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The Brand Extension Strategy: An Analysis

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Abstract: ***Branding has emerged as a top management priority in the last decade due to the growing realization that brands are one of the most valuable intangible assets that firms have. This paper identifies some of the influential work in the branding area, highlighting what has been learned from an academic perspective on important topics such as brand positioning, brand integration, brand equity measurement, brand growth, and brand management. It is also discussed how branding and society affect each other. Based on the knowledge of how branding theories have been developed as dependent variables of each other and the society, we are able to form a better understanding of the past, the present, and the future of branding.***

Keywords: - top management priority, most valuable intangible assets, branding area, brand positioning, brand integration, brand equity measurement, brand growth.

I. INTRODUCTION

Brands serve several valuable functions. At their most basic level, brands serve as markers for the offerings of a firm. For customers, brands can simplify choice, promise a particular quality level, reduce risk, and/or engender trust. Brands are built on the product itself, the accompanying marketing activity, and the use (or non-use) by customers as well as others. Brands thus reflect the complete experience that customers have with products. Brands also play an important role in determining the effectiveness of marketing efforts such as advertising and channel placement. Finally, brands are an asset in the financial sense. Thus, brands manifest their impact at three primary levels – customer-market, product-market, and financial-market. The value accrued by these various benefits is often called brand equity. . It was during the 16th century, however, that brands similar to those we see today have started to take shape. Some of the earliest-known brands were established by the English. This development will be the subject of this article. Specifically, this present study will Scrutinize the evolution of branding from its origins in the 1950s until today. The increased Importance of branding has augmented the attention to the theories behind the concept, and this has led to an abundance of branding literature. However, the current literature suffers from a lack of consensus, since there are several different streams that are contradictory to each other and have little, or nothing, that links them together. This calls for a new integrated framework to describe the current theories and explain how they are interconnected.

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II. THE STUDY

In the early 1960s, another concept was introduced that had a major influence on marketing, namely *lifestyle*. The first person to discuss the use of lifestyles in branding and marketing was William Lazer. At that time, many companies still had mass communication and mass production as their main strategy; however, it was mainly in the 1970s that lifestyle marketing attracted much attention. Until then, mass production had worked fine for many companies. For instance, General Motors had successfully used this strategy for more than 70 years, including during economic depressions and world wars, always with a positive outcome. Yet, in the 1970s, GM suffered losses due to the ignorance of volatile consumer lifestyles, which came to symbolize this decade. Companies often used consumers' income as the only variable when segmenting the market; however, this was all to be changed as a result of the emergence of stronger consumer lifestyles (Drucker 1994: 99). A well-known term in today's marketing is *the marketing mix*, also known as the *four P's* of marketing. The founder of the marketing mix concept was Neil H. Borden, although E.Jerome McCarthy later popularized it when he proposed the four P's (Product, Price, Place, Promotion). Neil H. Borden coined the term *marketing mix* in the 1950s and used it in his teaching to illustrate what James Culliton first declared regarding marketing decisions. Culliton argued that marketing decisions should be seen as something similar to a recipe, and the marketer uses a "mixer of ingredients" to accomplish the goals. The four P's, on the other hand, symbolize marketing tools that companies could use to achieve their goals (Kotler & Keller 2006: 19). What deserves attention is the fact that the more recent term, the four P's,has no explicit connection to branding. Consequently, for a long time, an uncertainty existed as to how much companies should emphasize their brands and how much the average customer cared about those brands. Hence,it became vital for marketers to establish through research how important brands were in the purchasing process. This challenge was accepted by Marquardt et al. (1965) when they decided to investigate this issue by focusing on an everyday product. The results revealed that consumers wanted products with a well-known brand and that only 25% of the respondents did not pay attention to the brand at all, instead considering the price as the most important factor in buying the product.

III. DISCUSS

In addition to the 12 milestones of branding that have already been discussed above, there are three more concepts that should not be neglected: Country-of-Origin (COO), Corporate Social Responsibility (CSR), and Subcultures of consumptions. These

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concepts are presented in a separate chapter since, when first introduced, they were distinct theories not embraced by branding theories. However, more recently, these concepts have become an important part of marketing and branding. There are several reasons why it is important to elaborate on the evolution of branding theories. First, it has not yet been shown in the literature how concepts have an effect on each other, i.e. their causal connections. Hence, since the causes and effects in the evolution of branding theories have not yet been scrutinized, it has been hard to map out which concepts have led to other concepts and which concepts stand alone. Due to the lack of understanding of the cause and effect and the causal connections among the theories, the future of branding has earlier been impossible to envisage.

	Functional Product Concept	Prestige Product Concept
Low Product Similarity	Garage Door Opener Smoke Detector	Necktie Cologne
High Product Similarity	Batteries Calculator	Ring Bracelet

Table Brands Extension used in Experiment

To demonstrate how brands influence consumer choice through their value (utility), we contrast the stylized "classic" microeconomic view of utility and choice (Lancaster 1966) with a view which explicitly and/or implicitly encompasses the impact of brands. In the classic view,the value of brand j is the sum of its I (objective) attributes, net of price, as follows:

$$VB_j = \Sigma_{i=1,\ldots,I}\, B_iX_{ji} - P_j \quad \ldots\ldots\ldots\ldots\ldots(1)$$

Essentially, at the customer level, a brand is the lens through which the words and actions f a company, its competitors, and the environment in general is converted to thoughts, feelings image, beliefs, perceptions, attitudes etc. about a product (or family of products). Much of the value of a branded product is in these subjectively determined components. The manner by which consumers transform objective product value to create additional (intangible) value leads to four components of brand value:

• ***Biased Perceptions*** ($X^*_{ji} - X_{ji}$), i.e., the extent to which specific product attribute perceptions are influenced by the halo effect (Beckwith and Lehmann 1975)

• ***Image Associations*** **(Z_{jk}),** i.e., non-product related attribute beliefs such as "friendly" or "stylish"

• ***Incremental Value*** **(V_j),** an additive constant associated with the brand name that is not related to any particular attribute or benefit

• ***Inertia Value*** **(S_j),** the value to consumers of simply choosing the same option rather than spending effort to consider others, e.g., due to switching costs, or the confidence (less uncertainty) of a known alternative. The Value of a Branded Product (VBP) can be seen as the sum of the objective value of a product as well as the four components of brand value listed above.

$$VB_j = \Sigma_{i=1,\ldots,I}\,\beta_iX_{ji} - P_j + \Sigma_{i=1,\ldots,I}\,\beta_i(X^*_{ji} - X_{ji}) + \Sigma_{k=1,\ldots,K}\, C_kZ_{jk} + V_j + S_j \quad \ldots\ldots\ldots\ldots\ldots(2)$$

Note that S_j is not strictly a brand term but rather reflects state dependence and can be modeled using the last brand purchased (otherwise V_j and S_j are not identifiable).

IV. CONCLUSIONS

Branding and brand management has clearly become an important management priority for all types of organizations. Academic research has covered a number of different topics and conducted a number of different studies that have collectively advanced our understanding of brands. India can accelerate its economic growth and mitigate the unemployment problem that is forecast for the coming decades by seizing a huge opportunity provided to it by a combination of global developments in industry, trade, and demographics. The business implications derived from this study are chiefly the explanation and the understanding of the complex construction of branding.

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