

LAUNCHING OF A NEW PRODUCT WITH THE BRAND EXTENSION STRATEGY

Tina Vukasovič

International School for Social and Business Studies, Celje, Slovenia
tina.vukasovic@mfdps.si

Abstract:

The main purpose of this article is to present a research study of brand extension with developing an innovative product in a new product category. A case study is presented by one of the leading Slovenian brands in the market of fast moving consumer goods. More specifically, we shall be dealing with the market of chicken pariser sausages products and the brand called »Poli«. Poli is first chicken pariser sausage on the European market and best selling sausage in its category. The challenge that the Perutnina Ptuj d.d. company faced, as the owner of the abovementioned brand, was how to fully utilize the strength of the Poli brand that it had been working on for the past decades. The article concentrates on the results of the quantitative research which was carried out by using a method of individual personal interviews in a sample of N = 800 chicken products consumers in the age between 15 and 65 years from Slovenia. Results show positive influence of the parent brand on the brand extension to the new product category. With launching new product brand Poli is entered into a new category, namely the group pate.

Keywords: brand extension, food industry, marketing.

1. INTRODUCTION

Development of the world food market has, in recent years, been marked by rapid, unexpected and complex changes. The world food industry is operating in an explicitly dynamic environment which demands constant adjustments and responses. These intensive processes increase the competitive advantage of operating activities on the global market and are the result of numerous changes in the period of new economy. The producers of fast moving consumer goods are aware that a company's leading role on the market is ensured through strong and established brands and loyal consumers. In the past, a brand was a sum of a name, symbol or a shape/combination of these elements which are used for recognizing and distinguishing various products and services of a company or a group of companies from competitive companies. The purchase made by consumers is thus easier since they know which benefits they will gain by purchasing a product of the established brand. A strong and established brand provides the consumer – beside functional benefits – with emotional benefits as well (Vukasovič, 2009b). Firms in the corporate world have long recognized the strategic role of brand extension. Many firms capitalize on brand equity through a brand extension strategy. Brand extension involves the use of a brand name established in one product class to enter another product class. The discipline of brand extension is discussed by many authors, such as Aaker, 1991, Kapferer, 1992, Kim & Lavack, 1996, Nijssen, 1999, Wood, 2000, De Chernatony, 2002, Grime & Smith, 2005, Martinez & Pina, 2003, Kotler & Armstrong, 2006, etc. who in their studies analyse a brand extensions process with brand extension strategy.

2. BRAND EXTENSION AS A MARKETING STRATEGY

Many companies adopt brand extension as strategy with the aim of benefiting from the brand knowledge achieved in the current markets. When a company launch a new product and market under the umbrella a well-known brand name, failure rates and marketing costs are reduced (Keller, 1993). Keller (1993) states that more than 80 per cent of firms resort to brand extensions as a way of marketing goods and services. Competition forces firms to adopt strategies that create a competitive advantage for the firm. Creating a brand name with well established associations is one way of achieving this aim. Firms invest heavily in developing a brand. It is a very costly process but has many returns once success is achieved (Keller, 2008). Brand extension as a marketing strategy has become even more attractive in today's environment where developing a new product costs a lot of money and can be time consuming. Literature on extensions dominantly addresses the question of how the parent or core brand helps the new product during its launching stage. Although literature touches on the possible reciprocal effects of the new product launching on the equity of the core brand, their number is limited. This article presents a research study of brand extension with developing an innovative product in a new product fast moving consumer goods category.

2.1. Brand extension as an important element in the process of brand management

Launching of a new product is usually done through brand extensions. The newly introduced brand extension capitalizes on the equity of the already established (core) brand name (DeGraba & Sullivan, 1995, Pitta & Katsanis, 1995) or even the company or corporate name (e.g. Coca-Cola). Consumer familiarity with the existing core brand name aids new product entry into the marketplace and helps the brand extension to capture new market segments quickly (Dawar & Anderson, 1994, Milewicz & Herbig, 1994). This strategy is often seen as

beneficial because of the reduced new product introduction marketing research and advertising costs and the increased chance of success due to higher preference derived from the core brand equity. In addition, a brand extension can also produce possible reciprocal effects that enhance the equity of the parent brand (Chen & Liu, 2004).

Market is a place of competition and cost associated with introduction of new brand always soars, many firms are trying to decrease the risks involved in new product introduction and market the new product using the name of already well known existing brand as brand extension. Many firms use brand extension strategies to enter new categories. According to Ambler et. al. (1997), it is common strategy of last decade that companies prefer brand extension rather than introducing a new product under new product name. Companies save their cost as well as minimize the risk by launching a new product as brand extension under the brand name of already well-known brand. Marketers believe that brand extensions are evaluated favourably by consumers because consumers transfer positive attitudes or affect toward the parent brand to its extension.

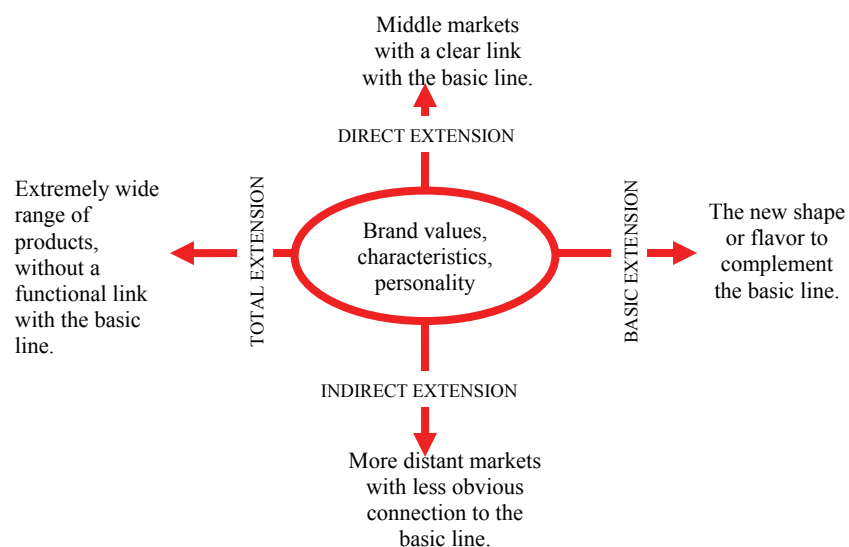
The whole policy of the brand must be included for the brand extension strategy. Brand extension strategy determines how far we can extend our brand. Before going into brand extension strategy we have to answer the following questions (Davis, 2002, p. 508):

- Does the brand extension strategy consistent with the vision strategy?
- Does the brand extension strategy improve the brand image?
- Does the brand extension strategy consistent with the brand positioning strategy?
- What will be the impact on the brand in the case of unsuccessful brand extension?

2.2. Possible directions of brand extension

Taylor's model (2004 in Kline, 2006) (see picture 1) of consumer brand extension attitude formation has triggered additional brand extension research in various countries. Their exploratory research provided valuable insight into which extension constructs influence the attitude of consumers toward the extended brand. The launching of new brands is much more costly than expanding existing strong brands, but each extension is not necessarily successful.

Picture 1: Possible directions of brand extension



Source: Taylor, 2004 in Kline 2006, p. 5.

Brand extension strategy comes in two primary forms (figure 1): horizontal and vertical. In a horizontal brand extension situation, an existing brand name is applied to a new product introduction in either a related product class (basic extension) or in a product category completely new to the firm (total extension). A vertical brand extension, on the other hand, involves introducing a brand extension in the same product category as the core brand, but at a different price point and quality level (direct extension) or in a product category with less connection to the basic product line (indirect extension). There are two possible options in vertical extension. The brand extension is introduced at a lower price and lower quality level than the core brand (step-down) or at a higher price and quality level than the core brand (step-up). In a vertical brand extension situation, a second brand name or descriptor is usually introduced alongside the core brand name in order to demonstrate the link between the brand extension and the core brand name. Although a brand extension aids in generating consumer acceptance for a new product by linking the new product with a known brand or company name, it also risks diluting the core brand image by depleting or harming the equity which has been built up within the core brand name (Aaker, 1990, Chen & Liu, 2004). Brands value can exploit for its expansion, which is subject to various factors: the core brand values, the characteristics and personality and the attitude of consumers to the brand. Successful expansion of the brand is created by: increased the likelihood that consumers will accept the message of a new line of products when this message includes a known element, update existing product line with new brand offerings and more efficient use of the marketing costs.

The greatest risk in the expansion of the brand, however, that there may be fading original personality of the brand. This causes that consumers do not perceive the connection between the original brand and created extension. When deciding the brand extension is to consider the following:

- Where should expand the brand: reach new groups of consumers, new markets, occasional shoppers, with the same or new products?
- What should we extend the brand: offering related or unrelated products / services under the same brand, in existing or new customers?
- How to expand the brand: independently conduct or collaborate with business partners (eg through licensing or placing the franchise).

In many cases, the brand extension proved to be very successful strategy. This strategy is often seen as beneficial because of the reduced new product introduction marketing research and advertising costs and the increased chance of success due to higher preference derived from the core brand equity.

Below we present a research study of brand extension with developing an innovative product in a new product category. A case study is presented by one of the leading Slovenian brands in the market of fast moving consumer goods. More specifically, we shall be dealing with the market of chicken pariser sausages products and the brand called »Poli«. Poli is first chicken pariser sausage on the European market and best selling sausage in its category. The challenge that the Perutnina Ptuj d.d. company faced, as the owner of the abovementioned brand, was how to fully utilize the strength of the Poli brand that it had been working on for the past decades.

3. RESEARCH DESIGN AND DATA COLLECTION

Food industry is one of the most competitive international branches and is in its mature stage of development. In order to maintain their competitive position on the market, companies

have to constantly prove themselves by providing supplies of innovative products and processes. New products and strong brand play a very important role in this industry. It is large and competitive industry with many active companies (Vukasovič 2009a, 2010).

In the next part of the paper the key characteristics, research methods and characteristic of the sample are summarized. The research was carried out in Slovenia. A quantitative research method with individual interview was used for data collecting. A stratified sample of the quantitative research, N=800, is represented by the inhabitants of a Slovenian population, aged 18 to 65, and who use the tested chicken sausages products at least once a week and are familiar with at least the brand's name, with Poli brand. The sample was stratified the place of residence, gender and age. At the 95% reliability level the standard error of the N = 800 sample was +/- 2,2 percentage points at the most.

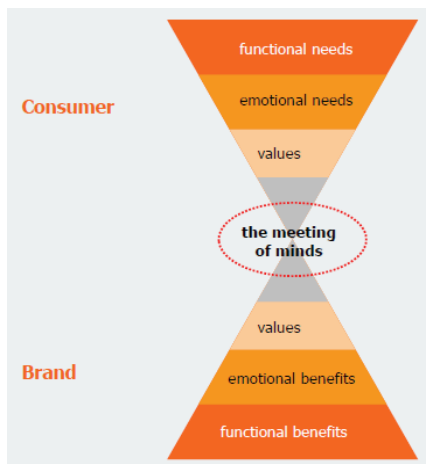
Table 1: Structure of the sample

N = 800		%
Gender	man	35
	woman	65
Age	15-29	15
	30-39	28
	40-49	23
	50-65	34
Education level	primary school	9,6
	vocational school	20,6
	high school	47
	higher, high or more	22,8

3.1. Analytical frame

Important consumer guide are its values, the quest through lifestyle, behaviour, expression, and the use of products and brands. Therefore, any brand as far as possible consistent with the consumer's values. The path is often very complex and not obvious at first glance. The consumer often knows only that he wants such a healthy and tasty meal. What it really means to these attributes and for which the product will be of the opinion that such as he desires, it is necessary to explore. The consumer to recognize that even with the use of a particular product or brand range values is needed in addition to the functional properties of the product (which directly meet the functional consumer's needs) to communicate the emotional, the higher the benefits of the product (corresponding to the emotional consumer's needs), which allow further or achieve the ultimate goal or values (picture 2).

Picture 2: Analytical frame - contact between the consumer and the brand



3.2. Questionnaire

The introduction letter, reminder, and draft questionnaire we developed for purpose of the research. We used the guidelines provided by Strašek (2011) and Vukasovič (2011) to give the questionnaire a good look and feel, and to insure that respondents could progress quickly through it. All questionnaires carried a stamped number in order to be able to add factual consumers' data afterwards on different market.

The questionnaire was divided into the following thematic areas of research:

- analyses of competition,
- brand scan,
- analysis of the purchase decision-making process,
- brand perception: brand extension potential - views and consumers attitudes towards the brand Poli therefore, to determine the brand extension options,
- demographic data at the end of the questionnaire.

3.3. Research results

The article describes individual phases that were carried out within the questionnaire of brand extension research.

The first step: analyses of competition

In the first step the analysis of the competitors on the Slovenian chicken products market was carried out. On the selected market TOP 10 competitors were included in the analysis. Most producers compete on a local level only. The position mainly focuses on health, tradition, taste, quality. Some are more oriented towards fun, family and convenience. The competitors' positioning and images concentrate on similar points thus giving a wide range of possibilities to make a competitive difference.

Brand scan follow up (2nd step)

A structured investigation included what strengths and weaknesses the Poli brand currently has (table 2) and what opportunities and threats the brand may encounter in six interrelated key brand areas: product, image, consumer, visual, channel, goodwill. The questions were selected by the Likert scale. A respondent is asked to select one of the ten answers that specify his level of agreement to a statement, where score 1 means strong disagreement with

the statement and a score 10 means he strongly agree with the statement. The result of the brand scan (see picture 3) gives an information how brand challenges are defined.

Picture 3: Brand scan - six interrelated key brand areas

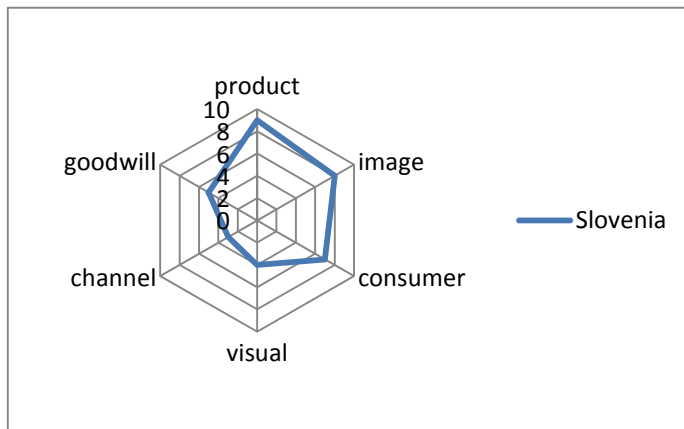


Table 2: Brand scan summary

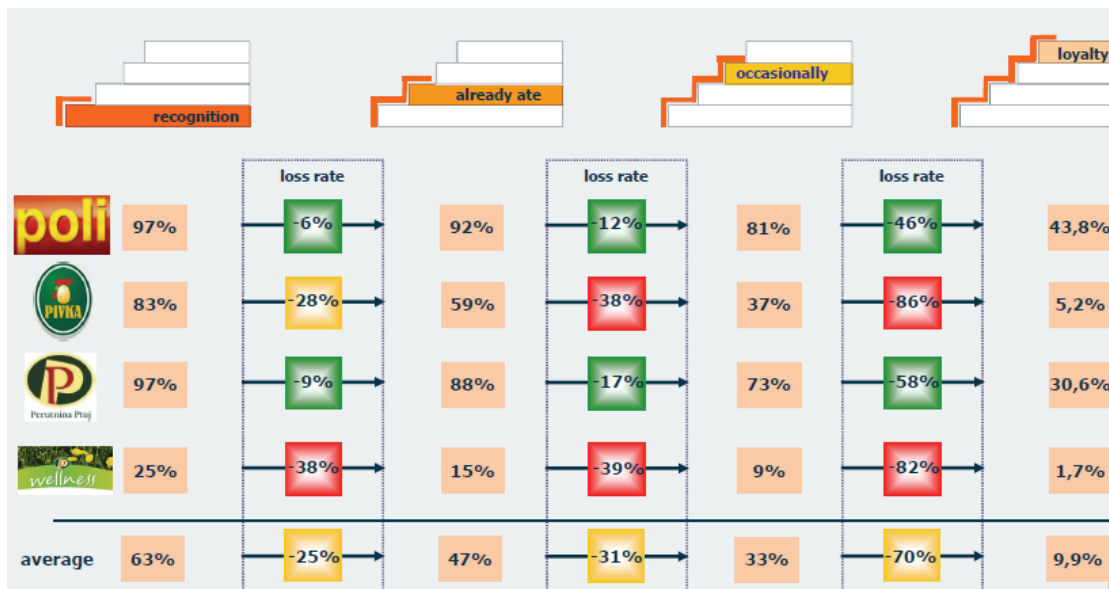
<p>Strengths</p> <ul style="list-style-type: none"> - Best product quality - An ordinary chicken pariser sausage - Natural production & taste → healthy - Consistent in its quality - It is made from pure chicken meat - Image: trust, tradition, leader well-known (SLO) 	<p>Weaknesses</p> <ul style="list-style-type: none"> - Name (not internationally recognition) - International brand awareness is low - Package design
<p>Opportunities</p> <ul style="list-style-type: none"> - Innovative, value-added products - Pioneer of chicken Sausage - New channels - Emotions - Highest level of brand recognition and loyalty - Recognizable logo 	<p>Threats</p> <ul style="list-style-type: none"> - High-price segment - Trade brands/ price dumpings - Central buying retailers - Channels not segmented enough

Analysis of the purchase decision-making process (3rd step)

By analyzing of the purchase decision-making process, we looked at what stage in the purchase decision-making process is a brand above the average and where the below the average success in persuading to buy. In the observational questionnaire we put the following questions: which brands you know at least by name, which brands you have already eaten, which brands at least you occasionally eat, which is your the most eaten brand? Survey results indicate the following. Poli brand has 97 % of recognition, which means that almost all the familiar brand. The vast majority of the brand has already tried - such is 92 %. At least occasionally eat sausage brand Poli 81 % of users. Poli brand has 43,8 % loyal consumers. Poli achieved at all stages of purchase decision-making process significantly better result than the other, competing brands. The closest competitor is brand Perutnina Ptuj, which is also on most levels purchase decision-making process achieves superior results. Compared with the Poli has particularly smaller share of loyal consumers, but also a lower proportion of those

who have tried the brand and those who eat it occasionally. Brand Pivka in comparison with those marks already reduced recognition, as well as significantly greater proportion of losing at every stage of purchase decision-making process (see picture 4).

Picture 4: analysis of the purchase decision-making process



Brand extension potential (4th step)

In this study we assessed the consumers attitude towards to the brand Poli, assess the potential extension to determine whether and what options to Poli brand extension exist. The survey results show that 80 % of consumers indicate acceptance of the Poli brand extension with the entry into a new category by launching a new product.

High level of recognition and brand loyalty point to the potential Poli brand extension. Respondents believe that the possibility of Poli brand extension for the following reasons:

- highest level of brand recognition and loyalty: brand Poli has 97 % level of recognition by Slovenian consumers;
- highest level of loyal consumers: brand Poli has 43,8 % loyal consumers;
- Poli brand is a well known and trust market leader in Slovenia;
- Poli is a synonym for pleasure, emotions and quality;
- personality of Poli brand, which is traditional, practical, and generally positive;
- name Poli is without negative associations.

The central part of the research was to assess the acceptability of Poli brand extension. The results show a number of Poli brand extension options:

- new Poli products: consumers perceived the potential of Poli brand extension by introducing new products – Poli pate, Poli salad, Mediterian Poli.

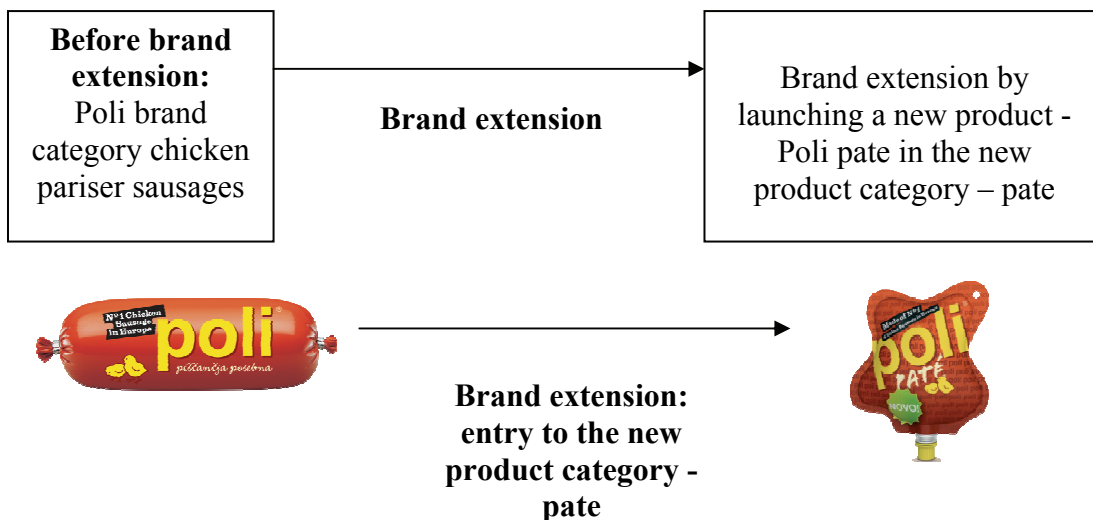
The direction of brand extension are different:

- direct extension: new taste of Poli chicken pariser sausages (like Mediterian Poli) and new forms of Poli chicken pariser sausages for different target groups (like Poli for children).
- basic extension – entry to the new category: Poli frankfurters, Poli pate.

4. THE RESULTS OF MARKET RESEARCH AS THE BASIS FOR BRAND EXTENSION

The results of market research confirmed the potential of Poli brand extension. The challenge that the Perutnina Ptuj d.d. company faced, as the owner of the Poli brand, was how to fully utilize the strength of the Poli brand that it had been working on for the past decades. Perutnina Ptuj d.d. decided to brand extension by launching new product in the new product category (see picture 5). Results of the research show positive influence of the parent brand on the brand extension to the new product category.

Picture 5: Poli brand extension by launching new product in the new category



With launching new product, Poli pate, brand Poli is entered into a new category, namely the category pate. Ways of thinking during the development of new product Poli pate were essentially unique taste, taste like chicken pariser sausage Poli, convenience, quality and innovative of new products. The quality and innovation are the competitive advantages of the new product, Poli pate.

5. CONCLUSION

The article was discussing the area of brand management which, today, requires from company traders more than just the ability to create – they need to be more responsible and take every effort. A brand that has quality and is well-established ensures a competitive advantage on the market and, at the same time, requires good management and treatment of its identity. An important element in the process of brands management is brand extension. Current study is small effort to advance the information available on brand extension. The main purpose of this article was to present a research study of brand extension with developing an innovative product in a new product category. Results show positive influence of the parent brand on the brand extension to the new product category. The survey results show that 80 % of consumers indicate acceptance of the Poli brand extension with the entry into a new category by launching a new product.

The leading Slovenian brand of chicken products has entered to the new products category. The new product - Poli pate - thus became a tool to strengthen the overall brand and particularly the base product: Poli chicken pariser sausage.

The importance of brands in a highly competitive branch of high-volume products will continue to increase and the "survival" will be possible only for those brands which are strong enough and sufficiently differentiated from the competition. A company's key to success is to determine what makes its brand so different from the competition and to continue with its mission as successfully in the future as well.

REFERENCE LIST

1. Aaker, D. A. (1991). *Managing brand equity*, New York: Free Press.
2. Aaker, D. A. (1990). Brand extensions: The Good, the Bad, and the Ugly, *Sloan Management Review*, 31(4), 47–56.
3. Ambler, T., & Styles, C. (1997). Brand development versus new product development: toward a process model of extension decisions. *Journal of Product & Brand Management*, 6(4), 222–234.
4. Chen K. J., & Liu C. M. (2004). Positive brand extension trial and choice of parent brand. *Journal of Product & Brand Management*, 13(1), 25–36.
5. Dawar, N., & Anderson, P. F. (1994). The effects of order and direction of multiple brand extensions. *Journal of Business Research*, 30(2), 119–129.
6. Davis, S. (2002). Implementing your BAM strategy: 11 steps to making your brand a more valuable business asset. *Journal of Consumer Marketing*, 19(6), 503–513.
7. De Chernatony, L. (2002). Blagovna znamka: od vizije do vrednotenja, strateško oblikovanje in vzdrževanje blagovnih znamk. Ljubljana: GV Založba.
8. DeGraba, P., & Sullivan, M. W. (1995). Spillover effects, cost savings, R&D and the use of brand extensions. *International Journal of Industrial Organization*, 13(2), 229–248.
9. Grime, I., & Smith, G. (2005). The Impact of brand extension on brand personality: experimental evidence. *European Journal of Marketing*, 39(1/2), 129–149.
10. Kapferer, J-N. (1992). *Strategic Brand Management*. London: Kogan Page Limited.
11. Keller, K. L. (1993). Conceptualizing, measuring, and managing customer-based brand equity. *Journal of Marketing*, 57(1), 1–22.
12. Keller, K. L. (2008). *Strategic Brand Management: Building, Measuring and Managing Brand Equity*, 3rd ed., Prentice- Hall, New York: Upper Saddle River.
13. Kim, C. K., & Lavack, A. M. (1996). Vertical Brand Extensions: Current Research in Managerial Implications, *Journal of Product and Brand Management*, 5(6), 24–27.
14. Kline, M., Perčič, E., Arzenšek, A., & Juričko, A. (2006). Možnost širitve blagovne znamke Poli. Končno poročilo raziskave, Ljubljana: Kline in Partner.
15. Kotler, P., & Armstrong, G. (2006). *Principles of marketing*. New Jersey: Pearson Prentice Hall.
16. Martinez, E., & Pina, J. M. (2003). The negative impact of brand extensions on parent brand image. *Journal of Product and Brand Management*, 12(7), 432–448.
17. Milewicz, J., & Herbig, P. (1994). Evaluating the brand extension decision using a model or reputation building. *Journal of Product & Brand Management*, 3(1), 39–47.
18. Nijssen, J. E. (1999). Success factors of line extensions of fast-moving-consumers goods. *European Journal of Marketing*, 33(5-5), 450–469.
19. Pitta, D. A., & Katsanis, L. P. (1995). Understanding brand equity for successful brand extension. *Journal of Consumer Marketing*, 12(4), 51–64.

20. Strašek, R. (2011). The structural model of relations between country of origin and the perceived brand name value. *World's Poultry Science Journal*, 67(1), 59–71.
21. Vukasovič, T. (2009b). Searching for competitive advantage with the aid of BPI. *Journal of Products and Brand Management*, 18(3), 165–176.
22. Vukasovič, T. (2009a). Consumer perception of poultry meat and the importance of country of origin in a purchase making process. *World's Poultry Science Journal*, 65(1), 65–74.
23. Vukasovič, T. (2010). Buying decision making process for poultry meat. *British Food Journal*, 112(2), 125–139.
24. Vukasovič, T. (2011). The importance of national chicken meat origin in Central and South – Eastern Europe. *World's Poultry Science Journal*, 67(2), 237–242.
25. Wood, L. (2000). Brands and brand equity: definition and management. *Management decision*, 38(9), 662–669.