MASTER'S THESIS

Brand Extensions

Case Studies of three Swedish Companies

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ABSTRACT

Brand extension as a growth strategy has increased in popularity the last decades. The use of brand extensions as a branding strategy is considered more effective and related to lower costs compared to a new brand launch. The purpose of this thesis is to gain an increased understanding on how Swedish companies use brand extensions as a part of their branding strategy. The research explores, describes and tries to explain why companies choose brand extensions as a part of their branding strategy, how the brand extension process can be described and finally how a successful brand extension can be described. A multiple case study including three companies: Husqvarna, Salming and SAS and how these companies deal with brand extensions, has been performed.

Our findings show that, the rationales are to: increase customer segments, meet customers' need and demand, achieve larger trial levels, increase the awareness and the value of the brand, increase bargaining power with retailers and other business partners, revitalize the brand image, provide competitive advantage, and provide transferability of technological expertise. The brand extension process is informal, although idea generation, idea screening, forecasts, brand equity criteria, financial criteria, launch, monitoring and evaluation are steps that are included. A successful brand extension needs to fulfill the criteria of fit, meaning that the extension needs to fit with the core brand, the brand image as well as the product category. A positive evaluation of the brand by consumers will lead to enhancement of the core brand a negative evaluation will lead to dilution. Moreover, moderating factors and brand equity are affecting the outcome of the brand extension.

SAMMANFATTNING

Varumärkesutvidgning som tillväxtstrategi har ökat i popularitet de senaste årtiondena. Att använda sig av varumärkesutvidgningar som en varumärkesstrategi anses vara mer effektivt och relaterat till lägre kostnader jämfört med att lansera ett nytt varumärke. Syftet med denna uppsats är att uppnå en ökad förståelse om hur Svenska företag använder varumärkes utvidgningar som en varumärkesstrategi. Undersökningen utforskar, beskriver och försöker förklara varför företag väljer varumärkesutvidgningar som en del av deras varumärkesstrategi, hur processen vid varumärkesutvidgningar kan beskrivas och slutligen hur en lyckad varumärkesutvidgning kan beskrivas. En flerfallsstudie som involverar tre företag: Husqvarna, Salming och SAS och hur dessa företag handskas med varumärkesutvidgningar har genomförts.

Resultaten visar att de underliggande grunderna är att utöka segment, möta kundernas behov, uppnå högre testköp nivåer, öka kännedom om och värde på varumärket, öka förhandlingskraften gentemot återförsäljare och andra samarbetspartners, förnya varumärkets image, ge konkurrensfördelar, och sprida teknologisk expertis. Processen vid varumärkesutvidgningar anses vara informell, men idé generering, idé utvärdering, förberedande analyser, värdering av varumärket, finansiella kriterier, lansering, undersökning och utvärdering är steg som är inkluderade. En lyckad varumärkesutvidgning måste passa samman med kärnvarumärket, varumärkets image och även produktkategorin. En positiv utvärdering av varumärket av konsumenterna leder till en förstärkning av varumärket, en negativ utvärdering leder till förvirring. Dessutom påverkar de påverkande faktorerna och varumärkets värde utfallet av varumärkesutvidgningen.

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1 INTRODUCTION

This first chapter will begin with providing a background to the problem area, by giving a definition of a brand, branding and brand equity followed by a selection of brand strategies. This will be followed by our problem discussion, which will lead to our purpose and research questions. Finally, we will present the demarcations and the outline of the thesis.

1.1 Background

There are many brands that have been commonly recognized since the beginning of the twentieth century. However, it was not until the 1950´s that branding became an important marketing activity for companies. (Blois, 2000) The past two decades it has become evident that brands are among a company's most important assets (Nijssen, 1999).

Davis (2002) states that the most powerful corporations in the world have all had success related to their strong brands. In addition, these and other successful organizations tend to manage their brands as key business assets and are making the brands an essential foundation for the long-term strategy of the corporation, realizing that a brand is as much of a business asset as employees, equipment or capital. (ibid.)

A brand can be defined as a name, term, sign, symbol, design or a combination of these attributes intended to identify products and differentiate them from the brands of the competitors. Additionally, a brand identifies the maker or seller of a product. (Kotler & Armstrong, 1996)

Ambler and Styles (1996) describe two different views of defining a brand. The first is the product plus view, when the brand is seen as an addition to the product, and in this view a brand is also called an identifier. The second is the holistic view that communicates the focus on the brand itself that is considered to be much more than just the product. The brand is said to be the sum of all elements of the marketing mix. In short, a brand can be defined as the promise of attributes that someone buys and that later provides satisfaction. The attributes that make the brand can be real or illusory, rational or emotional, tangible or invisible. (ibid.)

Branding is the process of creating a unique identity for a product creating memorability, establish preferences, habits and loyalties as well as encouraging a relationship between a brand and its user. Branding assists the consumer's memory process by identifying the product and making it possible to position relative to other products. In addition, branding can also transform a product and make it more valued because of the respect that has been created for the brand name. (Wells, Burnett & Moriarty, 2000)

According to Nilson (1998), the word branding is an indication of why we brand. To brand means to burn, that is to burn a mark on something like the example when a farmer is putting his symbol on the cattle with the help of a hot iron. The word itself comes from the Scandinavian word "bränna" which means to burn, and a fire in Swedish is a "brand". In other words, to brand is to put one's mark on one's property or on items that has been produced by somebody. (ibid.)

The benefit of a strong brand name is the ability to exploit the brand in a new market or a new market category. In a global marketplace customers are aware of brands even though the products themselves might not be available. (Czinkota & Ronkainen, 2001)

To define the relationship between customers and brands the term brand equity is used, which can be defined as the store of profits to be realized at a later date (Wood, 2000). According to Kotler and Armstrong (1996), measuring brand equity is a difficult task. However, a powerful brand has high brand equity meaning a higher brand loyalty, name awareness, perceived quality, and strong brand associations. Brand equity leads to competitive advantages such as brand awareness and consumer loyalty that can help a company save marketing costs. Brands need to be carefully managed in order to preserve equity, meaning that strategies that maintain or improve brand awareness perceived brand quality and positive associations to the brand must be developed. (ibid.)

The challenge of branding is to develop a set of meanings for the brand relating to the attributes, benefits, values and personality associated with the brand. One of the major branding decisions for a company is the selection of brand strategy (ibid.) According to Kotler and Armstrong (1996), a company has four brand strategies to choose from, namely: multibrands, to introduce a new brand, line extensions, or brand extensions.

Firstly, multibranding is described as when companies are introducing additional brands in the same product category as the company presently is active in. Multibranding is a way to establish different features and appeal to several different buying motives at the same time. Like for example: Procter & Gamble is including nine different kinds of laundry detergent in their assortment. The second strategy is the creation of a new brand when moving in to a new product category. A new brand name is developed for the reason that the company considers the current brand name to be losing power and a new brand name is needed or they simply do not find the current brand name appropriate for their product. (Kotler & Armstrong, 1996)

According to Ambler and Styles (1997), there is a difference in how to interpret the meaning of the concept of line and brand extension as these are often used interchangeably. However, we have chosen to use the following definitions.

Line extension is when a company introduces additional attributes to a specific product category under the same successful brand name. This extension alternative is performed in a way that the product can be given new flavors, forms, colors, ingredients or package sizes. To give an example: the dairy producer Danone has introduced several line extensions during the past years: the launch of different yogurt flavors, a fat free yogurt, as well as launching a large economy sized yogurt. (Kotler & Armstrong, 1996)

Kotler and Armstrong (1996) state that brand extension can be defined as using a successful brand name to launch a new or modified product in a new product category. A well-known brand name helps the company enter new product categories more easily. Furthermore, this strategy gives a new product instant recognition and faster acceptance. (ibid.) An example is Virgin that has successfully extended their brand to products outside their main business as a record company, other businesses are: airline, financial services, vodka, jeans and cola (Hart & Murphy, 1998).

1.2 Problem Discussion

Brand extensions as a growth strategy has increased in popularity the last decades. Moreover, brand extensions have gained a lot of attention in academic journals and trade publications. (Sharp, 1993) For these reasons we have decided to focus on brand extension as a branding strategy.

For most firms the question is not whether the brand should be extended, but when, where and how the brand should be extended (Keller, 1998). The recession of the early 1990s made marketing managers focus on cost-saving tactics to increase competitiveness. One of the most important effects was to make brand extensions more compelling. (Pitta & Prevel Katsanis, 1995) Nowadays there exist few brands that have not been extended into a new product or service area at all. To correctly assess whether a brand can take an extension or not is very difficult, one has to rely on a combination of market research, experience and common sense. (Nilson, 1998) According to Ambler and Styles (1997), it is significant to understand the managerial process involved in the extension and what makes a brand extension successful.

Ambler and Styles (1997) further state that high costs related to new product launches have made an increasing number of companies use brand extensions as a new product strategy the last decades. Extending an existing brand is seen as more cost efficient and a lower risk is related to this strategy as compared to a new brand launch. (ibid.) Moreover, brand extensions have, according to Grime, Diamantopoulos and Smith (2002), a higher survival rate than new brands.

Grime et al. (2002) further state that there exist a bundle of positive and negative outcomes of using a brand extension strategy. One positive aspect is that brand extensions are able to provide immediate consumer awareness by a quick and new way to enter a market. One negative aspect with extensions is the risky ness related to them. The new product can create confusion and negative connections and thus harm the core brand. Further, if the new product is closely related to the core product consumers may chose to purchase the new product causing a cannibalization effect on the core brand. (ibid.)

According to Ambler and Styles (1997), a brand extension is considered successful if the parent brand is perceived as being of high quality, if there is a perception of fit between the new product category and the brand, and if expertise is needed to enter the new product category. (ibid.)

Nijssen (1999) states that one of the hardest tasks when dealing with a brand extension is to make the consumers aware that the brand is on the market in a new product form. Consumers might believe that the company already offers the product. Although a familiar brand will help acceptance of a new product in the market, strong brands are able to extend more successfully than reasonably strong or weak brands. (ibid.)

When consumers are being faced with an extension they initially categorize the new product by evaluating the suitability of its membership in the relevant product category that contains a product that has a brand name by which the consumers can relate to (Nijssen, 1999). A brand extension helps when consumer acceptance for a new product is required, by linking the new product with a known brand or company name. In contrast, brand extensions risk diluting the core brand image by harming the equity of the company brand name. An inappropriate brand

extension could create damaging associations that may be very difficult for a company to overcome. (Kim & Lavack, 1996)

Research show that a brand's equity has an impact on the success of extensions, and extensions as well have an impact on a brand's equity. The result is that highly valued brands extend more successfully. Thus, it seems to be a relationship between brand equity and brand extensions. (Pitta & Prevel Katsanis, 1995) Wood (2000), states that successful brand extensions can strengthen the core brand and build brand equity. On the contrary, poor brand extensions can weaken a brand and its equity (ibid.). Moreover, leveraging the brand equity of a successful brand promises to make introduction of a new entry less costly by trading on an established name (Pitta & Prevel Katsanis, 1995).

1.3 Purpose and Research Questions

The purpose of this thesis is *to gain an increased understanding on how Swedish companies use brand extension as a part of their branding strategy*. In order to reach this purpose the following research questions have been formulated.

RQ1. Why do companies choose brand extension as a part of their branding strategy?
RQ2. How can the process of brand extensions be described?
RQ3. How can a successful brand extension be described?

1.4 Demarcations

This thesis has been written from the brand owner's perspective not the consumer's perspective.

1.5 Outline of the Study

As can be viewed in table 1.1, this thesis consists of six chapters.

Table 1.1: Outline of the Study

Chapter One	INTRODUCTION
Chapter Two	LITERATURE REVIEW
Chapter Three	METHODOLOGY
Chapter Four	DATA PRESENTATION
Chapter Five	ANALYSIS
Chapter Six	CONCLUSIONS AND IMPLICATIONS

In *Chapter One*, the reader is provided with an insight of the content of the thesis. The background introduces the area of research followed by a discussion of issues related to the problem area. The chapter ends with the purpose, broken down into research questions, and demarcations of the study. *Chapter Two* reviews previous studies on the subject related to the purpose of this thesis, followed by a frame of reference where a conceptualization of the research questions is presented. *Chapter Three* describes how the research was conducted and the methods chosen throughout the thesis. In C*hapter Four*, the collected data from the case studies is presented. Thereafter, in *Chapter Five*, within and cross-case analyses are conducted, comparing the data to the conceptualization and the data from each case to each other. Finally, in *Chapter six*, the conclusions and implications of the study are presented.

2 LITERATURE REVIEW

In this chapter, an overview of previous studies related to the problem area, and more specifically to the research questions will be reviewed. First, the rationales behind brand extensions will be covered. Secondly, we will present the brand extension process. Thereafter, the criteria for successful brand extensions will be discussed and finally, the developed conceptual framework of the described theories will be provided.

2.1 Rationales behind Brand Extensions

Brand extensions are, according to Kapferer (2001), one of the most discussed topics of brand management as it is the most radical of the innovations offered by new-style brand management when it comes to the planning of capitalizing on the value around one single name and create a mega-brand. Extending a brand is now an indispensable part of a brand's life as it represents growth, expansion of scope and market adaptability. (ibid.)

According to Kapferer (2001), *growth* is the first reason for extending a brand after all other options involving the core product have been explored. Sharp (1993) argues that brand extension is a way to achieve growth in a cost controlled world. A new product with the same brand name can penetrate a much larger and spreadable market than a new brand. The rationale behind this lies in the opportunity to capture a growing segment by promoting the positive values associated with the core brand, which appear distinctively compelling in that segment. (Kapferer, 2001). Kim and Lavack (1996) add that extensions are attractive as the strength of an established brand name may also bring new customers to the brand and create a previously non-existing segment, thus increasing market coverage.

Virgin is one company that has used the reputation of their existing brand in new markets. The company started out as one product, a publisher and retailer of popular music. The brand was built up by the music products and was extended to include airline services, cola production and a financial service. The personality of the brand is described as the brand of the people or the small firms that challenges the larger firms who are ripping of people. (Randall, 2000)

Ambler and Styles (1997) propose that a brand extension can be launched as a result of a *consumer trend or need* that may be discovered by conducting a market research. Weilbacher (1995) further argues that, by finding out consumers' wishes, needs, desires, attitudes, daydreams and thereby try to fulfill these by extending the brand with a new product or product category is a way to keep customers satisfied and loyal to the brand.

Other factors, such as *economical advantages* might also be rationales behind extensions. Introduction of a new product with an established brand name can dramatically reduce the investment required and improve the likelihood of its success compared to a new brand launch. Brand extensions provide a minimal cost of branding, since name research will not be needed, nor will extensive advertising costs for new brand name awareness and preference be necessary. (Aaker, 1992) According to Randall (2000), the introduction of a new brand is estimated to cost up to US $1 billion, whereas the launch of a new product under the name of an established brand will cost a fraction of that. New products draw immediate advantage by

entering from a strong positioning that the established brand name provides, thus reducing the risk of failure (Aaker, 1992).

The sales potential for the new product is, argued by Buday (1998), one of the major guidelines whether to extend a brand or not. The absolute sales potential can be expressed as dollar sales or marginal contribution, which sets limits on the amount of money available for advertising and other fixed marketing expenses. Thus, brand extension is more efficient in making more use of the marketing dollars by allowing marketers to reduce budgets and earn a reasonable return on even small-volume products. (ibid.) In addition, Ambler and Styles (1997) conclude that brand extensions *decrease the cost to build up awareness* by capitalizing on the core brand's already known reputation, thus one product will promote the other with the same brand.

In agreement with Buday (1989), Nilson (1998) states that the major appeal in extending a brand lies in the *economies of scale*. The rationale behind this is that the usage of a brand across more products lowers the communication investments per sales unit. The responsiveness of awareness to media spending is higher for brand extensions due to the consumers' familiarity with the already existing name. Furthermore, it is undeniable that a well-managed brand extension generates revenues by selling more products or services, hence is a great motivator for companies to *increase net profit*. (ibid.)

When it comes to the economical rationales behind brand extension, Kapferer (2001) further argues that the reason to increase profitability should not be confused with reducing costs. Some markets are more profitable than others, either because of the cost of production, distribution or communication or differences in levels of price competition through the existence of distributor own-brands. The money to be made varies with the market, and all products are not equally profitable. It is desirable to extend a brand if the advantages, to allow it to penetrate other markets with a more advantageous profit and cost structure are recognized. The reverse is naturally true. (ibid.) Companies with strong brands can also seize the advantage to charge a premium price of about 17 per cent on products, which can be applicable on new products derived from brand extensions (Buday, 1989).

Furthermore, according to Ambler and Styles (1997), another rationale for extending the brand is to *lower the costs to achieve larger trial levels*. The trial rate of a new product with a familiar brand name is higher than for a new brand to the extent that the parent name provides consumer reassurance over and above the merits of the product itself. (ibid.) This is in agreement with the reasoning of Pitta and Prevel Katsanis (1995) and Aaker and Keller (1990), that the familiarity of an established brand name reduces the risk and costs with a new product and enhances initial consumer reaction, and trial. (ibid.)

According to Pitta and Prevel Katsanis (1995), a great benefit of brand extensions is the instant communication of salient image. One example is when Heinz acquired Weight Watchers and introduced the Weight Watcher's line of low calorie food and contributed to instant recognition and positive brand associations to the brand. Moreover, advantages to the extension can be provided when it comes to the cross fertilization which advertising of the core brand can bring. There is a higher acceptance of extensions from established brand associations such as quality, which increases the awareness of the brand extension. The parent brand also gains synergy through the *heightened awareness* that is generated in brand extension launches. (ibid.)

A brand with a high awareness and a good reputation has an advantage to capitalize on its success that is to *maximize the value of a strong brand name* by extending it (Randall, 2000). Pitta and Prevel Katsanis (1995) state that the ideal is that a core brand's associations can contribute a complex, yet well-defined image to an extension as a well established brand usually has a well-defined brand image. Ambler and Styles (1997) add that there is a higher acceptance of extensions from established brands associations such as quality.

In addition, brand extensions can provide positive customer based equity for the core brand and its original products, in terms of enhanced brand image. The increased value and image of a brand result in making the whole brand stronger. (Pitta & Prevel Katsanis, 1995) The creation of a mega-brand also increases the bargaining power with distributors and generates greater interest from investors. Furthermore, the brand positioning can be strengthened with an increased value of the brand. (Ambler & Styles, 1997) Also advertising battles based on product specifications can be avoided by competing on the basis of perceived quality and value of the brand, as the profile of the whole brand is lifted (Pitta Prevel & Katsanis, 1995).

Another rationale for companies to pursue a brand extension is, according to Kapferer (2001), to maintain or increase the value of the brand in a constantly *changing environment* both within the company as well as outside the company. Extension is particularly necessary for revitalizing long-standing brands or aging local brands to keep up with the market. A brand recaptures its market relevance, interest, up-to-date image and widens its appeal by launching new products with the same brand name. In cases, changes in the company's top management may be a reason for implementing an extension policy. A new team can be the source of a different vision that contradicts the old view of the brand marked by the history and origin of the brand that are ever-present in the collective imagination. (ibid.)

Randall (1997) argues that one good reason to conduct a brand extension is to forestall the *competitors* by filling a niche or to match their actions. The brand extension into more product categories may take shelf space which otherwise would be available to competitors (ibid.). Weilbacher (1995) further argues that brand extensions can be a way to build a level of quality into the products and thereby the brand that has not been previously available at competitive markets prices or that is more convenient to consumer needs than the practices of competitive companies. Moreover, if a current brand does not meet customer needs the company can pay attention to a product marketed in another part of the world by the company or a competitor. Thus, be motivated to extend the brand by introducing it to the researched consumer market. (ibid.)

Furthermore, another motivator to extend a brand, suggested by Randall (2000) and Ambler and Styles (1997), can be to *transfer expertise* and know how to a new product, such as technological expertise. The brand can benefit from a company's research and development (R&D) investment and activities in specialized technology centers. These centers can provide new technologies which first can be match to consumer needs, and then matched to an existing brand. (Ambler and Styles, 1997) The extent of transferability of expertise is connected to how difficult consumers perceive the manufacture of the new product or the new service provided, to be. If it is seen to be easy, a strong brand will have relatively less of an advantage. Where it is thought to be difficult, a strong existing brand will transfer much more of its influence on consumer acceptance. (Randall, 2000) On the other hand, if there is a lack of expertise in a brand that is extended to an unrelated field the reputation for quality can outweigh that and make the new product believable (Ambler and Styles, 1997).

2.2 Brand Extension Process

According to Ambler and Styles (1997), the understanding of what makes a brand extension successful and how the extensions come to market is important, as brand extensions has become a popular growth strategy. Therefore it is significant to understand the managerial process involved in the extension. (ibid.)

Developing brand extensions is seen as a type of new product development. Since the failure rate is high when launching a new brand, finding ways to improve the development process and thus increase the chance of success is important. (Ambler & Styles, 1997) An eight-stage framework shown below can be a guide in the new product development process: (Brassington & Pettitt, 2000)

- Idea generation
- Idea screening
- Concept development and testing
- Business analysis (financial)
- Product development (includes branding decisions)
- Test marketing
- Commercialization
- Monitoring and evaluating

In the *idea generation* stage it is important to let ideas range as freely as possible, to make sure all options have been considered. Ideas can, be collected from Research and Development (R&D), competitors, employees and customers. In addition, it is important to have a formal mechanism that generate and collect ideas, however, there are risks in becoming too formalized, since many ideas can be ignored. (Brassington & Pettitt, 2000) The *idea screening* is the second stage in the process, where a preliminary scan of the ideas is conducted in order to eliminate those not appropriate. The idea screening criteria is fulfilled when the idea fits with corporate and marketing goals and when the idea is technically feasible. Most importantly the ideas should fit the organizations strategic plans and development directions. (ibid.)

The third stage, the *concept development and testing*, is basically a description, profile and visualization of the product, presented in a way that a potential customer would understand. This could for example be sketches, drawings or models. In the *business analysis* stage it is particularly important to show proof of the size, shape, dynamics and competitors of the market, along with customer feedback and competitor reaction. Moreover, considerations about the products´ relationship with the existing product portfolio have to be addressed in some detail. All these considerations have to be done with some kind of outline of the marketing program for launching and keeping the product, considering all elements of the marketing mix. Furthermore, financial decisions about level of fixed costs, breakeven analysis, calculations of costs with different volumes and also decisions of how to treat R&D costs associated with the product needs to be taken into consideration as well. However, the main objective with the business analysis is to inform on the return on investment in development, the payback period and the product's profit sensibility. (ibid.)

In the *product development stage* a significant investment to produce the actual product is performed. In this stage it is necessary to get an understanding of product specification and legal requirements. If the product is appealing, plans can be made for *test marketing*, which is

the sixth stage in the process. This stage gives a hint on whether customers will buy or repurchase the product or not. These tests can help in offering valuable information on how the market accepts the product and if improvements need to be made before the actual launch. (ibid.)

The *commercialization stage* is the stage where everything that is performed for the launch to be successful needs to be done. If wanting to change the product at this stage, it can turn out very expensive, not only in direct costs but also in opportunity costs if a competitor enters the market more rapidly. The final stage, *monitoring and evaluation* are basically the time for reflection on how well the process has been implemented, and how successful it has been. In addition, whether the right people with the right type of knowledge were involved in the process and whether more time or resources were needed. When addressing and evaluating these issues, the next launch can be made even more successful and efficient. (ibid.)

The traditional model of new product development was the basis of a research on brand extensions conducted by Ambler and Styles (1997), a process model of extension decisions was also presented in the research. As an outcome, the traditional model of new product development and the process model of extension decisions differ in four areas, namely: background, brand equity, marketing leadership and planning. Although the process model follows a specific order it is usually relatively informal and occurs outside of the formal planning process within the company. The antecedents are the strategic and other drivers of the extension, which consist of the brand strategy, and the specific drivers. The decision criteria are made up by the brand equity criteria, the forecasts and the financial criteria. The launch consists of decisions, incorporation into the official planning and finally the launch itself. The process model of extension decisions developed by Ambler and Styles (1997) is presented in figure 2:1 below.
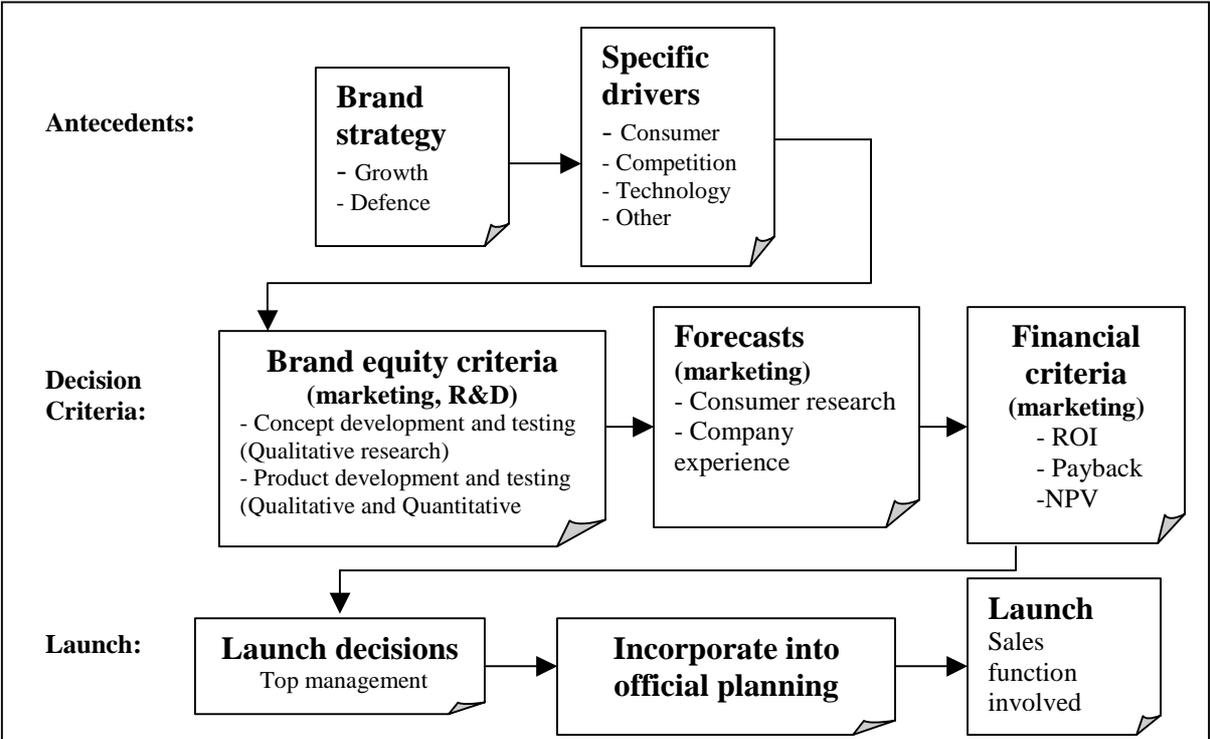
Figure 2:1: A Process Model of Extension Decisions
Source: Adapted from Ambler and Styles (1997)

Specific drivers

The process model of extension decisions does not start with the traditional idea generation stage, but views more specifically on the strategic and other drivers of the extension. However, the process model of extension decisions recognizes that ideas are developed by growth or defense objectives within the firm and outside from competitors, consumers and technology. (Ambler & Styles, 1997) According to Randall (1998), the absolute priority if you have a strong brand, is to nurture and defend it, which can be helped by a brand extension.

Brand equity criteria

Ambler and Styles (1997), suggest two approaches to the definition and measurement of brand equity, a financial evaluation and the consumer-based approach. The financial evaluation focus on the monetary value of the brand. The consumer-based approach focus on the brand itself meaning how the consumer values the brand. Brand equity is essentially described as the store of profits to be realized at a later date. The brand equity concept can cause confusion, as the distinction is not always clear. When brand equity is tested it is usually performed by consumer tests such as concept and/or product tests to investigate brand equity related criteria. These tests are normally performed early in the development process. Firstly, brand equity tests provide managers with an indication of consumer acceptance and a quantitative trial potential. Furthermore, the brand manager's task in the process is to maximize profits and brand equity, not just sales, market share and short-term profits. (ibid.)

According to Keller (1998), creating a brand with high equity by building awareness, image, and linking associations, can provide a firm with a strong competitive advantage. In addition, strong brands will also rise above other brands, having a better understanding of needs, wants, and preferences of consumers to create marketing programs that complete and even go beyond consumer expectations. (ibid.)

Forecast

To make a forecast, Ambler and Styles (1997), suggest two major sources of data that can be used, the consumer research (concept and product tests) and company experience (product launched in another market). The consumer research refers to consumer acceptance and test potential. Company experience can be used for companies who have experienced extension launches in other markets previously. Market forecasts are not influenced by knowledge or use of market simulation models to be generalized. (ibid.) Furthermore, expected future profits from the extensions are not made until after the decision has been made and when the extension is being used as profit assurance. According to Kotler (1997), methods for future demand forecasts can be used, for example from:

- Marketing research firms that develops a forecast by making interviews with customers and distributors
- Specialized forecasting firms, producing long range-forecasts of components such as population, natural resources, and technology
- Futurist research firms that produce speculative scenarios

Kotler (1997), further states that in most markets were company and total demand are not stable, good forecasting becomes a key factor for company success. Furthermore, Kotler

(1997) argues that surveys are particularly valuable if the buyers have clearly formulated intensions, will carry them out, and will describe them to interviewers.

Financial criteria

According to Aaker (1992), a financial analysis to determine probable, actual and potential sources and uses of funds can help estimate the financial capacity of the company. (ibid.) Ambler and Styles (1997), suggest that the financial criteria include payback periods, ranging from one to five years, Return of Investment (ROI), break-even or Net Present Value (NPV). (ibid.)

According to Aaker (1992), the ultimate test of performance for a firm is profitability and sales and their objectives appear to be specific and easily measured. In addition, as a result it is not surprising that they are so widely used as performance evaluation tools. Changes in profitability or sales can signal that the product is not able to compete successfully and needs to be improved in order to be successful. (ibid.)

Launch

The process of extensions decisions and routine planning is separate from the overall planning process that develops financial information and budgets in a company. Moreover, the process of extension decisions is lead by a brand manager together with the marketing, and technical staff, and can be developed outside the overall planning process in the company. Furthermore, in most cases the extensions are entered into the formal planning process once the extension have been developed and been approved by higher management, then the extension becomes part of the overall process of the company. (Ambler & Styles, 1997)

Ambler and Styles (1997), found that in the extension process, three functions played key roles: marketing, R&D, and sales. The most important function was the marketing function with the marketing manager, brand manager or category manager, who led the launch. Furthermore, the second most important function was the R&D department, lead by the technical managers, which worked closely with the marketing group with product development, consumer testing and refinement of products. The sales function was brought into the process at the end of to deal with promotion and presentation issues. (ibid.)

2.3 Successful Brand Extensions

According to Randall (2000), the introduction of a new brand is estimated to cost up to US $1 billion. A new product is a considerable investment and does not come with a guarantee of success. If the new product is viewed as an investment, it is tempting for the management to collect the rewards of their investment by extending the brand into another product category. (Aaker & Keller, 1990) It is possible to measure extension success in a number of ways, for example by market share, profitability, or number of years the extension has survived on the market (Grime, Diamantopoulos & Smith, 2002). According to Randall (2000), there is no single factor that by itself guarantees success, although there do seem to be certain common characteristics. Several factors of success for brand extensions such as the fit between the brand name and the extension category as well as brand equity associations have been identified (Sattler & Zatloukal, 1998).

It has been proven to be important that brands need to satisfy consumers' functional (quality and reliability) and representational (emotional and symbolic) needs (Grime et al, 2002). Consumer evaluation of a brand extension is often described as a process by which the core brand associations transfer to the extension. A key aspect contributing to the success of such strategies is to understand how consumer perceptions towards the brand in the current and new product category are changed by the extension. (Glynn & Brodie, 1998) According to Grime et al (2002), consumer evaluations are considered to be important, as they are believed to be a key element in indicating extension and core brand success. When consumers are evaluating an extension they rely on if there is a fit between the core brand and the extension and a fit with the product category and the brand image. Further, there are moderating variables affecting the relationship between fit and the evaluation of the extension and the core brand. These relationships are developed in the framework made by Grime et al (2002), and are presented in figure 2.2 below
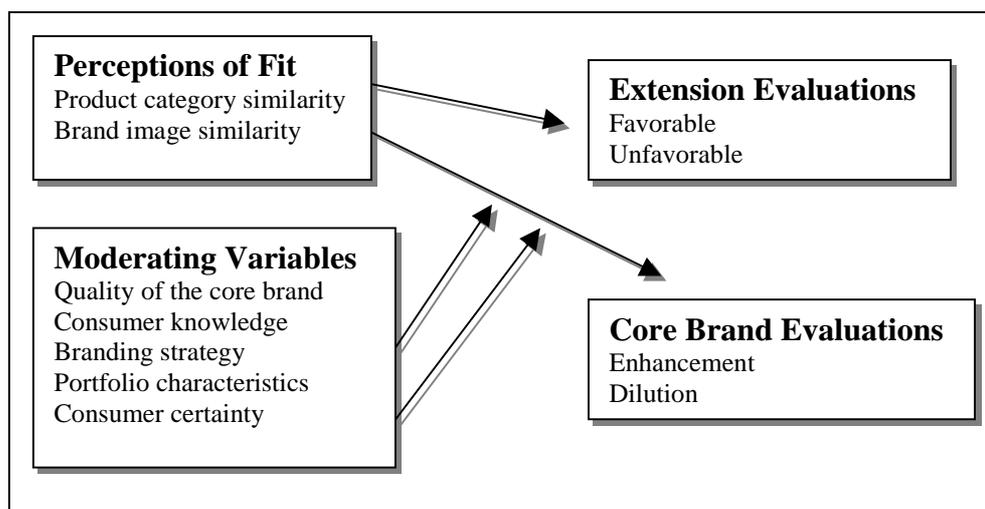
Figure 2.2: Conceptual Framework
Source: Adapted from Grime et al (2002) p. 1424

According to Grime et al (2002), the most frequently referred to dimension of fit is similarity. Referring to how alike the current and the new *product categories* are in terms of features, attributes or benefits, the greater the similarity, the greater the transfer of positive attitudes to the extension. Moreover, the better the fit the easier it is to extend to new categories. Research has indicated that attitudes towards a brand extension are more favorable when consumers have a perception of good fit. Moreover, if the core brand associations are transferred to the extension then consumers will perceive the extension as fitting with the new category and will accept the extension. (ibid.)

Associations can be classified into: attributes, benefits, and attitudes. There has to be a transfer of favorable associations from the core brand to the extension for the extension to be successful. Such beliefs and attitudes are known as brand associations and works to identify one brand from another and reflect the unique meanings associated to a specific brand. (ibid.)

The degree to which an extension is seen as fitting with the brand concept is believed to as important as the fit with the product categories. Extensions need to be congruent with the family brand image in order to be positively evaluated, meaning that the different products need to be representative of the family brand image. (ibid.)

A core brand's associations can contribute to a complex but well-defined image to an extension. Furthermore, the most favorable consumer reactions can be expected when brand extensions and core brands have high concept consistency and high product feature similarity. This reinforces the need for fit between the core product and its extension. (Pitta & Prevel Katsanis, 1995)

Grime et al (2002), state that when evaluating an extension research indicates that extensions with good fit will result in an enhancement of the core brand and an extension with a poor fit will result in dilution of the core brand. A good brand extension strategy is one where the brand name helps the extension and a very good brand extension also enhances the brand name (Glynn & Brodie, 1998).

The *moderating factors* are influencing the relationship between fit and the consumer evaluations of an extension and the core brand.

1. The first variable, *quality* of the core brand, it has been suggested that the impact of fit on extension and core brand evaluations is affected by the level of quality (Grime et al, 2002). Additionally, when quality is perceived to be high it is valuable to share the benefits of a core product with an extension. Further, research indicates that if the core product is perceived to be of high quality and the fit between the core and the extension is high then brand attitudes toward the extension will be more favorable. (Pitta & Prevel Katsanis, 1995).

2. According to Grime et al (2002), the level of *consumer knowledge* is also expected to affect the fit on extension and core brand evaluations. Suggesting that a high level of consumer knowledge will result in that a consumer will be more likely to discriminate between the core brand and the extension. (ibid.)

3. The use of two brand names as a *branding strategy* to create an extension reduces the negative impact of an extension with poor fit because the consumer associates the extension to the positive aspects of the core brand. (ibid.)

4. According to Grime et al (2002), the number of products and the different categories which the brand is associated with make up the *portfolio characteristics*, and it can be suggested that the fewer the number of product categories with which the core brand is associated the greater the impact of fit. Also, the more related the products are in a brand's portfolio the greater the impact of fit. (ibid.)

5. Lastly, *consumer certainty* refers to that when the consumers believe that the company will have the ability to provide an extension that meets consumer expectations, there will be less impact of fit on the evaluations of the consumers. (ibid.)

There is a fascination towards capitalizing on a brand's equity to attract new market segments (Pitta & Prevel Katsanis, 1995). According to Ambler and Styles (1997), the popularity of brand extensions over the last decade has coincided with the emergence of the concept of brand equity. Research show that a brand's equity has an impact on the success of extensions, and extensions as well have an impact on a brand's equity. The result is that highly valued brands extend more successfully. Thus, it seems to be a relationship between brand equity and brand extensions. (Pitta & Prevel Katsanis, 1995)

Furthermore, Pitta and Prevel Katsanis (1995), argues that brand equity increases the probability of a brand to be chosen by consumers, leads to brand loyalty, and protects the brand from competitive threats. A positive image of the brand should help make the brand's position stronger, differentiate it against competition and move the brand toward a specific product category. If succeeded the brand should be able to demand higher prices and encourage consumers to search for it. (ibid.)

As an investment brand equity has a limited life. It is subjected to growth, reinforcement or decay, and assault by competitors. It can be harmed by well-intentioned actions of the organization. In addition, leveraging the brand equity of a successful brand promises to make introduction of a new brand entry less costly by trading on an established name. (ibid.)

2.4 Conceptual Framework

Our aim with this section is to develop a conceptual framework that will guide us in our study. This framework will be based on models and theories presented in the opening of this chapter, and the theories are related to our research questions. Furthermore, the conceptual framework will also serve as the basis of our data collection.

2.4.1 Presentation of a conceptual framework

As defined by Miles and Huberman (1994), "a conceptual framework explains, either graphically or in narrative form, the main things to be studied" (p. 18). Additionally, the authors argue that a conceptual framework in general is easier to develop after the research questions have been stated. In accordance with the suggestions made by Miles and Huberman (1994), we have been guided by our research questions stated in chapter one when reviewing the literature.

In our study the first research question describes why companies choose brand extensions as a part of their branding strategy; the second research question relates to the brand extension process; and the third question explores how a successful brand extension can be described.

2.4.2 Conceptualization of theories

In order to describe and to get an extensive picture of why companies chose brand extension as a part of their branding strategy, we have chosen to rely on ten different authors. These authors are used to make an eclectic list of possible rationales that will help us view companies' rationales for using brand extensions.

- Growth of current and new segments (Kapferer, 2001; Kim & Lavack, 1996)
- Meet customer trend and need (Ambler & Styles, 1997; Weilbacher, 1993)
- Lower cost and risk than new brand (Aaker, 1990; Randall, 2000)
- Decrease communication costs (Ambler & Styles, 1997)
- Lower cost to reach higher trial rates (Ambler & Styles, 1997; Pitta & Prevel Katsanis, 1995; Aaker & Keller, 1990)
- Economies of scale in communication (Nilson, 1989; Buday, 1989)
- Profitability (Nilson, 1989; Kapferer, 2001)
- Increased brand awareness (Pitta & Prevel Katsanis)
- Increased Brand Value (Randall, 2000; Kapferer, 2001; Ambler & Styles, 1997)

- Meet changing environment (Kapferer, 2001)
- Competition (Randall, 2000; Weilbacher, 1993)
- Expertise (Randall, 2000; Ambler & Styles, 1997)

The literature most relevant to answer the second research question concerning how the process of brand extensions can be described will be presented below. The brand extension process is based on the framework developed by Ambler and Styles (1997) as we consider this framework to fit our purpose and research questions, and the model is relatively up to date. Furthermore, the process is derived from an academic journal based on the results of a study, closely connected to this specific research area. In addition, the process model by Ambler and Styles has been based on a traditional model of new product development by Brassington and Pettitt (2000). To make the process model more complete, stages from the traditional model has been added. Furthermore, we have added theories from three different authors to the different stages in the process model to make the model more comprehensive as well as more extensive. The added theories in the process model of extensions can be viewed in the eclectic list below.

- **Ideas**
  - Generation (Brassington & Pettitt, 2000)
  - Screening (Brassington & Pettitt, 2000)
- **Brand equity criteria** (Keller, 1998)
  - Concept development and testing (Ambler & Styles, 1997)
  - Product development and testing (Ambler & Styles, 1997)
- **Forecast**
  - Consumer research (Ambler & Styles, 1997; Kotler, 1997)
  - Company experience (Ambler & Styles, 1997)
- **Financial criteria**
  - ROI (Ambler & Styles, 1997)
  - Profitability (Aaker, 1992)
  - NPV (Ambler & Styles, 1997)
  - Payback (Ambler & Styles, 1997)
  - Market Share (Brassington & Pettitt, 2000)
  - R&D Costs (Brassington & Pettitt, 2000
  - Sales (Aaker, 1992)
- **Launch decision and functions**
  - Key players (Ambler & Styles, 1997)
  - Overall planning process (Ambler & Styles, 1997)
- **Monitoring and Evaluation**
  - Reflection (Brassington & Pettitt, 2000)
  - People involved (Brassington & Pettitt, 2000)
  - Time Frame (Brassington & Pettitt, 2000)
  - Resources (Brassington & Pettitt, 2000)

The factors describing brand extension success can be defined as the outcome of the process. If the criteria are fulfilled the extension is considered to be a success. The theories chosen to explain the criteria were chosen because they are all derived from recently published journal articles by three different authors. The criteria are presented in an eclectic list below.

- **Fit**
  - Core brand and the extension (Glynn & Brodie, 1998; Grime, Diamantopoulos & Smith, 2002)
  - Product category similarity (Grime et al, 2002; Pitta & Prevel Katsanis, 1995)
  - Brand image similarity (Grime et al, 2002)
- **Evaluations**
  - Enhancement (Glynn &Brodie, 1998; Grime et al, 2002; Pitta & Prevel Katsanis, 1995)
  - Dilution (Glynn &Brodie, 1998; Grime et al, 2002; Pitta & Prevel Katsanis, 1995)
- **Moderating Variables**
  - Core brand quality (Grime et al, 2002; Pitta & Prevel Katsanis, 1995)
  - Consumer knowledge (Grime et al, 2002)
  - Branding strategy (Grime et al, 2002)
  - Portfolio characteristics (Grime et al, 2002)
  - Consumer certainty (Grime et al, 2002)
- **Brand Equity**
  - Brand loyalty (Pitta & Prevel Katsanis, 1995)
  - Positioning (Pitta & Prevel Katsanis, 1995)
  - Image (Pitta & Prevel Katsanis, 1995)
  - Less costly (Pitta & Prevel Katsanis, 1995)

2.4.3 Emerged conceptual framework

From our conceptualization of theories a conceptual framework has emerged to suit our purpose and the research questions as can be viewed in figure 2.3 on the next page.

As stated earlier in this chapter the process model is considered to be informal and a company does not necessarily follow these steps. Companies are considering different rationales for choosing brand extensions as their branding strategy. We have lifted out the specific drivers from the process model to include more rationales derived from our literature that fit our purpose. We have also incorporated the brand strategy stage in the rationales, as we consider the growth and defense criteria to be a part of the rationales. We will consider the drivers defined by Ambler and Styles (1997), as well as the added rationales in our study.

The rationales are followed by an idea generation and screening stage. Later moving to the decision criteria, which consist of considering brand equity, making a forecast and finally regard the financial criteria for making an extension. Further, the key players involved in the process incorporate the decision in the official planning leading to launching the extension. These stages are followed by a stage where the extension is monitored and evaluated. The extension is regarded as successful if the extension fulfills the criteria of fit, moderating variables, consumer evaluations and brand equity.

Rationales

-Growth
-Customer trend or need
-Lower risk and cost than new brand
-Decrease communication costs
-Lower costs to achieve larger trial rates
-Economies of scale
-Profitability

-Increased brand awareness
-Increased brand value
- Changing environment
- Competition
- Expertise

Brand Extension Process

Ideas

-Generation
-Screening

Brand equity criteria
-Concept development and testing

-Product development and testing

Forecast

-Consumer research
-Company experience

Financial criteria

-ROI
-Profitability
-NPV
-Payback
-Market Share
-R&D Costs
- Sales

Launch

- Key players
-Overall planning process

Monitoring and Evaluation
-People involved
-Time frame
-Resources

Brand Extension Success Factors

1. Perceptions of Fit
-Core brand and the extension
-Product category similarity
-Brand image similarity

2. Evaluations
-Enhancement
-Dilution

3. Moderating Variables
-Core brand quality
-Consumer knowledge
-Branding strategy
-Portfolio characteristics
-Consumer certainty

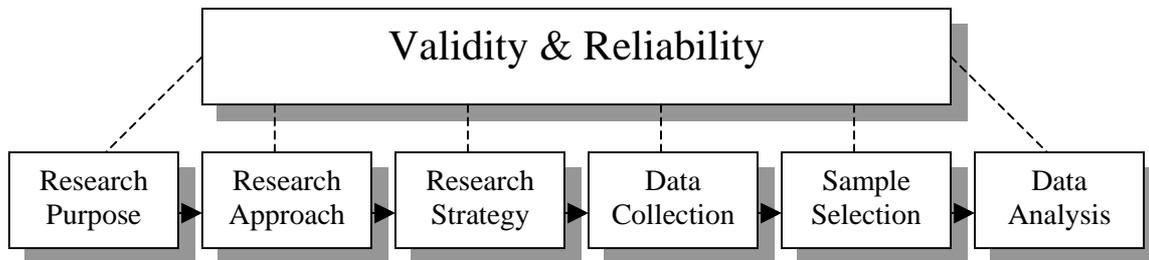**4. Brand Equity**
-Brand loyalty
-Positioning
-Image
-Less costly

Figure 2.3: Emerged Conceptual Framework

3 METHODOLOGY

In this chapter we will discuss and justify the methodological choices we have made for our research. The figure 3.1 below provides an overview of the headings of the chapter and how these fit together.

Figure 3.1: Methodology Overview
Source: Adapted from Foster (1998), p.81

3.1 Research Purpose

According to Yin (1994) and Wiedersheim-Paul and Eriksson (1998), research can be classified into one of the following three different purposes: exploratory, descriptive or explanatory research. Furthermore, these classifications can be based on how much knowledge the researcher has in the initial state of the research, in addition to what kind of information that is required in order to deal with the purpose of the thesis. (Reynolds, 1971)

Exploratory research aims to formulate and define a problem. It is useful when the problem is difficult to demarcate, when the perception of which model to use is unclear and what qualities and relations that are important are diffuse. (Wiedersheim-Paul & Eriksson, 1998) Therefore, the purpose of an exploratory study, according to Patel and Tebelius (1987), is to collect as much information as possible about a specific problem. Furthermore, Reynolds (1971) claims that in an exploratory study the researcher gains a better understanding of the research area.

Descriptive research is suitable when the purpose is to correctly describe a phenomenon and when the problem is well structured. The researcher needs to have a clear picture of the phenomenon before the collection of data starts. (Saunders, Lewis & Thornhill, 2000) Moreover, a descriptive research purpose is used when the researcher wants to find out which aspects of a problem that are relevant, and describe these aspects more thoroughly without researching connections between causes and symptoms (Wiedersheim-Paul & Eriksson, 1998). Furthermore, descriptive research is often an extension of, or a forerunner to, an exploratory research (Saunders et al, 2000).

Explanatory research is employed to analyze causes and relationships, explaining which causes produce which relationships (Yin, 1994). Furthermore, this also includes the explanations of a certain purpose, when investigating if one specific factor affects another (Wiedersheim-Paul & Eriksson, 1998).

In this study we explore, primarily describe and start to explain how Swedish companies use brand extensions as a part of their branding strategy. The purpose of this thesis is exploratory, as no identical research approach has been made before and we wanted to gain as much information as possible, thus, aiming to gain a better understanding of the research area. The study is primarily descriptive via the empirical data we have collected in order to find patterns in the exploratory study. Finally, our research purpose is somewhat explanatory, as we are beginning to explain the results that we have gained in the two previous stages, by drawing conclusions that are answering our research questions.

3.2 Research Approach

The research approach refers to the chosen way of treating and analyzing the selected data and is generally classified as either quantitative or qualitative (Yin, 1994). According to Holme and Solvang (1991) a quantitative approach is formalized and structured. The results from a quantitative research are assumed to be measurable and presentable in figures. It aims at generalizing by studying few variables on a large number of entities. A qualitative approach draws conclusions from non-quantifiable data, such as, attitudes, values, or perceptions. It gives the possibility to gather information and investigate several variables from a few numbers of entities, thus providing the possibility to gain a deeper understanding of the studied area. (ibid.)

As a result of these explanations, the emphasis of this study is qualitative, due to the fact that we aim to gain a deeper understanding of Swedish companies' use of brand extension, which in turn requires a more detailed investigation. Furthermore, we aim to draw conclusions from our findings.

3.3 Research Strategy

According to Wiedersheim-Paul and Eriksson (1998) there are three major research strategies available in social sciences: experiments, surveys, and case studies. Yin (1994) proposes two additional: archival analysis and histories. Furthermore, what distinguishes these strategies can be determined by three different conditions:

1. The type of research question posed
2. The extent of control an investigator has over actual behavioral events
3. The degree of focus on contemporary as opposed to historical events

Table 3.1, on the next page, visualizes how Yin (1994) relates the three conditions to the different strategies.

Table 3.1: Relevant Situations for Different Research Strategies

Research Strategy	Form of research question	Requires control over behavioral events	Focuses on contemporary events
Experiment	How, why	YES	YES
Survey	Who, what, where, how many, how much	NO	YES
Archival analysis	Who, what, where, how many, how much	NO	YES/NO
History	How, why	NO	NO
Case study	How, why	NO	YES

Source: Yin (1994), p.6

The type of research questions of our study are formulated as "why" and "how" questions. Furthermore, our study deals with contemporary events, and we do not have control over behavioral events. These facts indicate that a case study or survey is the option for our study. However, a survey is not relevant, as it does not correspond to our qualitative research. Therefore, based on this, in accordance with the reasoning of Yin (1994), we find *case studies* to be most appropriate as a research strategy for our study. Furthermore, Wiedersheim-Paul and Eriksson (1997), state that a case study involves the investigation of few entities with many variables, with the aim to increase the understanding of a subject and not a generalization. This is also in agreement with our aim to gain in-depth understanding of why and how the companies in the investigation use brand extensions as a part of their branding strategy.

According to Yin (1994), the design of the case study can either be a single-case study or a multiple-case study. A *single-case study* provides the opportunity to investigate one entity in the form of one industry, company, or district, in depth. On the other hand, a *multiple-case study* allows two or more entities to be studied and compared, which increases the validity of the study (ibid.). Although each entity will be investigated less in depth (Wiedersheim-Paul & Eriksson, 1997). In this study we use a multiple-case study where three entities of brand extensions in different companies are investigated. This enables us to compare the results of the cases with each other.

3.4 Data Collection

According to Wiedersheim-Paul and Eriksson (1997), two categories exist when collecting data, secondary and primary. Secondary data is data that has already been collected for another purpose, whereas, data collected for a specific purpose is known as primary data (ibid.).

In addition, as argued by the authors, there are three methods to rely on when collecting data for case studies: documentation, interviews, and observations. According to Yin (1994), the most significant sources of case study information are interviews due to their strength of focusing directly on the case study topic. Furthermore, interviews are insightful as they provide perceived causal inference. Holme and Solvang (1991) further argue that interviews are suitable when in-depth information is desired as it concentrates directly on the case study topic.

Therefore, the *interview* was chosen as our *primary* data collection method, due to its strength to focus directly on the topic of the case studies, thus allowing the collection of in-depth information. Based on the level of formality and structure, interviews are often categorized

into: open-ended, focused and structured. The open-ended interview allows the respondents to answer freely about the topic. The focused interview takes place for a short period of time, and is bound to a certain extent, normally following a questionnaire. Thus, still allowing an informal conversation. The structured interview is based on a survey where the questions are predetermined without flexibility. (Yin, 1994.) For this study, focused interviews were the most appropriate methods for the collection of data. An interview guide (provided in Appendices A-B) was used in order to discuss a limited number of issues connected to the conceptual framework in chapter two. This allowed the respondents to respond with flexibility, and to confirm or dismiss certain facts in a conversational manner.

In general, focused interviews can, according to Lundahl and Skärvad (1992), be conducted by telephone or in person. *Telephone interviews* are less costly and time consuming, which makes them useful when contacting a distant respondent. However, visual cues will be absent, and other disadvantages such as difficulties recording data, less ability to control the pace of the interview, and difficulties developing complex questions may follow. On the other hand, *face to face interviews* can be carried out longer than telephone interviews and include questions that are more complex, allowing a better feedback from the respondent. (ibid.) We chose to conduct telephone interviews in this thesis due to reasons of distance and limited resources for traveling.

Yin (1994) states that *Documentary* information is likely to be relevant in every case study and can take many forms, such as, letters, written reports, memoranda; articles presented in mass media and internal documents. In this study, we used documentation as a *secondary source* of information when collecting background information about the companies from their homepages. Documents possess the quality of being stable as it is possible to re-examine them. However, they are unobtrusive, meaning they are not made for the case in question, although they can contain accurate names, and other details. (ibid.)

Yin (1994) further proposes that triangulation, gathering different sources of data, provides a strength that makes the study more reliable. The sources of evidence applied for our data collection are documentation and interviews.

3.5 Sample Selection

According to Holme and Solvang (1991), it is of great importance that the selected cases are relevant to the purpose of the study, and that the respondents have abundant information on the studied phenomenon when performing case studies. We have followed the advice of Holme and Solvang and selected three case studies as our samples, as we chose to conduct a multiple-case study. Due to the purpose of this study to investigate how Swedish companies use brand extensions as a part of their branding strategy, we started to list several Swedish companies with experience of brand extensions, more specifically brand extensions from one product category to a different product category. Moreover, the choices of companies were not based on a specific industry as we decided to concentrate on brand extensions in general.

After several telephone calls to the companies in question, three agreed to participate in our study, namely Husqvarna, Salming and Scandinavian Airline Systems (SAS). These selections were motivated by the fact that all companies fulfill the criteria of conducted brand extensions and are well known Swedish brands active internationally. The case study companies of interest were; Husqvarna, a world leading manufacturer of forestry, park and garden products, with a long history of brand extensions; Salming, starting out as an

underwear company and extended the brand Salming to include product categories such as sport articles, eyewear and bags; SAS within the airline industry has extended the brand to include several companies providing different services like for example hotels, Scandinavian airlines and airline related businesses such as SAS Cargo. In addition, we managed to set up interviews with employees with extensive knowledge of branding. Mikael Zetterlund, Brand Manger at Husqvarna; Yvette Gilbert, Business Area Manager at Salming Underwear, Ebba Rappe, Corporate Identity Director at SAS.

3.6 Data Analysis

According to Yin (1994), research projects should begin with a general analytic strategy providing the researcher with a system by which he or she can set priorities for what to study and why. Two general analytical strategies are available when performing a case study, namely relying on theoretical propositions and developing a case description (ibid.).

Relying on theoretical propositions is the favored strategy, and also the strategy used in this study. Using this strategy, the data collection is based on the research questions taken from previous studies. The findings of the research will then be compared with the findings from previous studies. The second strategy, *developing a case description*, should preferably only be used when little previous research has been done. (ibid.)

Miles and Huberman (1994) further state that the process of analyzing data consists of three activities: data reduction, data display and conclusion drawing/verification. *Data reduction* is viewed as the process of selecting, simplifying and transforming the data in an arranged way that final conclusions can be drawn and verified. *Data display* refers to the presentation of the reduced data in an organized way in order to simplify the process of drawing conclusions. *Conclusion drawing/verification* is the ultimate analytical activity where the researcher evaluates the significance of the findings by noting regularities, explanations, patterns, casual flows and propositions. (ibid.)

The three steps suggested by Miles and Huberman (1994) were followed when analyzing the data. Firstly, relevant data for our research questions was reduced via our within-case analysis and then compared with our theories covered in the conceptualization. Secondly, in the cross-case analysis the data was displayed in a feasible way, following the structure of our research of questions, to find similarities and differences. Thirdly, conclusions based on the findings of the study were drawn in the final chapter.

3.7 Quality Standards – Validity and Reliability

Yin (1994) suggests four different tests a researcher can use to test the quality of a study, namely construct validity, internal validity, external validity, and reliability.

Construct validity refers to the establishment of correct operational measures for the concepts being studied, by using tactics such as multiple sources of evidence, establishing a chain of evidence, and having the draft study reviewed by key informants. In order to increase construct validity, both interviews and documentation were used as sources of evidence. A chain of evidence is established by referring to used secondary data, by presenting the primary data, linking together the purpose, research questions, frame of reference, interview guide, and findings, and by referring to methodological procedures. Furthermore, our supervisor reviewed the interview guide and the draft of the case report for comments.

The *Internal validity* means to establish a causal relationship and should not be used in a descriptive or exploratory study; therefore it will not be used in this study.

External validity deals with the problem of knowing if it is possible to draw general conclusions from the findings of the case study. Multiple case studies are generally a stronger basis for generalizations than a single case study, and as case studies rely on analytical generalizations, meaning to attempt to generalize findings with theory, the external validity might still be quite high. (ibid.)

Reliability aims to eliminate errors and biases in a study in order to make the research methods and techniques for collecting data more reliable and accurate. High reliability exists if the investigator reaches the same findings when repeating the case study by following exactly the same procedures. A prerequisite for this repetition is documentation of procedures followed in the case studies. (ibid.) Wiedersheim-Paul & Eriksson (1991) also claim that the respondent's lack of sufficient knowledge can affect the reliability in a negative way. In order to increase *reliability*, we made an effort to ensure that the respondents had sufficient knowledge, and sent the interview guides in advance to allow respondents to prepare answers. Furthermore, we aimed to be completely objective both in the formulation of questions, and in the actual conduction of the interview, in order not to influence the respondents' answers. To further increase reliability, the interviews were recorded to be able to double-check the answers. However, bias may occur as the interviews were conducted in Swedish and thereafter translated to English, which includes the risk of translating errors. Another possible negative influence on reliability could be that we during the telephone interviews could not pick up visible cues. (Yin, 1994) When conducting interviews, personal biases may to some extent be present. Therefore, the influence of the respondents' as well as our own attitudes and values can always be questioned.

4 DATA PRESENTATION

In this chapter we will present the empirical findings that have been collected during the interviews and documentation. The chapter begins with a presentation of the first case study company that has been investigated, Husqvarna, followed by the collected data relevant to each research question. Thereafter, the second and the third case studied companies, that is Salming and Scandinavian Airline Systems (SAS) will be presented in the same outline as the first case.

4.1 Husqvarna

The interview was conducted with Mikael Zetterlund, Brand Manager at Husqvarna, employed since 1974 with experience from a variety of working assignments. The data is complemented with material available at the homepage of Husqvarna: (www.husqvarna.com).

4.1.1 Company presentation

Husqvarna AB is a world-leading manufacturer of forestry, park and garden products and offers an extensive selection of products ranging from machinery for professionals to products aimed at demanding customers. The product range offered includes chain saws, trimmers, different types of lawn mowers, clothing, tools, accessories and oil, as well as access to knowledge and training.

The head-office is situated in the city Husqvarna in Sweden were about 1 800 of totally 2 200 employees are working with high technology research, product development, production and marketing. Husqvarna was in 1977 included in the Electrolux Group and is represented by 18 000 retailers in some hundred countries around the world. 95 percent of the products are exported and the sales amount up to about five billion SEK. The main part of the production is made in Sweden and some products are bought from subsidiaries within the group. The Swedish factories are located in Brastad, Husqvarna, Ödeshög and Tansby. Husqvarna's main competitor of the core product, chain saw, is the German company Stihl.

Husqvarna was founded in 1689 as a weapon factory, which makes it one of the world's oldest industrial company and brand. During this period of time the company's has gained a lot of experience in precision engineering and manufacturing, which contributed to the development and manufacturing of some of the world's leading products in different product categories such as guns, sewing machines, motorcycles, kitchen and outdoor products.

4.1.2 Rationales behind brand extensions

According to the respondent, the extensions of the brand Husqvarna today can be related to the long history of the company. Husqvarna started as a weapon forge in the city Husqvarna, due to the demand of weapons from the Swedish army. Later on when the demand of weapons ceased to exist, Husqvarna used its knowledge of smithy and iron casting to develop a variety of products that required the production technology available. The first developed product was the sewing machine, as the weapon technology to cast small detailed components was well suited for that purpose. The opportunities to forge other components as well made the company extend the core brand into other products categories, such as hand driven meat

machines that made Husqvarna present in the kitchen business area. Another iron casting industry, Norrhammar factory was acquired and lead to the extension of kitchen products, such as irons and scales. The common factor was the foundry technique that later developed to electronic technology, from iron to electric driven stows. This was a natural foundation to further extend into the kitchen area of business along with the development of technology that formed the company's business to include other household products as well, such as refrigerators. The improved technology, especially in motor driven components, has made Husqvarna further extend the core brand into other product categories. Today, the emphasis lies on garden products.

According to the respondent, *growth* as a reason to extend the brand in order to extend the current market can be related to the high export concentration the company has had during a long period of time. This has been the motivation and reason to increase production and growth by extending the brand into new product categories. To extend the brand to reach more or new segments is not a rationale in its self as the current customers are emphasized on. Husqvarna has three main segments; professional forest customers, professional park and garden customers, and demanding customers, such as non-professional house owners. It is easier to make these customers that are already familiar with the brand to try new products from the company within a similar product category and thereby increase the current market. However, when a high market share within a certain target market has no long-term prospect to grow such as gasoline operating motor saws, Husqvarna sees an opportunity to extend the brand into new or redefined products or looks at other potential markets using gasoline driven products. In this way a brand extension is performed to enter other professional users of the product, thus reaching new customer segments.

The extensions of the brand into new product categories are and have always been influenced by the *trends or the needs of the consumers* during the company's existence. To enter a new product category presupposes that there is a need from the close or current customer groups. For example, if a current customer uses hedge scissors and a similar customer type uses leaf blowers, it would be considered right to enter that product category. Husqvarna has a close cooperation with their customers and is very attentive to their needs and wishes in order to keep them loyal and positive to the brand, especially the professional customers. Investigations of customers' use of products are conducted on regular basis. The current customers' professional needs for a new product lay as a foundation for Husqvarna's branding strategy. Besides this, Husqvarna may consider to introduce complementary products that suit the distribution in order to reach the customers. In these cases the company can develop own products or buy them and have the Husqvarna brand name attached to them. It is a way to support and satisfy the distributors who require more products for their businesses to run, such as protective clothing, oils, and filters on which the brand name can be used.

As for gaining economical benefits by extending the brand, Husqvarna does not consider capitalizing on the current brand name instead of a new brand launch to *decrease costs* as a rationale. Introducing new products under the same brand name is seen as a faster way of gaining customer acceptance and thus less risky to fail. The respondent explained that as the brand has existed for a long time and remained its trustworthiness on the market it would require a lot of effort, especially in time to build up a new brand name with a comparable brand value as the existing brand.

Husqvarna ambition has been to first build a foundation for the professional customers that other demanding customers can look at and copy, which makes the communication costs

lower than it would otherwise. Therefore, *reducing communication costs* is not considered to be a rationale behind brand extensions. Husqvarna has operated with the production possibilities in mind instead of having a theoretical way of thinking. Husqvarna has produced high quality products and if the technology was available new products were simply produced under the same brand name. Filling the production capacity gains *economies of scale* in production and is one rationale behind brand extensions.

Furthermore, economical rationales in terms of *increased profit* is by all means a rationale to extend the brand, according to the respondent, as everybody wants more profit by reaching more segments and selling more products with the help of an established brand name. Husqvarna also states that it is easier and cheaper to make the current segments, already familiar with the brand, to try new products thus increasing the profitability in that way. This is also seen as a way to gain *higher awareness* of the brand, as current customers will immediately recognize the brand if a new product is launched, as well as other consumers who recognizes what products the professional customers rely on.

Husqvarna also views *increasing the value* of the whole brand by extending the brand as a rationale. To have more products that complete each other is a way to keep the brand stronger and makes it possible to sell the products in Husqvarna branded stores, as well as having a better position to deal with the retailers that sell the Husqvarna branded products. The company also relies on the brand's well-defined image, standing for quality and robustness that always has been an advantage to the extended brands as it communicates reliance and trustworthiness to the extension.

Further, to extend the brand in order to fit the *changing environment* is considered a rationale by Husqvarna. As stated by Mr. Zetterlund, the company is constantly adapting itself to the environment as a qualifier, to constantly improve the quality and set the quality standards compared to competitors. To be seen as an innovative company is a prerequisite and basis to be attractive as a brand. Husqvarna wishes to be in the forefront in its industry in order to gain long-term profit and acceptance of the old core brand. Furthermore, a change in the company's management has not been a rationale for Husqvarna to extend the brand further, as new products have developed from research and development and the close customer contacts.

Regarding the rationale of extending the brand as a *defense tool against competitors* is an important factor. According to the interviewee Husqvarna is constantly screening the competition. However, the high amount of Husqvarna's innovations during the last years has lied as a foundation for the company's competitive edge, thus copying competitors has not been practiced to a great extent. The competitive advantage the company has today is due to the heavy amount of work with automation that has made it possible for Husqvarna to have own developed production equipment, which is the possibility to produce large and broad series of products. Today, the major emphasis of production is on outdoor equipment, such as motor driven equipment for forest, park and garden use. The household products are limited to the Scandinavian market. A broader offering of products also provides retailers with more products and which pushes the competitors away. The aim is to be number one in the stores. Even though Husqvarna has a lot of new products it would not be considered extending the brand into areas that has no connection to the brand or the technology available, thus the basis for the product choices today is the *technological expertise*. However, Husqvarna may buy technology of something that has been found interesting that is to buy a patent as a way to introduce a new product category with Husqvarna's brand name.

4.1.3 Brand extension process

The *ideas* to extend a brand into more product categories are mainly *generated* from the employees contact with the consumers. The respondent stated that there is a close cooperation and contact with the consumers. In some cases it leads to a totally new product, however more often it results in providing the existing needs in the form of another type of the basic product or a different kind of technology to solve the problems. Competitors within the same industry also contribute as a leading factor regarding ideas for product development. As the respondent stated earlier, the technological innovations within the company is also a major source for the idea generation.

According to the respondent, the *screening of ideas* concerns two parts. Firstly, if the idea concerns a new product it is evaluated from a competitive point of view, that is, if the technology has a competitive advantage to be superior to competitors, as Husqvarna aims to be ahead of them. The technology expertise of Husqvarna will decide if the company will be trustworthy and successful with the new product. The second part of screening an idea concerns how well the product fits with what the core brand stands for. The responsibility to collect and evaluate the ideas, in production terms, lies on each product line.

Furthermore, the *brand equity* is investigated in the form of consumer tests to see how the consumer associates to the brand. Moreover, product development tests are constantly performed and the company gets necessary feedback from their R&D department, as well as the pilot customers testing the product's function.

Considering a *forecast* of the brand extension, the respondent stated that Husqvarna conducts a lot of consumer investigations. These are required to be directly related to the product and the need of the segment investigated. The target groups and their use of the product are firstly investigated to see how the problems appears and how the personal needs looks like, that is what the company really satisfies. These are the basis for segmentation. The company has defined a method where a chosen group answers questions from the company to differentiate the needs. This enables the company to look at different applications of a certain product and that is based on the same core idea in order to ensure that a real need is fulfilled. The test of the product itself is a part of the whole product admission process. In addition, the brand equity criteria are investigated in tests to see how the customers associate to the brand before the launch.

Forecasting, based on the *company experience* is also a basis for new extensions as the whole history of the company is built on that. However, in recent years the extensions of the brand to include more product categories have had to be decreased and now the main focus is on outdoor activities. This decrease and concentration can be viewed from a long-term perspective.

The *financial criteria* for a brand extension are naturally analyzed according to Mr. Zetterlund. There is a project description or plan for new products were the financial criteria cover a major part. It is a detailed document including the market shares to be reached, the size of the segments both in monetary and unity terms, and the expected profit to obtain. Also the high costs of research and development are covered. The respondent could not get into detail with these financial criteria.

The actual *launch* of a new product usually follows certain stages with both the product line department and the marketing department involved. First the company releases a new product on a minor market to see if the quality level is kept and if there are any child diseases. Thereafter, the product is introduced on several other markets and includes a full support sales material, introduction and testing, for the selling companies around the world. The introductory and educational material for the distributors enables them to sell the product to the end consumers.

Husqvarna has a formal forum or system for new products that reaches all the way up to the concern group, Electrolux, which makes the final decisions of the *launch and implements it to the overall planning* of the company. Monitoring of the brand extension is constantly performed within the company and the business area manager has the main responsibility. Moreover, Husqvarna has a product council group with advisory people that evaluate the brand extension process. In addition, the group is provided with a complete investment fluid that contains the segmentation study.

4.1.4 Successful brand extensions

According to the interviewee, a *successful brand extension* can be measured through the financial parts, profitability and volume. Also to investigate if the extension contributed to the core brand in any way is a major source of measuring success. In other words, if the product really contributed to what the brand represents, that it is a profiling product and separated from the competitors' products.

When it comes to the *fit between the core brand and the extension*, Mr. Zetterlund referred to what Husqvarna has represented in Sweden during a long period of time. In many situations the fit has been viewed quite similar. It has always been viewed from the factory value's perspective and what stands for, words like quality and robustness. Today many of the values remain although those that have been included the recent 20-30 years are from the cooperation with professional customer groups, which did not exist in the beginning of the 20th century.

As stated by the respondent, the consumer reaction of the brand extensions has been positive, as they think the new product categories suit the brand well. As the respondent mentioned earlier, the extensions are based on the similar technology and similar group extensions, and has been introduced to new target groups or has increased offerings to existing customer groups. In order to be careful that the product fits Husqvarna's technology, knowledge, competence and background, as well as the core values of the brand are all seen to contribute to the customers' positive reactions.

According to the respondent, the extended brands have *enhanced the core brand*, as it is one of the main criteria for the extensions made within the company that is to fit and strengthen the core brand. Mr. Zetterlund clarifies that the extended brands are not viewed as new brands but the same brand included with more product categories.

Moderating factors such as, the *quality of the core brand* has affected the success of the extensions as the quality has spread to the extended brands. The quality is one of the things that the brand, Husqvarna, is representing.

Also the *consumer knowledge* affects as the consumers rely on the quality of the brand. Husqvarna believes that the consumer knowledge affects the fit between the core brand and the extension. The consumer knowledge is appreciated to be high and positive, especially considering professional customers, as Husqvarna is world leading within its industry. The company is also more than 300 years old, which contribute to many recognizing or having owned one of the products manufactured by the company over time. In addition, the close co-operation with customers increases their knowledge of the company and vice versa.

Additional names to the core brand have existed in the form of product brands depending on the product categories. For example, the Rider and the Auto mover products are descriptive names to the specific product functions as automatic lawn movers. Some of the names are inherited from an extended product line. However, the use of additional product names that are not descriptive is decreasing today.

Husqvarna tries to keep the *product portfolio* to include fewer product categories in order to strengthen the fit between them and thereby the brand. If a product category does not suit the other products in a category, that the base technology is not implemented or that the product does not fit with the core values of the brand, then Husqvarna is very restricted about extending the brand. This is also a mean to meet the *customers' expectations*, which the company is aiming for and believes to do. The close cooperation with the customers contributes to the confidence for them that Husqvarna's extensions will meet their expectations. Husqvarna wants customers to look at the products and say: "Hey! How did Husqvarna know I needed this? This is great!"

Regarding if the customers' *loyalty* to the brand value has increased or kept the same, Husqvarna states, that if the extension is made correctly, and that the prerequisites are fulfilled, it will contribute to an increased level of loyalty.

The *brand equity* is very much seen as a contribution to increased competitive advantage. It is a way of trying to cover a major part of their retailers' markets, to be able to provide a broader and more complete product selection in order to cover the needs of the retailers to increase their sales. It is also a way to push the competitors away and this could include motivational factors, as Husqvarna's strategy today includes the ambition to be the number one brand in the retailers' shops. In few cases the retailer is a one-brand seller and therefore there exist a mutual responsibility.

Furthermore, Husqvarna believes that they have a strong *image* meaning a strong brand in the eyes of the consumers, as the brand is a sign of quality, dependability and leadership, which provide added confidence and assurance when extending the brand in new appliances. The positioning has also become stronger due to the core brand's values including reliability and professionalism.

The brand extensions have *decreased costs* that can be discovered in the marketing expenses if a comparison to launch an entirely new brand. If the alternative would be to make an extension of the segments with a new brand it is certain that Husqvarna has a higher advantage when using the existing brand name that represents the company's good image and as it is a well known brand in its area of business. Furthermore, the respondent claimed that their experience of extending the core brand implies that brand extensions have to be dealt with caution and restriction.

4.2 Salming

The interview was conducted with Yvette Gilbert Business Area Manager at Salming underwear. The data is complemented with data available at the company web page: (www.salmingunderwear.com) and (www.salmingsports.com)

4.2.1 Company presentation

The front figure and inspiration of the Salming brand is the famous and now retired Swedish hockey player Börje Salming. The business started with a licensee contacting Mr. Salming on the telephone wanting to use his name on underwear and the line of underwear was launched in 1992. The owners of the company are Salming & Co, which consists of Mr. Salming and his agent and financial advisor. Salming are working with licensing companies with skills in a certain area that is allowed to produce and use the Salming brand on their products.

Today there are several licensees under the Salming brand. Namely; Salming Underwear, owned by Abecita that started off selling men's underwear but now includes women's underwear, swimwear, and nightwear. Salming Sport, owned by Libro, that sells and markets equipment for playing ice hockey, floor ball and also team wear. Bornicon Salming is a cooperation between Salming & Co and a beer and wine importer in Sweden together they are importing Upper Canada Lager. Furthermore, Salming is also retailing a line of bags, which is also licensed by Libro, and a line of eyewear. Salming Time wear has produced watches under the Salming brand but does not exist any longer. In 1997 there was an estimation of the value of the brand and the figures landed on SEK 40 million.

4.2.2 Rationales behind brand extensions

According to the interviewee, one of the major reasons for extending the brand Salming is *growth*, both in current as well as new segments. To draw advantage of the celebrity Börje Salming's name and famousness is seen as a way to reach new markets both in Sweden as well as abroad. Salming has for example, extended the brand to include Salming Hockey and thereby included Canada as a given market due to the high interest of hockey and the well-recognized name of Börje Salming in Canada. However, the aim for the company is to have the world as a market, that products under the brand Salming will be found everywhere. Even in countries that never have seen a hockey rink, Salming should sell due to its good quality. The company considers that with more product groups, such as shirts and perfumes, the core brand will be more complete and enables to reach a larger market.

Consumer demand has been remarkable since the start of the company and the brand became known overnight because of the well-known front figure. The extensions of the brand have been influenced by the trends and desires of the consumers for famous branded products, and with more products under the same brand name consumers might be more loyal. According to the respondent, there will also, for example, always be a large market and demand for underwear especially for all men from age seventeen and up.

As for economical rationales to extend the brand, the respondent states that even though Mr. Salming himself put a great interest on his products and the quality and reputation, the economical and profitability aspects are of great interests as well. Due to the size and the limited economical resources, Salming has not considered *building a new brand* instead of extending the existing. The establishment of a new brand is seen as too costly and the current

brand has more advantages in that it is already known and therefore more likely to be accepted.

Furthermore, Salming states that extensions lower the advertising budget due to Mr. Salming's celebrity and fame, which has contributed to a lot of free publicity in the media. *Economies of scale* in communication is included as a rationale as the advertising costs publicity covers all the products. *Increased profit* by selling more products, which more product categories provide, is mentioned as one underlying reasons behind brand extension. To decrease the costs to achieve higher *trial rates* has been considered to be rationales by drawing benefit from the interest of the person behind the brand.

Regarding the fact that Mr. Salming was a celebrated and well–known hockey player, especially when starting up the company, it has lead to a strong potential for the company and the brand extensions has contributed to *increased and immediate recognition* for the brand. The ambition of Salming has been to make the brand as strong as possible by extending the brand in to new product categories. The extensions have led to *increased awareness* of the brand and have led to a stronger position on the market. The company considers that with more product groups you strengthen the brand and make it more desirable, as well as be more powerful in dealing with retailers and business partners.

According to the respondent, the company saw a possibility to run a business by trading on the name of a well-known and successful hockey player. Moreover, Mr. Salming feels that he wants to leave something behind that is signaling what he stands for. These core values have made a great impact on what the organization stands for. These core values are: High quality, comfort, durability, confidence, and focus. These *values* shall run through the whole organization and all the product categories as well as the licensees.

Further, extending the brand to suit *trends and changing markets* is considered a rationale for Salming. A constant analysis of the environment and the market is needed, since the market and the environment is constantly changing. According to the respondent, Salming considers it important to be consistent and stick to the same direction with the brand when considering the brand image in a long-term perspective. However, the brand Salming is also much dependent on the person behind the brand that changes are needed to switch the emphasis more on quality, as Mr. Salming is loosing recognition from the younger market as he ages. Changes in the environment, such as the diminishing monopoly in the beer business in Sweden laid as foundation to extend the brand as importer of Upper Canada Lager. Also the move of National Hockey League (NHL) towards warmer districts in North America has led to the increasing interest of hockey in high-schools and colleges, which Salming saw an opportunity to use, when extending the brand to include Salming Hockey**.** Furthermore, brand extensions can be driven by new ideas from new business contacts to Mr. Salming who makes the final decision to extend a brand or not.

The first launch for the company was the line of underwear. To start with underwear was a natural step for the company. The rationale behind the launch was to *meet competition*, Salming followed the footsteps of Björn Borg, the famous Swedish tennis player that had already launched a line of underwear. Salming tried to allure customers to choose Salming instead of Björn Borg with a well-recognized advertising campaign with the theme "change your underwear". Salming saw great opportunities on the market and gained a strong position relatively fast. Salming chose to position its underwear as sportive and more male while the main competitor Björn Borg a position more towards trend. Salming feels it to be important

not to take a position that already has been taken by a competitor but to communicate a different position than the competitors to gain over the customers. To follow the competitor's footsteps is not considered the right way to go as it would not give any value to the brand, even though it was done in the underwear launch. Time is another important aspect for the company, to extend at the right time is crucial.

The company uses licensed companies for the production of the various products within the brand. These companies need to possess the right *technological* knowledge in order to become producers of the Salming brand. However, the products are not highly technical goods but considered as consumer goods, and therefore technical expertise is not a rationale behind extending the brand. Other expertise could neither be seen as a rationale behind brand extensions in the past and the present, although the more business experience the company gains it may contribute to brand extensions in the future. At the moment the quality of the brand is expected to compensate the lack of specific expertise.

4.2.3 Brand extension process

Salming has not got a formal process for making brand extension decisions, although the company goes through the stages in the model but not in the specific order.

Ideas are *generated* by asking: Where can we find a strong connection to what we are doing today? What should a new product group contribute to? Is there a connection to what we are doing today? There are three possible categories that can be considered for a new idea:

- Products that are natural for Salming to develop, that have a close connection to the brand, for example perfume.
- Products that are uncertain
- Forbidden areas that are products that might harm the brand and that have no connection to Salming for example, guns.

Ideas are *screened* by considering how the ideas would fit in on the market, if there is a fit between the product and other products in that specific category, and what effect will the product have on the market. The key persons that are responsible for generating ideas are Salming & Co, Mr. Salming´s family members, his personal advisor and the board members. Furthermore, all extension decisions are screened by Salming & Co, the producing company, board members and the personal advisor of Mr. Salming, in order to find products that are suitable and appropriate for Salming.

When evaluating *brand equity* and the value of the Salming brand. The customers relate to the brand and first and foremost they relate to Mr. Salming. There is a great awareness and recognition from the consumers of Mr. Salming that contribute to the Salming brand also being recognized. This makes the brand highly valued due to the customers positive associations with the person.

When *forecasting* Salming is using bought services from a company called IMA that is performing market forecasts and evaluations for the company. According to the respondent, when forecasting, Salming also put emphasis on analyzing the competitors by looking at the competitors' strengths and weaknesses, and asking questions like for example: is there room on the market? Do we see the possibilities to launch this product? If there is no connection with what is on the market the company choose not to extend. Furthermore, if there is no

room on the market for a certain product Salming also avoid extending the brand. Although, if the company sees a possibility and that this possibility will strengthen the brand they will choose to extend.

Analyzing the *financial criteria* is considered important and is performed prior to every launch. Among the financial criteria one aspect that Salming consider prior to every launch is profitability. Pay back is also one criterion that is analyzed, Salming prefer to have an economic time plan for every product ranging between three to five years. According to the respondent the information of annual turnover and other financial criteria are confidential and are kept within the company.

Decisions related to *launching* products under the Salming brand is made by Salming & Co as well as by the board of members and in every product category. These people are making the final decisions, deciding and approving every product that is going to make an effect on the market. When deciding whether to extend to new product categories all decisions have to be made by Salming & Co. Moreover, Mr. Salming himself approves all new collections that are made each and every season. In addition, all brand extension decisions are implemented in the overall planning process for the company.

When *evaluating and monitoring* the process, the business area manager's task is to make sure that the brand is strengthening its position. Making sure that the brand is keeping a satisfactory return on investment, and a good profitability. The business area managers are also responsible for how the brand is communicated. If changes are made in the process, the changes need to be anchored in the board of members, the leaders and Salming & Co.

Right now, Salming is evaluating the coordination within the company and this is an area that has not been evaluated earlier and the coordination has not been flawless. Brand extensions in the history of the company have always been successful and have resulted in an increased profitability and increased awareness with consumers on a short-term perspective. Although the problem is that the wrong people have been involved in the extension process. There have not been sufficient people and the people involved have not had the right type of knowledge. They have not known how the brand needs to be managed and communicated.

4.2.4 Successful brand extensions

According to our respondent, what is considered crucial for a successful brand extension is that the extended brand has a strong connection with the core values of the company. It is important that Salming feels that the extended brand can make a contribution to the specific product category the extended brand relates to. Furthermore, Salming considers the success to relate to reaching out with the communication and strengthen what you are trying to communicate with the core brand. If the core values of the brand are successfully communicated the core brand will experience a peak, which results in increased sales and revenues. Also, attention to the product strengthens the brand's position leading to success.

The respondent believes that it should be a connection between the *extension and the core brand*. It is important that the core brand and the extended are linked to the same concept and that there is a fit between the two. Salming is concerned about the fact that they might have created a dilution with extending their brand into different *product categories*. That there has not been a clear fit between the extended brands and the core brand that the consumers can see. It has been Salming & Co's responsibility to make sure that each licensee follows the

guidelines of the company and that all of the licensees are communicating the same things. This has been a problem in the past, there has been no overall strategy that all licensees needs to follow. Salming & Co has not controlled the licensees as much as has been needed for the guidelines to be followed.

The fact that the extended brand needs to fit with the other brands in the same category as well as fit the *image of the brand* is something Salming has considered. If a new product is added to a new category that product needs to fit with the other products as well as show a fit with the core brand and also contribute to something new and communicate the right image and target the right group of people that Salming is aiming to target.

The brand is evaluated differently in different product groups and by different consumers according to the respondent. A positive association to the brand is related to that the consumers are relating to Mr. Salming as a person and a sportsman positively. If the consumers are having positive associations to Mr. Salming as a person the consumers will most probably associate positively to the brand. Mr. Salming is living up to what he has been representing earlier and he needs to represent the brand in a favorable way. If Mr. Salming starts making a lot of mistakes and causing scandals it will affect the brand in a negative way. Leading to that the consumers is gaining negative associations to the brand.

The extensions affect on the core brand has been that the extensions can be considered to have contributed more to confusion than having strengthened the brand and a diluted image of the brand have appeared. The *position* has weakened and the brand has not been made more interesting by extending it to new product categories.

Moderating factors like the *quality of the core brand* has affected the success of the extension. Salming is aiming to be related to high quality. Salming competes with high quality and that needs to run through the whole organization so the products are communicating high quality and this has not been changed. Regarding *consumer knowledge* the respondent stated that, consumers that are practicing a sport can have knowledge of the brand and what kind of products that the Salming brand offers to a much larger extent. The use of added names to the products to signify a difference between products as a *branding strategy* has been used, like for example Salming Underwear and Salming Eyewear.

Regarding *portfolio characteristics* and if there are more product groups that the brand is related to this will contribute to a diluted picture of the brand even more. It is important that Salming is working with a clear profile with the different products. Every product that Salming produces is related to sport: watches, eyewear as well as underwear all have a sporty profile. Today there has been a change in direction and the products has been more designed and is turning into a city brand more than a sporty brand. This can be considered to have contributed to diluting the brand image as well because Salming steps away from the core values of the company and Mr. Salming when changing direction.

Regarding *consumer certainty*, if the consumers are associating to Mr. Salming as a person in a positive way and feel that the products are meeting the demands and expectations it will lead to the consumers putting faith in the company and its products.

Regarding loyalty, the largest association to the brand is quality and a high quality contributes to the consumers staying loyal to the brand and end up repurchasing the product. If there has been a change in *positioning* is currently being investigated. According to the respondent, the

positioning has most certainly got weaker and is not clear any longer. The reason for the weakened positioning is the communication, the different licensees have communicated in different ways.

The value of the brand has also contributed to *lower marketing costs*. Salming has a small marketing budget compared to a brand that has no famous front figure. It is easier to reach consumers by promotion, newspapers are considering it exciting to write about Mr. Salming and what is happening around him as a person, and this contributes to free publicity. Mr. Salming is participating in sales venues around Sweden where he signs autographs in big department stores. This attracts a lot of people and possible consumers and shows that he still is very popular. Although a problem for the brand is that the following generations will not know who Mr. Salming is and the older he becomes an increased amount of money has to be put on marketing to be able to continue to exist as a brand.

The i*mage* has changed over the ten years Salming has existed as a company and at the same time Mr. Salming is getting older. The company is losing recognition within the target group, people between twenty to thirty years. Even though the target group recognizes Mr. Salming they might associate the brand to words like sporty and robust. This is according to the respondent not what the target group is searching for. Therefore, the company is now increasing the marketing budget to be able to position themselves to meet the target groups demand and also away from Mr. Salming as a person. They are working hard to become a younger brand and to strengthen their image. Salming want to reach out to other segments as well and they consider themselves to have a strong position among older people although they don't want to have older people as a target group because in a long term they don't see the older as a strong potential segment. Salming wants to keep current consumers as well as strengthen their position in the target segment and the actual target group is larger and wider than 20 to 30 years.

According to our respondent, a successful brand extension is one made with common sense and that is very clear. The extensions made within Salming has been successful in the way that they have been able to reach out and be more present on the market and at the same time the extensions have been unsuccessful in the way that they have contributed to a diluted image of the brand for the consumers. This in turn does not lead to a strengthened position on the market and in a long term the brand will slowly die. The consumers cannot see a clear message that the brand is communicating because there have been a lot of different profiles within the company.

The economical aspect and *profitability* has been regarded far more important than reviewing how a successful brand extension is performed. The time aspect has also been a factor relating to the company not succeeding, most of the times the time has not been sufficient. Decisions have been made without precaution and only from an economical perspective. High revenues on a short-term perspective have been desired in the past and according to the respondent the company should have aimed for high revenues on a long-term perspective to keep a strong and not diluted brand.

No extension is planned at present and in the future if there is an extension planned Mr. Salming needs to communicate the extension to all licensees. What can be improved is that clear guide lines and a brand platform needs to be formulated and then be followed by all licensees. The core values and the direction of the brand need to run through the whole organization. They want to have a clear plan on how to communicate and that needs to be

adapted by all licensees. Furthermore, clear guidelines for brand extensions, what is forbidden and what is allowed and to be consequent about this is required. If these guidelines would have been followed Salming would have had a different position on the market today. Today all licensees are working together with Salming & Co to reach these goals and to gain a stronger position on the market.

4.3 SAS

The interview was conducted with Ebba Rappe, Corporate Identity Director at SAS since 1998. The interview is complemented with material from the company web page: (www.sasgroup.net)

4.3.1 Company presentation

SAS was founded in the 1920's and the company has a long history on the stock market. The history of SAS began with the Danish airline company (Luftfartselskab A/S) being listed on the Danish stock exchange in 1918, which later lead to the formation of SAS. Today, SAS AB is Scandinavia's largest listed airline and travel group. SAS AB is part of the new brand SAS Group developed from the year 2000. The number of employees within the SAS GROUP is approximately 35,506. Furthermore, SAS was in July 2002 restructured to include five business areas as opposed to four previously. The business areas are the Scandinavian Airlines, Subsidiary & Affiliated Airlines, Airline Support Businesses, Airline Related Businesses and the SAS hotels. The new company structure's purpose is to increase transparency, clarify responsibilities, foster a business mind-set and simplify both internal and external benchmarking.

SAS offers air transportation and services related to the airline from the base in Northern Europe and are well positioned in its home market. SAS airline operations stretch from Hammerfest in the north to Singapore in the south. SAS is now the fourth-largest airline group in Europe and during 2002, more than 33 million passengers flew with the company. SAS is the founder of Star Alliance that is the world's largest global airline alliance, cooperating with airlines, such as Spanair, Braathens, Wideroe's Flyvelskap and Air Botnia.

4.3.2 Rationales behind brand extensions

According to the respondent brand extensions have not traditionally been performed within the company and was not even considered as a branding strategy, and the former brand represented both technical and stationary management of SAS. Today the situation is different; the stationary and technical management are now so called business units.

According to the respondent there have been some trademarks and product names that have been communicated for example: Jackpot and Euro Bonus. Furthermore, from the year 2000 until now a brand extension that turned the brand SAS into SAS GROUP, which includes further extensions involving different service and product companies, was performed. Moreover, according to the respondent, this brand extension constitutes the new brand identity for the company. The respondent explains the meaning of brand identity, which is the entire set of elements of the brand, the name, logo, symbols, characters and slogans. In addition, several companies within SAS are using the SAS brand logo; each with a different text underneath, clearly describing what services the company provides.

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Rationales behind the brand extensions involved a need for renewal, to increase and to *meet up to the demand* from the market. There was a need to make a new profile and according to the respondent, the company normally makes these changes within a range of five to ten years. To be able to perform the brand extensions, the company could rely on the strength, good reputation, force, knowledge and SAS strong position in Scandinavia and Europe. Further rationales behind the extension of the brand SAS, was to make a more visual change, to meet *future demands and needs of the customers* to keep them satisfied and loyal. The respondent further states that the European Union (EU) opens up for possibilities for the company, which can lead to an increased demand for airline services. Furthermore, brand extensions have been a way to show that the company is innovative, progressive and modern. Changes in top management as well as other employees working with brands within the company may be drivers behind brand extensions, as employees are encouraged to be innovative.

In addition, SAS made a decision about the logo that was to keep the letters SAS and put it on a blue background, adding different text underneath used by the companies within the group. For example the SAS name could be added to a Media company and become SAS Media or another company like SAS Flight Academy and the hotel business Rezidor SAS Hospitality. Another rationale behind the brand extensions was to use the brand to describe the umbrella company SAS that actually consists of about 20 companies and the thought is that the SAS brand should create value to the group's brands and make the core brand stronger which also is an advantage when dealing with other business partners. SAS only invest in companies that are competitive and the customer's preferred choice. The company also aims to be recognized as the most attractive investment for European airline groups. Moreover, another rationale is to *increase the market shares* by having more companies connected to the airline business using the well-known brand name SAS, which covers a broader market.

According to the respondent, the company always wants to be seen as new and fresh, however, that association to the brand could be found in the beginning when the new brand identity of SAS was launched. The company believes that if a strong brand is present it is more advantageous to utilize the strength of something existing when the creation of *value* is in focus. If the company desires a totally new and fresh appeal it would be more suitable to take a new brand name. The respondent further argues that extending the brand is a way to use the good reputation, knowledge and the strength of the brand in a good way to increase the value of the brand and is the foundation for brand extensions.

The respondent also states that *cost efficiency* and *profitability* are rationales for extending the brand by capitalizing on the familiar brand name. To extend an already strong brand is a way to break through the market that is to have a strong impact on the market in comparison to *introducing a new brand*, which requires a lot of time and money. Due to the reduced costs and time that an established brand provides brand extensions is a faster way to *keep up with competitors*.

However, *decreasing the advertising cost* by using brand extensions is not seen as a rationale as the company has different product or service categories aimed at different target groups and therefore would not lower the advertising costs. *Economies of scale* in communication, on the other hand, are seen as a benefit of brand extensions. SAS also states that the good reputation of the brand makes customers more trustfulness towards the brand extensions and easily accept the new offering which also decrease the costs.

Furthermore, the *awareness* of the brand extensions is more easily gained because of the power, recognition, attention and impact that the original brand already has. In addition, this makes the company and brand viewed as stronger and creates value to the whole brand and increases the power of the company. The strong position held in the Scandinavian and European market helps the extended brand to gain instant recognition. SAS, within a highly competitive environment, wishes to be innovative and progressive to keep up with the changes in its environment.

Also, the expertise that the company possesses within the airline industry is a major driver to extend the brand to include other service or product areas as well. It is away to draw benefit from already gained experience within the industry. The *expertise* is also contributing to the customers being assured of the reliability of the extension.

4.3.3 Brand extension process

To start with, the situation within SAS today is that about 20 companies is part of the group. There are certain criteria to be fulfilled to make an extension of the brand within SAS; they have to follow SAS corporate identity concerning color and shape and that it looks the same as the original. In addition, the companies cannot create a profile of their own when using the SAS brand in risk of diluting the brand. The brand extension is basically performed by signing a paper, and SAS are using the same brand all the time and what differs is what is written underneath the square present on the logo**.**

The board members, top management and the director of brands and image, are behind the *idea generation.* In addition, sometimes the company takes help from external consultants in the process of generating ideas. Moreover, the idea generation stage is not formally done, as the companies are so different and SAS works differently with each company. Regarding the *idea screening*, SAS is receives help from employees such as top management including the director of brands and image and board members as well, to make decisions regarding the brand extension and to see if the extension and the new company fit with SAS corporate values, visions and goals. Moreover, if there is a judgment that a company is not contributing and creating value to SAS, both to the brand and as a whole, then it is questionable if the company should be part of SAS. SAS is screening the ideas for brand extensions to make sure that the extensions follow the corporate identity.

The respondent further explains that behind all the *brand equity* criteria lies a commercial and financial criterion that has not so much to do with the design of the brand, it is more a question of the value of the extended brand*,* meaning, how the extended brand/company can contribute to SAS and how SAS can use the new company to their benefit. Regarding the *financial criterion*, the companies chosen for the brand extensions has certain criteria to consider, such as that a major part of the turnover is generated by external customers, from outside the airline, and that these companies only communicate business to business. SAS works with several people who analyze and makes judgments on the *brand equity* in the form of concept testing. The first criteria are whether the company considered for a brand extension strategically can contribute to SAS main business, which is the airline business. When everything looks fine and has been approved, the question lies in building identities and brands.

When the board of directors made decisions to extend the SAS brand, extensive work such as *forecasts* based on company experience was performed. Moreover, they used a naming

strategy, because of the importance for SAS to have a name that is descriptive. Suggestions of names were tested by using consumers to see if the brand name is negatively associated. Moreover, today, the company uses a naming strategy in order to clearly show what the company intend with their services.

The *financial criteria* in the process are considered as an evident base, and SAS has already taken those decisions, involving suppliers and consultants in setting up a budget for how much the process of making a brand extension will cost, before a brand extension or an identity has been constructed. The financial criteria could be for example how much to spend on a new design and the profitability of the company is considered to be an important criterion. The most important part is that SAS makes sure that the company can contribute successfully in creating value to the company. The respondent did not mention other financial criteria, due to the confidentiality and that it is an internal matter within the company.

The people involved in the *launch* differ, depending on what type of brand extension, company and products that are referred to. It can be for example the marketing department or product development department. The product and development staff is testing the brand as well as skilled consultants within the market are helping the company at this stage. This also implies that the products developed, depending on if it is an airplane or a simpler product, different people are working with different products. In general, if SAS takes a new airline under its wings, the marketing is held within the company and they are getting a so-called endorsement, meaning that the text, member of SAS is written on the airplane, the business cards, stationary and job advertisements. By doing this, a relationship to SAS is shown and marked. Moreover, the whole brand extension process within SAS is depending on the development of strong airlines and identities. Furthermore, top management, including the CEO approves and makes the final launch decisions of the brand extension and thereafter implements it into the *overall planning process*.

Monitoring and evaluation of the brand extension process, such as measurements of time, resources or people involved after and during the brand extension process, is not performed, as the people involved are supposed to work with the process and are considered to be qualified on forehand. The time evaluation can be made before the job is accepted, meaning, how long or how short time it takes to get the job done is evaluated prior to the process. In addition, developing new brands and identities is viewed in a long-term perspective, it cannot be measured after a short while, and it is shown through the perception that each company stands for.

4.3.4 Successful brand extensions

The respondent argues that the brand extensions within SAS are experiencing success through the creation of value between the companies. A successful brand extension is always seen from a market perspective and it is important to be clear to the customer that the message communicated is clear and shows what the brand stands for. Moreover, the brand becomes successful if the brand creates value to the other parts of SAS. Creating value can be done by the brands own power and meaning that it is a strong individual brand, that is extremely clear and simple in its communication. If the company has succeeded in creating value the original brand is connected and *fit* with the extended. SAS has a branding structure that helps if wanting to extend and the differences are not that great. Moreover, SAS is trying not to create confusion and keep the brand extension as close to the original brand as possible by not creating too many alternatives.

According to the respondent, an example of a company within SAS that has succeeded with their use of the SAS brand is Scandinavian Airlines with their slogan "*its Scandinavian*". The design is typically Scandinavian and the colors are chosen from various seasons, with a specific light. In addition, the graphic and typeface is simple and actually the whole design is very simple and functional. The design is not supposed to live a life of its own, however, instead to be able to help as much as possible in order to positioning the brand.

According to the respondent the extended brands are perfectly *suitable with the rest of the products* when looking at the SAS group development from SAS, where creating value and having a common base is very important. The *customers' reaction* of the brand extension is not clearly evaluated yet, but the respondent estimate that it will be well appreciated. Moreover, the original brand in particular has gained a lot of positive criticism concerning the identity and design and the same goes for the extended brands. The respondent further states that since the results of their evaluation are not completed at this time, she estimates that it hopefully has created value and strengthened the brand. Furthermore, the *original brand quality* has a great part of the success of a brand extension. Therefore the use of a strong brand as SAS, is necessary in order to be successful.

The respondent states that almost all the people in Europe have great knowledge of SAS and that it is of great importance to be known as a company. Concerning the *name that is added* to the original brand when extending a brand is according to the respondent necessary to be clearer and more specific. The *products and categories* that the extended brand is connected to are several. There are a bundle of companies that are using SAS as a brand. The respondent states that SAS are using what the core value is stating, where progression is a word that is significant. The company is basing everything from the SAS brand and as an example; the SAS Group is also using the brand. All companies within SAS are connected to the extended brand.

Regarding the value of the brand, *loyalty* is considered an important issue and SAS has developed loyalty programs, mainly through their Euro Bonus program and hopefully through SAS the loyalty is believed to be stronger. The respondent further states that if the company cannot build a relationship with the customers then it is obvious that creating loyalty is difficult. The forces of competition matters a great deal since the forces can contribute to a better or changed *positioning* for the company. With for example, Spanair a Spanish company as a corporative partner, SAS is strengthening the company's position, not only in Scandinavia but also in Europe. Considering *lower costs*, using the same identity and design is considered very cost effective, however, the advertising cost may not be affected since the target groups are different within the company.

Concerning the *image*, the respondent argues that the image can change over time, sometimes be considered as stronger and sometimes weaker, it depends on the situation. At the present moment, SAS is facing an increased competition from low-price companies and it is possible that the image can change when trying to keep up with the competitors. Increased competition can lead to that SAS is compared in a different way. In order to be successful with the brand extension when using the same brand name and having several companies, it is important to set limits, an identity, and it is important to be consistent when communicating. If these criteria are not fulfilled, the customers are becoming confused and do not know what belongs to what.

It is also important when making a positioning, that you are clear in the communication, know to whom, what and why the message is communicated. The respondent further emphasizes the importance in being logical and to be able to see what is obvious to the customer and to know what the company needs. In addition, a well performed segmenting is necessary to succeed as well as not having the same target group. Finally, the respondent argues the importance in that the visual message is consistent and thorough in each company, and that through SAS, the companies becomes stronger in the Scandinavian market. However, when making a brand extension it is important to be restrictive in making extensions since it creates insecurity on the market.

5 ANALYSIS

In this chapter we will analyze the collected data presented in the previous chapter. First, a within-case analysis is performed to compare the data from all case study companies with the theories in our conceptualization, according to our research questions. Thereafter, a cross-case analysis is conducted to compare the data from each case with each other.

5.1 Within-Case Analysis

When analyzing the findings from each case, the theoretical propositions will constitute a base and as suggested by Yin (1994), the analytical strategy will be pattern matching. Pattern matching implies comparing the empirical data to the theories chosen for the frame of reference. First, the material from the interview with Husqvarna will be compared to the frame of reference, followed by the material from Salming and SAS.

5.1.1 Rationales behind brand extensions

According to Kapferer (2001), one reason to extend a brand is *growth,* to capture a growing segment, as a new product with the same brand can penetrate a much larger and spreadable market than a new brand by promotion of the positive values associated with the core brand. Kim and Lavack (1996) include the possibility to reach a previously non-existing segment by capitalizing on the strength of an established brand name. This is somewhat in line with Husqvarna as the high emphasis on exporting, by extending the brand into more product categories, is motivated by increasing the current market. However, to extend the brand in order to reach new segments is not a rationale in its self as the existing customer segments are prioritized. Only when a current segment has no long-term perspective to grow the brand is extended to reach new segments. The empirical data of Salming confirms the propositions by Kapferer (2001) and Kim and Lavack (1996) as the opportunities to reach a larger market and new customer groups lie as rationales behind brand extensions by drawing advantage of the brand name representing the famous person Mr. Salming, as well as quality. Brand extensions into more product categories are further believed to complete the core brand that enables to reach a larger market. In the case of SAS, empirical data confirms both theories as increasing the market shares by having more companies connected to the airline business using the established brand name covers a broader market, both current and new customer segments.

Ambler and Styles (1997) argue that brand extensions can be performed to *meet customer trends or needs* as a result from market research. Weilbacher (1993) includes that fulfilling consumer wishes, desires, attitudes keep them satisfied and loyal. This is very much in compliance with the opinion of Husqvarna, stating that the demands and needs of the current customers are a prerequisite to extend the brand into new products. Furthermore, Husqvarna adds that the current customers' professional needs for new products lay a foundation for Husqvarna's branding strategy. When it comes to Salming, the findings are in accordance with theory as the demand of consumer products, such as underwear, always is present. Also, the consumer demand for products related to a famous person is considered to be an advantage and thus a rationale for extending the brand. SAS is also in compliance with theory as they only invest and extend the brand to companies that are the customer's preferred choice. SAS adds that they saw a need to make a new profile by extending the brand in a

more visual way and thereby meet the customer demand for new and up to date products in order to keep them loyal to the brand.

Regarding economical benefits of brand extensions, Aaker (1990) and Randall (2000), argue that brand extensions can *reduce the investments required* to introduce a new product and increase the likelihood of success by capitalizing on an established brand name, compared to a new brand launch. This is only partly in accordance with the reasoning of Husqvarna, as the company has not considered extending the brand as a way to reduce costs compared to a new brand name. However, the strong brand name is seen as more likely to gain quicker customer acceptance than a new brand name would and thereby less risky. In the cases of Salming and SAS the empirical data is very much in accordance with theory.

Brand extensions, proposed by Ambler and Styles (1997*)*, decrease the costs to *build up awareness.* In contradiction to theory, Husqvarna does not consider decreasing communication costs as a rationale in itself to extend the brand. Instead Husqvarna argues that it is the production possibilities that affects if an extension is sufficient or not. Husqvarna argues that the demanding customers look at the products used by the professional customers, that are prioritized, and that is a way for the company to gain increased awareness without spending more money. In the case of Salming, the empirical data is in line with theory, as brand extensions are considered to draw advantage of the well-known front figure and decrease the marketing activity costs, such as advertising costs due to a lot of free publicity. SAS response is neither in accordance with the theory as the different product or service categories are aimed at different target groups and therefore would not lower the advertising costs.

Buday (1989) and Nilson (1998) state that a major appeal with extensions lies in the *economies of scale* as the usage of the brands over more products lowers the communication investment per sales unit. The responsiveness of awareness to media spending is higher for brand extensions due to the consumers' familiarity with the already existing name. The empirical data of both Salming and SAS are in accordance to the theory, moreover Husqvarna states to gain economies of scale with its production. In addition, all three case data also confirm the reasoning of Nilson (1989) and Kapferer (2001) that increased profit is a given rationale to extend the brand by selling more products.

Ambler and Styles (1997) further argue, in agreement with and Pitta and Prevel Katsanis (1995), that the trial rate of a new product with a familiar brand name is higher than for a new brand to the extent that the parent name provides consumer reassurance over and above the merits of the product itself, thus lowers the costs to achieve *larger trial groups*. Husqvarna states that it is easier and cheaper to make the current segments, already familiar with the brand, to try new products, which supports theory. Salming believes that by drawing benefit from the interest of the person representing the brand makes people more willing and curious to try new products, thus is also in accordance with theory. SAS supports theory as well, due to the good reputation of the brand making customers more trustful towards the brand extensions and easily accept the new offering which also decreases the costs.

According to Pitta and Prevel Katsanis (1995), another rationale behind brand extensions is to capitalize on the value of a well-established brand and gain *instant and increased awareness of the core brand.* This is supported by the data of Husqvarna also stating that the growth of professional users of Husqvarna's products further aid to provide awareness to the brand by the broad public. Also Salming agrees and states that the well-known Mr. Salming contributes

to the interest when extending a brand, and therefore, increases the awareness and immediate recognition of the brand. SAS claims that the strong brand position held in Scandinavian and European market helps the extended brand to gain instant recognition, which is in line with theory.

Furthermore, Pitta and Prevel Katsanis (1995) and Randall (2000) suggest that a brand with a high awareness and a good reputation has an advantage to capitalize on its success that is to *maximize the value of a strong brand* name by extending it. They further argue that a core brand's associations can contribute a complex, yet well-defined image to an extension. This is in line with the statement of Husqvarna stating that the brand's well defined image, standing for quality and robustness, always has been an advantage to the extended brands as it communicates reliance and trustworthiness to the extension, as well as increases the value of the whole brand. Salming states that the brand, based on the well known and successful former hockey player Börje Salming, is a way for Börje himself to leave something behind signaling the core values that he stands for, such as high quality, comfort, durability, confidence, and focus. The aim for Salming is to have these values running through the whole organization, including the product categories and the licenses. However, SAS felt that the extension of the brand to SAS GROUP was needed to refine the profile by capitalizing on the company's strength, good reputation, force, knowledge and their strong position in Scandinavia and Europe, as well as to clarify the different product/service categories under the brand SAS.

One rationale behind SAS brand extensions is to capitalize on the values of a single brand to describe the umbrella company that actually consists of about 20 companies offering different product or service categories and have a strong bargaining power with business partners and retailers. The empirical data of Salming shows similar results, as well as Husqvarna. The results of all three companies are in accordance with Kapferer (2001) and Ambler and Styles (1997) proposition to extend a brand in order to capitalize on the value around one single name and create a mega-brand, thus increasing the bargaining power with retailers.

Kapferer (2001) mentions, that in order to maintain or increase the value of the core brand in a *constantly changing environment* a brand extension is necessary, particularly for long-standing or aging brands. Extensions may help a brand to recapture its market, interest and up-to-date image. Husqvarna confirms theory as the respondent explains that the company aims to be in the forefront of its industry and is constantly adapting itself to the environment as a qualifier by improving quality standards. It is a way to keep the old brand attractive to gain long-term profit and acceptance of the core brand. In Salming's case, the findings confirm the theory, adding that constantly performed analyses of the environment and the market were needed. However, Salming considers it important to be consistent and stick to the same direction with the brand when considering the brand image in a long-term perspective. The brand Salming is also much dependent on the person behind the brand that changes are needed to switch the emphasis more on quality, as Mr. Salming is loosing recognition from the younger market as he ages. SAS is also in line with theory, as a need for renewal was present to meet the changing environment.

Kapferer (2001) further argues that a change in a company's *top management* can provide new inputs to the company and be the source of brand extensions. Husqvarna states that brand extensions have developed from R&D, and the close cooperation with the customers and does not support theory. However, Salming states that new business contacts to Mr. Salming might be drivers behind extending the brand, which is somewhat in accordance with theory. Salming

adds that changes in the environment, such as deregulation of laws have provided opportunities for extending the brand. In the case of SAS, theory is in accordance with the empirical data, further stating that the opening of EU opens possibilities to extend the brand into more airline services.

As argued by Randall (1997), a good reason to extend the brand is to forestall the *competitors*, by filling a niche or to match their actions. This is in line with the reasoning of Husqvarna, Salming and SAS. Salming further adds that it is important not to take the same position as the competitors but to communicate a different position than the competitors to gain over the customers. Weilbacher (1995) further claims that extending the brand can be a way to follow the competitors. Both Husqvarna and Salming disagree with theory. Husqvarna is constantly screening the competition although not to copy but to reassure that Husqvarna is keeping its competitive edge and is in the forefront of its industry. Salming does not believe that imitating the competitors by extending the brand will gain the brand any value. However, SAS has to follow the competitors to some extent to keep customers, by extending the brand into more service and products.

Transferring expertise and know how, such as *technological* expertise to a new product are, proposed by Randall (2000) and Ambler and Styles (1997), a rationale behind brand extensions. In Husqvarna's case we found the data consistent with theory, as the technological expertise to refine products or invent new products is a prerequisite for extending the brand. However, in cases when customers demand complementary products and the technology required is absent, Husqvarna buys the technology in the form of a patent. In the case of Salming, the company does not see expertise as a rational at the moment, however, the licenses to companies need to possess the right technological knowledge in order to become producers of the Salming brand. The data of SAS is in accordance with theory, as expertise in the airline business provides opportunities to extend the brand further which makes the customers assured of the reliability of the new product or service. According to Randall (2000), if there is a lack of expertise in a brand that is extended to an unrelated field the reputation for quality can outweigh that and make the new product believable. This is in line with Salming as the brand stands for quality.

5.1.2 Brand extension process

According to Brassington and Pettitt (2000), the *idea generation* stage suggests that it is important to let ideas range as freely as possible, to make sure all options have been considered. In addition, ideas can be collected from Research and Development (R&D), competitors, employees and customers. Moreover, it is important to have a formal mechanism to generate and collect ideas, however, there are risks in becoming too formalized, since many ideas can be ignored. Partly in accordance to theory is Husqvarna as the ideas mainly are generated from the employees contact with the customers in a close cooperation. In addition, the competitors and technological innovations also contribute as a leading factor regarding ideas for product development. However, no formalized process in generating ideas is occurring, as there are different products and people involved in the brand extension process.

Salming is partly in accordance with theory, asking questions that generate ideas for the company: Where can we find a strong connection to what we are doing today? What should a new product group contribute to? Is there a connection to what we are doing? Furthermore, there is a great interest in using the Salming brand and different producers contact Mr. Salming, and want to use his name on their products. Moreover, the process for generating

ideas is not formally performed, as the brand extensions are different depending on what kind of company considered in the extension. Moreover, SAS partly agrees with theory, however, in the matter of formalization, generation of ideas is not formally performed and it differs between what companies that are involved in the process. In addition, ideas are mainly generated from top management, board members and the director of brands and image.

Brassington and Pettitt (2000) further argue, that the *idea screening* stage is a preliminary scan of ideas, which is conducted in order to eliminate those not appropriate. Furthermore, the idea screening stage is fulfilled when the idea fits with corporate and marketing goals and when the idea is technically feasible. Most importantly, the ideas should fit the organizations strategic plans and development directions. Considering this theory, which is partly correlated, we found that in Husqvarna, screening ideas concerns two parts. Firstly, if the idea concerns a new product it is screened from a competitive point of view, that is, if the technology has a competitive advantage to be superior to the competitors. Furthermore, the technology and business knowledge of Husqvarna will decide if the idea will be trustworthy and successful.

The second part of idea screening for Husqvarna, concerns how well the product fits with what the brand stands for. In addition, the responsibility to collect and evaluate the ideas, in production terms, lies on each product line. Furthermore in compliance with theory, our respondent at Salming states that considering how the ideas fit on the market, if there is a fit between the product and other products in that specific category and what affect the product have on the market is mainly used for screening ideas. SAS screens ideas by using the director of brands and image who decides if the extension fit with the core product, SAS, and their corporate values, visions and goals. In addition, if an idea is not contributing and creating value to the group and the brand, then it is questionable if it is a good idea.

Ambler and Styles (1997) suggest that when *brand equity* is tested the use of consumer tests such as concept and/or product tests to investigate brand equity related criteria could be performed. Furthermore, brand equity tests provide managers with an indication of consumer acceptance and a quantitative trial potential. According to Keller (1998) a brand with high equity is created by building awareness, image and linking associations, can provide a firm with a strong competitive advantage. The data from Husqvarna strongly correlates with theory, as the company uses concept development tests before launching the product, meaning that they are investigating the products brand equity to see how the customer associates to the product and they are also using product development tests to see how the product is accepted on the market.

Concerning Salming, the empirical data is partly correlated with theory, as the company evaluates brand equity in concept tests and customers relate to the brand first and foremost when relating to Mr. Salming. The consumers' great awareness and recognition of him is contributing to the Salming brand also being recognized. In addition, this makes the brand highly valued and is also related to high awareness. SAS is somewhat in accordance to theory as they are using concept tests. However, there is a commercial and financial criterion to brand equity, meaning that the extended company have to create value to SAS, the extended company's turnover have to be generated by external customers outside the airline, and the company has to communicate only through business to business.

Ambler and Styles (1997), suggest two major sources of data that can be used when making a *forecast,* the consumer research (concept and product tests) and the company experience.

Kotler (1997), further suggests, methods for future demand forecasts for example; marketing research firms using interviews, or specialized forecasting firms and futurist research firms producing speculative scenarios. This theory is strongly correlated with Husqvarna's way of dealing with forecasts, as they are using customer investigations and company experience to a great extent. The company has defined a method where a chosen group answers questions from the company to differentiate the needs for different products.

The company experience is also a basis for new extensions as the company has a long history of experience of extending the core brand. Salming, however, is partly in accordance with theory, as the marketing firm, IMA, is consulted to perform market forecasts and evaluations for the company. Furthermore, Salming do not normally use consumer research, instead, the company put emphasis on analyzing the competitors by looking at the strengths and weaknesses asking a question like for example: is there room on the market? In addition, if there is no room on the market for this product, Salming will avoid extending the brand. Furthermore, SAS strongly agrees with theory, as the company uses consumer research in the form of a naming strategy to make sure that names used within SAS are descriptive, clearly shows what the company intends with their service, and that the brand is not negatively associated. In addition, forecasts based on company experience occur frequently as the board of directors makes decision to extend the SAS brand based on their former knowledge and experience.

According to Aaker (1992), a *financial analysis* to determine probable, actual, potential sources and uses of funds can help estimate the financial capacity of the company. In addition, the ultimate test of performance is according to Aaker, profitability and sales. Ambler and Styles (1997) further suggest that the *financial criteria* include payback periods (ranging from 1-5 years), Return of Investment, break-even or Net Present Value. Brassington and Pettitt (2000) use a business analysis in their model that adds a few financial criteria such as, the use of market share, R&D costs and fixed costs. However, Brassington and Pettitt (2000) further state that the main objective with the financial criteria is to inform on the return on investment, the payback period and the product's profit sensibility.

The findings of Husqvarna are partly in accordance with theory, as they are using financial criteria such as market share, expected profit and also the high cost of research and development are covered and are adding size of segments both in monetary and unity terms as an important criterion. However, the respondent could not get into detail with these and other financial criteria not mentioned, because of the confidentiality of these matters. We found similar results for the company Salming, among the financial criteria they consider profitability as a very important criterion. In addition, payback is also one criterion that is analyzed and the company prefers to have an economic time plan for every product ranging from 3-5 years. In addition, other financial criterion such as annual turnover could not be brought up as Salming consider this to be an internal matter within the company.

SAS's major motives for the financial criteria is that, firstly, the financial criteria are a base before deciding whether to extend a brand or not, secondly, the company has already taken the brand extension decisions early in the process. In addition, the financial decisions could be to make a budget and investigate the profitability of the company. However, the most important part is that SAS makes sure that the company can contribute successfully in creating value to SAS. In accordance with the findings from the other investigated companies, other financial criteria were not brought up due to confidentiality and that it is an internal matter within SAS.

Ambler and Styles (1997) found that in the *launch* decisions, three functions plays key roles: marketing, R&D and sales that are working closely with product development, consumer testing and refinement of products. Moreover, the extension decisions are separate from the overall planning process, however, implemented into the formal planning process once the extension have been developed and approved by higher management. (ibid.)

Husqvarna strongly correlates with theory, when handling the launch decision, as the company starts by releasing a new product on a minor market with the marketing and the product line function involved in the process. This is done in order to see if the product has any faults and if not, the product is launched to several other markets and includes a full support sales material, with introduction and testing for the selling companies around the world. Moreover, as theory suggests, Husqvarna's extension decisions is separate from the overall planning process, however, implemented once been approved by top management.

Salming is somewhat in accordance with theory, as the producing company, Salming & Co, the board members and the staff responsible for every product category always are involved in the launch decision. In addition, these people make the final decisions about the launch, deciding and approving every product about to be launched. Moreover, all brand extension decisions are implemented in the overall planning process for the company.

SAS is somewhat in accordance with theory as the people involved in the process differ depending on what type of brand extension, company and products that is referred to. It can be the marketing manager, technical manager or product manager. Moreover, usually the research and development staff as well as skilled consultants within the market tests the brand at this stage. Furthermore, when the extension of the SAS brand was decided the board members and the CEO was behind the final decision and which they normally are when deciding to launch an extension, meaning that the final decisions are after being approved by top management, incorporated into the formal planning process.

According to Brassington and Pettitt (2000), *monitoring and evaluation* is basically the time for reflection on how well the process has been implemented, and how successful it has been. In addition, whether the right people with the right type of knowledge were involved in the process and whether more time or resources are needed. Husqvarna is somewhat in accordance with theory as they are using a business area manager in monitoring and a product council group with advisory people in evaluating, to improve the coordination of product development activities and to handle the launch.

In accordance with theory, Salming uses the business area manager in monitoring, which task is to make sure that the brand strengthens its position and that it is keeping a satisfactory return on investment and a good profitability. In accordance with theory, evaluations of people are currently taking place within the company because of earlier problems with having the wrong people involved in the extension process. Furthermore, there have not been enough people, and the people involved have been using the wrong type of knowledge, and not knowing how the brand needs to be managed and communicated.

The data contradicts theory in the case of SAS as they are not making evaluations of time, resources or people involved in the process. In addition, the company believes that the staff involved is supposed to work with the process and therefore there is no need for having time evaluations because of the time evaluation is already made before accepting a job.

5.1.3 Successful brand extensions

Regarding the *fit* between the extension and the core brand, Glynn and Brodie (1998), argue that, consumer evaluation of a brand extension is often described as a process by which the core brand associations transfer to the extension. A key aspect contributing to the success of such strategies is to understand how consumer perceptions towards the brand in the current and new product category are changed by the extension. Furthermore, Grime et al (2000) state that, the most favorable consumer reactions can be expected when brand extensions and core brands have high concept consistency and high product feature similarity.

In accordance to theory our respondent at Salming, believes that it is important that the core brand and the extended are linked to the same concept and that there is a fit between the two. Moreover, what is considered crucial for a successful brand extension is that the extended brand has a strong connection with the core values of the company. Husqvarna also agrees with theory and further refers to what Husqvarna has represented in Sweden. The fit relates to the core values of the company and what that stand for, traits like for example quality and robustness. SAS also agrees with theory and states that the brand becomes successful if it creates value to the other parts of SAS. If the company has succeeded in creating value the original brand is connected and fit with the extensions.

According to Grime et al (2002), the most frequently referred to dimension of fit is similarity. Referring to how alike the current and the new *product categories* are in terms of features, attributes or benefits, the greater the similarity, the greater the transfer of positive attitudes to the extension. There has to be a transfer of favorable associations from the core brand to the extension for the extension to be successful. Furthermore, according to Pitta and Prevel Katsanis (1995), attitudes towards a brand extension are more favorable when consumers have a perception of good fit. If the core brand associations are transferred to the extension then consumers will perceive the extension as fitting with the new category and will accept it. Such beliefs and attitudes are known as brand associations and works to identify one brand from another and reflect the unique meanings associated to a specific brand. (ibid.)

All three companies agree with theory although Husqvarna further states that the extensions are based on similar technology and similar group extensions, and have been introduced to new target groups or increased the offerings to the existing customer group. It is important for the company to make sure that the product fits Husqvarna's technology, knowledge, competence and background, as well as the core values of the brand as these facts are all considered to contribute to the customers' positive reactions to the extensions.

Salming believes that if a new product is added to a new category that product needs to fit with the other products as well as contribute to something new and also communicate the right image and target the right group of people that Salming is aiming to target. Moreover, if the consumers are having positive associations to Mr. Salming as a person the consumers will most probably associate positively to the brand. Mr. Salming is living up to what he has been standing for earlier and needs to represent the brand in a favorable way. If he starts making mistakes and causing scandals it will affect the brand in a negative way, leading to that the consumers are gaining negative associations to the brand. SAS is of the opinion that the extended brands are fitting perfectly with the rest of the companies as the airline business provides a common base for all product or service categories.

According to Grime et al. (2002), the degree to which an extension is seen as fitting with the *brand concept* is believed to be as important as the fit with the product categories. Extensions need to be congruent with the family brand image in order to be positively evaluated, meaning that the different products need to be representative of the family brand image. All three companies agree with theory and are stating that it is of great importance that the extended brands suit the family brand image and what is considered core for that image.

According to Glynn and Brodie (1998), *consumer evaluations* of a brand extension are often described as a process by which the core brand associations transfer to the extension in the mind of the consumer. A key aspect contributing to the success of evaluation strategies is to understand how consumer perceptions towards the brand in the current and new product category are changed by the extension. Further, according to the theory by Grime et al. (2002), when evaluating an extension research indicates that extensions with good fit will result in an enhancement of the core brand and extensions with a poor fit will result in dilution of the core brand. A good brand extension strategy is one where the brand name helps the extension and a very good brand extension also enhances the brand name. (Glynn & Brodie, 1998)

In compliance with the theory by Grime et al. (2002), Husqvarna states that the consumer evaluations of the brand extensions has been positive, as they think the new product categories suit the brand well. Moreover, according to our respondent the extended brands have enhanced the core brand, because the main criteria to fit and strengthen the core brand have been fulfilled.

SAS also agrees with theory, the brand extensions within SAS are experiencing success through the creation of value between the companies involved. SAS is trying not to create confusion and keep the brand extensions as close to the core brand as possible by not creating too many product alternatives for the consumer to choose from. The consumers´ evaluation of the brand extensions is currently being investigated, although our respondent believes that the extensions have been appreciated and that the extensions have strengthened the core brand.

On contrast but in accordance to the theory presented by Grime et al. (2002), Salming is concerned about the fact that they might have created a dilution with extending their brand into different product categories. The extensions´ affect on the core brand has been that the extensions can be considered to have contributed more to confusion than having strengthened the brand and a diluted image of the brand have appeared. There has not been a clear fit between the extended brands and the core brand that has been made visible for the consumers resulting in that the consumers cannot see a clear message of what the brand is communicating because of different licensees within the company. In the past, there has been no overall strategy that all licensees need to follow. Salming & Co has not controlled the licensees as much as has been needed for the guidelines to be followed.

Moderating factors
According to Pitta and Prevel Katsanis (1995), when *quality* is perceived to be high it is valuable to share the benefits of a core product with an extension. If the core product is perceived to be of high quality and the fit between the core brand and the extension is high then brand attitudes toward the extension will be more favorable. All three investigated companies agree with theory. Salming believes that the quality of the core brand has affected the success of the extensions made by the company. Husqvarna supports theory and states that the quality of the core brand has affected the success of the extensions as the quality has been

spread to the extended brands. SAS states that the use of a strong quality brand as SAS is necessary for the extension to be successful.

Further Grime et al. (2002) argue that the level of *consumer knowledge* is also expected to affect the fit on extension and core brand evaluations. Suggesting that a high level of consumer knowledge will result in that a consumer will be more likely to discriminate between the core brand and the extension. In compliance with the theory by Grime et al. (2002), Husqvarna is referring to their long presence on the market and feel that the consumer knowledge is high and positive. Salming argues that consumers that are practicing a sport can have knowledge of the brand and what kind of products that the Salming brand offers to a much larger extent. SAS states that almost everyone in Europe has great knowledge of SAS and that it is of great importance to be known as a company.

According to Grime et al. (2002), the use of two brand names as a *branding strategy* to create an extension reduces the negative impact of an extension with poor fit because the consumer associates the extension to the positive aspects of the core brand. All three companies have in compliance with theory added an extra brand name to the extensions made within the companies.

According to the theory by Grime et al. (2002), the number of products and different categories with which the brand is associated make up the *portfolio characteristics*, and it can be suggested that the fewer the number of product categories with which the core brand is associated the greater the impact of fit. Also, the more related the products are in a brand's portfolio the greater the impact of fit.

All three companies agree with theory, Salming states that if there are more product groups that the brand is related to this will contribute to a diluted picture of the brand and considers it to be of great importance that they work with a clear profile with the different products. Husqvarna tries to keep the product portfolio to include fewer product categories in order to strengthen the fit between the product categories and thereby strengthen the brand. If a product category does not suit the other products in a category, that the base technology is not implemented on the product or that the product does not fit with the core values of the brand, then Husqvarna is very restricted. SAS, states that the products and categories that the extended brand is connected to are several, there are a bundle of companies that are using SAS as a brand. It is important that all companies within SAS are connected to the core brand.

According to Grime et al. (2002), *consumer certainty* refers to that when the consumers believe that the company will have the ability to provide an extension that meets consumer expectations, there will be less impact of fit on the evaluations of the consumers. SAS as well as Husqvarna agree with theory and state that the customers are putting faith in the company and have accepted the extensions. Salming further states that, if the consumers are associating to Mr. Salming as a person in a positive way and feel that the products are meeting the demands and expectations it will lead to the consumers putting faith in the company and its products.

According to Pitta and Prevel Katsanis (1995), *brand equity* increases the probability of a brand to be chosen by consumers, leads to brand loyalty, and protects the brand from competitive threats. All three companies agree with theory, Salming states that the largest association to the brand is quality and a high quality contributes to the consumers staying loyal to the brand. Husqvarna states, that if an extension is made correctly, and all

prerequisites are fulfilled, it will contribute to an increased level of loyalty. Husqvarna is stating that the brand equity is very much seen as leading to an increased competitive advantage. SAS has developed loyalty programs like the Euro bonus program. Further SAS states that if the company cannot build a relationship with the customers then it is obvious that creating loyalty is difficult.

According to Pitta and Prevel Katsanis (1995), a positive image should help make the brand's position stronger, differentiate it against competition and move the brand toward a specific product category. According to Husqvarna, the positioning has contributed to strengthen the core brand's value, as it has changed the customers' point of view of the brand.

SAS agrees with theory and states that it can change over time, the positioning is sometimes stronger and sometimes weaker, depending on the situation. At the present moment, SAS is facing an increased competition from low-price companies and it is possible that the image can change when trying to keep up with competitors. Increased competition can lead to that SAS is perceived in a different way. The forces of competition matters a great deal for the company since, it contributes to a better or changed positioning for the company. It is also important when making a positioning, to be clear in the communication and know to whom, what and why the message is communicated. The respondent further states the importance in being logical and to be able to see what is obvious for the consumer and to know what the company desires. In addition, a well performed segmenting is necessary to succeed as well as not having the same target group. When making a brand extension it is important to be restrictive since extensions create insecurity on the market.

Salming also agrees with the theory by Pitta and Prevel Katsanis (1995), and is currently investigating if there has been a change in positioning resulting from brand equity. According to the respondent, the positioning has most certainly got weaker and is not clear any longer. Furthermore, the brand has not been made more interesting by extending it to new product categories. The reason for the changed positioning is the communication, the different licensees have communicated in different ways. Furthermore, the image has changed over the ten years Salming has existed as a company. Along with the aging of Mr. Salming, the company is losing recognition within the target group. Therefore, the company is now increasing the marketing budget to be able to position the company to meet the target group's demands and also searching for a position away from Mr. Salming as a person. They are working hard to become a younger brand and to strengthen their image.

Pitta and Prevel Katsanis (1995) argue, that leveraging the brand equity of a successful brand promises to make introduction of a new brand entry *less costly* by trading on an established name. In accordance to this theory our respondent at Husqvarna states that if the alternative would be to make an extension with a new brand it is certain that Husqvarna has a higher advantage of using the existing brand name that represents the company's good image and as it is a well known brand in its area of business. Salming agrees with the theory and states that, the value of the Salming brand has contributed to lower marketing costs. Salming is related to the famous front figure Mr. Salming and that has contributed to a small marketing budget compared to a brand that has no famous front figure. It is easier to reach consumers by promotion, newspapers are considering it exciting to write about Mr. Salming and what is happening around him as a person, and this contributes to free publicity. SAS agrees with theory but are further stating that using the same identity and design is considered to be very cost effective, however, the advertising costs may not be affected since the target groups are different for all companies.

5.2. Cross-Case Analysis

In this section comparisons between the companies in the study will be conducted in order to reveal similarities and differences between the cases. In the cross-case analysis the data reduction via data display will be presented as a matrix for each research question to make it clearer, as suggested by Miles and Huberman (1994).

5.2.1 Rationales behind brand extensions

In the data display in table 5.1 below, illustrates an overview of the rationales behind brand extensions. Three different codes are used in order to distinguish which rationales the case study companies view to extend a brand.

+ = **Yes**
- = **No**
+/- = **Yes and No**

Figure 5.1: Coding of Rationales behind Brand Extensions

Table 5.1: Data Display of the Rationales behind Brand Extensions

Rationales	Husqvarna	Salming	SAS
Growth in current or/and new segments	+	+	+
Meet consumer trend and need	+	+	+
Lower cost and risk instead of a new brand	+/- (lower risk)	+	+
Decreased communication costs	-	+	-
Economies of Scale in communication	- (production)	+ (advertising)	+ (advertising)
Lower cost to reach higher trial rates	+	+	+
Profitability	+	+	+
Increased recognition	+	+	+
Increase brand value	+	+	+
Meet changing environment	+	+	+
Competition	+	+	+
Available expertise and know-how	+ (technology)	-	+ (technology)

Regarding the rationales behind brand extensions shown in table 5.1, all rationales behind extending the brand were considered by all three companies, except some economical rationales and transferability of expertise.

All companies regarded *Growth* as a rationale for brand extensions, to extend the current customer segments as well as into new segments, by promoting the positive values of the core brand. However, Husqvarna only considers extending the brand to reach new customer groups when a current segment has no long-term perspective to grow. Salming adds that extending the brand into more product categories complete the core brand, which enables Salming to

reach a larger market. SAS sees extending the brand by having more companies connected to the brand to cover a broader market.

When it comes to the rationale of *meeting customer trends and needs*, Husqvarna states it to be very important and regards the demands from professional customers to lie as the foundation for the company's branding strategy. Salming argues that consumers' desire for well-known brands is a rationale to extend as the brand is personified by the founder and owner, Mr. Salming, himself and the great mass of people see Börje in very positive terms. SAS views brand extension as a means to improve the profile of the brand as it meets the consumers' demand of new and up to date services and only extend and invest in companies that are the customer's preferred choice.

The matrix shows that when comparing the economical benefits of brand extensions differences occur. Regarding it to be *less expensive and risky to extend the brand compared to a new*, both Salming and SAS agree. Husqvarna only agrees in decreasing the risk of failure compared to a new product launch.

Considering *lower communication costs* as a rationale, Salming states lower cost to advertise to be a rationale, whereas Husqvarna and SAS do not agree. Husqvarna's emphasis on professional customers gives advantage as the demanding customers look at the professional customer' use of products, thus decreasing costs to communicate. SAS differs in this point of view as the target groups differ to a great extent, which would not lower the advertising costs.

To gain *economies of scale* in communication both Salming and SAS feel it to be a rationale. However, Husqvarna as a producing company sees it in its production capacity. Furthermore, all companies agree that a brand extension lowers the cost to reach a higher trial rate for new products or services as a familiar brand that is trusted enhances initial consumer trial of new products. The *profitability* aspect is regarded as a self-evident rationale for all companies.

When comparing the discussions from all companies, the rationale of gaining immediate and *increased awareness* by capitalizing on the established core brand, was agreed upon. Husqvarna believes that the growth of professional users of Husqvarna's products further aid to provide awareness to the brand by the broad public. Salmimg rely on the interest of the Mr. Salming to increase the awareness of the brand when extending it. SAS's strong position in the Scandinavian and European market is believes to help the extended brand to gain instant recognition.

A shared rationale for all companies is to *increase / maximize the value of a strong brand* by extending it. Husqvarna implies that the good reputation as a trustworthy and quality brand with its long history gives an advantages to further extend the brand. Salming states that extending the brand to more product categories is a way for Mr. Salming to leave something behind and make it stronger. The values should also run through the whole organization. SAS states that increasing the value of the brand is a foundation for brand extensions. All companies argue that extensions resulting in a stronger brand are conducted to increase the bargaining power with retailers or /and business partners.

When looking at the rationale to *meet the changing environment*, the comparison between the companies implies that they agree on this point. Husqvarna regards itself as an innovative company with the aim to be seen as a qualifier in its market. Also SAS, within a highly competitive environment, wishes to be innovative and progressive to keep up with the

changes in its environment. Both Salming and SAS consider changes in the environment, such as deregulation and opening of EU to provide opportunities for brand extensions.

Regarding brand extensions as a mean to meet *competition* and fill a niche, the opinions of all companies are similar. However, both Husqvarna and Salming do not aim to copy or follow the competitors' footsteps, whereas SAS felt it necessary to follow the competitors' path.

Finally, the rationale to transfer technological *expertise* by extending the brand, both Husqvarna and SAS believe it to be a rationale. Husqvarna found the major part of extensions due to the technology available, and if technological expertise is absent it is compensated by a bought technology, a patent. SAS also feels the expertise within its airline industry to be a rationale, providing confidence in the services or products. In contrast, Salming does not agree upon transfer of expertise to be a rationale behind brand extensions, although feels that it might be a rationale in the future. The products are also low technical consumer goods and therefore can rely on the perceived quality of the extended brand products.

5.2.2 Brand extension process

All three companies are not going through a formal brand extension process; however, most steps are included within all three companies, with various people involved and different criteria that each company views as relevant in the process. Furthermore, the companies found it difficult in pointing out the exact steps in their brand extension process, as it differs from time to time between campaigns and also what type of products and companies that are involved in the process. Furthermore, both similarities and differences were discovered when comparing the three companies with one another. The similarities and differences will be discussed in further detail in the text following the table 5.2.

Table 5.2, on the next page, illustrates the brand extension process and shows who are involved and how the brand extension process works within every company. The main points are brought up in this table and a more detailed analysis will be presented below the table.

Table 5.2: Cross-Case Comparison of the Brand Extension Process

Brand extension process	Husqvarna	Salming	SAS
Idea generation	No formalized mechanism Customer contact, Competitors, Technological innovations	No formal procedure Where can we find a strong connection to what we are doing today? What should a new product group contribute to? Is there a connection to what we are doing? Different producers contact Salming & Co	Not formally performed, differs between companies Top management, board members and director of brands and image
Idea screening	Technology and competitive point of view, fit with the core brand, each product line responsibility	Fit and affect on the market, fit with the core product, product category and other products	Fit with core product, corporate values, visions and goals
Brand equity criteria	Concept development tests, product development tests	Concept development tests	Concept development tests, commercial and financial criterion
Forecast	Consumer research, company experience	Bought services, Making analysis of competitors	Consumer research – naming strategy, company experience
Financial criteria	Profitability, R&D-costs, market share, size of segments	Profitability, payback period	Profitability, R&D costs, turnover
Launch decisions and functions	Product manager, marketing manager, technical staff, sales function, top management Implemented in overall planning after being approved by higher management	Salming and Co, producing company, board members Implemented in overall planning after being approved by higher management	Differs between companies. Product manager, marketing manager, technical manager, consultants, board members, CEO Implemented in overall planning after being approved by higher management
Monitoring and Evaluation	Monitoring is constantly occurring-by the business area manager and evaluations is performed by a product council group	Monitoring is currently taking place by the business area manager and evaluations is performed by Salming & Co, board members	Not performed at this point

In the *idea generation stage*, Husqvarna mainly uses ideas generated from the contact between employees and customers. In addition, Husqvarna also values the technological innovations and competition as criteria behind generating ideas. Salming & Co asks questions like, where can we find a strong connection to what we are doing today? What should a new product group contribute to? Is there a connection to what we are doing today? In addition, Salming uses different producers that contact the company with new ideas and suggestions of new products. Furthermore, SAS basically generates ideas from top management, board

members and the director of brands and image; however, the company is not using any formalized system to generate ideas as different companies are involved in the brand extension process. All three cases do not involve any formal mechanism for generating ideas.

In the *idea screening stage***,** similarities are obvious concerning the fit with the core brand amongst all companies and is seen as an important factor in screening ideas. Moreover, Husqvarna adds specific criteria that are based from a competitive, technologic and business knowledge point of view and that the responsibility in screening of ideas lies on each product line. Furthermore, Salming adds the importance of fit on the market and with the product category, while SAS adds the importance of fit with the corporate values visions, and goals.

All companies have regarded the *brand equity criteria* as very important and they all use concept development test to see how the consumer associates to the brand. Husqvarna adds product development test in order to see how the product is received on the market. However, SAS views the importance of commercial and financial criterion, meaning that they investigate the turnover of each company and also the value each company can contribute to.

Concerning the *forecast* stage, Husqvarna and SAS are similar in their way of using consumer research and company experience. However, Husqvarna are testing chosen consumer groups to find out the needs for different products and SAS uses a naming strategy to make sure that the name used in the brand extension is not negatively associated. Salming, however, uses market and evaluation forecasts by analyzing competitors' strengths and weaknesses and they are also using a bought service by the company called IMA.

In the *financial criteria* stage, all companies regard profitability as a financial criterion that is very important. Moreover, both Husqvarna and SAS add the R&D costs and view them as important financial criteria, and for SAS it can be how much to spend on a new design. In addition, SAS investigate the turnover of the companies considered in the extension, and view this criterion as crucial in deciding whether to extend or not. Furthermore, Salming adds the payback period ranging between 3-5 years. However, all companies considered the financial criteria to be confidential and are viewed as an internal matter, and therefore not described in detail.

Both Husqvarna and SAS involve their product, marketing and technical manager in the *launch decisions*. Furthermore, within SAS, the type of people involved in the process differs and depends on what type of company about to be involved in the brand extension. Moreover, SAS adds consultants, board members and the CEO in making the launch decisions while Husqvarna adds the sales function and top management. Furthermore, the producing company and board members perform launch decisions in cooperation with Salming and Co. Moreover, all companies implement the launch decisions into the overall planning after being approved by higher management.

Both Husqvarna and Salming uses *monitoring and evaluation.* However, Husqvarna constantly performs, while Salming is currently performing monitoring and evaluations in order to make sure that the estimated time frame and that the right people with the right type of knowledge are involved in the process. In addition, Husqvarna uses a product council group with advisory people when evaluating, while Salming takes help from Salming & Co and the board members. In addition, the business area manager helps in monitoring for Husqvarna. SAS, however, are at this point not using monitoring and evaluation as they

consider to have qualified people involved in the process and that evaluation of time and resources are already performed before starting the brand extension process.

5.2.3 Successful brand extensions

In this section the selected companies' views on successful brand extensions will be compared to each other. In table 5.3 the criteria of fit are displayed. The coding that will be used is displayed in the square below.

+/+ = **Yes / Successful**
+/– = **Yes / Unsuccessful**

Figure 5.2: Coding of the Criteria of Fit

Table 5.3: Criteria of fit

Importance of fit	Husqvarna	Salming	SAS
Core brand and the extension	+/+	+/-	+/+
Product category similarity	+/+	+/+	+/+
Brand image similarity	+/+	+/+	+/+

All companies have regarded the criteria of fit as important. The difference between the companies is that Husqvarna and SAS believes that their extended brands fit both with the core brand and the other products in the same product category. Salming on the other hand consider the extended brands to be lacking a fit with the core brand but they consider their extended brands to fit with other products in the same categories. All three investigated companies consider the criteria of brand image similarity to be important and this criterion is aimed to be fulfilled by all companies.

In table 5.4 below, the evaluations of the core brand and the extension are summarized.

Table 5.4: Evaluation

Evaluation	Husqvarna	Salming	SAS
	Enhancement	Dilution	Enhancement

Husqvarna and SAS evaluate the brand extensions made within the company to have been a success. On contrast, Salming is relating to a dilution of the brand and that the consumers may have become confused from the different product categories the brand has been extended into. Husqvarna and SAS have experienced positive effects from their brand extensions, Husqvarna feels that the main criteria to fit and strengthen the core brand have been fulfilled. SAS are experiencing success through the creation of value between the companies and is highlighting that they are trying not to create confusion and keep the brand extension as close to the core brand as possible by not creating too many product alternatives for the consumer to choose from.

In table 5.5 moderating factors of successful brand extensions are displayed. The coding that will be used in the two following tables on the following page is displayed in the square on the next page.

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+ = Yes
- = No
+/- = Yes and No
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Figure 5.3: Coding for Moderating Factors and Brand Equity.

Table 5.5: Moderating Factors

Moderating factors	Husqvarna	Salming	SAS
Core brand quality	+	+	+
Consumer knowledge	+	+	+
Branding strategy	+	+	+
Portfolio characteristics	+	+	+
Consumer certainty	+	+	+

All companies agree that the quality of the core brand as well as consumer knowledge has had a positive impact on the extensions. The companies also agree that the fewer product categories that the brand is related to the better. The investigated companies also feel that it is important that the consumers feel that the company is going to meet the consumers' demands and believes that they have succeeded in meeting the demands. An extra brand name on the extension is used by all three companies as a branding strategy. Moreover, consumer certainty is also a criterion that is considered to be important for all three companies.

In table 5.6 the factors regarding brand equity are presented.

Table 5.6: Brand Equity Criteria

Brand equity	Husqvarna	Salming	SAS
Brand loyalty	+	+	+
Positioning	+	-	+
Image	+	-	+
Less costly	+	+	+/-

All three companies feel that the value of the brand after the extensions has contributed to brand loyalty. Salming is the only company that feels that the value of the brand after the extensions have not contributed to a better positioning they are experiencing a weaker position due to the different product categories. Furthermore, Salming is not experiencing a strengthened image and feel that this is something that needs to be improved and demands investments. Husqvarna and SAS on the other hand are experiencing a stronger image because of the strong value of the brand. Regarding if the value of the brand has contributed to lower costs Salming and Husqvarna have both experienced this fact, on contrast SAS feels that advertising costs for example, are not affected since the target groups are different for all companies, but the use of the same identity and design is considered to be very cost effective.

6 CONCLUSIONS AND IMPLICATIONS

In this chapter we will conclude our findings and attempt to answer our research questions based on the data and the analysis chapter. The chapter will end with our implications for management, theory, and further research.

6.1 Why Do Companies Choose Brand Extensions As a Part of Their Branding Strategy?

Our research shows that the rationales behind brand extensions are due to several reasons and did not differ widely. However, one common factor for extending the brand to include more product categories is *growth* that is increasing the current customer segments as well as reaching new segments by capitalizing on the positive associations and the strength of the core brand.

We also found that extending the brand into new product categories to *meet customer needs and trends* is a major driver in order to keep the customers satisfied and loyal to the brand. We further recognized that brand extensions can be conducted as a mean to make a new profile of the brand. Thereby the customers' demand for new and up to date services is met, thus keeping them loyal.

Furthermore, our research revealed that economical rationales behind brand extension differed somewhat. In comparison with a new brand launch, brand extensions are viewed as more cost efficient and less risky to conduct. The *cost to reach larger trial rates for a new product is lower* as an established brand name is seen more likely to be accepted and trusted as the customers are already familiar with what the brand can provide, in terms of quality and reliance. However, we found that extensions to *lower the communication costs* is not seen as a rationale as different products may require communication aimed at different target groups.

 Moreover, we discovered that one way to keep the communication costs down is to rely on the customers to copy the professional customers' use of products. When it comes to the *economies of scale*, we found that both production and communication economies of scale are considered as a rationale to extend the brand. Furthermore, extending a brand is motivated by increasing profit due to increased sale.

In our research, brand extensions as a means to increase the recognition of the core brand is discovered to be a rationale. More products were seen to complete the brand, reach a broader public and thus *increasing the awareness* of the brand.

Findings further show that extending the brand to *increase the value of the core brand* is a common rationale. To introduce new products or services is seen as a way to enhance the brand image and strengthen its value. We also discovered that creating a mega-brand makes the brand stronger and increases the bargaining power with retailers and other business partners.

Furthermore, the need to extend brands to *keep up with the changing environment* is found to be important in order to keep the core brand accepted, attractive, as well as a way to refine

and revitalize the image and identity of the brand. We also discovered that changes in the environment can provide new opportunities for extending the brand to include new product categories.

Our research also revealed that brand extensions into new products are driven by *competition*. To be ahead of competitors by extending the brand into new product categories to fill a product niche and to win customers is found to be a rationale. However, our findings also reveal that following the competitors' footsteps by extending the brand is a necessity to keep up with competition. Finally, we found the transferability of *technological expertise* specific to a brand owner's company was a major reason for extending the brand into new product categories. However, we discovered that if there is a lack of specific expertise connected to the brand it can be compensated by the good reputation of the brand.

Based on our findings we conclude that:

➢ Brand extensions increase the current and new customer segments.

➢ To meet customers' need and demand for new products through brand extensions keeps customers satisfied and loyal to the brand.

➢ Brand extensions lower the cost to achieve larger trial levels compared to a new brand launch.

➢ Brand extensions increase the awareness and recognition of the core brand.

➢ Brand extensions increase the value of the brand.

➢ Brand extensions increase the brand owner's bargaining power with retailers.

➢ Brand extensions revitalize and refine the brand image.

➢ Brand extensions provide competitive advantage by filling a product niche.

➢ Brand extensions provide transferability of a brand owner's technological expertise.

6.2 How Can the Process of Brand Extensions be described?

Our findings show that no formal process is used and specific steps are not followed when deciding to extend a brand, it differs from different occasions and between campaigns, for different products and companies. However, most steps are included.

We found that ideas are mainly *generated* from the top management, board members, producing companies and business area managers. In addition, ideas are also generated from customer contact, competitor analysis, and from technological innovations. In addition, ideas can be generated by asking questions like: where can we find a strong connection to what we are doing today? What should a new product group contribute to? Is there a connection to what we are doing?

Moreover, we found that when *screening* ideas it is important that the extended brand fit with the core brand, and also how the extended brand affects the market. In addition, fit with the

product category and other products are also important factors when screening ideas. As well as fit with the concept, corporate values, visions and goals of the company and if the idea is considered to contribute and create value to the core brand. Furthermore, ideas are also screened from a competitive and technology point of view.

Our findings demonstrate that in the *brand equity criteria* stage the use of concept development tests in order to see how the customer associates to the brand is common. Product development tests are occasionally used, depending on the type of product used in the extension process. We also found that commercial and financial criteria are perceived to be important when deciding to extend the brand and that the criteria are important to distinguish the value of the company and evaluate the turnover before deciding to extend.

Our findings reveal that *forecasts* are commonly used in the forms of consumer research and company experience. Moreover, testing chosen consumer groups to find the needs for different products, a naming strategy to make sure that the brand names are not negatively associated, analyzing competitors' strengths and weaknesses, and bought services are frequently used tools.

The *financial criteria* that are found to be the most important are the profitability aspect, market share, size of segments, payback periods, R&D costs and turnover.

We found that the *launch decision* involves board members, producing company, top management, product manager, marketing manager, technical manager, consultants and the sales function. However, the people involved in the launch decision depend on what type of product and company referred to. Moreover, after the launch decisions have been approved by higher management the decision is implemented in the overall planning process.

We found that *monitoring* of the process is frequently occurring with the supervision of a business area manager. Moreover, when *evaluation* is performed, board members, top management, and a product council group are involved, asking if the estimated time frame has been used, and if the right people with the right type of knowledge have been used in the process.

After reviewing the findings, we conclude that:

> ➢ The brand extension process is informal with a lack of any true sequential steps.

> ➢ Ideas are generated from customer contact, competitor analysis, technological innovations, management and employees, and if there is a connection to the company's vision.

> ➢ Ideas are screened from a competitive point of view, and the idea needs to fit on the market and with the product category, the product concept, corporate values, visions, and goals, and if the idea is considered to contribute and create value to the core brand.

> ➢ Forecasts are used in the form of chosen consumer groups, the use of a naming strategy, competitor analysis, and bought services.

- Brand equity criteria such as concept development tests are important and are used to evaluate how the consumers associate to the brand.

- The most important financial criteria are: profitability, market share, size of segments, pay back periods, turnover and R&D costs.

- When launch decisions have been approved by higher management the launch is implemented in the overall planning process.

- The process is evaluated by asking if the right time and if the right people with the right type of knowledge has been involved.

6.3 How Can a Successful Brand Extension be described?

We have found that the criteria for fit needs to be fulfilled for a brand extension to be successful. The extensions need to fit with the core brand, the brand image as well as with the product category the brand is to be extended in to.

Furthermore, we have also found that if the consumers do not positively evaluate the core brand after an extension the extension has contributed to a diluted image of the core brand. On the other hand if the consumers evaluate the core brand positively the brand extension has enhanced the core brand. Moreover, our research shows that the criteria of fit are also playing an important role when it comes to consumer evaluations. If there is no fit the brand extensions are negatively evaluated and the other way around.

The moderating factors affecting a brand extension are important and are affecting the outcome of the brand extension. The quality of the core brand is spreading to the extended brand when the extension is considered successful and is considered to be an important factor. If the consumers have great knowledge about the brand this will facilitate the extension, the fewer product categories that the brand is related to the better. If the consumers feel that the company is going to meet their demands this will facilitate the extensions outcome to be successful as well. The use of an added name as a branding strategy is commonly used to take advantage of the core brand's positive associations.

When it comes to brand equity we have found that a highly valued brand after a brand extension leads to the consumers staying loyal to the brand, this will also lead to a strengthened positioning as well as a strengthened image and furthermore, to have a highly valued brand leads to reduced costs when extending a brand.

Below the factors leading to a successful brand extension are concluded.

- It is essential that there is a fit between the core brand and the extension, between the extension and the product category as well as with the brand image in order for the extension to be successful.

- Positive/ negative evaluation of the extension by consumers will lead to enhancement/ dilution of the core brand.

- The moderating factors are affecting the outcome of the brand extension, the most prominent factor is the quality of the core brand.

> High brand equity after a brand extension leads to: brand loyalty, a strengthened position, a strengthened image, and lowered costs.

6.4 Implications

6.4.1 Implications for management

There are several issues that can serve as implications for managers these are listed below.

> Communicate the same message with the brand extensions made within the company.
> Make sure that there is a fit between the brand extension and the product category the core brand and the brand image that is made clear for the consumers.
> Avoid confusion by not extending the brand into too many product categories.
> Analyze the environment, competitors, and the financial situation before entering a new product category.
> The need for constant adaptation to the changing environment by improving quality standards.
> To keep a strong brand is better than creating a new it saves both time and money.

6.4.2 Implications for theory

There has been a lot of research focusing on brand extensions. The definitions however have differed between studies. The purpose of this thesis was to describe how companies use brand extensions as a part of their overall branding strategy with the specific definition that a brand extension is using a successful brand name to launch a new or modified product in a new product category. To answer our research questions we have investigated the rationales, why companies choose brand extensions as a part of their branding strategy, how the brand extension process can be described and finally how a successful brand extension can be described in three specific companies. From this we drew conclusions and described our findings.

This thesis contribution to theory is based on empirical studies of the investigated phenomenon in three specific cases and can serve as a basis for further research.

6.4.3 Implications for further research

There has been an increased interest on brand extensions the last decades and there are still a lot of areas left to be discovered and researched. We have investigated companies in three different industries in this thesis, which implies that companies within the same industry could be investigated to obtain a more industry specific research. Brand extension evaluation from a consumer point of view could be interesting to investigate. We also think it would be interesting to investigate how the distributors perceive brand extensions. While working on this essay we found a lot of different and interesting topics related to brand extensions and the quite similar line extension, which we did not include in this thesis. These issues have built the foundation of the following implications for further research.

> To compare brand extensions and line extensions made within one specific company.
> To investigate brand extensions when using a different definition.

- ➢ To further investigate how brand extensions are evaluated from the consumer perspective.
- ➢ To investigate the perception of brand extensions by distributors.
- ➢ To use certain brand extensions as a basis for the case studies.
- ➢ To investigate several companies within the same industry that has conducted brand extensions.
- ➢ To investigate a launch of a new brand into the same product category.
- ➢ To perform the same study on a larger sample of companies enabling greater generalizations.
- ➢ To conduct a study to test the hypothesis based on the conclusions of this study.

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Mikael Zetterlund. Brand Manager at Husqvarna, Husqvarna. 2003-11-26

Yvette Gilbert. Business Area Manager at Salming Underwear, Borås. 2003-11-24

Ebba Rappe. Corporate Identity Director at SAS, Stockholm. 2003-12-04

Interview Guide – English Version

General Information

- Name of the company
- Name of the respondent
- Position of the respondent
- Number of years within the company

Company Background

- Year of establishment
- Number of employees
- Ownership
- Turnover
- Products
- Markets
- Competitors

Brand Extensions – An overview

We would like to know how your company has handled Brand Extensions.
- Historically
- Presently

Brand Extension – the rationales

We would like to know the rationales behind the extension process?

- Growth
- Customer trend and need
- Lower cost and risk than new brand
- Lower communication costs
- Lower costs to achieve higher trial rates
- Economies of scale
- Profitability
- Awareness
- Brand value
- Changing environment
- Competition
- Expertise

Is there anything you would like to add about the rationales?

Brand Extension – the process

Could you describe the brand extension process?

- **Ideas**

Generation

Screening

- **Brand equity criteria**

Concept development and testing

Company experience

- Forecast

Consumer research

Company experience

- **Financial criteria**

Return On Investment

Profitability

Net Present Value

Payback

Market share

Research and Development costs

Sales

- **Launch decisions and functions**

Key players

Overall planning process

- **Monitoring and Evaluation**

People involved

Time frame

Resources

Is there anything you would like to add about the process?

Brand Extension – Success

Could you make a definition of a successful brand extension?

- **Fit**

Core brand and the extension

Product category similarity

Brand image similarity

- **Evaluation**

Enhancement

Dilution

- **Moderating variables**

Core brand quality

Consumer knowledge

Branding strategy

Portfolio characteristics

Consumer certainty

- **Brand equity**

Brand loyalty

Positioning

Less costly

Image

Is there anything you would like to add about a successful brand extension?

Intervju Guide – Svensk Version

Allmän Information

- Företagets namn
- Respondentens namn
- Respondentens befattning
- Antal år inom företaget

Företagets Bakgrund

- Grundades
- Antal anställda
- Ägare
- Omsättning
- Produkter
- Marknader
- Konkurrenter

Brand Extensions – En översikt

Vi skulle vilja veta hur Brand Extensions har hanterats av företaget?

- Historiskt
- Idag

Brand Extensions – Grunder

Vi skulle vilja veta om grunderna till varumärkes utvidgningen?

- Tillväxt
- Konsumenter
- Lägre kostnad och risk jämfört med nytt varumärke
- Lägre kommunikationskostnader
- Lägre kostnad att nå testköpare
- Skalfördelar
- Lönsamhet
- Varumärkets värde
- Erkännande
- Föränderlig omgivning
- Konkurrens
- Teknologi

Brand Extensions – Processen

Vi skulle vilja veta hur eran varumärkes utvidgning går till?

- **Idéer**

Samla

Utvärdera

- **Värdet av varumärket**

Utveckling av koncept och test

Produktutveckling och test

- **Förberedande analys**

Konsumentundersökningar

Företagets erfarenhet

- **Finansiella kriterier**

Utdelning av investeringen

Lönsamhet

Nuvärde

Återbetalning

Marknadsandelar

Forskning och utvecklingskostnader

Försäljning

- **Lanserings beslut och funktioner**

Nyckelpersoner

Övergripande planerings processen

- **Kontroll och utvärdering**

Personer involverade

Tidsram

Resurser

Brand Extensions – Lyckade

Kan ni definiera en lyckad varumärkesutvidgning?

- **Hur passar dessa i förhållande till varandra?**

Original varumärket och varumärkesutvidgningen

Likhet mellan produktkategorierna

Likhet mellan varumärkets image

- **Utvärdering**

Förstärkt

Förvirrat

- **Påverkande faktorer**

Original varumärkets kvalitet

Konsumenternas kunskaper

Varumärkesstrategin

Produktportfölj karaktärer

Konsumenternas visshet

- **Varumärkets värde**

Lojalitet till varumärket

Positionering

Mindre kostnader

Image

Finns det något som ni vill tillägga angående ämnet varumärkesutvidgning?