HORIZONTAL BRAND EXTENSIONS

The key factors of success

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This paper concerns horizontal brand extensions: its key factors of success and the most common implementation errors.

The topic was chosen as an interesting subject for research due to the high percentage of failing brand extensions. This is described in the book Business development through the brand: Brand Extension (original title: Affärsutveckling genom varumärket: brand extensions) written by Henrik Uggla. The aim with this report is to identify the key factors of success as well as the most common reasons for failure so that these factors can be taken into account when considering a brand extension.

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ABSTRACT

Background: All brands need to keep moving and to keep building their stories by bringing new and exciting products or experiences. During the last twenty years, companies have been more and more convinced that their brands are among their most valuable resources and today we see an increasing trend of brand extension attempts, however with a significant number of failures, as well.

The strategies of how a brand extension should be done, have been published in several books during the last decades. Despite of this, some companies still do not see the link between brand extension and business development. There seem to be a certain lack of knowledge and understanding of the underlying factors that affect a brand extension. In this study, we would therefore like to examine and identify these different factors in order to create a greater understanding of branding strategies.

Purpose: The purpose of this study is to research, describe and analyse the nature of horizontal brand extensions in order to create a theory regarding the essential key factors to take into consideration before considering an extension. Based on the theory, the hypothesis will be tested empirically in order to strengthen- or reject it.

Methodology: This study is made with a deductive approach, where the theoretical framework, based on previous presented theories, has led to the conformation of our hypothesis, which has later on been applied to the findings from the empirical researches in order to confirm or discard our hypothesis.

The empirical basis consists of qualitative interviews with respondents from two companies with experience from horizontal brand extension: Craft of Scandinavia and Peak Performance.

Conclusion: Our conclusion from this research is that for a horizontal extension to be successful it must:

- Be a part of a brand with a clear brand image and plan, for the brand
- Fit the brand
- Live up to the original brand promise
- Fit with the old associations and generate new, positive associations to the brand
- Have high perceived quality and trust in the mind of the customer
- Be a part of a risk evaluation in order to limit the risks and obtain a more realistic view of the extension.

Key definitions: brand extension, horizontal brand extension, luxury brand extension, brand associations, brand universe, brand equity, brand image, brand identity, brand promise, brand positioning, storytelling, brand extension strategies, branding umbrella, licensing, range brand platforms, implementation errors, key factors for successful brand extensions
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1 INTRODUCTION

The introducing chapter aims to present the background and the issue of the chosen topic. It also presents why the effects of a brand extension is a relevant study.

1.1 BACKGROUND

“No aspect of brand management is quite so hotly discussed as that of brand extension. This is hardly surprising, given that it is the most radical of the innovations offered by new-style brand management in cases where companies plan to capitalize value around a single name and create a mega-brand”\(^1\)

All brands need to keep moving and to keep building their stories by bringing us new and exciting products or experiences. Many firms may find themselves in a unique position to launch brand extensions, especially horizontal ones since this gives them a chance to enter new markets and thereby also increase their market shares and profits. Today we see an increasing trend of brand extension attempts and also a significant number of failures. The management department often creates the strategies and makes the decisions concerning a brand extension\(^2\).

During the last twenty years, companies have been more and more convinced that their brands are among their most valuable resources\(^3\). Nevertheless, this is not always a high-prioritized strategic question. It is not breaking news that branding could be profitable, neither in practice nor in theory. The strategies of how a brand extension should be done, have been published in several books during the last decades. Despite of this, some companies still do not see the link between brand extension and business development. The phenomena of brand extension is an expression for the strong capitalization trend, which prescribe that well established brands should be used and be exploited in new contexts and connected to new products or completely new product categories\(^4\).

1.1.1 Definitions of brand extension

A definition of brand extension that covers all its aspects may look like this:

“A brand extension can represent an alternation of a product’s attribute or characteristics (linear extension), a move of a brand and its underlying associations either up- or downwards within the same product category but within a different price category (vertical extension), through a lateral movement to a new product category (horizontal extension) or through collaborations with an external brand (indirect extension)\(^5\).

\(^1\) J.N Kapferer.2001.p.154
\(^2\) H Uggla.2002.p11
\(^3\) H Uggla.2002.p.10
\(^4\) H Uggla.2002.p11
\(^5\) H Uggla.2002.p.40
1.2 PROBLEM DISCUSSION
The rate of success of new brands versus brand extensions tells us that only 30% of new brands survive longer than four years, whereas the rate is over 50% for brand extensions. It is therefore a smaller risk to extend horizontally rather than starting a new brand. However, according to an American study, made in 1997, 84% of the horizontal brand extensions fail.

Many companies may consider a brand extension as an organic expansion, rather than an actual strategy. They have the required thinking but miss the tools for structure and models, in order to succeed. There are many brand extensions that have gone by instinct and succeeded perfectly, while others have failed despite of years of careful market researches. It seems as a company can never be a hundred per cent sure of how the brand extension will be accepted, before it is made.

On the basis of this and the fact that more and more companies today, are beginning to discover the big potential and power within a strong brand, we find this a current and relevant issue for all kind of companies. There is however a certain lack of knowledge and understanding of the underlying factors that affect a brand extension. In this study, we would therefore like to examine and identify these factors in order to create a greater understanding of branding strategy.

1.3 THE PROBLEM
Earlier studies have shown that more than 84% of all horizontal brand extensions fail and there is a certain lack of knowledge and understanding of the underlying factors that affect a brand extension. A relevant field of study is therefore to examine which are the key factors of a successful horizontal brand extension that could strengthen the brand equity. It is also important to identify the most common implementation errors and risks connected with this brand strategy, in order to create awareness.

1.4 RESEARCH QUESTION

1.4.1 Main question
What are the crucial factors in horizontal brand extension that determine whether the brand will succeed or not?

1.4.2 Subquery questions
- What are the most common implementation errors?
- How important is customers' judgement for a horizontal brand extension?

1.5 PURPOSE
The purpose of this study is to research, describe and analyse the nature of horizontal brand extensions in order to create a theory regarding the essential key factors to take into consideration before considering an extension. Based on the theory, the hypothesis will be tested empirically in order to strengthen- or reject it.

1.6 DELIMITATIONS
In this research, the brand extension is restricted to only include the horizontal brand extension and thereby making the delimitation of the study.

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6 J.N Kapferer, 2004, p.250
7 H Uggla, 2002, p.12
8 H Uggla, 2002, p.12
In the theoretical framework chapter we have picked out some global brands in order to illustrate describing examples of a horizontal brand extension. Our case study does however only include two Swedish sports-wear companies, with their headquarters in Sweden. On the basis of the combination of these findings, we make our conclusion.

This study is primarily made in order to investigate horizontal brand extensions in the clothing and textile industry. The aim is nevertheless that the key success factors should be general and could be adapted to any area of brand management.

1.7 TARGET GROUP
The report is written in English to reach international target groups. Our main target groups are professionals in positions concerned with brand extension work but also students in areas such as brand management and brand extension.

In order to increase the general direction of this report, we have chosen to illustrate some examples of the differences between mass-consumption brands and luxury brands in the theoretical framework. This is made in order to adopt the results of the report to parties in the luxury brand industry.

1.8 KEY DEFINITIONS

- **Brand extension**: Represents an alternation of a product’s attribute or characteristics (linear extension), a move of a brand and its underlying associations either up- or downwards within the same product category but within a different price category (vertical extension), through a lateral movement to a new product category (horizontal extension) or through collaborations with an external brand (indirect extension).9

- **Horizontal brand extension**: The brand stretches without changing its relative price level, parading its lifestyle into other areas of the client’s life. The model orbits around a centre, the brand’s spirit, often in the form of the eponymous, still living creator. All the extensions of the brand are differentiated expressions of the brand’s values, as expressed by the creator or the creator’s successor.10

- **Brand associations**: Anything linked in memory to a brand. It could be a character, a certain customer segment, a feeling, a product characteristic, a symbol, a life-style or an activity. A link to a brand will be stronger when it is based on many experiences or exposures to communications, rather than few.11

- **Brand universe**: The brand’s stylistic invariants, everything that makes it recognizable without reading the name. It is also everything that is not tangible, the brand’s imaginary power, the life that goes with it, its underlying myths, its system of values, its Muses, its symbols.12

- **Brand equity**: A simplified definition is the total value of a brand as a separable asset (when it is sold or included in the balance sheet), consumers’ associations, believes and strength of attachment to a brand.13

- **Brand image**: A set of associations, usually organized in some meaningful way. The associations are organized into groups that have a meaning.14

- **Brand identity**: Nurtured from the brand’s roots, its heritage, everything that gives it its unique authority and legitimacy in a specific territory of values and benefits.15

- **Brand promise**: Benefits and experiences that marketing campaigns try to associate with a product in its current and prospective consumers’ minds.16

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9 H Uggla.2002.p.40
13 P Feldwic.1996.p.9-28
Brand positioning: Reflects how people perceive a brand.\textsuperscript{17}

Storytelling: The told history about the creation of a brand, which can create a relationship and a feeling of fellowship, with the customers.\textsuperscript{18}

Branding umbrella: Different types of products are sold under the same brand name\textsuperscript{19}.

Licensing: Written contract under which the owner of a copyright, know how, patent, servicemark, trademark, or other intellectual property, allows a licensee to use, make, or sell copies of the original.\textsuperscript{20}

Range brand platforms: Created by a range brand (that is, a brand that spans product categories) whose identity includes a differentiation association that is applicable across categories.\textsuperscript{21}

1.9 DISPOSITION

Introduction – The introducing chapter’s aim is to present the background and the issue of our chosen topic. It also presents why the effects of a brand extension within the fashion industry is a relevant study.

Methodology - The chapter presents the different ways in which the study is performed and the reasons of why each method is chosen.

Theoretical framework – The chapter describes what a brand and a horizontal brand extension are. Furthermore important aspects to take into consideration when considering a brand extension are also presented.

Empirical study – The aim of the empirical study is to examine how different companies have worked with their different horizontal brand extensions in the past in order to get an understanding of what kind of strategy that was used.

Analysis – In this chapter, the qualitative research of the studied companies will be applied and compared to the hypothesis, based on the theoretical framework. The result of this analysis is the base for the following conclusion.

Conclusion – We will here present our conclusion and the research questions will be answered.

Final discussion – In this chapter, we will present our own reflections and ideas, criticism and reliability to used sources plus proposals to further studies.

\textsuperscript{16} Internet source 1
\textsuperscript{17} D.A Aaker.1991.p.110
\textsuperscript{18} A Hedén & J McAndrew. 2004.p.73-74
\textsuperscript{19} A Hedén & J McAndrew. 2005. p.72-73
\textsuperscript{20} Internet source 2
\textsuperscript{21} D.A Aaker.2004.p.219-220
2 METHODOLOGY

The second chapter of this report presents the different ways in which the study is performed and the reasons for why each method is chosen.

2.1 METHODOLOGICAL APPROACH – DEDUCTIVE METHOD

A deductive approach proceeds from existing theories. On the basis of these, the researchers form a hypothesis, which is then applied on the empirical studies in order to confirm or discard it.\(^{22}\)

In this study, we have chosen to work with a deductive method in order to first study already published material and theories regarding brand extension and marketing and thereafter create a theoretical framework and hypothesis, which could later on be used and applied to the findings from the empirical researches in order to confirm or discard our hypothesis.

2.2. DATA GENERATION

For an adequate result for the research it is important to have the right theory. A tightly structured theoretical framework might leave out important aspects in the study and limit the researchers’ perception. Where a loose and unstructured framework, might lead to a wide range of theories without coherence.\(^{23}\)

Recognized authors and researchers within the area of marketing, branding and especially brand extension have been selected when searching data for the theoretical part. In order to get a wider perspective, the authors are both international as well as national with different backgrounds. Some of them are more specialized in fashion industry while others have a more general marketing background. The search of theories has been made in libraries as well as in online essay-web pages in order to find previous presented topics within this field.

The empirical data has been collected partly from the brands’ websites and interviews in magazines but mainly through qualitative interviews with employees at two different Swedish sport-clothing brands.

2.3 QUALITATIVE RESEARCH

2.3.1 Selection of respondents

The companies interviewed are Swedish clothing brands that have made a horizontal brand extension to another product line. It has been our aim to find companies that have experiences of both successful- and unsuccessful extensions. This might lead to interesting results for why one extension has succeeded while the other one failed.

2.3.2 Designing the questions

In a qualitative research the respondent should be allowed to talk freely about a topic where the researcher only leads the discussion into relevant topics in order to get a result from the research. It is important that the questions are put in an open way so that the respondent can answer them without impact of the researchers.\(^{24}\)

\(^{22}\) K Hjort. 2011
\(^{23}\) A Dubois & L-E Gadde.2002.p.553-560
\(^{24}\) I.M Holme.1997.p.100-101
2.3.3. Implementation of research

In order to get in contact with the companies, a request was first sent out with an introduction of the topic. The companies could thereafter choose whether they wished to answer the questions by mail, telephone or during a personal meeting.

2.3.4 Processing of the research

On the basis of our empirical findings, we have analysed and evaluated these results in comparison to previous presented theories and our hypothesis.

2.4. VALIDITY AND RELIABILITY OF THE RESEARCH

2.4.1 Validity

The validity of the research is dependent on what aims to be researched in the main issue and what has been accomplished.\(^{25}\)

The empirical basis of this report is based on a qualitative research, which has given us a closer proximity to the chosen topic since it has brought perspective not only from theory but also empirical findings.

2.4.2 Criticism of the collected data - Validity

Marketing and branding is a rather vague and unclear subject and it is therefore difficult to find any right or wrong answers. As a result of this, the conformation of this report is made on the basis of a deductive approach, in order to study and analyse previously presented concepts regarding horizontal brand extensions. The theoretical framework has led to the conformation of our own hypothesis, which has later on been applied to the findings from the empirical researches in order to confirm or discard our hypothesis.

It has not been hard to find relevant literature for branding and brand extensions. The difficult part was to find relevant literature, focusing on the clothing and textile industry. This may have affected the validity of this report since it does not separate general brand extension and the specific brand extension within the clothing and textile industry.

The theoretical framework is based on a wide range of literature, concerning brand and brand extension, which have made it possible to compare and evaluate the findings versus other published concepts. The authors of the books and scientific articles are all well known within their specialisation. This aspect in combination with the fact of the geographical dispersion of the authors, gives this report a certain level of validity.

The literature studies have as far as possible, been based on original sources and in order to strengthen the validity and reliability of this report, processed data has, mostly, been avoided.

Collected data in both literature as well as interviews has been based on the authors’ and interviewees’ personal experiences and findings. The empirical basis is based on only two interviews with one person each, which may have limited a wider spectrum and thereby the reliability of the report. The interview questionnaire has been formed with a few open questions in order to make the respondents talk freely around the topics. In the case of Peak Performance, the answers were rather limited since they were given in writing. Concerning Craft, the respondent talked widely and openly, which made the response more valid and reliable. This in combination with the competence and knowledge of the interviewees, made us consider the primary data to have a high level of validity and reliability.

\(^{25}\) I.M Holme.1997.p.163
In order to support the interview findings, secondary data from published articles and the companies’ webpages, have been used. We have tried to disregard potential personal values found in these publications and only focus on the facts. The findings from the interviews were sent out to other representatives in the company, in order to get their opinion and reflection. This was made so that validity could be strengthened even further.

Before starting this study, we were without previous experience and a deeper knowledge of the chosen topic. Therefore a neat study of the phenomena was made in order to get a deeper understanding.

Based on personal values, we have selected what we find important among all the findings. Some important and valuable findings may therefore have been lost. Facts that were found obvious, and thereby not published, may not have been obvious for the readers, which have also lowered the reliability of the report.

Since the personal assessment of this study is that the conceptual findings correspond with the empirical findings, this study can be considered to fulfil transferability\(^\text{26}\). Even though it would have required a wider timeframe, the number of studied companies in the empirical basis could have been more in order to get a higher grade of validity.

### 2.4.3. Reliability
Reliability is decided on the basis of how the research has been made and how exact the researchers have been while working with the information. High reliability can be accomplished if different and independent investigations of the same phenomenon have the same results\(^\text{27}\). The empirical basis of this report is based on a qualitative research where the purpose of the study is to get a deeper understanding of the phenomena. It is therefore more important that the information is valid, rather than reliable\(^\text{28}\).

### 2.4.4 Criticism of the collected data - Reliability
In this report, a quantitative research has not been used. Therefore the reliability cannot be estimated through numbers\(^\text{29}\). In order to gain a high level of reliability in this report, we prepared ourselves with a well worked-on research based on detailed studies of the subject. The reliability of the authors of the literature as well as the interviewees is also well estimated.

In order to gain an even higher level of reliability of this report, collected data from the empirical findings has been processed together with the studied companies.

\(^{26}\) Internet source 3  
\(^{27}\) I.M Holme.1997. p.163  
\(^{28}\) Internet source 3  
\(^{29}\) Internet source 3
3 THEORETICAL FRAMEWORK: MAPPING THE BRAND

In the chapter Mapping the Brand, an introduction to branding is given in order to give a basic understanding for the topic. A short historical background is described as well as the role a brand name has to a product and company.

3.1 WHAT IS A BRAND?
The word “brand” began simply as a way to tell one person’s cattle from another by means of a hot iron stamp. Merchants early realized that by putting a sign on their products, satisfied customers could easily remember which farmer they had gotten their product from. In the longer run, with more sales channels and multiple brands in one store it became even more important to show the origin of the products as a way of proving quality. Over time, the word ‘brand’ has continued to evolve to encompass an identity and affects the personality of a product, company or service.  

3.1.1 Brand Associations
A brand association is anything linked in memory to a brand. It could be a character, a certain customer segment, a feeling, a product characteristic, a symbol, a life-style or an activity. A link to a brand will be stronger when it is based on many experiences or exposures to communication, rather than few.

It is not unusual that a brand has ambassadors who represent the brand both internally and externally. These ambassadors do not have to work within the company, but can be profiles known from other areas. David Beckham is, for example, an ambassador for Adidas. An ambassador embodies the brand and makes it more alive. The goal is to create an association with the ambassadors’ lifestyle and the brand. To have a person as a branding canal can be both positive and negative depending on the media circulation around this person. There are many examples in the fashion industry of people who gets bad media attention, which indirectly affects the brand they are representing.

3.1.2 The Brand Universe
Everything that is a sign of the brand must express the brand, even if the logo is not visible. In luxury there is no need for a product promise, it is taken as read: only the universe remains. This is a stylistic and imaginary territory. A brand universe is its stylistic invariants, everything that makes it recognizable without reading the name. It is also everything that is not tangible, the brand’s imaginary power, the life that goes with it, its underlying myths, its system of values, its Muses, its symbols. In order to practice stretching, the brand must already have defined its own dream life. When it comes to luxury, the country of origin plays such a role since it provides roots and offers a degree of imaginary quality of its own.

30 A Hedén & J McAndrew.2005.p.69
32 A Hedén & J McAndrew. 2005.p.73-74
33 J.N Kapferer & V Bastien.2009.p149
34 J.N Kapferer & V Bastien.2009.p150
3.1.3 Brand Equity

In marketing, the term *brand equity* means the attempt to define the relationship between customers and brands. A simplified definition of brand equity is the total value of a brand as a separable asset (when it is sold or included on a balance sheet), consumers’ associations, beliefs and strength of attachment to a brand.\(^{36}\)

Current success is often confused with brand equity. The real test of a brand comes over time as it suffers from the inevitable misfortune and bad management decisions. Strong brands are not just able to generate higher profits and revenues; their superior brand equity and enduring brand loyalty also make them more likely to re-emerge from challenging periods. The real test of brand equity comes not during the good times, but in the bad ones.\(^{37}\)

Any extension will risk its brand equity if it does not deliver on the key brand promise. This is particularly true if the extension draws on the brand’s loyal customer base. To the extent that the name is used on many products, the damage will be more extensive.\(^{38}\)

An important part of the brand equity is a brand’s customer base. If sales of a brand extension come at the expense of the original brand, the extension’s sales may not compensate for the damage to the original brand’s equity.\(^{39}\)

![Figure 1](image)

*Figure 1,* suggests that brand equity can affect the extension both positively and negatively. The figure also indicates that the extension in turn can affect these brand equity dimensions both positively (more good) and negatively (the ugly). Too often the impact of the extension on the brand is not given enough weight but in the long run, it can be the most important result of an extension. The nature and size of the effect in both directions will depend on the strength of the brand equity as well as the brand fit and credibility in the new context.\(^{40}\)

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\(^{36}\) P Feldwic.1996.p.9-28  
\(^{37}\) Internet source 4  
\(^{38}\) D.A Aaker.2004.p.212  
\(^{39}\) D.A Aaker.2004.p.213  
\(^{40}\) D.A Aaker.2004.p.201-202
3.2 BUILDING A BRAND

It takes time to build a strong brand. It is not done apart; it is the clear strategy and excellence in implementation at the product, price, place, people and communication levels. There are prerequisites before a brand can be built and they need to be understood. Building a brand, is building a unique and strong perception. In luxury branding, it must also be inspired and aspirational. A mode based on the creation of value with a cult of the product and heritage.

In order to create a strong brand the owner of a brand needs to have a clear vision of how he is building the brand. The strategy to reach this vision must be clear and worked through. This is a very important process, which must be consistently in action to influence the entire company. To succeed it is important to be well aware of the brand’s core values and what makes the brand unique.

Brand extension is about building bridges and tunnels in consumers’ minds. It is therefore extremely important to take this point of view into consideration, before launching a brand extension. It is also important to learn about the most obvious risks and possibilities connected to a brand extension.

If you know where you are going, why you are going there and how you will get there, you can more easily maintain the brand identity that is founded on a comprehensive view and a consequence in everything the company does. It will be easier to take a decision about the product, its package, commercial and advertisement and what other events the brand should participate in. The maintenance of the brand must also be on a long-term point of view. It’s important to stick to the original concept but still be on the right time.

3.2.1 Brand Image and Identity

A brand image is a set of associations, usually organized in some meaningful way. The associations are organized into groups that have a meaning: kind of a cluster. Calvin Klein, for example, has its image based on the New York lifestyle, which can be applied on everything from fashion to fragrances and cafés. Another example is Virgin, which is being associated with youth and fun.

Just like the ideas of brand vision and purpose, the concept of brand identity is recent. The perception of its paramount importance has slowly gained worldwide recognition.

Brand identity should consist of the answers of the following questions:

- What is the brand’s particular vision and aim?
- What makes it different?
- What need is the brand fulfilling?
- What is its permanent nature?
- What is its value/s?
- What is its field of competence? Of legitimacy?
- What are the signs, which make the brand recognisable?
In traditional marketing, the brand is defined by its positioning. It aims to be the brand that offers the greatest promise to a certain type of person (the target group) in relation to certain competitors.\footnote{J.N Kapferer & V Bastien.2009.p.121}

Identity is not something that can be bolted on. It is nurtured from the brand’s roots, its heritage, everything that gives it its unique authority and legitimacy in a specific territory of values and benefits.

![Brand Identity Prism](image)

**Figure 2**

*Figure 2: The summit of the identity prism is that it shows what the physical and personality traits are, which defines the constructed source or at least the representation thereof.*\footnote{J.N Kapferer & V Bastien.2009.p.122}

The identity of the brand thus contributes to building the identity of its clients themselves. Kapferer’s identity prism (fig.2) breaks down the symbolic dimension of brands into their essential facets, while linking them together.

### 3.2.2 Build coherence

There is no brand: there are only expressions of the brand. The clients do not know the identity prisms; they simply live the brand products and experiences what they offer them. Clients therefore go from the experience to the essence. This is why a brand perception is only built up through coherence. In order to grow, it is necessary to innovate, to surprise, not to repeat yourself endlessly even while remaining faithful to your identity.\footnote{J.N Kapferer & V Bastien.2009.p.126}

### 3.2.3 Brand Positioning

Positioning is closely related to the association and image concepts except that it implies a frame of reference point, usually being competition. A brand position does reflect how people perceive a brand. Positioning or a positioning strategy can also be used to reflect how a firm is trying to be perceived.\footnote{D.A Aaker.1991.p.110}
3.2.4 Storytelling

Through storytelling about the creation of a brand, the company can create a relationship and a feeling of fellowship, with the customers. A good story also enables a better internal environment and the co-workers can feel proud to be part of the success.\textsuperscript{52} When it comes to luxury brands, they often have a very powerful history. Many luxury brands bear the name of its founder and contributes in some way to that person’s survival after death (Coco Chanel and Hilton Hotels, for example). You can provide it with a more or less mythical ancestor, whose history is then myths and heroes of a society. Unlike ordinary brands, you cannot launch a luxury brand. It is built progressively, weaving together its reputation and its network of enlightened supporters over time. The creator therefore precedes the brand. A luxury brand has ancestors, a history, and cultural and geographical roots. It is anchored, not invented.\textsuperscript{53} Even though the storytelling might be of a certain importance for luxury brands, it is however just as important for mass-market brands in order to create a feeling, understanding and bound between the company, the brand and the customers.

\textsuperscript{52} A Hedén & J McAndrew. 2004.p.73-74
\textsuperscript{53} J.N Kapferer & V Bastien.2009.p.118
4 THEORETICAL FRAMEWORK: BRAND EXTENSIONS

In this chapter the nature of brand extensions and how to extend a brand is described. To choose whether a company should focus on one brand name for many different products or have different brands for each product category can be a tough choice. If you manage to focus and only have a single branded house this means greater marketing focus, stronger employer brand and optimum economies of brand, rather than blowing profits on acquiring upstart brands. It is however a greater difficulty and risk to only have one brand than to build up a portfolio since it is easier to adapt with new more appropriate brands when times are changing. It also allows the company to maintain a large share even if the market changes.54

4.1 WHAT IS A BRAND EXTENSION?
The aim with a brand extension is to create greater brand equity and a stronger brand image in the mind of the customer. By using the same name for different products the customer will connect the qualities from one product group to another.55 There are different ways to extend a brand. One definition of brand extension, mentioned in the introduction chapter, is; “A brand extension can represent an alternation of a product’s attribute or characteristics (linear extension), a move of a brand and its underlying associations either up- or downwards within the same product category but within a different price category (vertical extension), through a lateral movement to a new product category (horizontal extension) or through collaborations with an external brand (indirect extension).”56

Figure 3 illustrates a linear extension, which is an alternation of a product’s attribute or characteristics.

54 Internet source 5
56 H Uggla.2002.p.40
Figure 4 Vertical extension

Figure 4 illustrates a vertical extension, which is a move of a brand and its underlying associations either up- or downwards within the same product category but within a different price category.

![Image of vertical extension](image)

Figure 5 Horizontal Extension

Figure 5 illustrates a horizontal brand extension, which is a lateral movement to a new product category.

![Image of horizontal extension](image)

Figure 6 Indirect Extension

Figure 6 illustrates an indirect extension, which is made by collaborations with an external brand.

![Image of indirect extension](image)
4.1.1 Developing a viable brand strategy

Brand extensions are a natural strategy for the firm looking to grow by exploiting its assets. There are many variants in the brand relationship spectrum:

- An existing master brand with descriptive sub-brands (a branded house)
- An existing master brand with a sub-brand
- A new brand endorsed by an existing brand
- A new brand unrelated to an existing brand (also known as a house of brands) should be kept in mind when considering possible extensions.

An extension can be managed to reduce the brand risk, being distanced from the original context through a sub-brand or even an endorsed brand.

An extension that is a stretch may still be successful because of a compelling value proposition and superb execution. After such success, the brand will then have a new set of credibility boundaries.

Extensions that enhance the brand by reinforcing its brand identity will always be the goal. But operating a business in a dynamic market over time can be challenging and rigid rules of thumb are not realistic. To understand when brand risks may be acceptable, an in-depth analysis needs to be pursued in the context of a strategic vision, a topic on which the brand can concentrate from now on.

A wrong extension decision can be strategically damaging.

Since this study focuses on horizontal brand extension, where all the products are presented under the same brand name, other kinds of extensions will not be presented further.

4.1.2 Horizontal brand extension

In horizontal brand extension the brand stretches without changing its relative price level, parading its lifestyle into other areas of the client’s life. The model orbits around a centre, the brand’s spirit, often in the form of the eponymous, still living creator. All the extensions of the brand are differentiated expressions of the brand’s values, as expressed by the creator or the creator’s successor. The biggest risk with horizontal extensions is that the brand will be connected to everything and nothing. Some specialists even consider this as the first step to degeneration of a brand.

An example of a successful horizontal brand extension is Versace and their extension from the core of women’s clothing to accessories for men and women, porcelain and cosmetics. What made them so successful is their strategies to quality assure each extension by collaborations with well-established and proven companies within the new segment. These companies work as a guarantor for the new product and thereby also make them more trustworthy.

A brand, marked with a high level of quality, may be able to do a larger brand extension, compared to brands that lack this quality level. This is because of our underlying need of some kind of guarantee for a new product. A well-known quality brand provides these characteristics to their new products, even though these are sometimes found far beyond their ordinary field of expertise. The same circumstances apply to the companies where a strong and charismatic founder is still active. These

60 H Uggla.2002.p.48
61 H Uggla.2002.p.69
founders seem to be able to do more or less whatever they want since the brand is born with the same personality as the person.\textsuperscript{62}

Richard Branson and Virgin may be the most significant examples.\textsuperscript{63} Within the fashion- and textile industry, we find Polo Ralph Lauren, which successfully launched its furnishing line: Ralph Lauren Home in the early 80’s.\textsuperscript{64} Within the Ralph Lauren Company, we find a wide range of successful horizontal brand extension. Ralph Lauren is an example of a company where distinctive core values and a certain positioning can support a rather wide brand extension.

\textbf{4.2 HOW TO EXTEND}

One of the biggest risks with brand extensions is that the brand loses its focus.\textsuperscript{65} When considering a brand extension it is therefore important to know the long-term brand idea and the vision of the brand. Successive stretches are then comparable to steps that must be achieved within the company; what are the principle objectives (awareness, conquest, loyalty etc.).

After making a plan, the brand should research extensions based on its sources of legitimacy (trade, materials, history, culture, lifestyle) and resources.

The third step is coherence with the identity. This is why, prior to any brand stretch, a brand core analysis. In order to understand the deeper meaning of the brand, clarifying its identity prism and cultural facet. This identity core, which must be respected, is often buried or unknown.

The fourth step of the extension process is risk evaluation (a SWOT-analysis, for example)\textsuperscript{66}

There are two fundamental questions that have to be answered before proceeding with a potential brand stretching:

- Is the new category compatible with the essence of the brand?
- If the new category is compatible with the essence of the brand, the management team can impress the brand upon it. That is, can the company differentiate itself strongly and creatively in the manner of its brand?

The brand must breath its own spirit into the extension.\textsuperscript{67}

For commercial reasons there is often too much of a tendency to want to soften the edges of the brands, hoping thereby to reach more clients and increase sales. This is a mistake. A brand must remain a brand.\textsuperscript{68}

\textbf{4.2.1 Identify the first steps of an extension}

Developing a brand extension systematically involves four steps:

- Identifying brand associations:
  Associations will be more useful if they can provide a link to other categories and provide competitive leverage for extensions.\textsuperscript{69}

\begin{thebibliography}{99}
\bibitem{62} P Mihailovich.2009
\bibitem{63} P Mihailovich.1995
\bibitem{64} Internet source 6
\bibitem{65} D.A Aaker.2004.p.216
\bibitem{66} J.N Kapferer & V Bastien.2009.p146
\bibitem{67} J.N Kapferer & V Bastien.2009.p.146
\bibitem{68} J.N Kapferer & V Bastien.2009.p146
\bibitem{69} D.A Aaker.1991.p.228-230
\end{thebibliography}
- Identifying candidate product categories for which there would be a fit:
  Identifying the related product category’s opportunities for each of the brand’s major associations or sets of associations.  

- Evaluate the category as to its business attractiveness:
  The categories suggested by extension research need to be evaluated. Is the category attractive and will it remain so? Is it growing? Are margins healthy or deteriorating? What is the competitive landscape now and in the future? Are the existing competitors strong and committed or vulnerable and looking elsewhere for future growth? Will other players enter? Is there overcapacity? Are there pockets of unmet customer needs? Are there opportunities defined by segments that might fit the brand? Would a new entry become a platform for future business opportunities? Are there other strategic objectives of the extension besides entering a new product-market? A firm also needs to ask whether it has the necessary assets and competences to compete in that category. 

- Consider some product offering and positioning options:
  The firm will need to go to market with a particular offering and positioning strategy. Obtaining a product offering that can be used to extend a brand into a new category is one motivation for acquisitions. Customers are usually capable of directly appraising the fit and credibility of a brand option. They can even assess the brand’s ability to add value. If the customers can articulate a reason that the branded new product concept would be attractive, then the brand is adding value. If they are unable to provide a specific reason, it is unlikely that the brand name will add significant value.

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70 D.A Aaker.2004.p.198
72 D.A Aaker.2004.p.197
5 THEORETICAL FRAMEWORK: STRATEGIES FOR BRAND EXTENSION

Chapter five presents different strategies for brand extension and also answers some of the most important questions about brand extension.

5.1 DIFFERENT TYPES OF STRATEGIES

5.1.1 Branding Umbrella
When different types of products are sold under the same brand name this is called a brand umbrella. All products, under this common brand name, get attention even if only one of the products is in an advertising campaign since it creates a picture of the total brand value. To use the same name for many different products can be both positive and negative depending on how the customer experiences the different products. It is important that all the products that are sold under the same brand name have an equivalent profile to keep the brand cohesive and make sure that the brand does not lose its attraction power.\(^{75}\) A branding umbrella does not have to be filled with horizontally extended products. A brand can reach different customers with the same brand name, women and men for instance. A branding umbrella can also be used in a horizontal brand extension in order to reach into more areas of the customers’ life by offering many different products such as clothes, shoes, perfumes, home furnishing etc.

5.1.2 Licensing
Licensing is a rapidly growing phenomenon, demonstrating an awareness of two facts. Firstly, although brands are a form of capital, they still have to produce revenue, which is one of the main effects of licensing. Secondly, this type of partnership enables the brand to acquire abilities of distribution that it had previously lacked and thereby extend, even further. However, there is still an image problem with licences. This has led to a current trend among many brands where they announce that they are cutting a number of their licenses in order to strengthen the original brand and get rid of negative auras connected to licenses. Still, licensing has become a magnificent opportunity for improving business volume, brand capital and profitability.\(^{76}\)

By licensing the brand for a series of lucrative products, a brand can increase its turnover. Accessories, for example, bring profitability and modernity.\(^{77}\) It is the accessories, more democratically accessible, that exhibit the brand. The accessory, being smaller, less expensive, often part of series and therefore much less marked by the creator’s hand, must compensate for this by exhibiting often the only thing that remains to it, its brand picture, its logo.\(^{78}\)

Since licensees make the products, no internal resources are wasted and by restricting the launches to categories far removed from the brand’s core category, external damage to the brand can also be avoided.\(^{79}\)

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\(^{75}\) A Hedén & J McAndrew. 2005. p.72-73
\(^{76}\) J.N Kapferer. 2004. p.88
\(^{77}\) J.N Kapferer & V Bastien. 2009. p.140
\(^{78}\) J.N Kapferer & V Bastien. 2009. p.77
\(^{79}\) Internet source 7
Stretching creates a service risk, when licensees are manufacturers and distributors. This creates a level of requirement in terms of recognition that you cannot be sure will be adhered to. If the customers themselves are disappointed, this knocks the brand off its pedestal.  

The use of an established brand name can substantially reduce the initial investment and increase the success probability.  

5.1.3 Range brand platforms

A more strategic brand strategy should conceive of a range brand platform rather than just a brand extension. A range brand platform is created by a range brand (that is, a brand that spans product categories) whose identity includes a differentiation association that is applicable across categories.

The range brand platform perspective also differs from ad hoc extensions (more or less unconsidered extensions) in that the strategy involves a judgement about the composition of the ultimate product scope that will be drive by both a driver brand and an endorser brand. These specifications will evolve over time, but there should always be a target scope to guide decisions. A range brand platform is strategic focusing on groupings of product categories and has a long-term perspective. In contrast, the ad hoc extension decision is incremental, focusing on a single product category, and has a short-term orientation. 

The Calvin Klein range brand has associated fashion with New York personality. Its product line identities are distinct without being inconsistent. The fragrances emphasize sexuality and rebellion, whereas the suits and eyewear products are more conservative.

Strategically, the concept of a brand platform can provide coherence and structure to an organization’s strategy. To leverage strong brands, a brand platform strategy often results in a larger business base and a stronger brand as well. A brand platform provides the opportunity to be cost-efficient in brand building. A grouping of business is greater than the sum of its parts, because an investment in one will help the others.

5.2 IMPORTANT ASPECTS TO TAKE INTO CONSIDERATION WHEN CHOOSING A STRATEGY

5.2.1 How far can a horizontal brand stretching go?

Strong brand associations provide a point of differentiation and advantage for the extension. It is important to make a distinction between adding and diluting associations. If the original associations are strong, they are unlikely to be affected by an extension that simply adds other associations. The issue is not what products are associated with, but whether the brand is associated with a product arena. A tired brand might gain some much needed energy and visibility from an extension. This boost can be particularly welcomed when the brand is competing in a mature arena in which innovation is difficult.

Provided that the brand’s perceived competence can be transmitted to the new product category, the brand extension is legitimate. Certain brands are more at ease with their original know-how and competence than with their cultural universe. Through a desire for coherence and prudence, the first
extension is most often similar to the original concept and remains within the trade. The new product category is built up progressively and then slowly abstracts itself from the first product, which made it known. With a well-managed strategy in place, the brand territory may be enormously enlarged without damage to the brand.\footnote{J.N Kapferer & V Bastien.2009.p.120}

Armani and Ralph Lauren have both stretched into the café- and restaurants business with great success. Both founders are living human beings with a distinct approach that provides a stronger image to the brand. It is easier for them to stretch than for Louis Vuitton and Cartier for example, where the founders are no longer living.

In normal mass consumption goods, the brand territory is more restricted, linked to a category or single benefit expertise.\footnote{J.N Kapferer & V Bastien.2009.p.120} With a well defined and worked out strategy of a brand extension, there is a smaller risk of failure.\footnote{Internet source 7}

\subsection*{5.2.2 Will the extension enhance the brand?}

Just like a brand can enhance an extension,\footnote{D.A Aaker.2004.p.218} extensions can, and ideally should, enhance the core brand and provide visibility. Instead of the extension weakening the brand name and draining its good will, the extension should reinforce its image, providing a building function.\footnote{D.A Aaker.1991.p.215}

Sometimes a brand needs to change its image in order to remain relevant or to adapt to a new strategic direction. The image change or augmentation may be the most important objective.\footnote{D.A Aaker.2004.p.210-211}

\subsection*{5.2.3 The impact of existing- and new associations in a brand extension}

Being associated with multiple products can add visibility and reassure customers that the firm is capable of succeeding in different contexts.

By using an existing name, a product line gains a strong set of associations and a credible position within its market. A strong association can help in better communication task as well as for better positioning a brand.\footnote{D.A Aaker.1991.p.212}

An extension will usually create new brand associations, some of which can be potentially damaging to the brand in its original context.\footnote{D.A Aaker.2004.p.210-211}

The brand name is often the key asset of the firm. Firms should consider the possible damage it could cause by diluting the brand image, creating undesirable associations, failing to deliver on the brand promise or predicting some visible disaster. In fact, a failed extension is usually not nearly as problematic as one that succeeds (or atleast survives) and damages the brand name by creating undesirable attribute associations, reducing the brand’s perceived quality or altering existing associations. One of the most obvious examples of this is Pierre Cardin, which has stretched its universe of products so far that the customers no longer perceive the link or the distinctive power.\footnote{J.N Kapferer & V Bastien.2009.p.145}
The brand associations created by an extension can fuzz a sharp image that had been a key asset and at the same time reduce the brand’s credibility within its original setting.\textsuperscript{95} The danger is particularly acute when a brand’s key association is a product class and are synonymous with a certain product category\textsuperscript{96}, Kleenex, Google or Jacuzzi, for example.

A brand extension failure usually lacks visibility, which can be a saving grace since it does not always affect the original associations and image of the brand.

It is still important to take into consideration under what conditions an extension may potentially result in a negative association that transfers to the original brand context? This transfer should be less likely if;

- The original brand associations are very strong
- There is a distinct difference between the original brand context and the extensions.
- The difference between the original brand context and the extension is not so extreme that it appears incongruous.\textsuperscript{97}

Negative associations can sometimes be reduced or suppressed by adding a second brand name with the right connotations or by elaborating the concept.\textsuperscript{98} This is particularly common in a vertical brand extension. An example of this is Giorgio Armani’s brand pyramid presenting the whole spectra of different price- and target groups. At the very top, is the griff Armani Privé and at the bottom, the masstige brand AX.

It is important for a brand to differentiate its products in the market in order to stimulate purchase and loyalty. By creating abstract associations, such as the sure imagery, brand personality or self-expressive benefits, the product will be associated with more than just product functionality and performance.\textsuperscript{99}

\textbf{5.2.4 Awareness/presence}

The first step in gaining acceptance of a new product is developing awareness of the brand name and associating it with the product class. A recognized name can translate directly into a market advantage.\textsuperscript{100} To achieve relevance, the brand needs to gain awareness and be linked to the product class. Customers often assume that because a brand is familiar, it has achieved market acceptance at some level.\textsuperscript{101} A brand name attached to a new product reduces the risk for a prospective buyer. It means that the firm is established and is likely to be around to support the product and is unlikely to promote a flawed product.\textsuperscript{102}

It is particularly important for the brand extension to provide a benefit if the product class is well established. For example, a designer name does not always guarantee success because it does not add value to the product.

The use of a corporate name to endorse a weak brand will usually be of limited help. It may help reassure first-time purchasers but it also may have little ability to add credibility and perceived quality

\textsuperscript{95} D.A.Akker.2004.p.210-211
\textsuperscript{96} D.A Aaker.1991.p.223
\textsuperscript{97} D.A Aaker.2004.p.212
\textsuperscript{98} D.A Aaker.2004.p.218
\textsuperscript{100} D.A Aaker.1991.p.213
\textsuperscript{101} D.A Aaker.2004.p.203
\textsuperscript{102} D.A Aaker.1991.p.214
because of a fit problem with the product class or because its perceived quality is not exceptional. A brand attribute and an associated name may only appear to offer a benefit.

Creating awareness reduces the communication task to the more manageable one of associating the brand name to the new product class. Successful brand extensions spend less on advertising than comparable new-name entrees.

**Table 1 How brand awareness creates value and image dimensions (correlations between awareness and image)**

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good quality/price ratio</td>
<td>0.52</td>
</tr>
<tr>
<td>Trust</td>
<td>0.46</td>
</tr>
<tr>
<td>Reliable</td>
<td>0.44</td>
</tr>
<tr>
<td>Quality</td>
<td>0.43</td>
</tr>
<tr>
<td>Traditional</td>
<td>0.43</td>
</tr>
<tr>
<td>Best</td>
<td>0.40</td>
</tr>
<tr>
<td>Down to earth</td>
<td>0.37</td>
</tr>
<tr>
<td>Client oriented</td>
<td>0.37</td>
</tr>
<tr>
<td>Friendly</td>
<td>0.35</td>
</tr>
<tr>
<td>Accessible</td>
<td>0.32</td>
</tr>
<tr>
<td>Distinct</td>
<td>0.31</td>
</tr>
<tr>
<td>A leader</td>
<td>0.29</td>
</tr>
<tr>
<td>Popular</td>
<td>0.29</td>
</tr>
<tr>
<td>Fun</td>
<td>0.29</td>
</tr>
<tr>
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<tr>
<td>Energetic</td>
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<td>Performing</td>
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<tr>
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<td>0.08</td>
</tr>
<tr>
<td>Innovative</td>
<td>0.02</td>
</tr>
</tbody>
</table>

### 5.2.5 Perceived quality and trust

A brand is an intangible asset and in other words a hidden asset. It however represents a great value. Product development is, to a large extent, about creating a perceived quality for the customer. The perceived quality is partly the actual product quality and partly the intangible product- and brand qualities. It is important to make the immaterial qualities raise the value of the product in the customer’s mind and create added value. Added value is the difference between experienced quality between the branded product and a non-branded product and the added value gives positive associations to the brand.

A reputation of perceived quality is the basis of sustainable competitive advantage for many businesses. There should be a concern that an extension widely exposed but of inferior quality might damage this reservoir of good will.

In a study made by Aaker and Keller in 1990, an evaluation of eighteen proposed extensions of six brand names, showed that perceived quality was the predictor. The impact of perceived quality is very consistent. There is little point in extending mediocrity.

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106 J.N Kapferer.2004.p.21
Some companies take benefit of the fact that adding a brand name with strong associations to quality provides the same image to the new product within the same product category. There is no assurance though that a company specialized within a certain field, watches for example, will be able to add the quality value in a new product market such as ice-cream since this is beyond their perceived competence arena.\textsuperscript{110}

A related organizational intangible asset is trust, where the organization can be trusted to deliver whatever is promised. It reduces buyer risk and means that the firm that is established is unlikely to promote a flawed product and is likely to be around to support it in the future.

Some corporate names such as HP, Kraft, GE or Ford are into so many products that they lack strong specific associations. Their value is then primarily to provide a sense of perceived quality and a related feeling that the product will be around for some time.\textsuperscript{111}

Even when a brand is generally well regarded there will be some customers having bad experiences with it or for some other reason have the impression that it is of low quality. Thus, the use of an extension will limit the market to those who are not unfavourably disposed to the brand.\textsuperscript{112} In the long run, the more exposure that the brand receives via extensions, the larger will be the group of people who will have a bad experience or a negative attitude towards the brand in some setting.\textsuperscript{113}

5.2.6 Fit/Credibility of the brand and the extension

Several studies have shown that the success of the extension will depend on the fit and credibility of the brand with the product context of the extension. The fit relates to whether the customer is comfortable with the brand in the new context, while the credibility relates to the brand’s perceived ability to deliver in the space.\textsuperscript{114} It is therefore important to assure that the extension will fit the brand.

If the fit is poor, desired associations will not transfer but will distract or even precipitate ridicule.\textsuperscript{115} A low fit or credibility rating is not necessarily fatal though. Some products with an apparent problem may actually work if positioned in such a way as to accentuate a link between the brand and the product class.\textsuperscript{116}

One of the basis of fit can be links between the two product categories. Aaker and Keller found that two types of relationships between product classes were related to the acceptance of extension concepts:

- Transferability of skills and assets
- Complementarity\textsuperscript{117}

Fit can also be based on functional attributes related to brand performance or to intangible attributes such as prestige or status. For example, the Rolex name was significantly more associated to the prestige product than was the Timex name, but the reverse was true for the functionally-oriented

\textsuperscript{110} D.A Aaker.2004.p.204
\textsuperscript{111} D.A Aaker.2004.p.204
\textsuperscript{112} D.A Aaker.1991.p.221
\textsuperscript{113} D.A Aaker.1991.p.224
\textsuperscript{114} D.A Aaker.2004.p.206
\textsuperscript{115} D.A Aaker.1991.p.219
\textsuperscript{116} D.A Aaker.2004.p.207
\textsuperscript{117} D.A Aaker.1991.p219
products. When prestige is the basis of fit, a brand can stretch further than when a functional attribute is the basis.\textsuperscript{118}

There are evidences that a very strong brand can withstand a weak extension without being damaged. A brand with a strong perceived quality rating can be surprisingly unaffected by failed extensions.\textsuperscript{119}

The luxury market is a perfect example of this. It is made up of brands that have, grown by moving out of their original sphere.\textsuperscript{120} Each brand is characterized by a certain know-how; a territory of competence, which defines a zone of legitimacy for its stretching and limits them to variants that seem to derive from the same know-how. Brand stretching in luxury has a particularity that it does not seem to have these limits. The luxury brand is a transmitter of taste and distinction moved by a creative passion and standards higher than the usual, exercised with a total control over manufacturing and distribution.\textsuperscript{121}

You cannot change your brand heritage in order to fit your current extension. Brand heritage has its roots in its birth and it tells the story of what the brand originally did. Mark Ritson, Associate Professor of Marketing, says in 2011, that if you look back on most of the great product failures of the past you will find managers with both a misplaced over-confidence in their offer and an ill-conceived disregard for their rivals. He means that enthusiasm and confidence are the enemies of brand success.\textsuperscript{122}

\textsuperscript{118} D.A Aaker.1991.p.220
\textsuperscript{119} D.A Aaker.1991.p.225
\textsuperscript{120} J.N Kapferer & V Bastien.2009.p.137
\textsuperscript{121} J.N Kapferer & V Bastien.2009.p.138-139
\textsuperscript{122} Internet source 8
6 HYPOTHESIS

Based on the theories, presented in the previous chapters, a hypothesis regarding brand extensions is formed in this chapter. The strive has been to identify the most important key asset regarding brand extensions in order to identify what has to be taken into consideration before launching a new successful brand extension. The common errors and risks, connected with brand extensions, have also been identified; in order to see what effect they might have in reality.

6.1 IMPORTANT KEY ASSETS FOR A SUCCESSFUL BRAND EXTENSION

6.1.1 The Big plan: brand identity and brand vision

In the theory we found that one of the most important key assets that determine whether the brand will succeed or not, is the importance of a well worked-on plan for the brand: a plan that is in line with the brand identity and the brand vision.

Brand extensions used to be managed too much on an ad hoc basis. Even if these cases still exist, it seems that brand extension and brand management nowadays entail a long-term vision of the brand itself. There should be a clear statement of where the management wants to lead the brand. A brand cannot just stretch in all directions and therefore needs a well-defined strategy to guide it.123

6.1.2 The extension – Does it fit with the current brand identity, vision and customers’ associations?

A brand is a kind of business development tool. It is therefore logical that an organisation should seek to exploit the brand capital by putting it to productive use in new growth categories. However, it is important to assure that the investment ensures a win-win outcome. Good sales alone are not enough. The benefits to be derived by the brand from the extension must be clearly specified. All this has to be done with a certain level of carefulness in order to avoid risk of dilution, as can happen when the values associated with the extension category contradicts those of the brand.124

In order to succeed with a brand extension, it is important that the extension will fit the brand, its core values and vision. There also has to be a fit in the customers’ mind. They have to see the logical link between the existing product categories and the new one.125

It is important to remember that a brand extension is an answer to certain market demand and may not have equal success on another foreign market. The role of consumer research is to assess the level of risk. However, it is important not to forget that research is not management. Customers’ reactions to brand extensions are often reflections of the past and are often short-term oriented. This is important to take into account since a well-defined brand management strategy is a long-term vision. It is therefore important to ask yourself what do you want the brand to look like in the future.126

6.1.3 Does the extension live up to the brand promise?

An extension is not simply a new product or service; it entails a full new marketing mix, which requires that the organisation at a certain point have to think more of the customer than of the brand itself.127 Since customers tends to look in the rear-view mirror, when evaluating a new brand

extension, it is extremely important for the company to be well aware of how their customers are and what preferences and values they have. They are the ones to decide whether the extension will be accepted or not.

6.1.4 Old and new associations
When considering an extension, it is important to be aware of the existing associations of the brand, which it will transfer to the new product category. It is also important to be aware of the existing associations connected with this new product category and what they may do to the brand and to the extension. Will it enhance or damage the original associations?

6.1.5 Perceived quality and trust
When considering a brand extension it is important to be aware of the fact that an extension widely exposed but of inferior quality might damage the original perceived quality and trust of the brand.

6.1.6 SWOT analysis / risk evaluation
A common reason for failed brand extensions is overestimation of the value of the brand assets in the extension category.

A second aspect is of existing competitors. In order to beat the competitors and win the customers’ trust, the extension has to provide a strong perceived difference or a pioneering effect.\(^{128}\)

A third aspect, and one of the key questions in evaluating a brand extension, is the intrinsic value of the new category both in present as well as in the future. An extension is not an overnight affair; it only marks the beginning of a desire to invest in a new market. It is therefore important to do a realistic analysis of existing strengths, weaknesses, threats and opportunities.

The fact that a brand can be extended does not necessarily mean that it should be. It is important that the extension will work even in the future and deliver a sustainable advantage.\(^{129}\)

6.2 A FEW CLASSIC IMPLEMENTATION ERRORS
Even though a company may think that they are well prepared for a new launch of a brand extension, there are a few classic implementation errors that occur when the steps listed above are not followed. The main problems and risks of brand extensions are that decisions regarding the extensions are often made at time of uncertainty. All managers know that the most difficult question in the brand extension process is how far can one stretch the brand?\(^{130}\)

6.2.1 A restricted vision of the brand
Many companies have a very restricted vision of their brands and take them to be nothing more than just a name. Thus, the brand extension programme is limited to a few variations of the main product.\(^{131}\)

6.2.2 Opportunism and identity incoherence
A brand extension that is right for one brand may not be right for another since the two identities of the brands are based on different images and symbols.

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\(^{129}\) J.N Kapferer.2004.p.283  
\(^{130}\) J.N Kapferer.2004.p.284  
6.2.3 The case of licenses and accessories
Many big and famous brands expand into mundane categories through licensing agreements. As mentioned before, a brand is additive – it is the sum total of its own attributes. The risk of mundane products is that they in the future may be considered as an attribute of the original brand and thereby also affect the original core values and associations in a negative way.132

6.2.4 Underestimating the risks for the brand
All extensions include different types of risks and some cannot be excluded. There is always a worst-case scenario, which companies should be aware of and as far as possible, try to avoid.133

6.2.5 Not anticipating negative evocations
Without a proper market analysis, preceding a potential brand extension, it is not unusual for a brand and its management team, not anticipating negative evocations. On a psychological level, brand extension assumes three things:

- First, that the positive associations linked with the brand will be transferred to the new product.
- Second, that negative associations will not be transferred.
- Third, that a positive trait of the brand will not become negative when associated with the new product.

The purpose of a market research is to verify these scenarios. The role of communication is to ensure that the second and the third of them continue to hold true.134

6.2.6 The temptation to under-invest
Since the extended brand is already known, many companies tend to under-invest on communication as compared to the launch of a new brand.135 Even if a brand extension often can be less expensive than launching a new brand, many companies often forget that it still requires a certain amount of resources for the extensions to launch successfully. Many companies do not want to risk their core product and its sale and can therefore also have difficulties in communicating the benefits of the new product successfully.136

# 7 EMPIRICAL BASIS

Interviews with two representatives from two Swedish sport brands, Peak Performance and Craft of Scandinavia, were made to get an empirical base to test the hypothesis. The focus of the interviews was on how the brand organisations work with extensions and to get the representatives view on brand extensions.

In the chart below it is described how the search for empirical confirmation for the different key assets and implementation errors in the hypothesis, has been made. The questions have been a part of a longer interview with the representatives from the sport brands and are merely the starting point for the discussions. Follow-up questions have been made as the interview took place.

<table>
<thead>
<tr>
<th><strong>Asset</strong></th>
<th><strong>Interview question (Q) / Research method</strong></th>
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| Clear plan and vision of the brand | Internet search  
*Q:* How does the company work with horizontal brand extensions? |
| Clear fit in customers mind | Internet search  
*Q:* How was the company’s vision affected by the decision to extend into a new area? |
| Live up to brand promise | Internet search  
*Q:* Why was the new product category chosen? |
| Account for old and new associations | Internet search  
*Q:* How was the company’s vision affected by the decision to extend into a new area?  
*Q:* Why did the company choose to extend rather than focus on existing areas? |
| Estimate perceived quality and trust | Internet search  
*Q:* Why was the new product category chosen?  
*Q:* How was the company’s vision affected by the decision to extend into a new area? |
| Risk Evaluation | Internet search  
*Q:* Why was the new product category chosen?  
*Q:* Why did the company choose to extend rather than focusing on existing areas? |

**Implementation Errors:**

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<th><strong>Implementation Errors:</strong></th>
<th><strong>Interview question (Q) / Research method</strong></th>
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</table>
| Restricted Vision of the brand | Internet search  
*Q:* What do you believe are the biggest risks connected with horizontal brand extensions? |
| Opportunism | Internet search  
*Q:* Are there any product categories that no longer exist? Why where they eliminated?  
*Q:* What do you believe are the biggest risks |
<table>
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<tr>
<th>The risk of over-licensing</th>
<th>Internet search</th>
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<td>Q: Are there any product categories that no longer exist? Why where they eliminated?</td>
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<td>Q: What do you believe are the biggest risks connected with horizontal brand extensions?</td>
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<tr>
<td>Q: Are there any product categories that no longer exist? Why where they eliminated?</td>
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<td>Q: How do you believe that the former product category affected the original image of the brand?</td>
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<td>Q: What do you believe are the biggest risks connected with horizontal brand extensions?</td>
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<th>The temptation to under-invest</th>
<th>Internet search</th>
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<tr>
<td>Q. Are there any product categories that no longer exist? Why where they eliminated?</td>
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7.1 PEAK PERFORMANCE

7.1.1 History
Peak Performance is a Swedish sportswear company, founded in 1986 by a group of friends in Åre. Two of them, Stefan Engström and Peter Blom, were among that time’s strongest profiles in Swedish downhill skiing. The same year, they presented the company’s first collection that mainly consisted of skiwear and classic basic clothing.

Ten year down the line, Peak Performance was ranked among Sweden’s fastest growing companies and they were also introduced on the Stockholm Stock Exchange. In 1998, they got incorporated into the Danish fashion wear group Carli Gry International A/S (later IC Company Group).

In the beginning of the new millennium, Peak Performance continued its international expansion, mainly in Europe and North America.

During the company’s 25 years of history, Peak Performance has grown from a small local sportswear supplier, into a big multinational company with over 300 employees, 80 stores and distribution in over 20 countries.137

7.1.2 Philosophy / The big plan
“Whatever we take on, Peak Performance will always be a Mountain Resort Brand. We live and breathe our brand name, and with more passion than ever before. And our products and everything we do continues to adhere to the simple philosophy envisaged by our founder way back when everything began.”138

The vision of Peak Performance is “to create a world-class global brand name, founded on the spirit of our passion and our values.” Their mission is “to develop, manufacture and sell products that are world class in terms of quality, function and design under the Peak Performance brand name, based on and guided by our values and our vision.”139

With its premium products, Peak Performance is today considered as one of Scandinavia’s biggest clothing labels in the functional sportswear sector. The philosophy that has come to inform the whole company ever since the first day is “to do things and making products the way we want them to be.”140

The founders state that the values and personality of the company have remained the same during the years. The Peak Performance brand is based on the company’s values, which forms the basis for all activities within the company. Every single activity, whether on a grand scale or as part of the day to day work, must be able to live up to the following values;

• For real
• Long lasting
• We believe in- and trust people
• Team Peak Performance
• Building the future
• Renewal141

137 Internet source 9
138 Internet source 9
139 Internet source 10
140 Internet source 10
141 Internet source 9
The fact that the values have been permanent from the first day, gives the company a competitive advantage in comparison to its competitors. Peak Performance has a different way of working with its products. They use them as a starting point then create the marketing around these products. The common practice is normally to work in the opposite way.\textsuperscript{142}

7.1.3 Brand identity and brand image
The name, Peak Performance, was chosen to symbolize the quality and function of the garments. The company does not address themselves to a certain age group. Instead they connect active people who are attracted by the distinctive values of the company.

Peak Performance is a lifestyle brand, meaning that the company should offer everything to its customers so that they never have to leave the brand.

7.1.4 Brand strategy
Peak Performance is working with their products in a hierarchy model:

\textit{Figure 7}

\textit{Figure 7 illustrate Peak Performance’s product assortment hierarchy}

The main theme for the line \textit{Active} is products that should be used for an outdoor activity, which requires certain functions, adapted to the practitioner and the actual environment. There is always a high focus on quality and the challenge for the product development team is to find the balance between the function and the aesthetical expression. Since the products address themselves to a wide range of skiers for example, Peak Performance has chosen not to work with a synchronised expression. Instead they are working with the ambition and aim to surprise their customers by adding \textit{that little extra}.

\textsuperscript{142} L Johansson, 2008, p.43
In many cases, the prevailing motto regarding the esthetical expression is some kind of minimalism but with details that surprise. In other cases, the product development team is working with a certain image/look for a product line with a shorter lifecycle. In these cases, the entire product line is pervaded by that certain look or image. An example of this is the new ski line Progressive.

7.1.5 Brand extensions within Peak Performance

The original products of Peak Performance were their skiwear and basic clothing launched in 1986. The characteristics of them were high quality and a design that expressed function in a new and innovative way. In 1989, the original collection was expanded to also include sportswear for spring and summer, which made the company a year-round supplier. Later that year, their Jeanswear line came to draw even more attention to the company since it now became more than just a sports brand.

During the following years, new lines were launched in order to create something beyond a classical sportswear brand. These different lines are what we today know as Active Wear and Casual Wear. Both lines offer men-, women- and children products. The Active Wear line is also divided into several sub-lines such as ski- and technical sports, which includes cloths for hiking, biking, paddling, running and climbing. Peak Performance wishes to bring different connections to different collections in the mind of the customer. Their active wear collection should first and outmost be connected with function and their casual collection with mount metropolitan. With mount metropolitan, they strive after the feeling of when to mountain meets the city: a collection to use in town but which is still characterized by the activities around the mountain.

Even though Peak Performance mainly work with linear extensions, their premium line, Black Light, launched in 2005, could be considered as a vertical extension.

Black Light is an individual line within Active Wear and consists of top-products when it comes to material and function. Since the quality is much more advanced, this could logically enable a higher price range for the products. Despite of this, the Black Light products are not more expensive than the rest of the assortment. Whether this is a risk or an advantage for the company is hard to say. A price that is too low in combination with a certain performance could make the customers doubt on the actual quality.

In contrast to all the other lines, Black Light is marketed with both its own name and the Peak Performance brand name. The company has not yet seen that their customers would apprehend this as a brand of its own. All the different lines are connected to each other by the common brand name and the company take advantage of the high value of the original Peak Performance skiwear products.

Golf is another line that has been added to the Peak Performance assortment. It started out as a part of the active wear line but has during the years, grown more and more independent. Golf is a lifestyle, which correspond well to the values and image of Peak Performance. Another activity that the company thought corresponded well to the brand was sailing. Therefore they produced sailing cloths in connection with the Withbread Around The World Race during the 90's.

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143 F Lundberg.2011
144 Internet source 11
146 Internet source 11
147 L Johansson.2008.p.44
7.1.6 Brand extension strategy

When Peak Performance is planning a new brand extension today, this is preceded by an internal process where all departments within the company are involved, in order to get a wide input and basis for future decisions. During the first session, the participants discuss both present as well as the future. The design manager for the Active division, Fredrik Lundberg, leads these sessions. Its aim is to get everyone a feeling for the new, potential products. After this first discussion, the management team gathers for evaluation and discussion before a final investment proposal is made and presented to all the participants in the forum. The third step is to take these proposals down to each line (Active and Casual) where the responsible for this product line, in collaboration with the designers, create a detailed assortment plan. When this is finished, the real product development process takes place.

The decision supports for new concepts and products are:

- That the team likes it and feels for it
- That it fits the brand
- That the team consider that this new launch can contribute with something special to the market
- Analysis based on customer surveys
- Tendencies through the different distribution nets, where the company consider themselves to have a great strength since they own their own shops and thereby have a direct contact with the customer.
- The wide range of consensus within the company

If Peak Performance does not have the required knowledge to produce the product by themselves, they do this through licensing. Sunglasses are an example of this.

Even though Peak Performance today is active within several different fields of sportswear, it is still strongly connected to the original skiwear products. They have managed to create such a strong brand within the sport- and nature clothing sector that they could probably extend even further within this genre. What is important though is to take all these actions into serious consideration in order to make the customers accept the extension.

7.1.7 Less successful brand extensions

A not so successful brand extension for Peak Performance was their attempt to produce costumes and sailing shoes for men. This turned out to be difficult product groups, which required the right competence and a long product development process. *Anders Rydgren*, sales analyst at Peak Performance says that the background to this critical extension was more of an entrepreneurial attempt in order to create rather than a strategically brand extension. During some year, Peak Performance also sold perfumes and body lotions, which they thought were a good complement to their collections. These were however discontinued later since they missed focus. They were sold without any controlled distribution, strategy or structure, which in the long run could be dangerous to the original brand.

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149 F Lundberg.2011
150 L Johansson.2008.p.45
151 L Johansson.2008.p.50
152 L Johansson.2008.p.45
7.1.8 Ambassadors and sponsoring

Today, Peak Performance is working together with a group of people they call friends or ambassadors. They are professional athletes active within the fields the company is working on. These friends, represents the brand and its values.153

Even though Peak Performance is a part of IC Company Group, they have always continued to work with their own clear image. In 1994, Peak Performance started to produce advanced sailing apparel for the crew of the Intrum, a boat in the Whitbread Round The World Race. Another example of this is their clothing sponsorship of the two EF boats in the Whitbread Round The World Race. Other important sponsoring projects that gave the brand important media exposure was the role as official clothing sponsor of the Alpine World Championships in Vail and the Mountain Bike World Cup in Åre, in 1999.

7.2 CRAFT OF SCANDINAVIA

7.2.1 History

Craft is a performance brand founded in Borås, Sweden, in 1973. The company started as developers of functional underwear in synthetic material, created to give athletes as good prerequisites as possible while working out. The garments where quickly seen on some of the greatest athletes in Swedish winter sports, such as Ingemar Stenmark and Gunde Svan.154

For almost forty years, the company has continued to expand and today it is present in 35 countries worldwide and has an annual turnover at approximately SEK 900 million.155

7.2.2. Philosophy / The big plan

Craft is the obvious choice for genuine sports lovers at all levels from elite athletes to casual exercisers, active in running, cross-country skiing, cycling and Alpine skiing. The products aim to be the market’s most innovative, which is guaranteed through close R&D collaboration with some of the world’s best athletes.156

Craft has four core values, which the whole company philosophy relies on:

- Athletic
- Performance
- Swedish
- Authentic

These values should be reflected in everything the company does.157

7.2.3 Brand identity and brand image

Craft is a performance brand, not a lifestyle brand. It is important for the brand image that the products are primarily chosen for their function and performance rather than their esthetical look. Design should never be prioritized on the behalf of the function.158

153 L Johansson.2008.p.44
154 Internet source 12
155 Internet source 12
156 Internet source 13
157 M Månsson. 2011
7.2.4 Brand Strategy

Today, Craft has divided their product assortment into three different layers. Under each layer there are subcategories that are suitable for a number of sports.\textsuperscript{159}

![Figure 8](image)

*Figure 8 illustrates Craft’s product assortment hierarchy.*

7.2.5 Brand extensions within Craft

The first extension was made in the 1980’s when socks with a felt sole that eliminated moisture problems in shoes were released. These socks was developed in such a way that it kept the same level of quality and function year after year, thus made the consumers’ need limited. At the same time, Craft started to produce outerwear, such as jackets.\textsuperscript{160}

When Torsten Jansson took over the company in 1996, the brand had extended into many different product categories. Craft then sold lifejackets, raincoats, sailing jackets and shoes among other things. In connection with the takeover, the organization was restructured and many of the categories where slowly phased out. The reason for why Craft chose to phase out the product categories slowly and not simply cut them off from one season to the next, were that the products sold quite well and made up a large part of the annual turnover.\textsuperscript{161} When the new managing director was appointed, the brand started to reconstruct itself.\textsuperscript{162} Craft went back to its core product, the functional underwear, and from that point, the brand extended to product categories more closely linked to the core values of the brand; athletic, performance, Swedish and authentic.\textsuperscript{163} Three areas of sports were selected to represent the brand: cross-country skiing, running and biking. The three things these sports had in common were condition, endurance and high requirements on the clothes worn when executing the sport. Based on the same values, a fourth sport, alpine skiing was added as a category in 2008/2009.\textsuperscript{164}

\textsuperscript{158} M Månsson. 2011  
\textsuperscript{159} Internet source 12  
\textsuperscript{160} Internet source 1  
\textsuperscript{161} M Månsson. 2011  
\textsuperscript{162} Internet source 12  
\textsuperscript{163} M Månsson 2011  
\textsuperscript{164} Internet source 12
7.2.6 Brand Extension Strategy

At present, Craft is mainly looking to extend the brand within the different sport-specific areas they are already active in. Månsson estimates that approximately five out of the thirty-five geographic markets, that Craft are active in today, would have strong enough associations to the brand to embrace an extension into a new sport area. This motivates his view on why the extensions should be focusing on the existing sports. Månsson believes that Craft could extend into many different product categories within the sport-specific areas and in time be able to offer the customers all the products necessary to execute their sports.

All brand extensions should be made in line with the four core values: Athletic, Performance, Swedish and Authentic. A part of the business idea has recently been altered, changing the definition of the brand from a “performance clothing brand” to a “performance brand”. With this alteration the brand has immediately broadened its opportunities for further extensions considerably.

In practice, new possible brand extensions are written as part of the five-year-business plan that Craft annually updates and works with. The management team is responsible for the business plan and discusses all topics concerning Craft’s future and development. Månsson says that he wants to have a broad variety in the management team in order to get a broader spectra and different point of views. The management team today consists of the CEO, the Brand Manager, the Design Manager, the International Sales Manager and the Supply Chain Manager. When discussing a new extension they do not find it that important to have statistic data on customer behavior or similar and go more on their gut feeling and own experience.

When a revision of the business plan has been made, the CEO goes to the board for approval of the new business plan. If the board approves the suggestion of the extension, then all the work around the extension starts. Månsson says that he believes that it is extremely important to set aside resources and have people with the right competence for a new extension and not assume that the extension will succeed without extra effort.

Månsson says that he sees three different types of company cultures, which shows very clearly what the company’s main focus is. First there are sales-focused companies, where maximizing the annual turnover is the main focus. Then there are the product-focused companies, like Craft, that focuses on the function and product development of the products. Lastly, there are the brand-focused companies, which focuses on adding extra values to the brand via strong marketing etc. How the brands extend themselves differ depending on the company culture.

7.2.7 Less successful brand extensions

The extension to the alpine category has taken longer time to break through than Craft had hoped for when they added the sport to their core by the end of 2008. The reason to why it has not gone as smoothly as hoped is not clear, since it goes well with both the core values and also the three criteria for the selected sports: endurance, condition and high requirements on the clothes worn when executing the sport. During the interview with Månsson one potential reason came up; that even though alpine skiing is a performance sport it is also linked to a certain lifestyle. There might tend to be bigger trends in alpine skiing as well as higher competition since alpine clothing is made by both lifestyle and performance brands.

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165 M Månsson. 2011
166 M Månsson. 2011
167 M Månsson. 2011
The many extensions made before Torsten Jansson’s takeover in the nineties’ led to a wide assortment of products that sold well but had no clear connection to each other or to the core idea of Craft and the functional underwear. Even though the products where a large part of the annual turnover the company chose to phase out the categories that were not clearly connected to the functional underwear and start over to create a more focused brand.

7.2.8 Ambassadors and Sponsoring
Craft is today the sixth largest clothing brand when it comes to sport sponsoring in Sweden. They have a large number of ambassadors in different areas of sport. Magnus Månsson, CEO at Craft, says that by sponsoring a wide range of sports and actively choosing sports that are smaller, they can increase their market share and at the same time get a strong and unique connection with these sports. Craft chose, for instance, to sponsor Ski Jumping in Poland, which is not a typical sport for the brand, but gave great brand marketing because the event was broadcasted on national television and watched by many Poles. Craft is also sponsoring events and competitions such as Craft Bike Trans Germany, the Swedish cross-country skiing competition Vasaloppet and FIS Nordic World Ski Championship in Holmenkollen 2011. The variety of sports and events that Craft sponsors also enables brand extension for them. It slowly wins acceptance into more and more areas in the sports world. By doing this, Craft also wishes to create associations in the customers’ minds for potential extensions in the future.

7.3 GENERAL OBSERVATIONS
Through discussions and general observations during this study, we have identified what we believe are some of the most important key assets to a successful brand extension as well as the most common implementations errors. In both theory and reality, we found several examples of companies and brands to strengthen these hypotheses. What have not been sufficient discussed in the interviews above, are however first of all the tendencies of companies and brands being far to opportunistic when it gets to brand extensions. Blinded by all the opportunities, companies choose to close their eyes for the risks. An example of this Pierre Cardin, who in his eager to create a visible brand, totally lost control if it. Even though the extensions generated positive turnovers, they slowly diluted the brand. Connected with this, is also the risk of over-licensing. This is especially notable within the luxury industry where many brands have departed from luxury altogether, launching themselves into the licensing system, which then places products that are not luxury on the market, Marc Jacobs and Dior are just two examples of this. Accessories, cosmetics and perfumes bring profitability and modernity. It is the accessories, more democratically accessible, that exhibit the brand. It is however important to understand the long-term effects and risks connected with the loss of control of how the brand is being used and exploited.

168 M Månsson. 2011
169 Internet source 14
170 M Månsson. 2011
171 Internet source 15
172 Internet source 12
173 Internet source 16
174 M Månsson. 2011
176 J.N Kapferer & V.Bastien.2009.p.139
178 J.N Kapferer & V.Bastien.2009.p.77
8 ANALYSIS

8.1 THE IMPORTANT KEY ASSETS FOR A SUCCESSFUL BRAND EXTENSION

The big plan; identity and brand vision

The first point in the hypothesis, based on Kapferer’s theory for succeeding with a brand extension, is to plan the future of the company and set clear goals for the brand identity, future development and strategic moves.179 Craft has a five-year business plan that they update annually with visions, objectives and planned actions.180 By managing the brand with a longer perspective the company should be able to send out a clearer message and create stronger brand associations, thus enabling more extensions. Previously, brands tended to be managed more on an ad hoc basis and companies have now, for some years been more aware of what an asset their brand is and therefore started to manage it in a long-term perspective.181

Both Peak Performance and Craft have shown in the interviews that they believe that it is very important to stay true to your original brand identity when extending into new product categories. Peak Performance has been working on the basis of the original values and vision through the years and thereby offers a consistent impression of the brand. They address themselves as a lifestyle brand and can therefore provide everything their customers need, in order to never make them leave the brand. Their successful extensions correspond well to their vision: “to create a world-class global brand name, founded on the spirit of our passion and our values.”182

Craft on the other hand, recognizes themself as a performance brand and their brand extension plans starts from that point. By having the four company values athletic, authentic, Swedish and performance as a base of recognition, it is easy to check if the new extension corresponds with the current brand vision or not. Craft’s extensions are a part of their business plan, which is annually updated. Both the management team and the board members are part of the process, which should imply that they realize the importance of how a brand extension affects the core brand.183 How the brands are working with brand extensions, goes in hand with how Kapferer and Bastien describes that a brand extension should be made; the brands have well-formed long-term brand ideas, the extensions are valued by different members of management team and board, risks are evaluated and the extensions are made aiming to strengthen the brand, not softening the edges.184

Will the extension fit with current brand identity, vision and customer associations?

Both the companies are trying to increase sales without risking brand equity as suggested by Kapferer.185 For both Peak Performance and Craft, when considering a new extension, it is important that they live up to their company’s values, in order to stay in line with the promise they indirectly give their customers through the existing products. From both customers’ point of view as well as the companies’, this is an important aspect to take into consideration, in order to create a logical link from

180 M Månsson.2011
182 Internet 10
183 M Månsson.2011
the original values and products, into new categories.\textsuperscript{186} With so many different members of the management teams involved in the process of brand extensions, it is assumed that each extension is thoroughly questioned and evaluated before accepting the extension and continuing the process. Moreover, Peak Performance makes customer surveys before launching a new extension to see if the customers will approve of the extension.\textsuperscript{187}

In the case of Craft, at the time for Torsten Jansson’s takeover, they decided to terminate many of the product categories to make the fit clearer both for the company but especially for the customers.\textsuperscript{188}

Magnus Månsson, CEO of Craft, said in the interview that each geographical market is in a different stage and will accept an extension differently. Extensions could be successfully introduced in some markets while it might be wise to wait with the introduction of some extensions in other markets until the associations are stronger.\textsuperscript{189} This is in line with what previously have been found in the theory.\textsuperscript{190}

The two brands have a very clear image of what they stand for and hope to deliver these associations to their customers as well. Both the brands sponsor different athletes that they feel represents them in a good way.\textsuperscript{191} These athletes act as ambassadors for the brands and impersonates them, creating hopefully positive associations and recognition.\textsuperscript{192} In this way, along with regular marketing events, the brands can build bridges in consumers’ minds as suggested by Mihailovich\textsuperscript{193} and also communicate their vision with the customers.

\textit{Does the extension live up to the brand promise?}

Peak Performance’s mission is “to develop, manufacture and sell products that are world class in terms of quality, function and design under the Peak Performance brand name, based on and guided by our values and our vision”. There is always a high focus on function, which corresponds well to the promise to develop, manufacture and sell products that are world class in terms of quality, function and design. They describe themselves as a lifestyle brand and this is proved in the many different product categories, which they have successfully extended into.\textsuperscript{194} It is up to the customer to judge whether the extension lives up to the original brand promise or not. It is therefore important to be aware of how the customers experience the brand.\textsuperscript{195} Customers tend to look back to what the brands have been and on the basis of that, form their personal experience the brand. It is therefore important for the brand managers to remember that when they want to bring new associations to the brand, the old ones are already out there as a part of the customers’ existing brand associations.\textsuperscript{196} Once again it is worth mentioning the customer surveys that Peak Performance makes before each potential extension.\textsuperscript{197} Craft does this more on a managerial level. In these cases it is the knowledge of the brand manager and the sales manager that are important since they are the ears and voices of the brand.\textsuperscript{198}

\begin{flushright}
\textsuperscript{186} A. Hedén & J. McAndrew.2005.p.73-74
\textsuperscript{187} F Lundberg.2011
\textsuperscript{188} M Månsson.2011
\textsuperscript{189} M Månsson.2011
\textsuperscript{190} J.N Kapferer.2004.p.278
\textsuperscript{191} M Månsson.2011 and F Lundberg.2011
\textsuperscript{192} A Hedén & J McAndrew.2005.p.73-74
\textsuperscript{193} P Mihailovichh.2009
\textsuperscript{194} Internet source 9
\textsuperscript{195} J.N Kapferer.2004.p.279
\textsuperscript{196} J.N Kapferer.2004.p.279
\textsuperscript{197} F Lundberg.2011
\textsuperscript{198} M Månsson.2011
\end{flushright}
Old and new associations

Peak Performance has always been strongly connected with their original concept: skiwear. Since they are connected to a lifestyle, they can extend more easily than those connected to a certain product. Craft, on the other hand, is strongly connected with active wear and functional clothing used for work out. With the change from “Performance clothing brand” to “Performance brand” the brand successively started to create a range brand platform. A range brand platform is, as described by Aaker (chapter five), created by a range brand (Craft) whose identity includes a differentiated association that is applicable across categories (Performance), making it easier to extend to new product areas.199

With every new extension there comes a new set of associations that must be identified.200 For instance when Craft extended from functional underwear to outdoors jackets, the association switched from “functional underwear” to “functional clothing”, “outdoors activities” etc.

Perceived quality and trust

Theory suggests that it is important to create a feeling of trust for the brands’ products and for acceptance of new categories.201 Both the brands in this study, work a lot with the function and the perceived quality of their products in order to contribute to a more trustworthy extension in the mind of the customer. Research and development, innovation and close collaboration with athletes are other things that Craft works on in order to create trust and high perceived quality in the mind of the customer. Furthermore, Craft is very careful not to start an extension unless they are certain of having an access to the right competence needed to do the extension properly.202

Risk evaluation

As a lifestyle brand, Peak Performance has the possibility to extend their brand into many new markets. The extension must however be made at the right time and at the right pace.203 Peak Performance makes customer surveys, which underlies the final decision whether to proceed with a potential extension or not. They also have a requirement that an extension has to contribute with something special to the market. To know what is special, a market analysis is made in order to identify what is already out there.

It is not certain that customer surveys are successful ways to investigate whether an extension should be made or not since customers tend to look in the rear-view mirror and look back to old associations rather than the future associations that will come as a result of the new extension.204

Craft is aiming to limit the risks of a planned brand extension by involving many of the different area managers. As a result of this, every manager has the opportunity to examine the extension from his or her point of view and find eventual flaws. Craft also sponsors a wide range of sports and thereby pre-tests eventual brand extensions on athletes in these areas. They are aware of their limits and have chosen smaller sports to sponsor in order to get a bigger market share in these areas.205 By reaching for high quality, high function and pushing for innovation, the brand tries to avoid risks by offering products that stands the test against other competing products.

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201 D.A Aaker.2004.p.204
202 M Månsson.2011
205 M Månsson.2011
Månsson says that the reason for why Craft does not make customer surveys is that he believes that these statistics are not credible enough. According to him, customers might say that they would or would not buy a product from a brand but what they actually do might be exactly opposite. He believes that it is better to evaluate the extension yourself, from the company’s standpoint, and go on your gut feeling.\textsuperscript{206}

8.2 THE CLASSIC IMPLEMENTATION ERRORS

A restricted vision of the brand

Both Peak Performance and Craft have deliberately formulated their brand vision in large words. This reminds of the attempt to create a range brand platform, where a brand spans over product categories whose identity includes a differentiated association that is applicable across categories. According to Aaker’s discussion\textsuperscript{207}, this strategy gives both companies an opportunity to extend wider. They are both well aware of the values and associations connected to the brand and do not only treat the brand as a name but as an important asset for the company.

The vision of Peak Performance is “to create a world-class global brand name, founded on the spirit of our passion and our values”\textsuperscript{208}. Their passion for skiing and the lifestyle connected with this, unit the company and its customers in a small Peak Performance society. The strong associations connected with this mountain resort brand\textsuperscript{209} may, however, have a certain limited affect on the company’s vision and possibilities to extend freely according to theories established by J.N Kapferer and V. Bastien\textsuperscript{210}. This is probably one of the reasons for the failed costume- and sailing shoes extensions. Peak Performance is supposed to provide a year-around assortment of clothes to the active outdoors customers, which in first hand is not a costume-dressed man in impractical sailing shoes. According to both Aaker and Mihailovich\textsuperscript{211} \textsuperscript{212}, it is very important that there is a fit in the customers’ minds in order to succeed with an extension, which was not the case in these two examples.

Until the recruitment of the new CEO, Magnus Månsson, Craft was a performance clothing brand focusing only on clothes\textsuperscript{213}. This limited the brand to extend into categories that could potentially fit with the brand but that were not clothes. This is a way of re-organising the set of associations, which according to Aaker\textsuperscript{214}, forms the brand’s image and identity. Månsson saw how this formulation restricted the company’s and the brand’s potential and therefore changed it to a performance brand\textsuperscript{215}.

Craft is also very clear on the point that they are a performance brand and not a lifestyle brand\textsuperscript{216}, closely related to the association and image concept of its brand. In comparison to Peak Performance, which is more of a lifestyle brand, Craft rejects everything that has to do with casual clothing. They are therefore restricted to extend only within the performance field. Aaker refers that a brand position

\begin{footnotes}

\footnote{M Månsson.2011}
\footnote{D.A Aaker.2004.p.219-220}
\footnote{Internet source 10}
\footnote{Internet source 9}
\footnote{J.N Kapferer & V Bastien.2009.p.145}
\footnote{D.A Aaker.2004.p.206}
\footnote{P Mihailovichh.2009}
\footnote{M Månsson.2011}
\footnote{D.A Aaker.1991.p.110}
\footnote{M Månsson. 2011}
\footnote{M Månsson. 2011}
\end{footnotes}
reflects how people perceive a brand and also how the company wishes to be perceived\textsuperscript{217}. Being a performance brand, however, does not have to eliminate the opportunity of being fashionable.

\textit{Opportunism and identity incoherence}

Kapferer states that a brand extension that is right for one brand may not be right for another, as their identities are based on different images and symbols\textsuperscript{218}. Peak Performance and Craft may resemble outwardly, since they are in the sports clothing segment. Peak Performance is however more of a lifestyle brand while Craft is a performance brand, which differentiates the two brands significantly.

Peak Performance has no problems with their alpine ski-collection. This is the core of the brand and their vision is created around the lifestyle that goes along with it. In the case of Craft, there have been some unexpected negative results of their Alpine line. It is not far as successful as their other core sports; cross-country skiing, running and biking, even though it is selling well\textsuperscript{219}. A reason to this might be the fact that the alpine skiing segment is much more connected with a lifestyle rather than performance. Through general observations, we see that brands within alpine skiing is chosen more on the basis of fashion and what the brand stands for and what it thereby says about you, rather than the function. According to Aaker, it is important to differentiate the new product on the market in order to stimulate purchase and loyalty. By creating more abstract associations, the product will be associated with more than just product functionality and performance\textsuperscript{220}. Thus high performance and functionality is not enough for Craft in order to penetrate the alpine ski segment successfully.

Other examples of opportunism within the two companies are, for example, Peak Performance’s attempt to launch costumes, sailing shoes, perfumes and body lotion\textsuperscript{221}. Regarding the tailoring we could assume that one of the reasons for its failure was lack of necessary amount of perceived quality and trust. Aaker states that there is no assurance that a company specialized within a certain field, in this case \textit{mountain resort clothing}, will be able to add the same quality value in a new product market such as costumes and sailing shoes since this is beyond their perceived competence arena\textsuperscript{222}. The same conditions are prevailed in the case of perfume and body lotion. These two categories were also connected with the risk of licensing, where the company lost their control over how the brand was used and exposed. Kapferer and Bastien refers that there is a service risk connected with licensing\textsuperscript{223} and the effect of it always strikes back on the original brand and not on the licensee.

Until Torsten Jansson took over Craft, the company had extended into many different product categories that were not coherent with the core identity of Craft\textsuperscript{224}. This was probably made as the products generated a positive cash flow. Jansson was however wise enough to see the risk of dilution in the long-term perspective, which according to Kapferer can happen when the values associated with the extended category, contradicts those of the brand\textsuperscript{225}.

\textsuperscript{217} D.A Aaker.1991.p.110
\textsuperscript{218} J.N Kapferer.2004.p.286
\textsuperscript{219} M Månsson.2011
\textsuperscript{220} D.A Aaker.2004.p.206
\textsuperscript{221} L Johansson.2008.p.45
\textsuperscript{222} D.A Aaker.2004.p.204
\textsuperscript{223} J.N Kapferer & V Bastien.2009.p.154-156
\textsuperscript{224} M Månsson.2011
\textsuperscript{225} J.N Kapferer. 2004. p.282
Licenses and accessories

Kapferer has observed that there are many brands that are tempted to expand into mundane categories through licensing agreements. Furthermore, he states that the risk of mundane products is that these in the future may be considered as attribute of the original brand and thereby also affects the original core values and associations in a negative way.\textsuperscript{226}

Peak Performance started to sell perfume and body lotion as a complement to their collections. The products were sold without any controlled distribution, strategy or structure, which in the long run could be dangerous to the original brand\textsuperscript{227}. The company was, therefore, wise enough to eliminate these products before any harm was made. Aaker states that a failed brand extension usually lacks visibility and therefore not always affects the original associations and image of the brand\textsuperscript{228}, which was the case for Peak Performance.

Craft is today looking into licensing performance sunglasses in order to broaden their brand and hopefully get more free marketing via interviews with athletes, wearing these sunglasses, for. In order to avoid the risk of mundane products and the bad associations connected with these, the management team at Craft has been very clear about the fact that it is performance sunglasses they are talking about and not everyday sunglasses\textsuperscript{229}. Since we have not seen the effect of this extension yet, it is hard to say whether it will succeed or not. Aaker however means that strong brand associations prove a point of differentiation and advantage for the extension\textsuperscript{230}. It is therefore quite possible that this launch will be a success.

Underestimating the risks for the brand

There are always different types of risks connected with an extension. Risks that Kapferer states, companies have to be aware of and as far as possible, try to avoid\textsuperscript{231}. As mentioned before, Aaker says that there is no assurance that a company specialized within a certain field will be able to add the same quality in a new product market beyond their perceived competence arena\textsuperscript{232}.

Even though a wide spectra of products in different categories, Peak Performance seem to be aware of the risks of putting their name on too many things. They are still evaluating each extension neatly and measure it versus their core values (for real, long lasting, we believe in- and trust people, team Peak Performance, building the future and renewal)\textsuperscript{233}.

An extension should never be made ad hoc and only focusing on a single product or have a short-term orientation. Aaker recommends that effective and successful extension should be a part of a strategic focus on groupings of product categories that have a long-term perspective (range brand platforms)\textsuperscript{234}. This was not the case for Peak Performance’s attempt to launch their tailoring line, described as “an entrepreneurial attempt in order to create”\textsuperscript{235}. The lack of risk evaluation may have been one of the

\begin{footnotes}
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\item[227] L Johansson.2008.p.45
\item[228] D.A Aaker.2004.p.212
\item[229] M Månsson.2011
\item[232] D.A Aaker.2004.p.204
\item[233] F Lundberg.2011
\item[234] D.A Aaker.2004.p.219-220
\item[235] L Johansson.2008.p.45
\end{footnotes}
biggest causes to why it later on failed. Ritson means that enthusiasm and confidence are the enemies of brand success.236

Craft on the other hand, seems to be very well aware of the risks with brand extension and that it must make sense to the customer and not just the management team. They seem to have learnt their lesson from the extensions made in the eighties’ and now have a very coherent selection of products. Månsson however admits that it is still hard to always understand the customers. Kapferer states that customers tend to look in the rear-view mirror, when evaluating a new brand extension. It is therefore extremely important for the company to be well aware of who their customers are and what preferences and values they have237. This is information that Craft often misses since they rarely do any market research before a launch. Instead they trust previous experiences and the gut feeling.

Not anticipating negative evocations

For a company associated with a certain kind of lifestyle, its customers become what the brand stands for. In the case of Peak Performance, addressing to the active people attracted by the distinctive values of the company, this is not equal to a man in suit. If the extension was preceded by a market research and a well-defined extension strategy, they would probably have seen that the extension was not in line with their original brand values and promises.

It is important to understand that good associations are not automatically brought along into a new product category. Aaker states that if the fit of the new extension is poor, desired associations will not transfer but will distract or even tend to be absurd238. Another important aspect to be aware of is the fact that new associations cannot be avoided and must be taken into consideration when evaluating an extension. Both these aspects can be applied to the two companies in our research. Both these companies have relied on the fact that associations connected with what the brand had done until that time, would automatically be brought along into the new product category, which was not the case.

In order to handle negative evocations, a market research should be done. Kapferer states that this could help to ensure that negative associations will not be transferred and that a positive trait of the brand will not become negative when associated with the new product239. Peak Performance is continuously working with marketing research as part of thire extension strategy. This is however not the case for Craft. Instead they admit their limits and do not extend into categories where they lack knowledge and know-how. Still, they could gain a better understanding of the market and its psychological aspects and, thereby, also achieve better prerequisites for their future extensions.

Under-investments

One of the most common implementation errors is the temptation to under-invest. Kapferer says that even if launching a brand extension often can be less expensive than launching a new brand, many companies easily forget that it still requires a certain amount of resource if the extensions should be launched successfully240. This is something that Magnus Månsson at Craft agrees with and he is well aware of the common practice but still states that he believes it to be very important not to take recourses from existing categories in order to launch a new one. If the launch should be done

236 Internet source 8
successfully, it is important that new recourses, focused on only the new extension, are brought into the company.

We can assume that no higher amounts of investments were put into the launch of an extension made as an entrepreneurial attempt in order to creative creation, as the case of the tailored line within Peak Performance. The company treated it as a win- or loss extension. If it had been preceded with a more well-defined strategy it may have got another outcome, which is an assumption presented by Ritson in the theory²⁴¹.

²⁴¹ Internet source 7
9 CONCLUSION

9.1 MAIN QUESTION

What are the crucial factors in horizontal brand extension that determine whether the brand will succeed or not?

- **A clear brand image and plan for the brand:**
  - Strong and well-communicated values makes the brand homogenous and depending on what these values are based on, they create a platform where the brand can extend “freely”.
  - A vision formulated in large words, allows the brand to extend more widely.
  - An extension should not be made ad hoc, but be preceded by evaluations and discussion. It is important to evaluate each extension thoroughly and measure it versus the core values and identity. This is in order to align that it is in line with the big plan and vision.
  - Be true to the brand history and do not try to make it something that it is not.

- **The extension must fit to the brand image:**
  - An extension cannot merely generate extra cash flow; it must also improve brand equity, or at least not dilute it.
  - There must be a natural link, for the company and its customers, between the core brand and the new extension so that the extension lives up to the original brand promise.
  - It is important to remember that extensions will mature to different markets in different time. Customers at different markets have different associations.
  - In order to get as many points of view as possible, involve as many different departments of the brand as possible.
  - Brands should always differentiate products from the competitors’ products. It is therefore important to make sure that what makes the brand unique is reflected in the brand extension.
  - Instead of stretching to completely new arenas, another possibility is to investigate if the existing assortment could be enriched with new products, which is also a horizontal brand extension.

- **The extension must live up to the brand promise:**
  - What the brand is promising to a large extent depend on how the customers perceive it. Customer surveys and markets researches are good ways to get a hint of what the brands stand for in the mind of the customer. These make it easier to identify potential areas to extend.
  - An extension should be treated as part of strategic focus on groupings of product categories that have a long-term perspective.
  - If the customers share the same image of the brand as the company does, they can be sure to have more or less the same understanding of what the brand stands for and potential extensions would therefore tend to be more easily accepted.

- **Old and new associations must be accounted when planning a brand extension:**
  - With wider associations connected to the brand it is easier to extend since more areas and products are accepted.
  - A range brand, whose brand identity includes a differentiated association that can be applied across categories, is ideal for multiple brand extensions.
  - With every new extension there are new associations created. It is, however, important to not forget that old associations are inevitable.
• **Perceived Quality and Trust:**
  - For customer loyalty, the products must have a persistent quality and similar attributes that creates recognition and associations to the core brand. The customers want to be sure of what to expect when they buy a certain brand.
  - When extending into a new area it is important to have the necessary recourses and knowledge in order to enhance the extension and live up to the brand image and promise.
  - If companies do not have internal expertise, consultants or licensees can be a good way to extend into new product categories.

• **Risk Evaluation:**
  - Market researches and SWOT analyses helps the brand to evaluate how the brand is positioned compared to its competitors but also what the customers want and expects out of it.
  - Extensions are local, not universal. It is important to evaluate if the extension fits in each specific market before introducing it there.
  - Extensions must come at the right pace. Customers need to understand the extensions. This can be done by extending in small steps and slowly broadening the brands’ potential market.

**9.2 SUBQUERY QUESTIONS**

**9.2.1 What are the most common implementation errors?**

• **Under-estimating existing and new associations:**
  - Good associations are not always brought along into the new product category, automatically. Associations have to be earned and the company must build a new and unique association, connected with the extension.
  - New associations, connected with the proposed category, cannot be avoided. Some of these associations may not be good, but the company cannot ignore them. Instead they have to be prepared to face and handle them.

• **Under-estimating the value of existing know-how and thereby the perceived quality and trust:**
  - Good associations connected with a brand’s original know-how, perceived quality and trust are not naturally transferred into a new product category. In order to gain trust in the extension, the brand has to prove that it delivers the required knowledge in order to maintain the same quality of its products.
  - A strong brand name is not enough to give the extensions the required credibility in order to succeed.

• **A limited vision of the brand:**
  - A brand with a restricted and narrow vision has more difficulties to gain acceptance for extending into a new product category. The associations of these brands are often tightly connected to a certain field of activity or a special product.
  - With a range brand platform, that spans product categories whose identity includes a differentiated association that is applicable across categories, it is easier to extend into new categories.
• **The brand tries to copy others’ success:**
  - It is important to understand that every brand is connected with unique associations and identities. A horizontal extension that has turned out successfully for one brand may not be successful for another one.
  - It is important for a brand to be aware of its own unique characteristics and work with it on the basis of these, instead of trying to copy what someone else has done. It is important for both the brand itself and its customers to convey a strong and secured position and stand for what it is.

• **The extension is made ad hoc:**
  - An extension should never be made ad hoc but should be preceded by a well worked on analysis. Many extensions may have succeeded only by instinct whilst other ones have failed even though it have been preceded of a well worked on analysis. It is however the norm that a precipitate extension has less chance to succeed.
  - In order to increase the chances for success, it is important that the extension is part of a long-term strategy and that it is not short time oriented.

• **The trap of mundane products:**
  - There is a common trend among companies, tempted by the possibility to gain fast and easy money, to fall into the trap of mundane products. By introducing accessories as a complement to the original products they may generate some positive cash flow, but in the long-term perspective it may successively dilute the brand.

• **Licensing:**
  - As a result of extending into mundane products, the brand name is often sold to licensees in order to have them produce products under the same brand name. By doing this, the company loses some of its control over how the brand is being used.
  - The risk of having too many products associated with the same brand name but without any clear connection to each other, is also something that may affect the perceived quality and trust of the brand and its original concept.

• **Under-estimating the value of a well worked-on analysis:**
  - The effects of not doing a well worked-on risk analysis where all aspects that may affect the extension are taken into consideration, may be decisive of whether the extension will succeed or not.
  - In order to identify and understand the brand’s new market and its customers and be prepared for the risks connected to an extension, it is important to do market analysis, customer survey and risk analysis.
  - There are always risks connected to an extension. There is no way to avoid them but what a company can do is to try to identify them and thereby prepare themselves to face and handle them.

• **There is no clear connection or fit of the extension in the customers’ minds:**
  - If the company chooses not to do a customer survey, it can be hard for them to identify their true customers. If the company is not aware of their customers’ values and how they experience the brand etc., it is also difficult to adapt the extension for them.
- In the end, it is always the customers’ judgement that decides whether the extension will succeed or not. An extension should be an answer for the customers’ and the market’s need and not the opposite.

- **Under-investments:**
  - The common practice among many companies today, is to take from existing resources, when working with and launching a new extension. This is however a not so strategic decision since it will affect the original products since they will have fewer resources to work with and also the new extension since it will be launched under controlled and limited circumstances. In order to increase the prerequisites of an extension, it is important that each extension is provided with its own resources.

- **The risk of dilution:**
  - One of the biggest risks, connected with a horizontal brand extension is the risk of a long-term dilution of a successful extension that slowly soaks the brand. It is therefore extremely important to evaluate each potential extension on a long-term perspective and not only look at the incomes it generates.

- **It is not dangerous to fail:**
  - Finally, we would like to say that it is not always dangerous to fail. An unsuccessful extension often lacks visibility and does not always affect original core values and products of a brand.

### 9.2.2 How important is customers’ judgement for a horizontal brand extension?

- **Customers tend to look into the rear-view mirror when evaluating a new brand extension:**
  - It is extremely important for a company to identify their real customers. The extension has to be in line with the customers’ values and experiences of the company. It is therefore important that the company’s belief of their customers correspond to the reality.
  - In the end, it is always the customers who judge whether the extension is in line with the core values and identity of the brand or not. The evaluation basis relies on previous experiences and it is therefore important that the company has the same image of the brand as the customers perceive.

- **The importance of the original brand promise:**
  - The importance of the customers’ judgement of a horizontal brand extension is one of the main factors that implicate a brand extension. It is therefore extremely important that the extension lives up to the brand promise.
  - Customers must be able to see the link between the original concept of the brand and the new product category.
  - It is the customers who decide whether there is a fit or not of the new extensions.
  - There must be a logical explanation and link to this new category. This is not anything that a company can convey through marketing. There is something that they must make the customers feel and experience themselves. This is made by successively building bridges in the customers’ minds in order to increase the acceptance for future extensions.
• **Perceived quality and trust:**
  - The brand must convey its know-how and competence within the new product category. The customers have to feel that they can trust the brand and what it does within this new category.
  - When extending into a new category, it is important that the brand maintains its previous associations connected to the quality and know-how. This is to prevent its customers start doubting the knowledge and ability and thereby risk losing them.

• **The tremendous effect of the viral marketing:**
  - It is important to not under-estimate the tremendous effect of the viral marketing effect of a brand’s reputation. A customer who is willing to recommend a certain brand to one of his/her friends can be assumed to have a high trust on the brand and its trustworthiness.
10 DISCUSSION

In this final chapter, a discussion of the criticism of the collected data and method are brought up together with the researchers’ personal reflections of the report and finally some recommendations for further studies.

10.1 METHOD DISCUSSION AND CRITICISM

The deductive approach of this report has led to the conformation of our hypothesis, based on previously presented concepts. This has later on been applied to the findings from the empirical researches. This has suited the purpose of this report very well, since our aim has not been to present an absolute truth, but a concept, about the nature of horizontal brand extension.

The chosen method and working procedure have been reformulated through the process, which has also led to several reformulations of the research questions. We see this as a positive result of continuous questioning, evaluation and development of this report.

The validity of the report could have gained some strength by a supporting quantitative research, presenting interesting statistics\(^\text{242}\), which is something to think of during further studies.

As mentioned earlier, our former views of the topic might have impacted the way the study was made. It may also have impacted the way the answers from the interviews were analysed. No one can analyse a question without adding previous experience in the analysis. Another disadvantage of the method is that the respondents sometimes tend to answer in the way they believe they should answer rather than in the way they actually do. It is possible that the brand does not have any strategy for extending the brand and just goes on gut feeling but feels obliged to say that it spend months researching the market to sound more professional.

It is important to remember that this study is not aiming to present an absolute truth, but a concept, about the nature of horizontal brand extension. It is not our intention that this report should be used as a template for companies who are considering a horizontal brand extension. It should instead be used as an inspiration and guidance.

10.2 REFLECTIONS OF THE REPORT

Brand extension is a wide subject that requires certain delimitations when writing a report of this character. We chose to study horizontal brand extensions, partly because of the great challenge it is to successfully manage a wide range of different products under the same brand name and partly because if you succeed with your brand extensions the brand identity and strength will be tremendous.

The conformation of this report has been an interesting and informative process. Theoretical findings have been put in relation to empirical findings from the reality, which has contributed to a deeper understanding of the complexity of the chosen topic.

Brand extensions are of current interest and the potential of a strong brand is something that more companies are starting to discover. Therefore, we found this study relevant in this context.

\(^{242}\) Internet source 3
The chapters of our theoretical framework may be detailed but we made the assessment that all chapters were important in order to build up the understanding of what is a brand, what is a brand extension and how do- and can companies work with it.

The choice of Swedish sports companies for the empirical basis, was natural since the researchers found this an interesting and appealing sector for future career. Since they are not as dependent on fashion, as a traditional clothing company, we thought that we could discover other important intangibles and values within these companies.

Once again, we would like to remind the readers of this report that the aim of this study was not to present an absolute truth, but a concept, about the nature of horizontal brand extension. The analysis is based on our own opinions and thoughts. Therefore it is not suitable to use this report as a template for horizontal brand extension, but as an inspiration and guidance.

10.3 RECOMMENDATIONS FOR FURTHER STUDIES
During the process of this report, a number of new potential research questions have been brought up for consideration and evaluation. Even though we are very satisfied with the results of this report, we agreed that there might be other approaches to treat the subject: approaches that may affect the result and contribute with another point of view.

Another interesting aspect would be to investigate how future brand extensions would- and could be worked on, on the basis of the customers’ thoughts and associations.

A natural continuation of this report would also be to look deeper into the advantages of brand extensions.

Finally, we would like to recommend a study where the researcher could try to evaluate different kinds of brand extensions in order to compare them and thereby also see who- and when they fit.
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11.4 **ORAL SOURCES AND INTERVIEW REFERENCES**


11.5 **FIGURES**

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12 APPENDIX

12.1 INTERVIEW QUESTIONNAIRE

1. How does the company work with horizontal brand extensions?
   - Who are involved in the process? Marketing department? Designers?
   - What does the strategy look like? Which steps are included in the process (marketing research etc)?
2. How was the company’s original vision affected by the decision to extend into new arena?
3. Why was this new product category chosen?
4. Why did the company choose to extend rather than to focus even more on existing product arenas?
5. Is there any product category that no longer exists? Why did the company choose to eliminate it?
6. Do you think that this category has affected the original image of the brand?
7. According to you, what are the biggest risks connected with a horizontal brand extension?