literature reviewed so far concluded that the following variables which considered as important factor while studying the relation between parent brand and its related brand extensions. These includes perceived fit, brand perceived quality, brand familiarity, brand associations and consumer innovativeness (consumer attitude towards brand).

### Conceptual Model



Three studies that investigated the influence of brand extensions on the parent brands particularly influenced this research. Martinez & Pina (2003) examined the negative impact of brand extensions on parent brand image. Pina, Martinez, De Chernatony, and Drury (2006) developed an empirical model which explains the effects of service brand extensions on corporate image. Martinez, Polo, & de Chernatony (2008) investigated the effect of brand extension strategies on brand image in a comparative study of the UK and Spanish markets, particularly the industry of sport products. These three studies suggest brand extensions have a significant effect on the parent brand image. Sheinin (2000) explored how brand extensions influence knowledge about parent brands. The major finding is that brand extensions influence knowledge of unfamiliar parent brands more than familiar parent brands. Neale et al. (2009) state that the quality of a consumer’s relationship with the parent brand has a strategic significant impact on the success of brand extension, also supported by studies of Park & Kim (2001) and Park et al. (2002) in addition to that they state that there is a return effect as well.

Some researchers have suggested that brand extension strategies may carry the risk of diluting important consumer trust in the parent brand (Tauber, 1988; John et al., 1998; Marti´nez and de Chernatony, 2004; Martinez and Pina, 2003; C. W. Park, Milberg and Lawson, 1991). When the brand extension becomes different from the parent brand in terms of Quality and Price, the consumer reevaluates the parent brand. Remote extensions are seen as not very reliable (Dawar, 1996) and they will arouse the consumer rejection, which will be transferred to the brand image of the parent brand (Loken and John, 1993).

Failure to meet customer expectations creates negative perception about parent brand which results weak brand association and disturb the original brand as well as related products. According to Martinez and de Chernatony (2004), brand image can be classified into two main categories i.e. general brand image also known as parent brand image and product brand image also known as extended brand. According to their model and results failure of extended brand image cannot affect the parent brand if parent brand is well established and strong enough like Nike and Sony.

Formally we can say that the effect of brand extension on parent brand image is affected by the above mentioned factors. Studies reveal an interaction between the parent brand and the extension category: factors affecting the parent

brand will affect the extension as well. Similarly, factors that influence the extension category will affect the parent brand (Byung Chul, Jongwon and Robert, 2007; Hem, 2001; Kumar, 2005; Martinez and Pina, 2003; Martinez, Polo and de Chernatony, 2008; Maureen, 1999; Nan, 2006; Yeung and Wyer Jr, 2005). Customers evaluating brand extensions may change their core beliefs about parent brands, which may lead to a stronger or weaker brand positioning (Sheinin, 2000).

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