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The Effect of Brand Extension on Brand Equity

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Abstract-The purpose of this study is to find out factors influencing on the brand equity. How the brand image and line extension impact on brand equity. The majority of businesses have turned to brand extension as a growth strategy in recent years. This increases the likelihood that businesses will succeed by increasing retailer and customer acceptance of new products introduced to the market through the use of brand extension strategies. Nonetheless, effective execution is essential to the brand extension strategy's success. In order to accomplish this, it is necessary to accurately identify the factors that influence brand extension strategy. A brand extension occurs when a business applies one of its well-known brand names to a newly developed product or new product category. Sometimes it's referred to as "brand stretching." Using the company's existing brand equity to support the launch of its newest product is the idea behind a brand extension. The company hopes that by retaining its current customer base, it will increase their openness to new products from the same brand. A company can reach new markets, grow its clientele, improve sales, and raise overall profit margins with the aid of a successful brand extension.

INTRODUCTION

According to Keller (2003), brand equity is made up of the assets and liabilities that affect the value of the goods and services a company provides to customers and are based on distinctive elements of the brand, like its name or symbol. Brand equity is high for strong brands. According to Kotler et al. (1996), brands that possess high brand equity are characterised by increased brand loyalty, brand awareness, perception of quality, higher brand associations, and other resources like patents and channel relationships.As per Keller's (2000) findings, products with significant brand equity possess certain fundamental attributes. These attributes can be summed up as follows: "the brand's ability to provide benefits that customers seek out and desire, to meet evolving consumer demands, the persuasiveness of the relationship between the quality it provides and the price it demands in the context of the customer, having proper positioning on the value creation, the brand's dependability, better comprehension of the meaning of the brand among consumers, and close monitoring of the brand equity and changes in it." Every brand is an organisation that generates value in various ways for businesses and customers. Positive brand experiences have been shown to boost brand equity and encourage repeat business (Erdil and Uzun 2010).

Brand equity is one of the most valuable resources that businesses have nowadays. It is evident that the majority of businesses profit from these resources when introducing new goods or services to the market. Brand extension is the primary tactic used by businesses to capitalise on their brand equity. It can be defined as an effective brand name's attempt to make modifications to current products or to use in a new product. According to studies, it is very expensive to develop a new product and very risky to make investments because the returns are uncertain. However, the strategy of brand extension is said to significantly reduce expenses and boost the commercial success of a new product. Even though brand extension is a tactic that is frequently employed, success is not guaranteed. According to an Association of National Advertisers study, 27% of brand extensions have failed. The factors that can impact the success of brand extension should therefore be accurately identified by the companies using this strategy.

HOW BRAND EXTENSION WORK

A brand extension is a strategy used to introduce a new product by utilising the popularity, reputation, and brand loyalty of an established product. The original product and the new item need to make sense for the relationship to work. The opposite effect, known as brand dilution, may arise from a weak or nonexistent association. The main brand may even suffer from this. Businesses can expand their market share and diversify their offerings by implementing successful brand extensions. They may provide the business with a competitive edge over rivals who don't provide comparable goods. The new product can be effectively and affordably marketed using the established brand.

One business that has a track record of successfully leveraging a brand extension strategy to spur growth is Apple (AAPL). The company began by using its well-known Mac computers as a platform to expand into new product categories. This is evident in the success of the iPod, iPad, and iPhone.

Here are some things to think about when implementing a brand extension within the business:

i. Think about the requirements. Take into account what your customers want to ensure that your new product is something they genuinely need.
ii. Stick to your brand's messaging. Make sure the expansion opportunities you choose have a connection to both your other products and your overall brand message.
iii. Prior to launching, test. Consider testing with your current customers to gather feedback before committing to a new line of products.

CRITICISM OF BRAND EXTENSION

When a product is introduced through brand extension, it usually costs less than when a new product with no brand identity is introduced. The message is communicated by the original brand. But when there is a clear mismatch in the product lines, brand extensions fall flat. The new product may even come across negatively due to the brand name. Brand managers should think about their target market and which products work best with their company's brand before introducing a new product.

In the early 1980s, well-known denim manufacturer Levi Strauss & Co. decided to introduce a range of men's three-piece suits under the sub-brand Levi's Tailored Classics. This was an example of an unsuccessful brand extension. The line was discontinued by the company due to years of low sales. The brand was perceived by consumers as being more appropriate for rugged casual wear than for business attire, a perception that the company was unable to change. But after realising its error, Levi's launched Levi's Dockers in 1986, a collection of sporty khaki trousers and other menswear that has consistently been a top seller for the brand.

HOW TO MEASURE BRAND EQUITY

Here are some ways that helps to evaluate brand equity.

BRAND FIT

The alignment of the parent brand with the new good or service is among the most crucial elements of a successful brand extension. The degree to which the parent brand's and the extension's brand associations, attributes, benefits, and values align or are compatible is known as brand fit. Low brand fit can lead to dilution, confusion, or negative reactions, whereas high brand fit can strengthen the extension's credibility, trust, and loyalty. Surveys, focus groups, or experiments can be used to gauge brand fit by finding out how customers view the connection between the parent brand and the extension.

BRAND AWARENESS

The degree of awareness or recognition that a brand extension enjoys within the target market is another factor that affects its value. The degree to which customers can recollect or recognise an extension and all of its features, advantages, and characteristics is known as brand awareness. While a low brand awareness may restrict the extension's reach, trial, and adoption, a high brand awareness can raise the extension's visibility, familiarity, and preference. Metrics like share of voice, aided or unaided awareness, recall, and recognition can all be used to gauge brand awareness.

BRAND ATTITUDE

Customers' perceptions or attitudes regarding a brand extension are a third factor that influences its worth. The general perception that consumers have, whether favourable or unfavourable, of an extension and its functionality, value, and quality is known as its brand attitude. A negative brand attitude can decrease the extension's repurchase, retention, and referral rates, while a positive brand attitude can increase the extension's satisfaction, loyalty, and advocacy. You can use indices, ratings, or scales to get a sense of how consumers feel about the extension and how they rank it or recommend it.

BRAND EQUITY

The equity or worth that a brand extension adds to the parent brand is the fourth factor that determines its value. The unique impact that an extension has on how consumers react to the parent brand and its marketing initiatives is known as brand equity. While negative brand equity can reduce the parent brand's value, reputation, and competitive advantage, positive brand equity can boost sales, profitability, and market share. You can use techniques like conjoint analysis, residual analysis, or customer lifetime value to calculate brand equity.

BRAND SYNERGY

The synergy or interaction that an extension has with its parent brand and other extensions is a fifth factor that affects a brand extension's value. The level of complementarity or enhancement that the extension offers to the parent brand and its portfolio is referred to as brand synergy. Opportunities for cross-selling, bundling, or co-branding can arise from a high brand synergy, whereas cannibalization, substitution, or conflict can result from a low brand synergy. Techniques like market basket analysis, network analysis, or portfolio analysis can be used to quantify brand synergy.

TYPES OF BRAND EXTENSION

1. Line Extension: This refers to the introduction of new goods under the same product category as the current brand. If a company is well-known for its skincare product line, for instance, a line extension should feature fresh iterations or formulations within the skin care portfolio.
2. Category Extension: Defines the introduction of a new product category linked to the current logo. A company that is well-known for its athletic footwear, for instance, might expand its brand to include sportswear or systems.
3. Horizontal Extension: This is the introduction of goods or services that might not be associated with the dominant brand. Because of how much this type of brand extension depends on the strength of the logo call, it is riskier. For instance, a well-known employer in electronics entering the food and beverage sector

CONCLUSION

This study aimed to explore the factors influencing brand equity and the impact of brand image and line extension on brand equity. Brand extension is a popular growth strategy for businesses, aiming to increase retailer and customer acceptance of new products. Brand equity is based on distinctive elements of a brand, such as its name or symbol. Strong brands have high brand equity, characterized by increased brand loyalty, brand awareness, perception of quality, higher brand associations, and resources like patents and channel relationships. Brands with significant brand equity have certain attributes, such as providing benefits, meeting evolving consumer demands, persuasive relationship between quality and price, proper positioning, dependability, better understanding of brand meaning among consumers, and close monitoring of brand equity changes. Brand equity is a valuable resource for businesses, and brand extension is the primary tactic used to capitalize on it. However, success is not guaranteed, as 27% of brand extensions have failed. Therefore, companies should accurately identify the factors influencing brand extension success.

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