

Academic Script

Introduction:

Today's session on Brand management is a continuation of appreciating and understanding the various terminologies in branding. We would focus on a few more basic concepts of branding in this session like: What is brand extension? Why do companies extend brands? How is brand extension advantageous for the firm? What is brand rejuvenation and its importance. The concept of brand equity: brand image and brand identity.

We will attempt to understand these new concepts through some examples.

One of them is ITC, a conglomerate established in 1910 as a leading producer of tobacco diversified into non-tobacco products in the 1970's. At present ITC is a leading brand in FMCG products (**F**ast **M**oving **C**onsumer **G**oods) and is the second largest hotel chain. It has also empowered the farmers with its innovative e choupal for agri-businesses. ITC is currently into five main segments FMCG products, Hotels, Paperboards and packaging, Agri business and Information Technology.

Classmate is a Stationary from ITC



As you can see in the image, there are a variety of **notebooks**, **writing instruments** in different variants like the gel, roller, ball pens, pencils, **scholastic products** like erasers, rulers and **art products** like wax and plastic crayons. The other products seen are **Mathematical instruments** like geometry boxes and compass kits. All these products are known by their brand name ITC - Classmate. The ITC logo is visible on all these stationary and its related products. This is a **Brand extension**



A **Brand Extension** is defined as a new concept introduced under an established brand. The brand extension is also known as a **subbrand**. **Parent Brand** is defined as the brand that gives birth to a brand extension. A **Family Brand** is that brand which is already associated with multiple brands through brand extensions.

Here are some more examples to clear the concept:

1. Amul Butter, Amul Pure Ghee, Amul Milk, Amul Masti Dahi, Amul Fresh Cream....



2. Maruti Swift, Maruti Alto, Maruti Wagon R

MARUTI  **SUZUKI**

Way of Life!



Brand Extensions are broadly divided into two categories:

Line Extension

- **A new product is given the parent brand within a product category.**
- **like new flavors, colors, package sizes or ingredients**
- **eg. Sunsilk, Lifebuoy soap**

Category Extension

- **The parent brand is used to enter a different product category from the one it currently serves**
- **eg. Honda motorcycles, Honda automobiles, Honda lawnmowers.**
- **Tata Motors, Tata Sons, Tata consultancy services, Tata chemicals, Croma...**
- **Virgin airlines, Virgin mobiles, Virgin Media, Virgin records**

Let us check if you have understood this concept well: The image features Apple products. Can you tell which a line extension is and Which is a category extension?



Yes! You guessed right. The above images are category extension Of 'Apple' and the colorful iPods is an example of line extension

Brand Line: A brand line consists of all products. It comprises of the original and the line and category extension.



A more clear understanding with the help of another example the brand Colgate



Here the brand line consists of the original product and the line extension and category extension of Colgate.

Brand Mix is the assortment of all brands. It is defined as a set of brand lines that a seller makes available to buyers.



What then do you think is the importance of Brand Extensions? Let us list down the **Advantages and Disadvantages of Brand Extension**:

Table 1: Advantages and Disadvantages of Brand Extension

ADVANTAGES OF BRAND EXTENSION	
	1. Facilitates New Product Acceptance
	▪ Improves brand image
	▪ Reduces risk perceived by customers
	▪ Increases the probability of gaining distribution and trial
	▪ Increases efficiency of promotional expenditures
	▪ Reduces costs of introductory and follow up marketing programs
	▪ Avoids cost of developing a new brand
	▪ Allows for packaging and labeling efficiencies
	▪ Permits consumer variety-seeking
	2. Positive feedback benefits to the parent brand and company
	▪ Clarifies brand meaning
	▪ Enhances the parent brand image
	▪ Bringing new customers into brand franchise and increase market coverage
	▪ Revitalizing the brand
	▪ Permits subsequent extensions
Disadvantages of Brand Extension:	
	▪ Brand dilution
	▪ Brand confusion
	▪ Damage to parent brand
	▪ Cannibalization

Source: As adapted from Ch 1, Strategic Brand Management. 4th edition, Keller, Parameswaran and Jacob. and from Ch 10, Marketing Management: A south Asian perspective 13th edition, KKKJ.

Let us now focus on detailed understanding of the advantages and their impact on brand extensions at length.

Advantages of Brand Extension:

1. Facilitates New Product Acceptance

Marketers are aware of the poor acceptance of new products in the market. Only two out of ten brands are successful. The success rate of new products can be increased through brand extension.

a. Improves brand image

An existing brand has built an image about the brand effectively only after using it and experiencing it. The image is created based on the performance of the product brand over a period of time. The expectation of the new product under brand extension is evaluated on the past performance and its qualities are linked to the brand. This results in an improved brand image of the new product.

Eg. Sony Vaio was introduced after the laptops and desktop computers were introduced in the market. The consumer's



evaluated it based on the performance anticipated from their prior experience and knowledge of the product and the brand image of Sony products.

b. Reduces risk perceived by customers

The initial trial by customers is higher when the new product is linked to a parent brand irrespective of its smaller product mix. The corporate credibility draws these customers who

judge the product performance based on the trustworthiness and expertise in the area. eg. Any technology product introduced by Hewlett Packard (HP) or IBM is well received by the people as their trust in the firm's expertise encourages them to tryout the new product.

c. Increases the probability of gaining distribution and trial:

The retailers are happy to stock new products only when they are convinced that the brand extension will draw potential customers and the demand for the product will be high.

d. Increases efficiency of promotional expenditures:

The promotional expenditures are definitely less when a product is introduced as a brand extension. Here the marketing communication is about creating awareness for the new product only and not the brand.

e. Reduces costs of introductory and follow up marketing programs:

The marketing, advertising and distribution cost of new products is less when the product is associated with an existing and popular brand. The brand is associated with several products and therefore the advertising for the family brand becomes cost effective.

f. Avoids cost of developing a new brand:

Lot of efforts, time and money is poured in research for deciding the name, logo, slogan of the brand without a promise of success. Therefore a global brand name and trademark can facilitate the firm during brand extensions without additional costs.

g. Allows for packaging and labeling efficiencies

Similar packaging of products under the same brand reduces



the different packaging costs. Another advantage noted in having a similar packaging was about gaining prominence in the cluttered mall shelves.



h. Permits consumer variety-seeking

Customers are known to switch brands when they are bored with the same flavor or taste offered. In order to keep the customer from switching away, the brand believes in having different brand variants in their brand portfolio or brand mix. A complete product line with products for all age groups gender wise gives the firm a competitive edge over its competitors. Eg. L'Oreal, Titan



2. Advantages: Positive feedback benefits to the parent and company

Brand extensions not only assist in the acceptance of the new product but add on its value through positive feedback of the parent brand in numerous ways as listed

a. Clarifies brand meaning

Brand extensions, helps broaden the brand meaning through its several products and identifies the target market for competing. Some examples with a broadened brand meaning are Clairol which means hair coloring and Gerber means baby food.

b. Enhances the parent brand image

A brand extension also assists in improving the brand image and brand associations of the parent brand. A combination of the new and old associations assists in giving the customers a clearer picture, the brand commits to deliver. Nike for example was earlier associated as comfortable running shoes, with further brand extensions the running shoes were expanded to athletic shoes, athletic clothing and athletic equipment emphasizing its association with sports and high performance.

c. Bringing new customers into brand franchise and increase market coverage

Line extensions can increase the number of customer and enhance the market size by adding different variants and



features to the products which draws new customers to try the product. Eg. Tide powder and liquid both used in stain and odor removal, for freshness, for sensitive clothes ...such different variants categorized by the types of needs and type of product forms Tide has been successful in expanding its market size.



d. Revitalizing the brand

Brands in their maturity stage of the life cycle are marked by decreasing profits and lesser market sizes due to disinterest, negative associations, or lesser strength or loss of its uniqueness due to higher expectations like the revitalization of Harley Davidson, New Alto, Kelvinator and Cuticura powder.



Permitting subsequent extensions

Brand extension category wise shows the way to newer customer and larger markets. Extension of the brand keeps multiplying with

the customer requirement as per his tastes or requirement of the region. Eg. Nestle, ITC etc.



Disadvantages of Brand Extensions

- a. **Brand Confusion:** The customers are confused to choose the right variant, when the variety of brand variants available is large in numbers for example 16 variants of Coke and 35 variants of Crest toothpaste are available in the market.
- b. **Brand Dilution:** there is a fear of diluting a brand if the number of category extensions is varied making it difficult for the customer to associate a brand with a specific product. Eg. Cadbury, Parker pens.
- c. **Damage to parent brand:**

The parent brand is harmed whenever the brand extensions fail and this failure damages the image of the parent brand's skill and its credibility. Eg. Maggi: a brand extension of Nestle.



d. Cannibalization:

Cannibalization of brands is eating into the profits of the parent brand by its brand extensions. This means that the increasing profits of the brand extensions is due to the switching behaviour of the customers from the parent brand. Eg. Creation of dockers pants by Levi's casuals, Touchstone films by Walt Disney Pictures, Colgate Herbal, Colgate Salt... by Colgate.

Brand Rejuvenation

Every brand, like any product undergoes a lifecycle starting from the introduction stage to the final stage known as the decline stage. In the maturity stage of the brand, the product loses appeal resulting in a declined market share as a result of low demand for the brand. This is an indication for the brand to improve the product attributes by adding value to enhance appeal for the product. This process of brand strategy is called brand rejuvenation. Any change in any one of the vital factors is also termed as brand rejuvenation. Eg. A new creamier and smoother 5 star chocolate bar, New Burnol was the old Burnol in a new pack, New Nescafe was the Nescafe prepared using the new coffee process where the packed coffee was in the form of round goblets than in the old powder form, and Lux became International Lux.

Brand rejuvenated products are generally observed to come out as new, special, premium, deluxe and fresh in the ongoing brands. So we can conclude that brand rejuvenation or brand revitalization is a creative brand strategy to revive the lost brand identity by focussing on its offerings and re- working its uniqueness.

Objective:

The main objectives of brand rejuvenation are:

1. To revive an old or a dying brand and maintain brand loyalty.
2. To reformulate a brand to give the existing brand a competitive edge.
3. To keep the brand relevant through relevant brand associations in line with the targeted segments.

Brand Relaunch

Brand relaunch is not uncommon in companies. Whenever, a product brand fails to make a mark in the market, the product brand is relaunched with newer brand associations or with a new and better brand positioning. Eg. Old Spice has been so far associated with old and aging men. In order to change the customer perceptions and associate the brand with the younger generations, Old Spice was relaunched with new commercials which featured the NFL player Isaiah Mustafa, the

younger generation's role model. The other examples are Nivea men's face wash and Microsoft Windows.

Brand Equity

Brand Equity is defined as the added value endowed on products and services. It may be reflected in the way consumers think, feel, and act with respect to the brand, as well as in the prices, market share and profitability the brand commands of the firm.

The concept of brand equity:

Brand equity has different perspectives of study on the subject. Firstly, brand equity is considered from the customer's point of view. The customer here can be either an individual or a firm/organization. This customer based brand equity (CBBE) is a study of the positivity of the customer towards the brand over a period of time based on his readings, learning's, experiences, feelings and thoughts of the brand. A positive customer about the brand leads to a positive customer based brand equity and the negative customer based brand equity is about the negative reactions and feelings of the customer towards the brand.

Brand Knowledge is defined as the thoughts, feelings, images, experiences, beliefs that are associated with the brand .Therefore there is a need to create powerful and strong brands with unique brand associations favorable to customers like Harley Davidson (adventure), Hallmark (caring), Volvo (safety).

The response of the consumer varies due to their brand knowledge. Brand equity is a result of these differences in consumer responses.

The third differential response by consumers is because of their perceptions, preferences and behavior related to all aspects of the marketing of a brand, stronger brands lead to greater revenues.

Brand Identity



A brand identity is defined as a unique set of brand associations that the brand strategist aspires to create or maintain. These associations characterize what the brand stands for and what it means to the customers.

Brand Identity is a distinctiveness given to the brand which stands as an assurance, a promise that the brand will deliver to the customer by generating a value proposition that can be functional, emotional or emphasize the self expressive benefits. The uniqueness created should be such as to give the brand a competitive edge over the other brands.

This shows us that strong brand identities are created through brand associations like logos (McDonald, Adidas), tagline (surf excel- 'Dirt is good', stationary (letter heads, email signatures), packaging and products (brochures, flyers) and signage's both inside and outside the business.



Brand Image

The brand image is an imprint of the brand on the consumers mind. It is an impression of the qualities as perceived by the customer from different type of external sources. eg. Toyota stands for reliability whereas Volvo is associated for safety. The Santro, a Hyundai car is called the sunshine car.

The brand image is an aggregation of the brand attributes and benefits both physical and mental associations as perceived by the consumer. A

positive brand image enhances the brand value of the organization. Brand images are not created but automatically formed by the customer. Eg. Toyota is trying to avoid the taxi image in India.

Then a question comes to the mind, how is brand identity different from brand image. The distinctiveness between the two terms are tabulated in Table 2

Table 2: Differences between Brand Identity and Brand Image.

	Brand Identity	Brand Image
1	Brand identity develops from the source or the company.	Brand image is perceived by the receiver or the consumer.
2	Brand message is tied together in terms of brand identity.	Brand message is untied by the consumer in the form of brand image.
3	The general meaning of brand identity is “who you really are?”	The general meaning of brand image is “How market perceives you?”
4	It’s nature is that it is substance oriented or strategic.	It’s nature is that it is appearance oriented or tactical.
5	Brand identity symbolizes firms’ reality.	Brand image symbolizes perception of consumers
6	Brand identity represents “your desire”.	Brand image represents “others view”
7	It is enduring.	It is superficial.
8	Identity is looking ahead.	Image is looking back.
9	Identity is active.	Image is passive.
10	It signifies “where you want to be”.	It signifies “what you have got”.
11	It is total promise that a company makes to consumers.	It is total consumers’ perception about the brand.

Source: <http://www.managementstudyguide.com/brand-image.htm> as retrieved in January 2017.

Summary

So friends summing up today's session on branding, we have introduced some more new terms and concepts in branding. Branding, not only adds value to the product but also aids in generating higher revenues, making it significant and important for all marketing strategies. Brands are dynamic and keep changing to live up to the evolving customer and his varying requirements so as to maintain the customer enthusiasm and please his variety seeking behavior. This dynamism is better understood by the brand extension strategies which are line extension and category extension strategies. Significance and impact of brand extensions is further elucidated here. The advantages in facilitating the product acceptance with positive brand images and strong brand identities through favorable brand associations and unique brand attributes and benefits besides clarifying the brand meaning to create a positive feedback and timely revitalizing of the brand to prevent loss in market share has been explained. The meaning of a parent brand, brand line, brand mix has been a part of understanding the brand extension strategy. The other branding strategies explained are brand rejuvenation where the importance of revitalization and the need for brand re-launch has been elaborated. The last section of the session is about brand equity, factors contributing to the development of brand equity and the importance of a strong brand identity and brand image. In the end, the difference in the concepts of brand identity which is more strategic in nature is company generated representing their desire and what the company stands for, whereas the brand image is the views of the user as he perceives and receives the brand message which is more tactical in nature are tabulated which aims to remove the ambiguity in the concept

Hope you found the session interesting and insightful.