

## **ROLE OF BRAND EXTENSION IN INDIAN MARKET**

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### **Abstract**

Some firms strongly believe that brand extension tend to be more efficient and capture greater market share than individual brand. Brand extensions can be used to give a new lease of life, when the core brand approaches the maturity stage in the product life cycle. But sometimes, the strategy of brand extension quality may pose a serious damage to the parent brand and wrong extension could dilute the core brand's brand equity. In the light of the above discussion this paper makes highlight some brand extension programs both successful and unsuccessful in the Indian context

**Keywords:** Brand Extension, Marketing, Indian Market.

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### **Introduction**

The success of a corporate firm depends on how it outperforms its competitors in creating values for its product or service at a minimum possible cost. While striving towards this endeavor, brand name is used as a powerful strategy in creating values in the minds of the consumers. A powerful brand influences consumer perception and this positive perception the consumer has about a brand is considered as a direct reflection of corporate success in managing its growth strategy. Successful brand name is one of the most coveted corporate assets (though intangible) with tremendous potential to generate customer goodwill that works as a PUSH factor in achieving and upward trend in sales and ultimate the profit.

Introducing a new brand is quite difficult and risky in a highly competitive market. Not only it requires considerable amount of resources both in terms of money and time, but also high creative and innovative skills. Managers therefore, prefer to use well known and established brand names with specific associations. In an attempt to leverage the asset, that is brand equity; many firms extend their well established brands into new product categories. Moreover, brand extension programmer provide the benefits of a double edged award by saving the cost and time involved in establishing a new brand name and also increases the probability of success.

Using an established brand name for the forthcoming new products may substantially reduce the risk of initial trial due to consumers' familiarity and knowledge about the core brand. Moreover, brand extensions may decrease the cost of gaining distribution and increase the efficiency of promotional expenditures. Brand extensions are assumed to increase the efficiency of firm's investment in marketing communications by generating a greater level of sales from a given investment or achieving a greater level of sales with less investment that would be necessary if the same product was introduced using a new brand.

However a strong brand name can work like a magic wand for marketing managers provided they have clear idea of when and how to use it for exploiting business opportunities and how to product it. Some firms strongly believe that brand extension tend to be more efficient and capture greater market share than individual brand. Brand extensions can be used to give a new lease of life, when the core brand approaches the maturity stage in the product life cycle. But sometimes, the strategy of brand extension quality may pose a serious damage to the parent brand and wrong extension could dilute the core brand's brand equity.

### **Objectives of the Study:**

In the light of the above discussion this paper makes following objectives:

1. To highlight some brand extension programs both successful and unsuccessful in the Indian context
2. To analyze various causes for their success or failure
3. To suggest some guidelines for consideration while launching a brand extension programme.

### **Brand Extension**

Now let us discuss when will the brand extensions are helpful to the organizations. The success of a brand extension largely depends on its strong association with the product attributes, and attributes assigned to the brand by the customers. These may reflect physical product features emotional attitudes, values and behavior of the people who use the brand. It is a known secret that it is quite expensive to create brand awareness and associating it with the product category. For example Hindustan Lever Ltd. took a considerable time to create awareness for Pears soap and to associate it tenderness (But it did not stretch this brand name in the market). But Nestle Indian Ltd, one of the fast growing multinational companies extended it 'Easy to cook and good to eat Maggi brand of ready to use noodles to other product categories like soups and sauces. High recognition on the consumers' part and product specific association of 'quickness' may be considered as one of the reasons for the success.

A study conducted in U.S. revealed that out of 58 new brands introduced in the Philadelphia area, the most important predictor of trial purchase levels was the extent to which a known family brand name was involved. Thus HCL-HP, ICIM, MODI OLIVETTI and WIPRO computers have more credibility than some low profile computer companies (which might be having a superior product). An established brand name greatly enhances initial reaction, interest and willingness to consider or try the product. Sometime back NEPC group launched Maida, Atta and sooji under name of Trupthi, in a highly unorganized market. After creating a favourable impact in the market, the firm extended the brand name to sell mineral water. The high initial response was mainly due to its strong brand association. Adopting the same strategy. Usha, known for its quality sewing machine, used the brand name to sell fans and other home appliances. They are well received by the housewives due to the earlier impact and strong association of Usha brand to sewing machines. Amul – the brainchild of Dr.C.J. Kuran, successfully built its name and extended from milk powder to butter and to ice cream.

### **Other examples are**

1. North Star shoes North Star apparel
2. Pond's India Ltd. Extended Ponds brand from telecom power to shampoo and to bath soap.
3. Godrej is effectively and cautiously stretching its family brand name, from refrigerators to a highly crowded market of washing machine and ro office automation machines.
4. Videocon started with TV's, extended to Air-Cooler, Washing machines, stretched to Air-conditioners and Audio-system.
5. Johnson & Johnson systematic extension of its baby care products from baby power to soap, oil, cream and recently to toothbrushes.
6. Apsara drawing pencils to wax crayons and to Erasers,

While going through the above examples of brand extension one may ask the question whether it can be possible that an extension could enhance the image of core brand itself. The answer is 'yes', it is possible and proved'. For Example, J.K. Group's Park Avenue range of toiletries, for men, successfully reinforced its images of 'premium quality' dress materials. The latest product from Bajaj group, Sunny has certainly enhanced the Bajaj image of quality products and value for money. Another example worth mentioning here is BPL-Sanyo's products with state of the art technology and with unique features. The product is 3 or 4 door refrigerator. This new launch obviously improved the image of the brand's core product line-color televisions and audio systems. Besides this the organization extended the same name to 'Modems' a products used for hi tech communication purpose and to rechargeable lanterns.

When a brand name is added to provide recognition and credibility the brand extension may be successful initially, but often there is a chance that the products may be vulnerable to Competition. This can be will explained by considering Complan's chocolate flavor, which initially benefited from the strong brand name, but later Horlicks (the market leader in that product category) which is strongly associated with high quality health drink entered with "Horicks Chocolate" and was still able to win.

## THE LOSERS

Coming to the other side of brand extension, one of the main drawbacks is, that it may stimulate negative associations. This occurs when brand extension attributes are inconsistent with the established brand's belief. A brand extension with the same family brand name generally introduces another set of attributes or beliefs. If they are consistent with the image already projected in the market the new product gets immediate and favorable reaction in the market or else it will become a flop product in the market.

For example, Karsanbai Pate's Nirma washing powder shook the erstwhile leader SURF and now enjoys a commanding share in its targeted market. And to maintain the growth rate, decided to enter into toiletries segment. Aiming to repeat the success story, it launched Nirmabath (after losing in a legal war with Hindustan Lever Ltd. To use the name Nirmabuoy) in the highly heterogeneous market. The problem it encountered was, the name did not fit adequately into toiletries segment. Its association with low priced, tough detergent powder undermined the credibility of its new products category which required soft and tenderness appeal.

From the above example, one could understand that the extension must FIT into the core brand. A meaningful association between the core brand and the extension can provide the basis. Though Usha successfully extended its name to various products categories, it failed to create ripples in the market when it extended the name to sell pistons, fuel injection equipment and diesel engines. The reason could be either the strength is too much or the market is not ready to perceive Usha as their brand. The same thing has happened to Enfield India leader in 350 cc bike market and oil engine segment. It burnt its fingers when they used the same family brand name for its colour television, when received a lukewarm response.

Kothari, did not use the PAN –PARAG brand name when he diversified into ball pen market but created a new name- Rotomac. The reason is, he found that the FIT between the existing brand name and new products category is incongruent. Suppose, a premium name like Maruti–Udyog or Reliance Industries is given to low tech products such as candy bars or beetelnut powder, what will happen? The customer would feel that the name is being exploited and adds nothing but price.

At this point, it is important to make a distinction between extension of product mix and the contraction of product mix. A study conducted by Barbara Loken and Deborah Roedder John, indicated that unsuccessful brand extension can dilute the strength of the existing brand name by diminishing favorable beliefs that consumers have learned or understood to associate with family brand name.

Cadbury's association with premium quality coco chocolates were weakened when it launched cream biscuits under the same family brand and was forced to withdraw from the market. Sometimes the new products may even spoil the existing brand's customer base. Nutrine made an attempt to capitalize its strong association with 'cheap and quality' image to sell biscuits, but it failed, Similarly Parry's confectionary tried to make use of its 'King of sweets' image to sell biscuits and tried to generate overwhelming response and still struggle. The reason for these could be attributed not only to the importer fit but also to the powerful and unshakeable position of a brand which lives in the consumers mind that no other brand can erase –milk bikies from Britannia Industries. So analyzing the strength of the market leader in the proposed extension product category is essential.

It should be always kept in mind that the brand extensions should help the core brand by reinforcing the key association. Thus Dettol's strong medical association lead to the extension of Dettol antiseptic soap and to first aid medicated plaster. In some peculiar cases, the extended product becomes more powerful than the original core product, (eg. Philips Hi Fi audio system).

It is essential that every firm should go for brand extension at any particular time? The answer may be verified through the following examples. Consider Hindustan Lever Limited, which believes that more extensions would cannibalize its existing customer base. Hence, it adopted multi-branding strategy and developed various brands to have different sets of customers for products of similar nature, Nestle also built individual brands like Lactogen, Cerelac, Milkmaid, Sunrise etc. Procter and Gamble is also following the strategy of building individual brands.

Let us see some interesting cases, where the brand extensions does not seem to have drawbacks, but failed to generate favorable responses from the customers. It is not an easy task to give reasons for it. Examples are:

1. Ponds toothpaste did not take off well
2. Indian Shaving Products Limited, extended its 7 O' clock brand name from premium quality blade to shaving cream and shaving brushes and found to its dismay that no customers are ready to continue the product after initial try
3. Eventhough ONIDA is a successful brand for color televisions (with the help of the devil) the sales of its washing machines and air conditioners have not gained momentum.

It is now crystal clear that strong brand name does not guarantee success when it does not add value to the product. The 'Mysore Sandal Soap' brand name which is associated with quality powder. It was not supported by the customers. The reason was, the product was not valued by customer and could not justify the premium price. If the value addition is missing in the extended product, the repeat purchase may come down after an encouraging initial try. That is way Glaxo failed to capture the market, when it launched Tender talk for babies. Customer perceive no extra value, other than Glaxo name and did not support the products as they were unable to answer the question, 'why should I shift from Johnson & Johnson ?

In spite of failures, still organizations are going for brand extension. Nivea launched a range of men's toiletries like shaving cream and lotion by betting its brand associated with cold creams. Fa the powerful brand of Henkel Cosmetics of Germany, started marketing shampoo, soap and Deodorants, cello thermoware entered into moulded furniture and ball pen segments under the same brand name, Milton also extended its name to sell home appliances. Only time can tell us the answer whether these extension will be accepted by the customer, who is the king in today buyer market.

#### **Main Issues**

1. Brand Extension should be consistent with the image of the core brand which has been already established in the consumer mind.
2. Brand Extension should really add value (go for concept test) or reinforce its key association.
3. Brand extension failure leads to dilution of existing values and beliefs of core brand
4. Brand Extension requires a comprehensive analysis about the strengths and values of competitors in the proposed extension category.
5. Brand Extension with poor quality product eradicates the core brand's strong and loyal customer base.

#### **Conclusion**

Extension decision has strategic implications on the core brand or product's sales curve. It may result in enormous growth or put the key asset of the firm at risk. If a brand is extended to a product of poor quality, consumer may discover its inferiority during initial trial and opt not to repurchase. Thus not only is the success of the extension jeopardized but may threaten other products affiliated with it (Sullivan, 1990). The victory of brand extension also depends on the understanding of parent brand association core competency and finally timing factor. Apart from these factors such as order of extension. Adequate marketing support and efficiency of distribution chain also influences the extension strategy. It is also to be remembered that more number of extensions may reduce the strength of the core brand and spoils its identify. Hence careful and comprehensive analysis about the core brand's strength and its association, the product class to which it is applied and the market in which the product competes is required before choosing brand extension as a growth strategy.

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