

EXTENDING THE BRAND

Extending an existing brand into uncharted waters is a profitable yet delicate task. Marlboro has done it with clothes. Kingfisher is trying with air travel.



Companies introduce new products all the time, many of them within the company's existing product categories, some outside of those categories. In both situations, companies have the option of using existing brand names or creating totally new ones. If the company already has products in the category, it will often use the same brand. Coca-Cola does this. When it introduced a cherry cola, it did so by creating Cherry Coca-Cola, not by inventing some totally new brand name. This is line extension, where you extend the brand to a new product in an existing line. Or the company can create a new brand within the product category, a practice commonly called multi-branding. This is what Procter&Gamble does in detergents where it has

several different brands.

If the product category is new to the company (no existing line), it can create a new brand. When Coca-Cola moved into the new category of bottled water, it did not use the Coca-Cola brand but created a new one, Dasani. Or the company can adopt an existing brand, which is being used for products in other categories. For example, Marlboro moved into a new product category, clothing, but stuck with the Marlboro brand name. This latter practice of extending an existing brand to a new product category is known as brand extension. Why would one and when should one resort to brand extension?

Branding and brand extension

David Aaker, the branding guru has said, "A company's brand

is the primary source of its competitive advantage and a valuable strategic asset." A brand is a name, term, sign, symbol, design or a combination of all of these intended to identify a product of a company and differentiate it from competitors. It converts a commodity to a product, creating an identity for a marketer's goods or services. It creates an image, identity and personality that are essentially rooted in the perception towards the product or even the idiosyncrasies of the consumers. For example, two of the world's best-known brands, Coke and McDonald's, are associated with the American way of life even when they are adapted to various local conditions in the markets that the products are sold in.

In the fiercely competitive consumer markets, it is necessary

to differentiate one's products. Products' physical characteristics might be relatively easy to duplicate so something else is needed. It is brands that give them the differentiating personality, says Tridibesh Bandopadhyay, professor of marketing at UnitedWorld Business Schools. A powerful brand is one which has high name awareness, perceived quality, or loyalty. And a powerful brand, that is to say high brand equity, allows a company to protect itself against price competition as well as demand volatility.

Once you have succeeded in building a powerful brand, you can leverage that brand equity. Brand extension is just that process of leveraging brand equity across a number of markets. Rather than trying

BRAND VALUE RANKING

Brands are as important to the survival of companies as credit facilities. Consequently, brand rankings which follow in the footsteps of credit ratings now exist

Brand Finance, the company that values global brands, analyses the top 500 companies listed in the Bombay Stock Exchange annually. Using a rating system similar to that of credit rating companies, Brand Finance rates these brands on their capacity to generate income but also on the likelihood that the brand will continue to do so. The analysis considered a number of objectively verifiable key indicators of brand performance. All brands in the market were scored to arrive at the relevant ratings.

Brand Finance used four parameters - marketing actions, customer attitudes, customer behavior and market performance. Various brand performance factors considered to arrive at a brand's value are: M&A activity, new product launches, R&D efforts, sales growth, market share growth, distribution, and consumer awareness and behavior.

David Haigh, Chairman of Brand Finance, recently said that Indian companies have over the recent past worked on branding quite aggressively. This is why most of the leading brands in the country are new and only a handful of the leading brands of the 1970s continue to exist. In the financial downturn, the brands that are capable of tiding over are the ones that take their branding strategy seriously. The Tata brand, in that sense, is the strongest. ■

Brand Power Rating					
Brand	Rating		Brand	Rating	
	2007	2006		2007	2006
RIL	BBB+	A	Jet Airways India Ltd	AA+	AA
TCS	AA	A+	Grasim Industries Ltd	BBB+	BBB+
IOC	BB	BB+	Dabur India Limited	A	
SBI	A	BBB+	Housing Devel. Fin.	A+	A
Wipro Ltd	A+	A	HDFC Bank Ltd	A+	A
Tata Motors Ltd	A+	A	Dr. Reddy's Lab.	BBB+	BBB
ICICI Bank Ltd	A	A	Idea Cellular Ltd	BBB+	
Bharti Airtel Ltd	AA	A+	Indian Hotels Co (Taj)	BBB+	A
BPCL	BBB	BBB-	PNB	A	BB+
ITC Ltd	A+	A	Videocon Ind Ltd	BBB	BB+
Infosys Tech Ltd	A+	BBB+	Tata Comm. Ltd	BBB	
HP Corp	BB	A	Pantaloon India Ltd	BBB-	
Rel. Comm Ltd	BBB	BBB+	Axis Bank Ltd	BBB	BB+
Tata Steel Ltd	AA+	AA-	Bank of Baroda	BBB+	BBB
Larsen & Toubro Ltd	A+	A	Bank of India	BBB	BB+
United Breweries Ltd	BBB		i-Flex Solutions Ltd	A	BBB+
Maruti Suzuki Ltd	A	BBB+	JSW Steel Limited	BB	BBB+
M&M Ltd	A	BBB+	DLF Limited	BBB	
Ranbaxy Lab Ltd	BBB-	BBB+	Kotak Mah. Bank Ltd	BBB+	BB+
Bajaj Holdings & Inv.	AA	-	Essar Oil Ltd	BBB-	BBB+
Suzlon Energy Ltd	A	BBB+	Jaiprakash Asso Ltd	BBB	
HCL Tech. Ltd	BBB+	BBB	Tata Power Co Ltd	BBB+	BB-
Satyam C. Ser. Ltd	BBB+	BBB-	GMR Infra. Ltd	BBB+	BB-
Hero Honda M Ltd	BBB-	BBB	Reliance Infra. Ltd	BBB	BB-
Tata Tea Ltd	A-		ACC Limited	BBB+	BBB-

HOW TO READ POWER RATINGS	
AAA Extremely Strong	BB Under Performing
AA Very Strong	B Weak
A Strong	CCC Very Weak
BBB Average	CC Extremely Weak
	C Falling

Source: Brand Finance Survey, January 2008

to build up a new brand from scratch, brand extension seeks to use the power of an existing brand. Rather than incur the heavy marketing expenditures associated with a new brand, brand extension limits the expenditures to publicising the new category. In times of rising media costs, brand extensions are an inexpensive way to enter new categories. Besides, brand

extension results in immediate recognition and faster acceptance as consumers are familiar with the existing brand.

When successful, brand extension increases brand equity. Some companies, faced with advertising restrictions have actually used brand extension as a way of maintaining strong brand visibility. For example, restriction on surrogate advertisements on tobacco products could not drive the successful Marlboro brand to extinction as the brand was extended to Marlboro Jeans. Similar was the case in India as ITC's Wills cigarettes brand was extended to Wills Sport and United Breweries' Kingfisher beer brand was extended most successfully to Kingfisher Airlines.

A classic example of brand extension involves the Tata brand. This brand has for years been one of the most trusted brands in India. So, over the years, as Tata entered new and unrelated product categories, it has used the same brand and practiced brand extension. However, in the early 2000s, it was found that the Tata brand was ageing and did not connect with the youth. A massive brand development exercise was initiated so as to ensure the success of brand extension in youth-oriented product categories like telecommunication, software and automobiles.

Similar has been the case with Wipro. The 40-year old company had operated in a number of sub-brands (Camel biscuits, Sunflower edible oil, Santoor and Mysore sandalwood soap, Baby Soft talc). In the 1990s, the

Which brand name is used?			
Situation	Branding strategy	Type of brand expansion	Examples
Brand is the Company Name	Brand is used to extend into new segments	Brand extension	Virgin from music into airlines, cola, etc. Kingfisher from beer into airlines Tata for a variety of products Banks for insurance services
Brand is the Product Name	Existing brand is used to add new product variations	Product line extension	Coca-cola adds Light, Cherry versions Dabur's Vatika (hair oil then shampoo)
Neither (brand is not linked to existing brandnames)	New brand is launched a new product/service	New brand, multi-brand	Nestle with Nescafe, Maggi, Knorr, etc. Procter&Gamble in detergents with Ariel, Dreft and Tide

Brand extensions Virgin				
Virgin Music	Virgin Airlines	Virgin Resorts	Virgin Cola	Virgin Space
Original concept (1970)	Brand extended (1984)	Launched in 1988	Launched in 1994	Launched in 2005
Music retail chain	using same target group	More upscale yet successful	Failure	Space tourism
Limited music production	and tongue-in-cheek marketing approach			
Line extensions Coca-Cola				
Coca-cola	Coca-cola Light (Diet Coke)	Coca-cola Cherry	Coca-cola Vanilla	Coca-cola Zero
1886	1982	1985	2002	2005
Original concept	First product line extension			

company expanded and used the same umbrella brand of Wipro, associated with the growth of Wipro Systems, for engineering products like hydraulic cylinders for construction machinery, medical equipment, lighting and computer hardware and software.

Retail players like Café Coffee Day and Barista have extended their brands to products that typically attract the coffee-shop youth crowd. Under their brands, Café Coffee Day has launched mineral water, t-shirts, mugs, potato chips while Barista has launched a range of cookies, chocolates, mugs, candles and soft toys.

Similarly, Mahindra & Mahindra, the trusted automobile manufacturer has succeeded in building the Scorpio brand, associated with a rough-and-tough driver image.

It extended the Scorpio brand to lifestyle merchandise with the slogan "Scorpio Spells- Nothing Else Will Do". The range of accessories include Polo neck & Round neck T shirts, coffee tumblers, stylised key chains, stylised caps, and miniature Scorpio model toy cars – all playing to the rough-and-tough driver image. Other global auto majors like Audi and Mercedes have extended their brands to bicycles, clothing and other forms of merchandise.

Market research agency, IMRB, has recently reported that Indian consumer goods companies have resorted to brand and product line extension to counter the present financial crisis. As new product launches based on existing brands are relatively less costly, many leading consumer goods companies - Coca-Cola, Nestle,

HOW DABUR DOES IT

The fourth largest Indian consumer goods company puts together a balancing act of line extension, brand extension and new brands.

As a 120 year old company, Dabur has had time to position its brand around the an image of herbal health. It has been successful in creating various sub-brands under the Dabur umbrella. Chyawan is an example. The oldest and the most successful product is Chyawanprash, a granular ayurvedic health supplement that was launched as long ago as 1949 and can serve as an example of success in brand name selection. As the story goes, Chyawan, the son of Bhingru and Puloma, was physically weak.

He was rejuvenated by Ashvini Kumar, who offered him a divine medicine, Prash. Other sub-brands under the umbrella brand of Dabur include Vatika (personal care), Hommade (cooking paste), Gulabari (personal care), and Hajmola (digestives). These sub-brands benefit from the positive equity of the Dabur brand. Within those sub-brands, the company practices line extension. For example, when launching a granular diabetic Dabur used the Chyawan sub-brand: and launched Chyawanprakash (stress reliever), When introducing a new shampoo, it did so in the existing Vatika line. But it also uses brand extension. For example it wanted to enter the kid's health drink category. Rather than create a new brand, it decided to leverage the well-known Chyawan sub-brand (associated with granular health supplements). It felt that the association of Chyawan with health would carry over well in this new category. Another example from the drink category. It wanted to enter the fruit juice market. Since the juice was to be positioned as a natural drink and not specifically as a health drink, Dabur forsook the Chyawan sub-brand and created an entirely new one. The Chyawan attributes did not fit well the values of the target market, so Dabur invented a new brand, Real. ■



PepsiCo, Dabur, Marico and Godrej – have launched such extensions. In 2008, the Maggi brand was extended to Maggi Pichkoo (a tomato ketchup pouch pack) and Maggi Bhuna Masala

(a readymade cooking aid). Marico, which owns Saffola, the edible oil brand, extended its brand to Saffola Functional Food, cereal additives for diabetes management.

Criteria for Brand Extension

The most important criterion for brand extension is that there must be a fit between the personality of the mother brand and the new product category. There must be synergy between the brand attributes and the segment requirements. Take the case of Raymonds. Since the 1940s it has been the most valued textile fabric brand in India, associated with premium and prestigious fabric. When the Singhanian-owned company wanted to diversify into ready-made garments for men in the 1980s, it chose to extend the same brand. The company launched ready-to-wear men's trousers, Raymonds Double Barrel. It promised "no hassles with tailors" and "great fit". However, the brand extension did not work with customers who equated Raymonds with good fabric but not with great fit, as they did for Levis and Wrangler. The brand managers were forced to re-brand the product and launched Park Avenue, which was accepted as a sophisticated product that embodied style and fit. From losses on account of Raymond Double Barrel in 1983, the company earned profits of \$2 million in 1986 and double the amount in 1988. The Park Avenue brand has become associated with fashionability and has now been extended successfully to a range of men's toiletries including shaving creams, after-shave lotions, deodorants and talcum powder. Looking back at the Raymonds saga, the first brand extension failed for lack of fit. But the extension of the second brand has succeeded on the basis of sufficient fit.

Nestle has had similar experience with its highly successful Maggi brand. The company attempted to extend the Maggi brand to a range of soups, ketchups and pickles but the brand extension was not as successful. Some products like pickles had to be withdrawn. The brand was associated with convenience and child appeal. The slogans "Fast to Cook Good to Eat", "Mummy, bhook lagi hai" (Mom, I'm hungry" and "Bas – 2-minute" (Only 2 minutes) drove this brand image home. But the new product categories did not trigger high levels of child appeal or convenience. The fit



between existing brand and new product category was insufficient.

Various studies have analysed customer feedback to brand extensions. Typically, it is believed that consumer evaluation of brand extension is formed on the basis of attitude towards parent brand as well as the perception of fit – or similarity – between the parent brand and the extension. A very powerful brand increases the probability of brand extension success; a very strong fit does so too.

But it seems that the strength of fit counts for more. A recent study by researchers at Griffith

University surveyed 250 male students of a New Delhi college on the extension of an Indian casual menswear brand to sunglasses. It was found that not only is fit the most important determinant of brand extension but it also affects the attitude towards parent brand. Good fit trumps good brand, according to most research.

So for brand extension to work, it is essential that it fits in with the value perception of the brand. In the absence of such fit or of favorable market conditions, brand extension may actually be destructive by distracting the customers from the core qualities

rather than use brand extension. The Coke and Pepsi brands were too precious to be mobilised in risky extensions.

Perhaps the most obvious case of potential brand dilution is Virgin. The brand was developed aggressively by Richard Branson, the maverick chairman of the company, using several marketing stunts. The brand was extended from records to airlines, resorts, telecommunications, financial services, rail service and other product/service categories, harping on the parent brand targeted at the youth market. However, since the 1990s, some of the brand extensions have performed poorly, for example in beverages, train services, and mobile telephony (in Singapore). Virgin may qualify as a case of brand over-extension.

This reinforces the fact that new brands can sometimes be a preferable alternative to brand extension. One very successful FMCG company, Hindustan Lever, does not hesitate to develop new brands when it enters new product categories, and use multi-branding when it introduces new products within an existing category. Such a strategy carries two benefits: it avoids the risk of brand cannibalisation and it allows for finer segmentation. Well-differentiated brands can be aimed at well-differentiated segments. Brand extension is a blunt instrument compared to the sharper one of new brands. The advantage of brand extension, of course, is saving on brand launch cost. ■

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