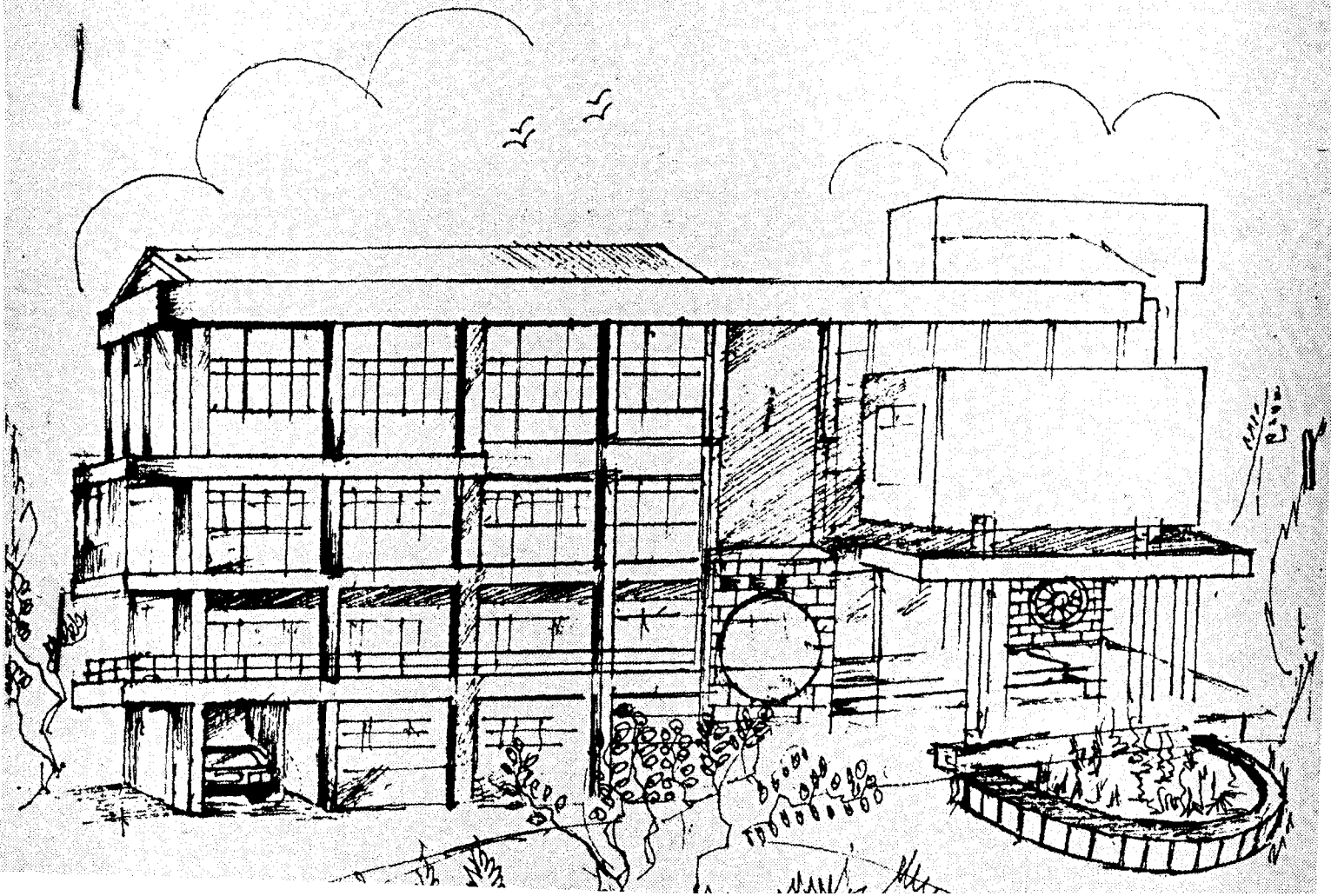




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# Working Paper Series

LEVERAGING BRAND EQUITY FOR  
DEVELOPING APPROPRIATE BRAND  
EXTENSION STRATEGIES



**TWP88/2008**

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## LEVERAGING BRAND EQUITY FOR DEVELOPING APPROPRIATE BRAND

### EXTENSION STRATEGIES.

Simon George<sup>1</sup>

#### **Abstract**

New product launches are one of the most key and anxiously awaited tasks for any company. As the market becomes more dynamic and competitive, there is added pressure on companies to come out with new products. Nevertheless, fear of failure prevents many companies from taking the plunge. Two reasons mainly prevented a large number of companies from not launching new products. One was because of the magnitude of marketing efforts required and the second was due to the huge costs needed for, new product launches. But some companies with a larger product/brand portfolio have found out that it can be a wise strategy to leverage on the power of some of its well known brands to launch new products. This came to be known as brand extension strategy. Brand extension is the process of extending into different a new product category in another product class using, the brand name of the company's established brand. The challenges of this strategy were mainly two. The *first* one was to identify the most appropriate brand to extend and the *second* was to find out the product category it can extend to, where above brand had the best fit. This paper recommends a brand extension strategy based on a systematic and structured approach of brand and product assessment at several stages, through a few objective measurement tools including brand equity measurement. This paper is based on a consulting assignment given by Cholayil company. The company had 15 brands in its portfolio. The paper proposes a systematic and objective approach to brand extension in the form of the following stages. The *first* stage involved the selection of the parent brand for extension from the brand portfolio. This election was done on the basis of the brand equity measurement (using a combination of models by David Aker and Kevin Lane Keller). In addition to the perceptions and attitude of the customers towards these brands, data on the performance of these brands in the market was also collected. The *second* stage was to elicit products from other product categories which had some fits with the Cuticura brand. An FGD exercise brought out 5 product categories namely Deodorants, Body lotion, bathing soap, Fairness cream and Cold cream. The *third* stage was to establish dimension fits of Cuticura with the other 5 product categories. This involved identification of key factors of associations of Cuticura brand. These key associations of the brands were mapped with the core associations of the 5 products identified earlier, through the computation of correlation coefficients. In addition 4 other dimensions (proposed by Keller) were used to measure the fits of Cuticura brand with each of the 5 product categories. Both the correlation coefficients and the 4 other dimension fits, revealed that the two best product candidates for extending Cuticura talcum powder brand are bathing soap and deodorants. The *fourth* stage was to select the best from the two. It was recommended that after the study that, the best product category to extend to was Deodorants. The *fifth* stage involved the brand strategy of transferring the positive associations of Cuticura talcum powder brand to Cuticura deodorant through appropriate positioning and marketing programmes.

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## Introduction

Launching new products, be it in a new market or in an existing market, is one of the most challenging tasks faced by almost all marketers. The risk and cost of launching new products makes it a really demanding. Hence efforts of marketers have been to look for strategies to overcome or at least reduce the level of risk and cost involved in new product launches. One such prescriptive approach which emerged recently was to reduce this risk by leveraging on the power of existing brands of the company. Meanwhile, one of the most popular and potentially important marketing beliefs to emerge in the recent past was that of brand value. It all started in the late 80s as marketers realized that brands have value. This value can be perceived value of customers or a monetary value. This value of the brand was found out to be accrued over a period of time as a result of marketing efforts carried out by the company for that brand aimed at its customers. This strategy assumed that the power of an existing brand of a company could be leveraged to a new product, be it in different product class. Hence leveraging this value became very important for many marketers. Moreover it was found out that this value can ensure profitable sales in a highly competitive market too. But how can the value of the existing brands be leveraged while launching new products in a different product category?

Many companies which have a bigger product portfolio realized that some of their already existing popular/valuable brands can be used to launch new brands in other product categories, since there is some fit. Implied in this realization was that the brand value of their more established brands can be leveraged. One of the advantages of this, was the ability to more easily get acceptance of the customers for the new product/brand. The other advantage of this method of new product introduction was on achieving the possible savings on marketing costs for the new brand because of name familiarity. This thinking brought together the implementation of two of the recently popular brand management concepts of brand equity and brand extension.

Marketers realized that powerful brands have great value. Researchers gave this value the name "brand equity". Many companies had many brands in their portfolio and some of them were powerful and valuable in the market too. Decision makers thought about the possibility of leveraging on the equity of some of their more powerful brands in their portfolio to the new brands to be launched, even if the new brands happen to be in another product category. It was possible and some companies did it successfully well. This approach of transferring the value of the parent brand to a new brand in a different product category is called brand extension. This paper focuses on a structured and empirical approach to develop an appropriate brand extension strategy, based on the brand equity of an established brand of the company.

## CONCEPTUAL FRAMEWORK OF THE STUDY

The study is based, on an actual situation where a company was planning to go for brand extension strategy. Hence the paper is based on the study leading to the recommendation given to the company regarding the process/methodology to be adopted for its brand extension strategy. The two main constructs of this study are brand *extension* and *brand equity*. It is also important to understand these two constructs in the background of the product portfolio of the company for which the brand extension is to be done. In addition to explaining the conceptual framework of the two constructs, the researcher also discusses the company that was studied as well as its *portfolio of products*.

### Brand Equity

A firm's most valuable asset for improving marketing productivity is the knowledge that has been created about the brand in consumer's minds from the firm's investment in previous marketing programs. Nevertheless, a brand has a distinguishing name and or symbol (such as logo, trade mark or package design) intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors. It is the level of differentiation and the value/equity which is attached by its customers to the brand that helps it to do really well in the market. The brand's equity is the key determinant of success. What does brand equity mean then? The equity of a brand can be looked from different angles. One angle of looking at equity is from the insider angle of the company by considering the equity of a brand as a reflection of the average sales, profit, costs and price premiums of the brand. The second angle is that of the stock market ie. the stock price and market capitalization (considering assets and liabilities) of the company owning the brand. The third angle is that of the perceived value attached to the brand by its customers. Simon and Sullivan (1993) defined brand equity in terms of the incremental discounted future cash flows that would result from a product having its brand name in comparison with the proceeds that would accrue if the same product did not have that brand name. They viewed it from the first angle. But one of the most important angle is to look at brand equity from a customer angle. Ultimately success or failure of a brand is determined by the customer. From the perspective of a customer, Brand equity, to be put simply, means the difference in value perceived while name of an established brand is mentioned against a fictitiously named brand .Brand Equity is thus a set of brand assets and liabilities linked to a brand, its name and symbol, that add or subtract from the value provided by a product or service to a firm and or to that firm's customers. *Customer based brand equity* thus involves consumers' reactions to an element of the marketing mix for the brand in comparison with their reaction to the same marketing mix attributed to a fictitiously named or unnamed version of the product or Service (Kevin Lane Keller).

Conceptualizing brand equity from this perspective as well as developing a structure to measure it is important as it can provide a handy tool for market researchers and marketers. Measuring brand equity can immensely aid decision makers to devise of brand management strategies for either nurturing the existing brand or using it to extend to a brand in a different product category. David Aker propounded that brand equity can be

measured with the help of 5 brand related dimensions, which are either process related or outcome related. These 5 dimensions are:

1. Brand loyalty
2. Brand awareness
3. Perceived quality
4. Brand association and
5. Other proprietary brand.

A very widely accepted model of brand equity was also propounded by Keller. He believes that brand equity is the result of brand knowledge. Brand knowledge is defined in terms of two components – brand awareness and brand image. Brand awareness relates to brand recall and recognition performance by consumers. Brand image refers to the set of associations linked to the brand that consumers hold in memory.

### **Brand Extension**

Extending a product by leveraging on the power of a strong brand is becoming a popular product strategy. Product extensions are of two types. *One* type of extension is where the company extends to a related category in the same product line. This is called *product line extension*. This is usually done by extending on the basis of changes in

- (a) size/quantity
- (b) price levels
- (c) modifications on features and
- (d) changes to technology/process platforms.

Here the extended product may or may not have the same name of the parent/original brand. Lifebuoy bathing soap being extended to Lifebuoy hand-wash comes in this category of extension. The *second* type of extension is the when the original/parent brand is used to extend into unrelated product category i.e. into another product class. The extended brand will have the same name as the parent brand. Hence *brand extension* can be considered as the **strategy** of using a familiar and established brand name to introduce a product in another product class serving a new or existing market. This was followed when Vuarnet sunglasses extended to Vuarnet skis. Many researchers and practitioners treat product line extension and brand extensions interchangeably. This thinking is incorrect from a conceptual as well as practice angle as different strategies. This paper deals with the second type of extension.

One of the key determinants of the success of brand extension is right choice of the parent brand. Certain criteria have to be kept in mind while choosing the parent brand for extension. The important criterion of the new product category (extending to) also has to fit with the original product's parameters. Brand extension strategy is thus based on a few assumptions. The *first* assumption is that consumer hold positive and favorable belief and attitude towards the parent brand. *Second* assumption is that the positive associations can be transferred to the new brand. The *third* assumption is that negative associations

may also be transferred to the new brand and the negative associations lead to the erosion of value of both the brands, especially the parent brand.

Many companies are attempting brand extension strategies in the recent times. One of the most important reasons for this approach is that they believe that the cost of establishing a new brand is high and that new product/brand failures are turning out to be higher. Moreover the new brand launches have high risk too. Brand extension helps in a big way when the competition is stiff in the category that brand is extending. Some of the other strong arguments for going for a brand extension strategy is that consumer is comfortable with a familiar brand with a known name even in an unrelated product category. It will encourage quicker trial by a new user. In terms of improving efficiencies, many successful brand extensions have tried to improve the distribution efficiency as well as advertising efficiency. Eventually good brand extensions can energize the parent brand too.

Most of the studies of brand and brand equity were to find out the impact of brand extension on the brand equity of the parent brand which was extended. But this paper uses the knowledge of brand equity measurement of the parent brand being extended to a new product category. There have been several brand failures which used brand extension strategies. It can be seen that the lack of a systematic approach to identification of the brand to be extended as well as a systematic approach to identifying the brand to extend to, has led to several brand extension failures.

The paper looks at the possibility of objectively measuring brand value/equity for selecting a candidate from the portfolio brands of a company, and using that understanding to decide on a candidate for brand extension, the paper also attempts to show a systematic approach to select the product candidate in another product class for extending to. This study was done for a company in India (*Cholayil*) which was planning to extend one of its power brand to a new product category.

### **The company and its Product Portfolio**

Cholayil is one of the most popular families of Kerala, India which was practising Ayurveda for many years. Ayurveda is an ancient alternate holistic health care system which has its strong roots in Kerala. The Cholayil group took the initiative to channelise their traditional knowledge in the ayurveda type of holistic treatment to developing commercially viable health care products. One of their earliest success was to develop ayurvedic herbal based bathing soaps called medimix in 1969. This product is still doing well in the market. Later they diversified into different categories of products based on ayurvedic and herbal ingredients. Their product portfolio consisted of the following classes of products :

1. Ayurveda and health care products.- consist of bathing soaps and shampoos of different herbal composition for different usages and branded as *Medimix*.

2. Personal care products – includes the talcum powder varieties under the brand name of *Cuticura*. This was one of its successful non herbal product category acquired from Muller and Phipps.
3. Health products – which includes ayurvedic medicines for uterine care, stomach care, liver protection, blood sugar control, wheezing and cold, and arthritis. They possess brand names like *Posna*, *Suseeta*, *RumacideG*, *Grahi*, *Yakrita*, *Ritutua* etc.
4. Wellness products - includes OTC herbal products for skin care, scalp care, products for coughs, joint pains, fitness and improving digestion. Some of the brands under this category are : *Tejaswini*, *Oaril*, *Happy morning*, *Bubhush*, *Vitaking* etc.

Cholayil was planning a brand extension strategy of leveraging the power and name of one of its best brands from its portfolio, to enter into another product class .

## **METHODOLOGY**

### **Population of the study and sampling plan**

The study was done in two phases. The *first phase* consisted of identifying the best candidate for brand extension from the portfolio of Cholayil's products. The *second phase* consisted of selecting the best product category/class from the market to extend the one best brand of Cholayil. Both the phases went through the exploratory and conclusive stages of data collection too.

The population consisted of all households which are aware of as well using or had used the 5 short listed brands of Cholayil . In addition to the above characteristics, the particular household should be aware of as well as using or had used the 5 short listed product categories. These characteristics described the population. One district of the state of Karnataka, India ( with a population of 0.2 million households ) was studied. But, the actual population of households which satisfied the above two characteristics was assessed ( was below 1% of the population) and would be about 2000 households. Hence on the basis of judgment sampling, 100 households formed the sample for study.

### **Data collection**

Data was collected at two stages. One, at the exploratory stage and the other at the conclusive stages, in both the phases of study. In the first phase, Secondary data was collected regarding the market performance of various Cholayil brands. Primary data was collected for perception, attitude and brand equity studies of the Cholayil brands and its competitors. The tool used for primary data collection was through structured questionnaires. These data helped the researcher to select the best brand for extension.



At the exploratory stage of the second phase, data regarding products candidates for extension was collected through Focus Group Discussion (FGD). The variables that respondent used for describing Cuticura was also collected through FGD. These variables were reduced to 6 factors using factor analysis. The conclusive stage of this phases, established the correlations between Cuticura and the 5 product categories. Data for the 'dependent' and 'independent' variables was collected through questionnaire. In addition data regarding the fit with additional dimensions was collected through rating scales by a structured questionnaire. In conclusive stage of both the phases, the same 100 household formed the sample. But both the phases of study were carried out different points of time.

### **Process of Brand Extension and conceptual frameworks used for data collection**

#### **1. Selecting the parent brand for extension from the brand portfolio of Cholayil.**

Cholayil had about 15 brands in its product portfolio spread over the above 4 product classes. The first step hence was to assess all the brands in the product portfolio of Cholayil in terms of each brand's (a) Performance in the market (b) Perception of customers to each of the brands and (c) Attitude of customers to each brand . A mix of subjective as well as objective data was collected.

The data and information on perception of customers and on their attitude was collected from users of the brands. The attitude study was done for the competing brands too. The attitude measurement was done through a *multi item* (5 positive statements and 5 negative statements) 5 point *likert scale*. As per this scale, the most positive attitude on the 10 statements carry a score of 10 points and the most negative attitude carry a score of 50 points. The data collected for each brand gave the researcher some understanding for choosing the candidates for brand extension. Three most eligible brands for extension were identified. Further selection of the most eligible candidate was done from the 3 chosen candidates, on the basis of brand equity study on each of the 3 brands.

#### **2. Choosing the parent brand using Brand Equity measurement**

There is no unanimity in measuring *Customer based brand equity* and different researchers have attempted it in their own way based on the conceptual frameworks of either Aker or Keller or both. The conceptual framework used here was based on a combination of models of David Aker and Kevin Lane Keller. The five dimensions of the David Aker model formed the basis of measurement. The 5 dimensions were

1. Brand loyalty
2. Brand awareness
3. Perceived quality
4. Brand association and
5. Other proprietary brand, form the core dimensions of study.

The variables of each of these dimensions were also taken into consideration. But for this study, the variables under Brand awareness and Brand association (Kevin Lane Keller

uses brand image and brand association quite closely and interchangeably) were borrowed from that of Keller's model, as they explained these two dimensions better. The equity of each of the 3 brands were studied under the 5 dimensions and their variables and compared with those of some of its closely competing brands. The data collected for the variables under each of the 5 dimensions were converted into points to standardize into brand equity score of the brands. The total brand equity score on the 5 dimensions of the 3 brands of Cholayil vis a vis the competing brands, helped the researcher to identify the best brand for extension. The 5 dimensions of brand equity were measured in the following way.

**(a) Measuring Brand loyalty**

For measuring brand loyalty, one approach is to consider, *actual purchase behavior*. Other approaches are based upon the loyalty constructs of *switching costs, satisfaction, liking and commitment*.

- (a) *Purchase Behavior*: A direct way to measure loyalty, especially habitual behavior was to consider actual purchase patterns. Among the measures that were used were :
- (i) Repurchase rates - frequency of purchase over a period.
  - (ii) Percent of purchases - of the last 5/10 purchases, what percentage/no. went to the brand.
  - (iii) Number of brands purchased - whether other brands are purchased also. How many and which all other brands were purchased.

These actual values of the above were converted into points, following an a priori developed point scale.

**(b) Other variables considered:**

- i) *Satisfaction*: - A key diagnostic variable to every level of brand loyalty is the measurement of satisfaction. Responses to these were collected through rating scales.
- ii) *Liking of the Brand*: The fourth loyalty level involved liking. This was collected with the help of a general statement of liking for cholayil brand and that of its competitors.
- iii) *Commitment* : The strongest brands are the ones with extremely high equity and will have a large number of committed customers. One key indicator was the amount of interaction and communication that the brand generated. The considerations were to what extent that the customer talks, recommends the brand to others as well as to the extent to which the brand is important to a person in terms of his activities and personality.

- iv) *Switching Costs*: Switching cost was collected as costs that the customer is ready to bear in terms of extra time, effort or money that he is willing to incur while buying another brand. It found out levels of time, effort or money which the customer is ready to incur before switching to other brands.

***(b) Measuring brand awareness***

Brand awareness was measured in a continuum ranging from brand unawareness to recognition to recall to Top of the Mind. This was quantified based on the number/percentage of population/customers who believe that the brand under study is in a particular category of awareness or a point is given every time a brand is mentioned in a particular category. This frequency percentage was converted into points on scale for standardization.

***(c) Measuring Perceived Quality***

Aker's model considers that Perceived Quality is made up of the following 7 variables: They are:

1. Performance
2. Features
3. Conformance with specification
4. Reliability
5. Durability
6. Fit and finish
7. Serviceability.

The above 7 variables of the brands under study were measured through rating scales.

***(d) Measuring brand association***

Keller uses brand image and brand association quite closely and interchangeably. A former research director of Young and Rubicam indicates that there are 3 components of a brand image viz., *product attributes*, *consumer benefits*, and *brand personality*. Brand personality was not considered as it was difficult to study objectively. Hence only attributes and benefits were measured objectively.

*Attributes and benefits associations*: Here the effort was to find out the closest associations of the brand in terms of its attributes and benefits. Data for attributes and benefits associations were collected in terms of *Strength*, *Uniqueness* and *Favorability* of associations.

### **(e) Measuring Other Proprietary assets**

Other proprietary assets included variables such as (a) Brand name (b) slogan and (c) Symbol /logo. The value of the brand is reflected through the ability of the customer to remember, recall and evaluate these 3 components. Hence the measurement of them was possible by objectively quantifying their evaluation of the 3 variables of the brand on *Effectiveness* and *Attractiveness*. These were collected as scale values.

### **3. Identifying products from other product classes for extending into**

The earlier step helps the researcher to identify the most suitable brand for extension, from the brand portfolio of Cholayil. The attributes and the benefits of the brand selected were listed out and some of the factors with the strongest association with the brand selected were also identified. The factors were identified through *factor analysis*. These factors gave the researcher the clue for searching for products in other product classes, with which such associations can fit. The intensity of associations (of the factors) with the brand as well as intensity of associations (of the factors) with other products was also found. The intensity of associations in both the cases was found out as scale values. These scale values were used to find out the correlation coefficient of associations of the brand selected with that of each product identified. The products with the highest correlation coefficient with the brand were selected. The other consideration was on the larger number of association fits with the brand and of each product category.

In addition to the calculation of correlations of the brand with the other products on the factors, the score of the products in terms of 4 other dimensions (Aker and Keller 1990) were also found out. The dimensions used were (a) Complement (arity) (b) Substitute (ability) (c) Transfer and (d) difficult. The fits of each of the product vis a vis the brand in terms of the above 4 dimensions were found out. These two computations helped the researcher to find out the most appropriate product to extend the brand selected.

### **4. Transferring the strength of the parent brand to the extended to brand**

The stronger associations which are most positive of the parent brand were found out from the above step. The stronger associations give the company the clue to identify positioning platforms. These associations are transferred to the extended brand through appropriate positioning programme supported by relevant marketing programmes.

## **ANALYSIS AND FINDINGS**

The objective of the study was to develop a roadmap for brand extensions based on brand equity measurements and supported by other objective and subjective assessment of the brands considered for extension. For this a company (Cholayil) which was planning to develop a brand extension strategy was studied. The findings below show the road map for Cholayil's brand extension efforts. The paper gives a roadmap to Cholayil as to what should be done to extend one of its power brands.

## 1. Selection of the Parent Brand for Extension from the Brand Portfolio

The 13 brands of Cholayil namely *Medimix*, *Cuticura*, *Posna*, *Suseeta*, *RumacideG*, *Grahi*, *Yakrita*, *Ritutua*, *Tejaswini*, *Oaril*, *Happy morning*, *Bubhush*, *Vitaking* were assessed based on each brand's *one*, performance in the market *two*, perception of customers to each of the brands and *three* attitude of customers to each brand. The first two were in the form of subjective data collected from secondary and primary data sources. The third one which was objective data, was collected through a structured questionnaire using a multi item likert scale. Based on the data from the 3 parameters, 5 brands were identified for active considerations for extension. They were 1. *Medimix* – brand of hair oil 2. *Cuticura* – brand of talcum powder 3. *Posna* – a body coolant. 4. *Vitaking*- natural vitamins and 5. *Oaril* – herbal ointment for joint pain. Shown below is the attitude score of 3 product categories, which got the highest score.

Table 1: \*Attitude scores of the most popular brands in the market

<b>Brands of Hair oil</b>	<b>Attitude score</b>	<b>Brands of Talcum powder</b>	<b>Attitude score</b>	<b>Brands of body coolant</b>	<b>Attitude score</b>
<i>Medimix</i>	22	<i>Cuticura</i>	20	<i>Posna</i>	38
Vatika	20	Yardley	25	Brahmi	22
Clinic All Clear	25	Ponds	15	Ramtirth	28

\* used a multi item Likert scale. The attitude score is computed using 5 negative and 5 positive statements. The most positive score is of 10 and the most negative score is of 50. Out of the 5 products studied, only 3 are shown.

## 2. Brand Equity Measurement of the Parent

The previous step helped to identify the 3 important contenders from the 5 short listed brands. A more detailed and objective study was required to identify the best suited parent brand for extension from the 3 brands chosen, as the attitude score or perception study or market performance may not exactly reflect the real strength of the brand. It is in this context that the researcher adopted the brand equity model (which is combination of both Aker and Keller) to finalize the same. Since the brand equity was measured in relation to the competitors and was based on measuring several variables of the performance of the brands and was objective, it was easy to choose the final parent brand from the 3 brands. Shown below is the output of one of the brand/product category only. The output shows the score of each of the brands on the variables and dimensions in addition to the final brand score.

Table 2: Customer-based Brand Equity Scores of a Few Brands of talcum powder

<b>Brand/Dimension</b>	<b>Cuticura</b>	<b>Yardley</b>	<b>Ponds</b>	<b>Spinz</b>
<b>1. Brand Awareness</b>	65	60	75	45
a. Top of the mind				
b. Unaided recall	55	40	60	30
c. Aided recall	45	40	45	25
<b>2.Brand Loyalty</b>	75	55	70	45
a. Switching cost				
b. Liking	80	65	75	55
c. Satisfaction	70	70	75	45
d. Commitment	65	80	80	55
<b>3.Perceived Quality</b>	65	60	70	45
a. Performance				
b. Features	70	70	75	50
c. Conformance with specifications	65	70	70	55
d. Reliability	70	80	65	50
e. Durability	65	70	60	45
f. Fit and finish	70	60	75	65
<b>4. Brand Association</b>	70	65	80	50
a. Strength of association				
b. Uniqueness of association	60	60	70	45
c. Favourability of association	75	65	70	50
<b>5.Other Proprietary Assets</b>	70	65	80	50
a. Name				
b. Logo	70	50	75	35
c. Slogan	60	55	65	40
<b>Total score</b>	<b>1265</b>	<b>1180</b>	<b>1335</b>	<b>880</b>

*Note: All the dimensions except aided and unaided recall are allotted a maximum of 100 points. Unaided is allotted 70 points while aided recall is allotted 50 points. The detailed explanation regarding the computation of the points for each brand for its brand equity is beyond the scope of this study.*

The score of 1265 out of a maximum 1820 and also considering that the market leader score is a close 1335 only, it can be comprehensively concluded that Cuticura is a powerful brand based on market performances, perceptions and attitude of customers. The brand equity scores of the other candidates of extension of Cholayil viz. Medimix and Posna were lower and far below the market leaders in their product category, helped the researcher to conclude that the best candidate in the brand portfolio for brand extension is **Cuticura** (the talcum powder brand). The advantage of using brand equity measurement is that it gave the company and the researcher the opportunity to assess the performance of the brand on several parameters in addition to sales and profit figures and attitude scores.

### 3. Process of Brand Extension

Having identified the parent brand for extension, next step was to initiate the process of extension.

(a) Identifying factors of associations of the parent brand

The *first* step in the process was to identify the most important associations of Cuticura brand. The following factors were identified on the basis of factor analysis. They were

- (1) Fragrance
- (2) Freshness
- (3) Skin care
- (4) Easiness in application
- (5) Relief from heat and
- (6) Orange colored package.

The intensity of associations of these factors with Cuticura was also found out.

(b) Identifying product categories with associations fit

The *second* step was to search for products from other product classes, which had some of the above factors as their core associations. An FGD exercise brought out the following products. They were

- (1) Deodorants
- (2) Body lotion
- (3) Fairness cream
- (4) Cold cream and

- (5) Bathing soap
- (6) Sunscreen lotion
- (7) Face wash and
- (8) Shampoos .

The next stage of FGD could bring out the most eligible 5 products.

(c) Establishing correlations of parent brand with the other product categories

The *third step* was to measure the intensity of associations of these 5 products against the above 6 factors of associations with Cuticura .

The *fourth step* was to compute a correlation coefficient of the 6 factors of associations with Cuticura brand and with each of the 5 product categories separately. The mean of the correlations of the 6 factors of associations Cuticura brand with each of the 5 product categories are shown below. The correlation coefficients gave some hint on some of the eligible product categories based on the score.

Table 3: Mean correlation coefficients of the 6 factors of associations of Cuticura brand with the 5 product categories

Products	Deodorants	Body lotion	bathing soap	Fairness cream	Cold cream
Correlation coefficient	0.66	0.25	0.70	-0.01	0.10

(d) Establishing additional fits

The fifth step in the extension process was to establish additional fits of the parent brand with the products extended to. The score on the 4 additional dimensions to establish the fit were also computed. The score based on customer perception was collected on a 7 point scale. These scores could further enrich our understanding to identify the best product category to extend to.



Table 4: The additional dimensions fit of the 5 product categories with Cuticura

Products	Complementarity	Substitutability*	transferability	Difficult*
Deodorants	4.57	2.90	4.01	3.83
Body lotion	3.83	3.83	3.58	3.83
bathing soap	5.25	1.88	4.69	3.64
Fairness cream	3.25	3.25	3.56	3.67
Cold cream	3.47	3.27	3.49	3.58

*\* the scale values are on a 7 point scale. In substitutability and Difficult, the lower the score, the better the fit.*

These scores shows the fit of the parent brand i.e. Cuticura brand with the 5 product categories. In complementarity and transferability, higher the score better the fit and in substitutability and difficult, lower the score better the fit. By assessing the scores of the products, now it can be safely concluded that the two most eligible candidates for extending into are **bathing soap** and deodorants. This finding was presented to the company i.e. Cholayil. Deodorants was finally accepted by the company as the company thought that bathing soap is a highly competitive product category and there are so many established players already. Hence the decision was to accept Deodorants as the product category to extend Cuticura. Hence Cholayil decided to come out with **Cuticura brand of deodorants**.

### **5. Developing the brand Extension Strategy**

The study could also provide recommendation to Cholayil for developing an appropriate brand strategy. The perception, attitude and brand equity study of the parent brand should help the company to identify areas of strength and areas of weakness of the Cuticura brand. This is good learning for the company as brand extensions are built on the assumption that positive associations of the parent brand should only be transferred. The effort here is to identify the positive associations of Cuticura talcum powder. The study revealed these positive associations from the data showing the correlation coefficients of various factors of Cuticura with that of the deodorants.

Table 5: Correlations (coefficients) of Cuticura talcum associations with that of Deodorants

Fragrance	Freshness	skin care	easy to apply	relief from heat	orange colored package.
0.80	0.75	0.45	0.80	0.37	0.89

It can be concluded that the Cuticura brand of deodorants should leverage on the following strengths of the talcum powder brand in its brand strategy. They are

- (1) Orange colored package
- (2) Easy to apply
- (3) Fragrance and
- (4) Freshness.

The first two set of factors can be kept in mind while developing the package. Package design is one of the most important success factors in deodorant marketing. The Cuticura deodorant can have a full or tinges of orange color on its package. The second factor underlines the importance of easiness of applying a deodorant. Hence the package in addition to be aesthetic should have a smooth and easy to apply mechanism. The other two factors of *fragrance* and *freshness* highlights the importance attached to the two benefits in deodorants. These two factors can be considered as the positioning platforms, on which the brand strategy of Cuticura deodorant can be built around.

### Conclusion

Introducing new products in the market offers one of the biggest challenges to any company. Fear of failure prevents many companies from taking the plunge. Experience of some companies has shown that one wise route for new product launch is to use one of its powerful brands to extend to another product category. This is called brand extension. One of the most important reasons for this approach is that by this strategy the cost of establishing a new brand can be low, as there is some familiarity in using an established brand for launching in a new product category. It is more advantageous in a competitive market too. Moreover the consumer is comfortable with a familiar brand with a known name, even in an unrelated product category. It will encourage quicker trial by the new user. Many successful brand extensions have tried to improve the distribution efficiency as well as advertising efficiency. Eventually good brand extensions can energize the parent brand too. But, there have been several brand failures which used brand extension strategies. It can be seen that the lack of a systematic approach to identification of the brand to be extended as well as a lack of a systematic approach to identifying the brand to extend to, has led to several brand extension failures.

This paper focused on a structured and empirical approach to develop an appropriate brand extension strategy. This paper recommended a brand extension strategy based on a systematic and structured approach of brand and product assessment at several stages through a few objective measurement tools including brand equity measurement. The company studied was Cholayil, which had about 15 brands in its portfolio. Data regarding the performance of each of these brands in the market, data on perception and attitude of customers towards the brands as well as the brand equity measured on the selected brands helped the researcher to select the company's talcum powder brand – Cuticura as the best candidate brand, to be extended into a new product category.

Cuticura brand had the strongest associations in terms of fragrance, freshness, skin care, easy to apply, relief from heat and orange colored package. The 5 product categories which were explored later for extension were Deodorants, Body lotion, bathing soap, Fairness cream and Cold cream. Several dimensional fits in addition to the association factors between Cuticura brands with each of the 5 brands were established through objective tools and techniques. The best fit of Cuticura with bathing soap and deodorants was established. Deodorants was finally accepted by the company as the company thought that bathing soap is a highly competitive product category and there are so many established players already. Hence the decision was to launch Cuticura deodorants. It was recommended to leverage the factors of (1) orange colored package (2) easy to apply (3) fragrance and (4) freshness of Cuticura, in developing a brand strategy for the Cuticura deodorant brand. A systematic and structured approach to brand extension like the one proposed here can ensure the success of the new brand.

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