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Types of Brand Extension Strategies and Their Role in Brand Congruency in Corporate Brand Extensions

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Abstract: Owing to the high costs of launching new products, brand extensions have been the basis of national and international strategic growth for many firms over the past few decades. Brand extension strategy consists of using an established brand name to launch new product. One of the main advantages of using brand extensions is the reduction of communication costs; as a result of the synergies generated between experience and communication of any products of the firm. Furthermore, brand extensions reduce the costs of brand name introduction and enhance the probability of success since consumers transfer their perceptions and attitudes from the original brand to the extension. Brand extensions can also have positive effects for the parent brand. They can strengthen the brand meaning, help to build brand equity, and encourage purchasing of other products from the firm, particularly amongst nonusers of the parent brand.
Keywords: Types, brand extension, strategy, role, brand congruency

INTRODUCTION

Different companies use different brand extension strategies to introduce new products. According to Keller [1], there are two main types of brand extension strategies namely; vertical extension and horizontal extension strategy.

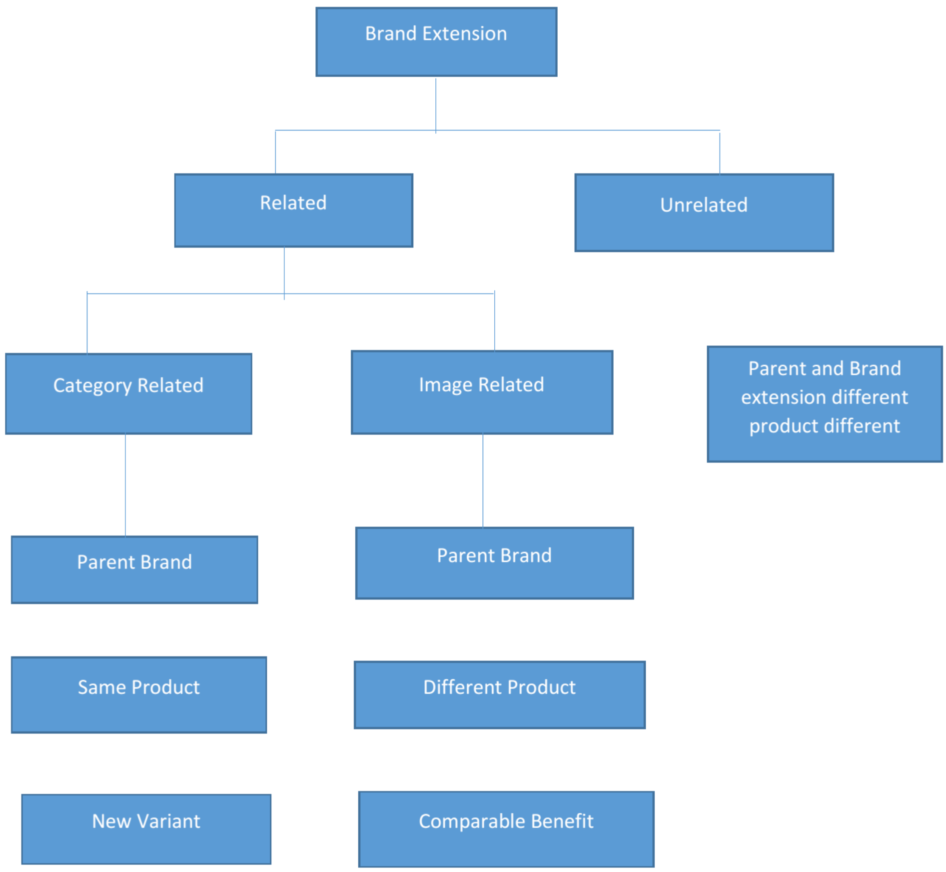

Fig-1: Adapted from Moorthi

Horizontal Extension Strategy: Adopted from Keller [1]

According to Pitta and Katasanis [2] horizontal brand extension is an extension of a parent brand to a product similar in product category and is new. The strategy is cost effective in that customers may not be able to distinguish the new products from the traditional products that are doing well on the market. According to Aaker and Keller [3], when an existing product name is used to extent into same product class or into number of category this is called horizontal extension. On the other hand, vertical extension occurs when new product is introduced in a same product category with different price and quality level [4]. Customers view the new product as an extension of the best products on the market. The strategy is relevant in this current study to establish whether Nyaradzo Group of Companies was using it to increase the performance of the organisation.

Vertical Brand Expansion of Extension Strategy

Vertical expansion is the second extension of the brand in which a new brand is introduced on the basis of price and quality. It can be defined as a similar import brand in the same product category although different in price and quality [5]. Vertical brand extension can be divided into extension and contraction of the brand extension [6]. Vertical Extension in luxury brands is an extension of the brand in terms of the highest quality and price in comparison to the parent brand. According to Lavack and Kim [7] contraction or downscale vertical brand extension extends brand with lower quality and price.

Brand extension and line extension are different from each other. According to Aaker and Keller [5], line extension means new products that are introduced within same category class and brand extension means completely different category of product introduced within the market. Keller [1] holds that perceived quality and positive attitude towards the extension is only shown in cases of product similarity. Bottomley and Holden [8] also verify that perceived quality can exercise a direct effect on the brand extension. Furthermore, the company may achieve high perception of the consumers, greater loyalty and high profit margins.

The competitive environment forces companies to offer high quality service to be sustainable. Lassar *et al*., [9] points to the fact that satisfied customers share their experiences with five or six people on the market. On the other hand, dissatisfied customers are more likely to tell ten others about their bad experiences with the organisation's products or product or service. According to Angelova [10], brand extension plays an important role in the success of a product. A new product can be a good idea but if the product does not meet expectations then it is harmful [11]. The use of brand extension is therefore critical to ensure that new products perform well.

Aaker and Keller [12] said that when consumers have received high overall quality of the brand extension, new products will be evaluated more positively. According to Bottomley and Holden [8], a positive relationship between quality and success of the perceived brand extension is critical to ensure the success of the new product. Rao [13] said that he perceived quality of the parent brand is transferred to new products hence the need for the strategy to improve the performance of organisations on the market.

The Benefits of Brand Extension to an Organisation

Brand Extension saves on costs and is less risky

According to Taylor [14], this strategy of brand extension is popular because it is less risky and cheaper compared to the creation of a new brand. McDonald [22] point the same economical advantage by indicating that "the economics of establishing new brands are pushing companies more towards stretching their existing name into new markets. When launching a new brand, brand extension strategy is cheaper especially because the new product use the name of an already well-known brand (Nyaradzo). Taylor [14] said that "Studies show that cost per unit of trial is 36% lower and that repurchase is also higher" with an extension. Indeed, Smith & Part [15] confirm this idea when suggesting that regarding the advertising effectiveness, it seems for same market share, the advertisement budget for brand extension are smaller than for new brands.

Taylor [14] emphasises the advantages connected to this strategy instead of brand creation as follows.

The Strategy Increases Consumer Knowledge / Awareness

Brand extension increases consumer awareness and the traditional brand is used to "promote a new product" makes it less critical to create "awareness and imagery". The association with the main brand is already done and the "main task is communicating the specific benefits of the new innovation" Taylor [14]. Customers on the market are aware of the existence of the old brand, and therefore are ready to accept a new product because it is well branded in the traditional and familiar brand.

Consumer Trust

The existing well-known strong brands represent a promise of quality, useful features etc – for the consumer. Thus, the extension will benefit from this fame and this good opinion about the brand to create "a compelling value proposition in a new segment on markets" Taylor [14]. In addition, according to a Brandgym survey in 2003, "58% of UK consumers will be more likely to try to a new product from a brand they knew, versus only 3% for a new brand", Taylor [14]. Viot [16] agrees to this concept when she considers that "the customer is expecting to transfer his information from the brand to the extension. If the general opinion about the brand is favourable, the behaviour regarding the extension should be the positive as well". She adds that a successful brand extension can enable a company to get the customer loyalty. A satisfied customer by an extension can enable a company to get the customer loyalty. A satisfied customer by an extension will be more willing to repurchase the same brand. For example, in the sport field, a customer will more likely prefer a brand offering a complete equipment-shoes, outfit and accessories.

Enhancement of Brand Visibility

When a brand appears in another field it can "be a more effective and efficient brand-building approach than spending money on advertising". In addition, Keller [1] suggest that there is a relationship between customer loyalty and brand extensions. Loyalty of customers is strengthened when the familiar brand is used to launch new products. A satisfied customer by an extension will be more willing to repurchase the same brand. For example, in the sport field, a customer will more likely prefer a brand offering a complete equipment-shoes, outfit and accessories.

Provide a Source of Energy for a Brand

The brand image is reinforced by the extension [1]. Indeed, this latter gives energy to the brand because it increases the frequency with which the brand is associated with good quality, innovations and large range of products. In addition, the customer sees the brand name more often and it can strengthen his idea that it is a good one.

Kotler [17] holds that he presence of the brand on a wider number of products improves the popularity of the brand. The probability of being in contact with the brand both in the communication and in the supermarkets – is more important and then should improve the brand memorisation. According to Lassar *et al*., [9], brand extension improves the consumers' perception of the overall superiority of a product. Products that carry the name of a well-known brand is perceived more positively when compared with other brands. Five perceptual dimension of brand equity includes performance, social image, value, trustworthiness and attachment.

The assessment of consumers is very important because marketers believe that the attitude of consumers is the main factor for the successful implementation of brand extension and success of the brand [1]. In addition, the attitude of consumers to expand is a need to create brand value. Attitude is the cognitive state that reflects the consumer preference of a given product or brand. In other words, the attitude of consumers to new products and brand extension is the perception of consumers about the brand and new product [18]. A brand extension improves the consumer's attitudes towards the new product and extend the influences of variables such as perceived fit between a brand and its products and new products that are related to parent brand [1].

Defensive Strategy

Brand extension is used to defend the organisation from competitors and keep the organisation strong in its marketing territory. Aaker [19] established that brand extension is a defending tool for organisations to keep themselves strong in their territories, and serves to limit the ability of competitors to encroach in core business areas.

The Challenges of Brand Extensions

Despite the many advantages gained by using brand extensions, they also have the potential of creating some problems for the firm. Thus, there are different disadvantages listed by these authors.

The Distance between the Parent Brands from new Product

Keller [1] have argued that the distance between the new product and the parent brand determines the level of success of the new product. If the distance is too wide, the new product may perform poorly on the market. Distance is critical to ensure that customers do not raise suspicions on the new product [20]. A good brand extension strategy is one where the brand supports the expansion, while a brand extension strengthens the brand [19]. This means that when the brand does not share similar features with the new product, the result will be a dilution of parent brand image. Developing new brand requires much more investment than creating brand extension so, due to this reason firms use brand extension strategy to enter new markets. Boush [21] pointed out, the greater the similarity between the current and the expanded product, the greater the transfer of brand influence. Well-known brand names promote new products or service in unrelated fields.

CONCLUSION

Brand extension is the use of an established brand name in new product categories. This new category to which the brand is extended can be related or unrelated to the existing product categories. A renowned/successful brand helps an organization to launch products in new categories more easily. For instance, Nike's brand core product is shoes. But it is now extended to sunglasses, soccer balls, basketballs, and golf equipment. An existing brand that gives rise to a brand extension is referred to as parent brand. If the customers of the new business have values and aspirations synchronizing/matching those of the core business, and if these values and aspirations are embodied in the brand, it is likely to be accepted by customers in the new business. Extending a brand outside its core product category can be beneficial in a sense that it helps evaluating product category opportunities, identifies resource requirements, lowers risk, and measures brand's relevance and appeal. Brand extension may be successful or unsuccessful.

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