1. INTRODUCTION

1.1. Context of the study

There are many cases of how leading brands have fallen from grace, becoming tired and losing relevance in the market. This research report analysed this phenomenon and whether an upscale line extension could assist in revitalising a stale brand. On one end of the spectrum there are marketers who believe that line extensions have added little value or no value to their brands. Contrarily, other marketers believe that the strategic use of line extensions has resulted in impressive comebacks with "marketers that have breathed new life into customer franchises" (Keller, 1998:519).

Extensions in brand marketing take many forms but there are two dominant types of extensions. The first type is a "**brand extension**" where a brand is used to introduce a new product into markets or categories not served. An example of a brand extension is Virgin, a record company brand that has extended its brand into airlines and soft drinks, Virgin Airlines and Virgin Cola respectively. The other major type of extension in marketing is a "**line extension**" where a new product is launched using an existing brand's equity into markets already served. An example is Coke and its variants like Coke Lite and Vanilla Coke that co-exist in the carbonated drinks market. While there have been many studies on brand extension, there has been a dearth of research on line extensions.

In 1990, 63 percent of all products introduced were line extensions, and another 18% were product extensions according to Keller (1998). Two years later, Aaker's study of consumer goods companies indicated that 89% of new products launched were line extensions, 5% were brand extensions and 6% were entirely new products (Speed, 1998). Various subsequent studies confirmed a significantly high proportion of line extension marketing activity.

Apart from a sprinkling of studies discussed in the literature review later, line extension activity is not supported by academic research and theory in spite of its prevalence in practice. In fact there was a call for research 14 years ago by Aaker & Keller (1990) into the role of branding in upscale and downscale product launches into markets already served. More recently, the need for research in the field has been summed up by Grime, Diamantopoulos & Smith (2002:1416), “Despite the importance, benefits and risks associated with extensions, the literature in the area tends to be fragmented and characterised by an absence of conceptual frameworks to guide empirical work.”

Pertinent to the topic of this research paper they concluded, “Although there is growing literature that emphasizes the potential negative effect extensions can have upon the core, there is a paucity of empirical studies measuring the enhancement to the core (original) brand” (Grime *et al*, 2002:1432). This research paper discusses the positive aspects of extending a line particularly into the premium segment of the market.

Line extensions of beverage brands in South Africa are researched in this paper. Many beverage brands enjoy high levels of consumer awareness but have lost relevance as they mature. The changing global market context, where consumers are either trading up towards premium brands or down towards value brands, is also prevalent in South Africa. In addition market activity in the beverages market has increased significantly in the country since its first democratic elections ten years ago. Both supply- and demand-side changes have stimulated creative marketing strategies by beverage companies which will be explored in this research. This industry provided a rich case base of brand revitalization strategies that were employed and the impact of line extensions on their core brands.

1.2. Purpose of the study

Line extensions in brand revitalisation is the underlying problem of this research paper. Aaker (1997a) highlighted essentially two brand revitalisation strategies:

a. Complete brand repositioning and,

b. Line extensions into either downscale, into value segments or upscale, into premium segments.

The use of line extensions in brand revitalisation has been shown to be commonplace in practice yet not adequately supported by academic studies.

In South Africa specifically, there are many cases where line extensions have been launched off the backs of established mainstream brands. These established brands had flourished in the protected apartheid economy and had held ‘artificial’ relevance to a cross-section of the population. Examples in the beverage industry are Castle Lager, Oros juice concentrate and Five Roses tea. Over time these brands have naturally reached a stage of maturity, become tired and lost market leadership. There are various factors that impact the success of leading brands but the most obvious is changing consumer behaviour as they begin to either trade up to premium brands or seek out value brands.

In economic terms, this is the GINI co-efficient, and describes the trend of the rich getting richer and the poor getting poorer. While this is a general phenomenon the world over, in South Africa it has a particular significance to leading brands. The country’s fairly recent market liberalisation has resulted in an influx of international beverage brands that provide consumers a wider range of choice. These newer brands have entered the market through value or premium niches. This, coupled with a consumer base that is economically diverging has impacted established brand considerably. In this context the established older brands that often dominated their category, have become relatively weak in differentiation and relevance.

To illustrate this using beer brands in South Africa, Castle Lager has lost its place after decades at number One. Its successor is Carling Black Label that is found on the value-end of the market. Carling Black Label offers “More Reward” as its value proposition and when translated, it has higher alcohol content relative to its main competitor, Castle Lager. This has real value for poorer consumers looking for “more bang for buck”. On the upscale side, Amstel Lager provides a premium offering that talks up the quality of the beer through its “Slow Brewed, Extra Matured” positioning. In addition, a host of newer premium beer brands have also entered the market targeting the newly affluent younger market. Castle Lager’s market share has eroded from both ends of the market, forcing the brand to find ways to revitalise itself.

Research on brand revitalisation supports Aaker (1997a) that such a challenged mainstream brand can either completely reposition itself, as Lion Lager unsuccessfully did, or, introduce a line extension that presents either a value or premium offering as Castle Lager did by introducing Castle Lite. In the latter case, reciprocity or the transfer of consumer attitudes, preferences and knowledge from the new product to the old product will occur (Speed, 1998). If managed strategically, this will result in positive attribute shifts for the core brand. While this area of research has been neglected, some research shows that there is beneficial transfer back to the parent brand (Speed, 1998).

The purpose of this study is to enrich knowledge and enhance managerial decision-making in the revitalisation strategies employed by brands in the area of upscale line extensions.

1.3. Problem Statement and sub-problems

Problem Statement: The research problem is to develop a framework of how an upscale line extension may assist the revitalisation of a beverage brand.

Sub problems:

1. **Line Extensions in a Brand's Revitalisation Strategy**: With consumers trading up, should a tired brand completely reposition itself upscale (e.g. Lion Lager) or introduce a line extension to meet the new market needs (e.g. Coke Vanilla)? What are the risks involved with either strategy?
2. **Its Relationship with the Core Brand:** What function does a line extension play in adding value to a core brand? How should a core brand relate to its upscale line extension? To what extent does the line extension mirror or differ from the core brand?
3. **Line Extension Positioning and Stretch**: How should a line extension be positioned in the market? How near or far should the stretch be for effective core brand revitalisation? How can positive reciprocity with the parent brand occur? Can a market gap be filled by a line extension while not cannibalising the parent brand?

4. **Line Extension Launch Timing:** How does the strength of the core brand affect the success of a line extension in brand revitalisation? When should a line extension be introduced? What are the pros and cons being a leader into new markets? What are the pros and cons of being a follower into new opportunities?

1.4. Limitations

The scope of the research was limited to line extensions as defined in Section 2.1. and did not include brand extensions which move into segments not previously serviced by the core brand. Furthermore the study covered line extensions of established consumer brands that are usually category leaders and/or enjoy high brand awareness by users of the category's products. The line extensions covered are ones into the premium sector of the category – in other words, upscale line extensions of the core brand.

In defining the industry, the research was limited to beverages in South Africa, which comprises soft drinks, non-alcoholic drinks, alcoholic drinks, malt-based alcoholic drinks (beer) and juices. Each of these categories is complex, using different regulatory definitions for the product classes, often using different market segmentation and measurement tools. Access to comparative historical data from companies and research houses therefore proved to be challenging.

The study covered responses from the marketing fraternity in the South African beverage industry. It relied on the case study method of research and is based on the analysis of 11 in-depth interviews. The cases were chosen by experience in the field of line extensions and aimed to cover a diverse range of positions. The study is therefore limited to expert opinions and a literature review.

Due to the nature of the topic and the industry, certain supporting data and expert opinions were highly sensitive. The report discussed some of these issues to illustrate key learnings but was limited to the mention of relatively public cases. Respondents were also kept anonymous for the same reasons.

1.5. Significance of the study

This study is expected to:

a. Aid marketing strategy theory in the field of branding and line extensions and,

b. Inform marketing managers to enable clearer decision-making on revitalisation strategies of established brands

1.6. Background of the Beverage Market

South Africa's food and beverage industry had an annual turnover of R42 billion and employed approximately two percent of the economically active population in 2000/2001 (SA Business Guidebook, 2001). South Africa has a mature and established beverage industry with brewing (beer) and wine sectors being the healthiest. The market is segmented into soft drinks, non-alcoholic drinks, juices, alcoholic drinks, and malt-based alcoholic drinks (beer). All segments feature examples of established brands and most have attempted to launch line extensions. Furthermore all segments have seen consumer shifts as they trade up to premium brands which are generally newer brands. This paper analyses some of these launches into upscale market positions.

The strongest market players are SABMiller, Coca Cola, KWV, Unilever and National Brands. Volume comparisons across segments were not available for publication. However, beer has the greatest share of the domestic alcoholic beverage market, with 2000/2001 figures at 47.3 percent, followed by sorghum beer (21.5%), natural wine (14.8%) and brandy (7.1%). The balance is made up of cane and grain spirit, whiskey, fortified wine and sparkling wine (SA Business Guidebook, 2001).

SABMiller dominates the local brewing industry (including sorghum beer) with a market share over 50%. Although the wine industry is relatively small in the broader alcoholic beverages segment, it was ranked eighth in world output in 2000/2001. A total of 250 cellars operate, producing three times the Australian harvest (SA Business Guidebook, 2001).

Taxes on beverages, in particular alcoholic-based ones, in South Africa have been continuously increasing with excise rates being escalated at rates greater than the country's consumer price index (CPI). This has resulted in a negative impact on margins and has forced the industry to pass on some of this increase to consumers. Pricing has traditionally been more or less at parity in each segment but recently has seen more differentiation as brands are positioned as either value or premium.

Bottling and canning suppliers are concentrated in South Africa but other suppliers are usually wider in range, if not owned by the beverage companies themselves. Distribution chains are usually controlled by the beverage companies although competition laws prohibit the wholesale ownership of the supply chain to the consumer. South Africa currently has a well-developed distribution infrastructure by virtue of the fact that the road, rail, ports and telecom networks are not only in good condition, but allow for access to the majority (if not all) of the country. This allows for the effective and efficient transport of raw materials and finished product. All of these market factors allow marketers to have relatively strong control over the pricing and consumer-facing marketing execution. Innovative brand management therefore has good breeding ground in the beverages market in South Africa.

1.7. Assumptions

a. That core brands exist in all segments of the beverage industry where they are either market leader or have high brand awareness.
b. That core brands in all segments have experienced some challenges in positioning and brand equity calling for revitalisation strategies.
c. That line extensions of core brands into the premium category of the market have been introduced.
d. That there is an adequate sample base of respondents with relevant experience in brand revitalisation strategies.

2. LITERATURE REVIEW

2.1. Introduction

This section is divided into four sections as follows:

2.1.1. Definitions

2.1.2 Key approaches to brand revitalisation

2.1.3 Extending a brand

2.1.4 Upscale Line Extensions

Research on global beverage market dynamics as well as South African market dynamics is found in Appendix B.

2.1.1 Definitions

Core brand: *The existing or established brand from which extensions are derived. An example is Castle Lager.*

An "existing (or core) brand is referred to as the parent brand" (Keller, 1998:451). The term, "parent" suggests a dependency relationship between this brand and any of its extensions. As this paper analysed how a line extension is able to assist and revitalize a core brand, it will refrain from the use of the term, "parent brand", preferring the use of "core brand or "established brand".

In the brand revitalization studies reviewed, core brands were usually mainstream brands that had been established in the market and generally enjoyed high brand awareness. Some enjoyed market leadership at some point in their existence.

Brand extension: "*A current brand name is applied to a new product in a completely different product category*" (Speed 1998:105). *An example related to the one for a core brand is Castle Loud, a television music programme that takes it name from Castle Lager, its sponsor.*

Early theory of the 1970's and 1980's in the area of extensions had a blurring in the distinction between brand extensions and line extensions (Levitt, 1980). It was only in the last five years that these were defined and commonly understood by academia and marketing professionals.

Brand extensions introduce new products under the brand name in markets not previously serviced. They stretch the brand franchise beyond the current product class (Aaker & Keller, 1990). Keller (1998) differed in his definitions and referred to such extensions as category extensions; when a parent brand is used to enter a different product category from that currently served by the parent brand, such as Caterpillar boots. Keller (1998) instead referred to all extensions using a brand as brand extensions. He states that a brand extension is generally, "When a firm uses an established brand name to introduce a new product" (Keller, 1998:451). For purposes of this research paper however, 'brand extensions' will be used to discuss all extensions outside the definition of a line extension found below. It therefore adopts the definition of a brand extension presented by Speed (1998) above.

Line extension: *"A line extension is when the parent (core) brand is used to brand a new product that targets a new market segment within a product category currently served by the parent (core) brand."* (Keller, 1998:453). *The related examples are Castle Lite that is a lighter variant of Castle Lager or, Castle Milk Stout that is a stout variant which all fall into the beer beverage segment.*

As a new product launched into the same category, a line extension capitalizes on the existing brand equity of a core brand. Line extensions have also been referred to by other names like sub-brands, vertical extensions (Aaker, 1997a) or product extensions. A line extension is often variant that introduces a new flavour, package sizes, nutritional content or products containing special additives (Giddens & Hofmann, 2002). Examples include Anti-dandruff shampoo, Decaffeinated coffee, etc.

Rees (1984) said broadly that line extensions involve taking a brand name of a successful product and putting it on a new product that is planned to be introduced. Rees's definition does not specify markets or categories. Speed (1998:105) achieved this in his definition of line extensions as "new products launched into a product category already being served”. Keller’s (1998) definition builds on Speed’s but also notes the difference in the target markets of the core brand and its line extension. Keller’s (1998) definition is therefore used in this paper.

Brand and line extensions have many similarities in characteristics however, the fact that line extensions exist in the same category as the core brand, brings specific challenges as well as opportunities. A study in 1994 showed that cannibalisation of the parent brand is one such challenge (Speed, 1998).

Other terms used in the research include:
Brand Life Cycle: “*A concept, building on the product life cycle concept, which states that brands also have a life cycle - introduction, growth, maturity, decline - and that particular brand management strategies are appropriate at each stage”* (Marketing Glossary, 2003:1).

Brand revitalisation works on the theoretical basis of the brand life cycle model and ways to extend a brand’s life. An analysis of the stages of brand development is therefore an important starting point.

Reciprocity: “*The transfer of consumer attitudes, preferences and knowledge from the new product to the old product”* (Speed, 1998:105).

Reciprocity is the corollary to the term, ‘transfer’, where the established brand’s attributes are passed onto the new line extension (Speed, 1998). As a relatively new concept, ‘reciprocity’ has very little academic research support. It is however useful in describing how a line extension may assist in brand revitalization.

Silver Bullet: “*The use of the sub-brand as a tool to revitalise the core brand”* (Aaker 1997a). Aaker (2004:2) later elaborated that *the power of a "silver bullet" can advance not only a brand's image, but also that of an entire company.*

This marketing term describes a particular phenomenon that results in a growth spurt or recovery of a brand. It will therefore be used in testing a line extension's viability as a possible strategic option in a brand's portfolio.

The next two terms are useful in the construction of a line extension's brand architecture relative to its core brand:
Driver-role Brand: "*Reflects the degree to which a brand drives the purchase decision and defines the use experience"* (Aaker, 2004:2).

Aaker & Joachimsthaler (2000:153) advise that a brand in a driver role "should only travel where it fits, where it can add value, and where the association enhances its equity."

Descriptor Brand: "*A word or phrase that tells the consumers that the company is offering a slight variation to the product they have come to know"* (Aaker, 1999:88).
"Describes the offering, usually in functional terms" (Aaker, 2004:2).

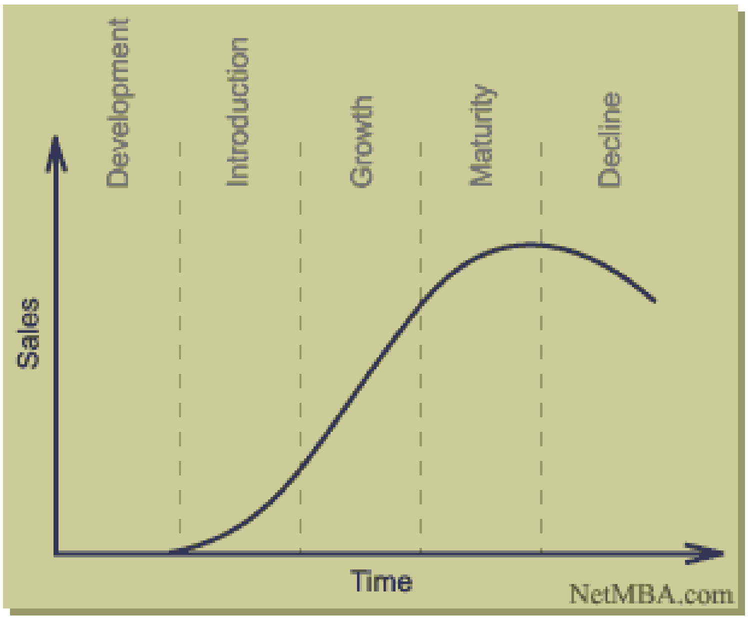
2.1.2. Key approaches to brand revitalisation

Established brands are usually those that enjoy high levels of brand awareness, and related admiration. There are many cases of how these brands, often market leaders, have managed to maintain their position over decades. One such brand is Coca-Cola that has managed to keep its relevance and dominance over decades. Another is Nike in the sports shoe and apparel market. This involves careful strategic planning especially in light of consumer behavioural changes, specifically as they trade up to premium brands.

Brands that have been established run the risk of becoming tired as the business and/or the market context changes. Some challenges from an internal perspective may include a shift in a company's strategic focus, changing its portfolio of brands to the detriment of the brand. A company may also introduce new technology and operational practices that affect the brand. External factors that influence a brand range from increased competition, legislative changes (like the ban on tobacco advertising in South Africa), consumer behaviour shifts (like the shift toward lighter beverages) as well as a multiple of other variables. Whatever the change, brand management requires long-term strategic decision-making that sustains the brand's equity.

The Brand Life Cycle (BLC) model is a derivation of the product life cycle (PLC) model which is commonly used by marketers (Figure 1) to describe a brand on a timeline. This model may apply to a brand or to a category of product. While the time span of a product and a brand may differ, there are similar characteristics in each of the life stages. A brand's time span may be as short as a few months for fad items or centuries on certain products like watches and cars. A brand in need of revitalisation falls in the maturity stage of the BLC model.

Figure 1: The Product Life Cycle Model



source: NetMBA (2002), copyrighted

> "The maturity stage is the most profitable. While sales continue to increase into this stage, they do so at a slower pace. Because brand awareness is strong, advertising expenditures will be reduced. Competition may result in decreased market share and/or prices. The competing products may be very similar at this point, increasing the difficulty of differentiating the product. The firm places effort into encouraging competitors' customers to switch, increasing usage per customer, and converting non-users into customers.

Sales promotions may be offered to encourage retailers to give the product more shelf space over competing products...During the maturity stage, the primary goal is to maintain market share and extend the product life cycle. Marketing mix decisions may include Product…Modifications are made and features are added in order to differentiate the product from competing products that may have been introduced." (NetMBA, 2002:2)

Steinhardt (2000:1) noted that, "Brands are not products but do have a life cycle of their own, and products belonging to a certain brand will experience a very different life cycle than the brand itself." The BLC model assists in understanding the challenges that brands confront at different stages of their existence.

Pervasive mainstream brands have outlasted almost of their competitors in their category – Coca Cola and Nike being examples quoted above. Marketers generally aim to extend a profitable core brand's life through various strategies. Steinhardt (2000) presented a table (Figure 2) of possible growth strategies within the PLC model.

Figure 2: Strategy Application within the PLC Model

• **Increasing Frequency of Use** • **Pricing**	• **Pricing** • **Product Diversification** • **New Product Uses** • **Changing Product Layers**	• **Re-Packaging** • **Co-Branding** • **Pricing** • **Product Diversification** • **New Product Uses**	• **Re-Branding** • **Re-Positioning** • **Increasing Frequency of Use** • **New Markets and Segments** • **Pricing**
Introduction	**Growth**	**Maturity**	**Decline**

----------------------------------Timeline-------------------------------

Source: Steinhardt (2000), copyrighted

In the maturity stage, Steinhardt (2000) suggested re-packing, co-branding, pricing, product diversification and new product uses as some strategies to extend a brand's life.

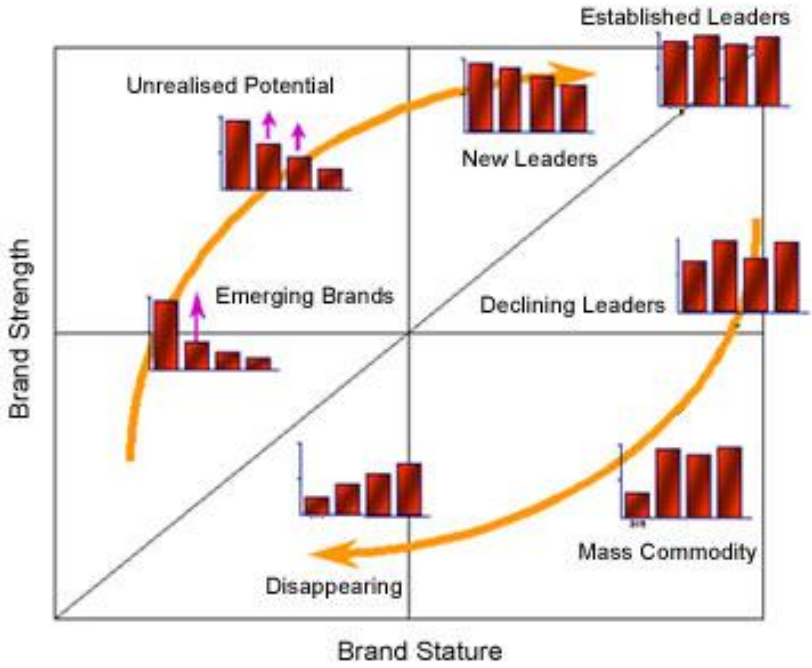
Line extensions involve product diversification and new product uses within the same category and are therefore a core strategy in extending a brand's life. Edward Tauber, quoted in Keller (1998) identifies the following seven strategies to establish a category, in what he calls a franchise extension:

1. *Introduce the same product in a different form:* For example, Colgate's Gel toothpaste
2. *Introduce products that contain the products distinctive taste, ingredient, or component:* For example Dove Soap's Dove Hand Cream
3. *Introduce companion products for the brand:* For example Nike clothing
4. *Introduce products relevant to customer franchise of the brand:* For example Visa's traveller's cheques
5. *Introduce products that capitalise on the firm's perceived expertise:* For example Swiss Army's watches
6. *Introduce products that reflect the brand's distinctive benefit, attribute, or feature owned:* For example Camel's clothing range
7. *Introduce products that capitalise on the distinctive image or prestige of the brand:* For example Calvin Klein's perfume

Steinhardt (2000:1) said that "Keeping a product alive for decades is a sign of successful PLC extensions; and brand/product combinations such as Heinz Ketchup, Hershey Chocolate and Gillette's Safety Razor are clear indicators of such extensions."

Another model, The Brand Asset Valuator (BAV) was introduced by Young & Rubicam (1991). The BAV model could be used to understand brands that become tired and irrelevant (Figure 3). "As a brand becomes more mainstream and consumers become more familiar with it, differentiation tends to erode. This is indicative of the brand's strength beginning to decline and consumers begin to drift away from it. Not all brands however need go through this process; iconic brands like Nike manage to keep themselves differentiated in spite of increased competition and greater scope of operations" (Young & Rubicam, 1991:1). This model highlights the importance of differentiation in the context of many other competitive brands.

Figure 3: The Brand Asset Value Model



source: Young & Rubicam (1991), copyrighted

Keller (1998) says that product differentiation for a fading brand requires that either lost sources of brand equity be recaptured or that new sources of brand equity be identified. The mainstream brand's strength as well as its inherent value is important in the introduction of any extension. Ogilvy & Mather's Norman Berry is quoted by Keller (1998:522): "The brands most likely to respond to revitalisation efforts are those that have clear and relevant values that have been left dormant for a long time, have not been well expressed in the marketing and communications recently, have been violated by product problems, cost reductions, and so on. Where there is evidence that these values exist and that they were indeed a part of the brand magnetism during healthier days, then chances of revitalisation are good."

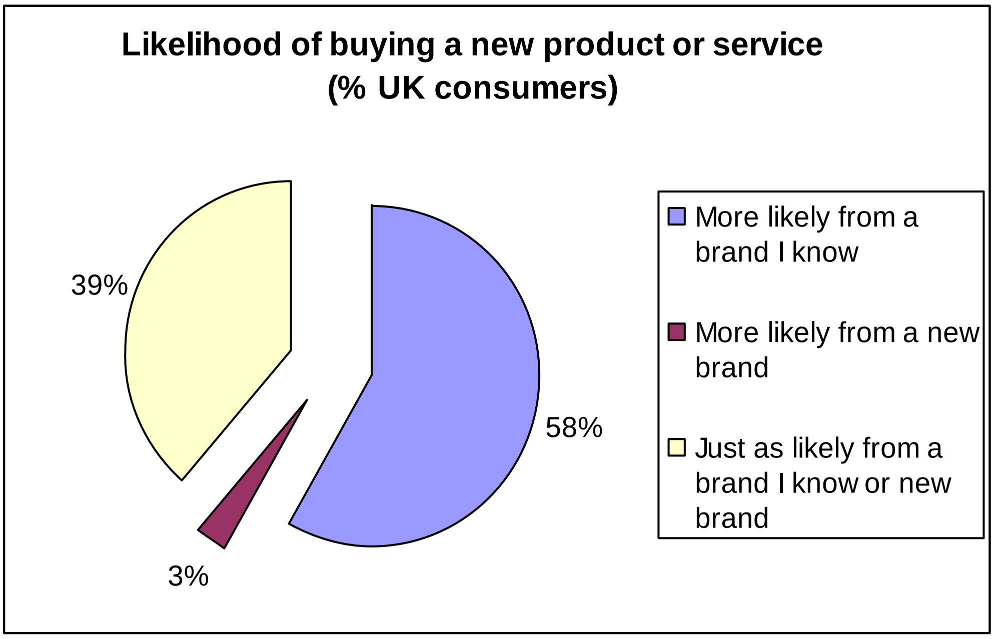
Bain & Co recently completed a study of 524 brands across 100 categories to arrive at 'winners' – brands that beat its category's growth each year from 1997 to 2001 (Blasberg & Vishwanath, 2003a). The study mentioned that there are no such things as tired brands or categories but tired brand managers. It was found that these brands invested in essentially two components of the marketing mix: Innovativeness and aggressive advertising. “Some mature brands grew through innovating product formulas, others through repositioning” (Blasberg & Vishwanath, 2003a:2).

This resonates with Aaker’s (1997a) approach to brand revitalisation. He suggests two strategies for brand revitalisation: complete brand repositioning and line extensions into either downscale into value segments or upscale into premium segments. While there is a plethora of studies looking at the decline of brands, there is a lack of a universal approach to brand revitalisation, both academically and in practice.

2.1.3 Extending a brand

In Brandgym (2003) brand stretch study, 83 percent of UK marketing directors see brand extensions as the key way of launching new products and services in the next two to three years, compared with only 3% for new brand creation (Figure 4). This focus on extending existing brands reflects a desire to leverage the positive equity built up through heavy and sustained brand investment. A strong brand cuts the cost of generating trial, as shown by almost two-thirds of UK consumers being more likely to buy a new product from a brand they know“ (Brandgym, 2003:3).

Figure 4



source: Brandgym (2003), copyrighted

Although strongly supported by in practice, 27 percent of all line extensions fail according to the Association of National Advertisers (Nijssen, 1999). In those cases when extensions are considered successful, they do not always generate extra profits (Speed, 1998). Coors senior vice president, Rob Klugman referred to a brewers' phrase of "silly line extensions" earlier in the 1990s before the US beer company refocused on core brands (Khermouch & Howard, 1999:1). Even legitimately value-added extensions like Tropicana's Plus, a calcium Orange Juice failed (Khermouch & Howard, 1999).

This calls attention to the role of line extensions as a growth strategy that may "be changing owing to more individualistic and fragmented consumer behaviour, increased competition between brands, and increased retailer power" (Nijssen, 1999:452).

Nijssen (1999) stated that while line extensions are the most common method of introducing new products but research has primarily focused on brand extensions. Only recently was a comprehensive study completed that suggests an integrated framework for line extensions, using the US cigarette industry as its research scope (Speed, 1998). In it the parent brand's relative strength and symbolic value, the extension's order and sequence of entry, support for the extension, firm size and a firm's distinctive marketing competencies as key success factors of line extensions. The framework did not include market-related factors (Nijssen, 1999). More recently, Grime *et al* (2002:1417) found it "paradoxical" that the majority of extension literature concentrated on brand extensions and not line extensions. Issues covered in the line extension research that existed were specific like cannibalization and optimal entry time to market.

There are three types of relationships between a core brand and its line extension (Aaker, 1997a). One scenario is when the core brand acts as an endorser of the line extension. "In this case the sub-brand (line extension) is the more dominant of the two and drives consumers' decisions to buy a product or service as well as their perceptions of the experience using the product or service." (Aaker, 1997a:138). An example here is Mentadent P Herbal as the dominant line extension that is endorsed by Mentadent P, the core brand.

In another scenario the core brand and line extension are co-drivers that exert equal influence on the consumer, such as VW Passat or VW Golf. In the last scenario the core brand is a driver, and the line extension acts the descriptor – “a word or phrase that tells the consumers that the company is offering a slight variation to the product they have come to know” (Aaker, 1997a: 138). An example here is ‘Coke’ as the core brand and ‘Vanilla’ as the descriptor in Coke Vanilla.

The relationship between a core brand and the line extension is an integral part of line extension strategy. Speed (1998) analysed the Australian and New Zealand wine industries and found cases of reciprocity which is “The transfer of consumer attitudes, preferences and knowledge from the new product to the old product” (Speed, 1998:105).

Nijssen (1999:453) argues that brands continually need to innovate to keep market leadership. “Just as dominant brands stand to win more than less dominant brands from market expansion, they stand to lose more from high levels of consumers' variety-seeking behaviour or market fragmentation.” Not only are there more competitors, “the market leader's reaction, especially when defensive in nature, is bound to reduce its economies of scale”.

“The question seems to be, what will happen to a leading brand's position if it does not introduce new flavours or varieties and thus does not respond to such a "non-profitable" proliferation of supply? Failing to differentiate supply in a growing or maturing market may very well provide the chance for competition to break in and steal away market share. Therefore, optimizing profits in the case of fragmenting markets seems to represent a dilemma that is hard to solve.” (Nijssen, 1999:453)

2.1.4 Upscale Brand Extensions

Rees (1984:75) says that introducing a line extension when a brand is in trouble is “an easy way out”. He continued that “launching a new brand requires not only money but an idea or concept." Aaker (1997a) also generally cautions against vertical extensions largely because of interference with brand equity of existing brand. However he says that there might be situations that present both "emerging opportunity and a strategic threat where alternatives to vertical extensions may have even higher risks and costs" (Aaker, 1997a:139).

One such opportunity is the trend of consumers that are trading upwards to more premium brand offerings. An American market study by Silverstein & Fiske (2003) revealed that certain demand-side factors have caused a move towards premium brands, or a trading-up phenomenon. "They include the rise in incomes and home equity, the cash windfall delivered by mass retailers, the changing role of women and the family structure, the rise in divorce rates, the increasing worldliness and sophistication of the American consumer, and the increased focus on emotions and cultural permission to spend" (Silverstein & Fiske, 2003:18).

This phenomenon is also evident in South Africa since the early 1990's. It is accelerated by a growing black middle-class and more brand choices. Beer, for example, a once value-driven category has seen an influx of new high-end players promoting image and status through its brands. This has stimulated increased product innovation and new beer consumers as they become aware of product variations targeted at them. Furthermore, even previously value-conscious consumers are willing to buy premium brands that are highly differentiated. Speaking globally, Vishwanath & Mark (1999:169) noted, "Today the entire beer category is becoming more premium: a large number of companies are competing on brand equity rather than on price."

Mature markets provide ripe opportunities for premium brands that offer strong points of differentiation to consumers that justify their price. Existing brands in these markets are usually in the maturity stage of the brand life cycle and naturally blur in distinction, operating more like commodities (Young & Rubicam, 1991). The need for differentiation becomes pressing for these existing brands to survive (Steinhardt, 2000).

Aaker (1997a:139) noted that there have been “a number of brands that have extended vertically with complete success...The challenge of vertical extensions is to leverage and protect the original brand while taking advantage of the new opportunity.”

“A vertical move is not merely justified but is actually essential to survival – even for top brands, which have the advantages of economies of scale, brand equity, and retail clout” (Aaker, 1997a:135).

“The objective of a company for introducing a line extension may be not to generate extra sales and profits but to simply improve its strategic positioning by introducing an improved version of its current product (e.g. with a more functional type of packaging)” (Nijssen, 1999:454). This statement is echoed by Aaker (1997a:141) as “The motivation for moving a brand from a mainstream market into an upscale arena is clear: high-end markets enjoy much higher margins than middle markets do…Emerging high-end markets also revitalise entire groups of tired products. Examples are microbreweries, designer coffees and even bottled water.”

In practice Tropicana marketing management for example viewed value-add entries as a means of stabilizing the core brand as a whole (Khermouch & Howard, 1999). Tropicana’s Senior Vice President - Immediate Consumption, Jim Dwyer, argued that a calcium extension has energized Tropicana's core line of Pure Premium Orange Juice. In another case, Procter and Gamble’s Senior Vice President - Strategy and Marketing, Dawn Hudson, made a case for extensions using her experience in Tide powder detergents that introduced a liquid line successfully in the US. (Khermouch & Howard, 1999).

There are a few challenges to the successful use of upscale line extensions in brand revitalisation:

a. The strength of the core brand,

b. The relationship between the core brand and the line extension and lastly,

c. The timing of the line extension into market.

2.1.4.1. Strength of core brand

Aaker (1997a:134) noted the importance of a core brand's credibility. Consumers question whether a formerly inexpensive brand would have "the knowledge, capability, and will to operate an upscale brand and deliver expected functional and emotional benefits." Locally, for example, Castle Lager successfully launched an upscale lighter variant, Castle Lite that is firmly established in the premium sector of the market. On the issue of knowledge and capability, Castle is synonymous with the company SABMiller in South Africa, and therefore enjoys these benefits that a product brand that takes on the name of the company would usually have.

"When a company offers an endorsed brand, there are three brands at work. The parent brand itself is split into two: a product brand and an organisational brand. The product brand remains as it was, a premium brand delivering a certain image and associated benefits. By contrast the (organisational brand) endorses the sub brand. The endorser strategy provides and excellent chance to minimize damage and reduce the threat of cannibalisation to the parent brand. " (Aaker, 1997a:139)

2.1.4.2. Relationship between a brand and its line extension

Aaker (1997a:141) recommends the relationship between a core brand and its upscale line extension as a driver-descriptor relationship because "it positions the new offering against the parent brand rather than against its new upscale competitors. Special edition, premium, professional, gold, platinum descriptors can be very effective especially if offered at a premium price. They send the message that the upscale version is like its parent brand but tangibly better." Wineries use private reserve, library reserve or limited edition to capture the higher end of the market.

In looking at minimising the risk of introducing an upscale line extension, Aaker (1997a) suggested three guidelines: a. To make the vertical leap reasonable by positioning the sub-brand at the lower end of the premium category, b. To differentiate the upscale entry by making it distinct from the mainstream brand and lastly, c. To redefine success by assigning the upscale sub-brand a "silver bullet" role.

"In other words use the sub-brand as a tool to revitalise the core brand. Gallo did just that with its Ernest and Julio Gallo Varietals, an upscale sub-brand of a solid value brand. Gallo's biggest sales came from its trademark jug wine, which had begun to face stiff competition from slightly more upscale brands such as Glen Ellen. To protect itself, the enormous Gallo enterprise needed to move up a small notch – a daunting task. So it introduced the Ernest and Julio Gallo Varietals: a new line of wines offered at prices more than double those of its jug wine, with labels, bottle types, and advertising to befit an upscale entry. The sub-brands target market was not high-end consumers but rather the core Gallo consumer. The company knew that many current Gallo customers would never purchase an Ernest and Julio Gallo Varietal, but the high-end product gave Gallo the opportunity to influence them in a different way. The company used the sub-brand's associations of quality to elevate perceptions of the entire Gallo brand" (Aaker, 1997a:139).

2.1.4.3. Timing of line extension

Nijssen (1999) says that the response time and time to market are critical with the shortening of product life cycles and increasing global competition that introduces powerful international brands into the market. "Line and brand extensions introduced late, especially me-toos, may never earn back their investments" (Nijssen, 1999:454).

According to Nijssen (1999) prior studies showed there was positive influence of brand strength on line extension success. This could not be repeated by Nijssen in his research and may be because of the broad measure of brand strength used. However, a positive effect from the interaction between order of entry and brand strength was found, which proves that "a strong brand name can indeed compensate for late market entry" (Nijssen, 1999:462).

Further research is required in additional independent variables to explain line extension success, such as the influence of:

a. The age of the parent brand,
b. Its extension history (Keller & Aaker, 1992),
c. The impact of consumer involvement with the product category (Nijssen, 1999),
d. Advertising and,
e. Market entry

In summary, brand revitalisation theory is founded on the brand life cycle model where brands in a stage of maturity seek to extend their lives. In this stage there is a strong need to deepen brand differentiation. There are many strategies to extend a brand's life and Aaker (1997a) suggests that are essentially two ways to revitalise a stale brand – reposition entirely or introduce a line extension. Line extensions are a way in which a brand is able to diversify and/or introduce new product uses within the same category as the core brand. Speed's (1998) theory of reciprocation suggests that there are ways in which a line extension is able to add value to an established brand. When introducing a line extension consideration is given to the changes in consumer behaviour as they trade up to premium brands. This presents many challenges for an already ailing brand. The strength of a core brand may have some bearing on the success of a line extension. However this is weighed against the possible points of differentiation that a line extension could add and the timing of its introduction to the market.

2.2 Propositions

The following propositions are being made about brand revitalisation through the introduction of an upscale line extension.

<u>Proposition 1</u>

Line extensions into the premium category (upscale) are seen to be an effective strategy to revitalize a brand.

This is by reason of:

a. There are few strategies for a brand to revitalize itself in a market that has become either more value-driven or premium-driven.

[Aaker, D.A. (1997); Aaker, D.A. & Joachimsthaler, E. (1998); Blasberg & Vishwanath (2003); Keller, K.L. (1998); Nijssen, (1999); Speed, (1998); Wojciechowicz, K.E., (2000); Silverstein, M. & Fiske, N., (2003)]

b. It is risky for brands to reposition themselves upscale in their entirety, making line extensions a less risky alternative and most commonly executed.

[Aaker, D.A. (1997); Abrahams, B. (1981); Blasberg & Vishwanath (2003); Joyce, C. (1996); Keller, K.L. (1998); Khermouch & Howard (1999); Nijssen, (1999); Speed (1998)]

<u>Proposition 2</u>

The most effective way to introduce an upscale line extension is where the core brand is the driver and the line extension is a descriptor.

This is by reason of

a. The line extension should reciprocate added value and differentiation to the core brand when introduced in a brand revitalisation strategy.

[Aaker, D.A. (1997a); Blasberg & Vishwanath (2003); Keller, K.L. (1998); Nijssen, (1999); Speed, R (1998)]

b. The line extension is seen as a variant of the core product that is tangibly better/meets different needs while still having the core benefits of the core brand.

[Aaker, D.A. (1997); Blasberg & Vishwanath (2003); Joyce, C. (1996); Keller, K.L. (1998); Nijssen, (1999); Speed, R (1998)]

Proposition 3

The upscale line extension should play the role of a "silver bullet" where it is positioned against the core brand and not against its competitors in the premium category.

This can happen when

a. The upscale line extension is positioned at the lower end of the premium category so as not to make the leap too remote from the core brand that is positioned mainstream.

[Aaker, D.A. (1997); Keller, K.L. (1998); Khermouch & Howard (1999); Nijssen, (1999); Speed, R (1998)].

b. There is less risk of cannibalisation of the core brand when a new target market is used but still draws in the top-end of the existing target market.

[Aaker, D.A. (1997); Keller, K.L. (1998); Blasberg & Vishwanath (2003); Joyce, C. (1996); Khermouch & Howard (1999); Nijssen, (1999); Speed (1998)].

Proposition 4

The most beneficial way to introduce an upscale line extension used in brand revitalisation is be a fast follower and not first-, or, late-to-market.

This can happen when

a. A core brand can have moderate to strong brand strength for its extension to be successful, contrary to popular belief that it always needs to be strong in the market.

[Aaker, D.A. (1997); Aaker, D.A. & Joachimsthaler, E. (1998); Keller, K.L. (1998); Khermouch & Howard (1999); Speed, R (1998)].

b. A fast-follower launch timing is optimal as being either first-to-market or a late entry open risks to the success of a line extension used in brand revitalisation.

[Blasberg & Vishwanath (2003); Joyce, C. (1996); Khermouch & Howard (1999); Nijssen, (1999); Speed, R (1998)].

3. RESEARCH METHODOLOGY

3.1 Case Study Method

The research was conducted using case study research methodology as outlined by Perry (2001). This methodology is used in cases where "little academic research has been published" (Perry, 2001:304). It has been applied effectively in marketing to enhance knowledge of contemporary topics that have lacked any prior theory. It is "explanatory, theory-building research which incorporates and explains ideas from outside the situation of the cases" (Perry, 2001:306).

Perry says, "Because the research problem is a "how and why" one, it usually involves a relatively complex, social science issue about which little is known" (Perry, 2001:305). He says that marketing professionals as well as academics benefit from this type of research on "complex, contemporary topics" that affect them and where little academic research has been published.

In scientific research direct causal links are sought, whereas in marketing research the context often influences the outcome of the phenomenon being researched. This methodology therefore also explores case contexts in explaining occurrences. Perry describes this as "when the boundaries between the phenomenon and the context are not clear-cut" (Perry, 2001:306).

3.1.1. Unit of Analysis

The research problem usually defines the unit of analysis. For this research report, it is confined to the South African beverage industry, and within that, specific cases where line extensions were introduced to a brand. Case study research seeks understanding of specific cases, identifies patterns across the cases, and then extrapolates theory at a wider perspective. These specific cases are termed "embedded cases" that provide operational reasons for the bigger phenomenon being researched.

Each case discussed in this research paper is a real example of brand revitalisation strategy employed by marketers of beverage brands in South Africa. They were each described to explain situations that a brand experienced within its market context and how the marketing strategy either repositioned it or introduced a line extension. Other pertinent cases known by the respondents or from the literature from outside South Africa were also used in the research. These were collectively compared to make appropriate deductions on the larger phenomenon.

3.1.2. The In-depth Interview

The in-depth interview is a technique that is used in exploratory research where respondents are probed on topics in a relaxed environment to maximise the richness of the discussion and data collection. This method is often used in case study research, according to Cooper & Schindler (1998).

The in-depth interview technique does not offer closed-ended questions found in structured interviews. On the other hand, it also does not contain loosely defined agenda. Instead it is guided by a list of open-ended questions that focus on core themes being probed by the researcher. An interview guide was constructed to ensure that all propositions were explored.

3.2. Population and sample

The research intended to draw a population of brands from a reliable source like ACNielsen that is able to provide a comprehensive list of all beverage brands in South Africa. A second subset list was then to be drawn up that identified brands that are line extensions. However ACNielsen was unable to provide such data due to the complexity of the beverage industry in South Africa. Sorting brands and creating a universe of all categories within it proved to be too much of a time-consuming exercise. It was then decided to select known brands based on "maximum variation" sampling (Perry, 2001:314) that allows for richer analysis through using extreme cases. The important criterion for case selection is relevance, rather than representation.

Perry suggests that a minimum of 2 to 4 cases and a maximum of 10 to 12 is the ideal for case-based research (Perry, 2001). Key South African beverage brands that have either repositioned themselves or introduced line extensions in the last ten years were selected and included Castle Lager, Coca-Cola, Fanta, Guinness, Five Roses, Carling Black Label, Sprite, Appletiser, Lipton, Joko, Brutal Fruit, Redds Cider, Nescafe and Ciros. In addition to this well-known global cases, like Budweiser, Miller and Gallo wines were also discussed.

Judgemental or "purposeful" sampling (Perry, 2001:314) was used to determine the sample to be used for the research. As this kind of knowledge rests with experienced industry players, it was critical to identify them upfront as key respondents. The respondents were selected on prior experience in the beverage industry at a senior marketing management level. Marketing experts who worked on these brands were then approached to be interviewed. These respondents were also asked to recommend other appropriate experts in the beverage marketing fraternity who were then also approached. Twenty one marketers were approached resulting in eleven marketers being interviewed and another four submitting relevant material to the subject.

Geographic limitations included where these beverage marketing experts were located, these being the key metropolitan areas of Johannesburg, Pretoria, Cape Town and Durban. Most interviews were conducted personally and for some respondents outside Johannesburg, telephonic interviews were conducted. As these were highly active respondents, most interviews were limited to 90 minutes for their convenience.

3.3. Data collection

Figure 5: Data Collection Process

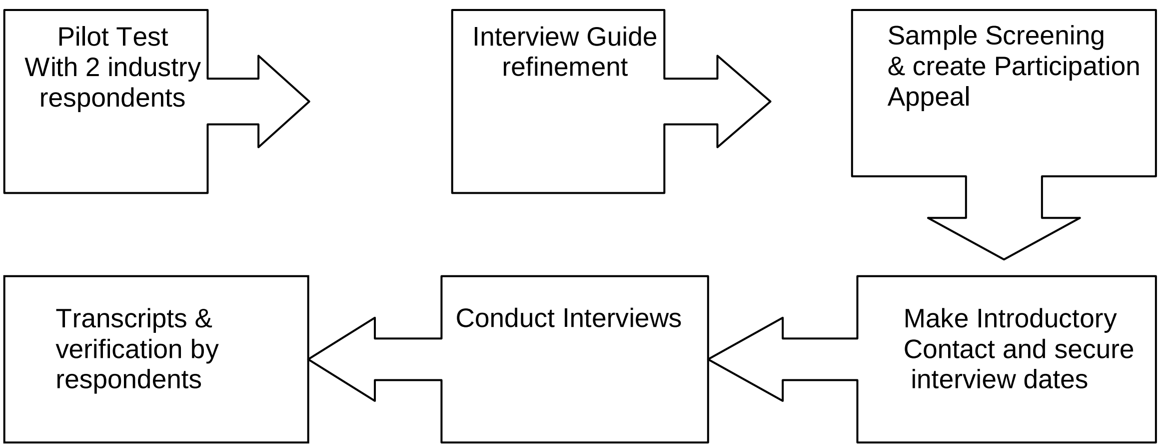


Figure 5 illustrates the process used to collect data. Interviews were conducted with the respondents using an interview guide. This interview guide was constructed with the four sub-problems as a framework. Such a framework ensures that all the research's theoretical issues were probed. According to Perry, the starting question simply invites the respondent to tell a story (Perry, 2001). A short and easy interview guide (see Appendices) was constructed around each proposition and consisted of questions to elicit a free-flowing response from the respondents.

Two pilot interviews were conducted on respondents to test the validity and reliability of the interview guide - a measurement instrument developed for a new research that has not been tested before (Leedy, 2001). The interview guide was refined from the respondents' suggestions to improve clarity and meet the research ends. Once this was complete, the targeted interviewees were contacted.

Interviews were conducted from September 2003 to January 2004, which is a reasonably quieter period for senior marketers in the industry. All interviewees were initially telephonically or personally approached. Often a short follow-up e-mail describing the research topic, and its need for real case examples was sent to the respondents to assist them to prepare for the meeting. Respondents were invited to remain in their offices or meet at a time and place suitable to them. Interviews were usually between 60 to 90 minutes long and were mostly scheduled in the late afternoons on weekdays.

Transcripts of the interviews were then sent to the respondents post the interview to verify transcription accuracy when time permitted. In some cases additional information was provided. The transcripts were then collated for data analysis.

3.4. Data analysis

The individual brand cases were analysed before a cross-case analysis was done. In the cross-case analysis differences that occur are explained given the context of the cases. Perry says that qualitative researchers usually use some of content analysis to organise data into codified clusters (Perry, 2001). These codes were derived from the research sub-problems as well as prior theory. The transcript data from the in-depth interviews were placed into clusters/themes. "Clustering is often used as the first step in data mining" (Cooper & Schindler, 2003:451). These opinions, viewpoints and/or descriptions of occurrences were then discussed in alignment to the propositions being tested. Application to theory from the literature review also formed an important component of the analysis.

3.5. Validity and Reliability

Perry says "the validity, meaningfulness and insights generated from qualitative enquiry have more to do with the information-richness of the cases selected and the observational/analytical capabilities of the researcher…" (Perry, 2001:314). It is therefore imperative that transcripts were accurately recorded so that as much data as possible was captured. Further, the individual case analysis and the cross-case analysis required robust information sorting and analytical correlation.

Reliability is related to the extent that a measure provides consistent results. With regard to reliability, qualitative research is open to all sorts of extraneous factors that affect the data collected. "In a qualitative study, the interpretation of the data will inevitably be influenced by the researcher's biases and values to some extent, reflecting the notion *of researcher as instrument*" (Leedy & Ormrod, 2001:162).

4. FINDINGS & ANALYSIS

4.1. PROPOSITION 1: A line extension into the premium category is seen to be an effective strategy to revitalize a brand.

4.1.1. Introduction

This proposition was founded on a consumer market shift towards premium brands. This phenomenon was analysed in terms of its impact on existing and mature brands. A lack in relevance and poor differentiation relative to newer brands were the primary reasons for brands becoming stale. Various strategic approaches to revitalize these brands were investigated. The research confirmed Aaker's (1997a) approach that marketers follow two broad strategies for brand revitalisation:

a. Complete brand repositioning and,

b. Line extensions into either downscale into value segments or upscale into premium segments.

Brand repositioning is discussed briefly in this chapter while a deeper exploration is made of line extensions including their risks.

4.1.2. Complete Repositioning: The Emperor's New Clothes

Marketers of older and more established brands tended to avoid complete brand repositioning but noted that this may be necessary in some circumstances. It was viewed as being too risky. Such a move may also make current customers uncomfortable or confused by the repositioning and could abandon the brand altogether.

Says one respondent in the beer business: "It is not about the "Emperors new clothes" as in Lion Lager where we threw away its heritage. Older brands have existing equity which places restrictions on you can do. "

Learning from this, SABMiller took eight years but rescued and repositioned Carling Black Label on its higher alcohol content with its "More Reward" campaign. A downscale repositioning for Carling Black Label was easier than Lion Lager's attempt at an upward shift. The brand was taken off the market last year. Currently the company is investing in a similar upscale repositioning exercise for its flagship brand, Castle Lager.

This is a harder task as described by Aaker, "Straightforward repositioning from a mainstream or value market into an upscale one is nearly impossible. A mainstream brand simply lacks the upscale associations – such as user image, brand personality, and perceived quality – that are necessary to convince consumers that the product or service should command a premium price" (Aaker, 1999:95).

4.1.3. Using Line Extensions: The Tugboat that Steers the Tanker

Line extensions may be used to trade up a brand in a less risky way. "They help managers differentiate the new premium offerings from the original brands while using the equity of those parent brands to influence consumers' purchasing decisions" (Aaker, 1997b:95). The interviews unfolded a number of cases in the South African beverage market where brand revitalization has taken place through upscale migrations. While these cases were noted by marketers, there is no academic documentation of them.

A respondent from National Brands drew an analogy between the purpose of line extensions to core brands and the purpose of a tugboat to an oil tanker. The core brand is like an oil tanker that is difficult to steer in different and new directions. This is especially difficult when a brand is established in the market. Line extensions are like tug boats that venture into new territories quicker. Following the concept of the survival of the fittest, the strongest tug boat will steer the tanker in its direction. In other words, a strong line extension will steer a core brand towards its own position.

The motor industry provides some good example of line extension use in trading up to a premium status. Volkswagen reintroduced its Beetle as an upscale brand and pitched its Touareg brand even higher. In the last five years these line extensions have given it impetus to move up. This strategy is often employed by motor manufacturers who use upscale line extensions to pull up specific dimensions of a brand.

Interviewees made reference to commonly known cases where line extensions added some value to beverage brands. Five Roses tea was a well-known case study in hot beverages, which revitalized itself through the launch of a premium herbal tea range that targeted tea connoisseurs. Five Roses followed the Yardley cosmetics model that introduced limited edition ranges to prepare a market that was not ready for this taste change. This allowed the brand to establish itself firmly as the tea authority, hence providing strong differentiation. Five Roses continued to anchor National Brand's tea portfolio with the herbal flavour variants to trade it up.

Another was a coffee brand, Ciros that repositioned itself upmarket from a previous value-for-money brand positioning with the use of a series of line extensions. Fanta's successfully repositioned itself to a younger market and was also quoted as a popular case of brand revitalisation in the Coca Cola stable.

Most respondents were initially of the opinion that line extensions could not revitalize a brand but used the following contradictory words and phrases in subsequent dialogue: *Modernise, Contemporise, Lead the cavalry charge, Add energy, and Sprinkle fairy dust*.

In each case it appeared that the introduction of a stronger competitor led to the repositioning exercise by the brands. Smirnoff Spin was a frequently quoted example of a line extension that has modernised an old brand, Smirnoff Vodka had lost market share.

For Five Roses by National Brands it was the introduction of Lipton Tea by competitor Unilever. Lipton Tea was positioned more premium to Five Roses, the market leader in the country. Ciros' repositioning was also a reaction to the introduction of Nescafe by Nestle as a premium coffee brand. Ciro, a brand also marketed by National Brands, needed to re-establish its quality credentials.

According to the respondent, "The brand needed to compete upmarket in its category and we changed the formula. We added more Arabic beans into the blend, changing the product without speaking about it. To change the packaging of a brand is an overt statement, which we chose not to do. We instead introduced a line extension, Ciro Instant Coffee in the new livery and gained about 7% market share. We moved from about 11% to 18% in six months." The core brand was introduced in the new livery a short while later and was accepted by the market.

In South Africa there have been beverage brand revitalization efforts with the use of line extensions, including successes in upscale moves (Five Roses tea, Ciros coffee, Appletiser, and Castle Lite). According to the marketers most of these were not overt strategies to reposition brand upscale. They were instead exercises that placed aging brands competitively in the changing market environment.

In the exploration of theory employed by marketers, there was disparate articulation of the strategies employed. Initially almost all respondents outwardly rejected line extensions as a plausible brand revitalisation strategy. This was based on an almost unanimous belief that an ailing brand could not introduce a line extension with waning brand equity. This first response was later reconsidered by many marketers later in the interviews.

Some comments, verbatim, included:
COCA COLA respondent: *""Revitalise" is an interesting word stemming from Latin "vita" and meaning "putting vigour into life" so by this definition, I'd say no, a line extension cannot add back life to a brand*."
…but later:
"It can give it strength in certain areas. Flora margarine is an example of margarine high in polyunsaturates. Using Finnish technology a new variant was introduced that actually reduced the cholesterol levels of a person."

UNILEVER respondent: "*Having had first hand experience in this area, I'd say it is a funny combination which relates to the line extension, its ability to link back to the parent brand and the scale of the extension. Look at hand-held ice-creams here where Ola is the house brand under which there is a cabinet of other brands. Its positioning is based on a weighted average of all of these brands. Therefore the* *ability of a new line extension to influence a core brand is very little. However we as marketers tend to focus a lot of our communication on the new extension to try to compensate for this.*"

But later…

"I would say that it brings a new perspective, helps redefine a certain positioning. It brings new facets to a brand…Lipton Iced Tea was launched two years ago."

4.1.4. Risks to Line Extensions

The interviewees agreed with Aaker's view that complete brand repositioning is riskier than the use of a line extension as a revitalization strategy (Aaker, 1997a). A representative of Coca Cola noted, "For Coca-Cola to reposition, it is risking R69 billion. For such a brand it is better to introduce a new product all together than risk this."

Interviewees said that while a line extension was comparatively less risky, it was a risk none-the-less. A line extension may further damage an ailing brand by diluting what it stands for. An extension may potentially dilute the core brand's equity whether or not it is successful or unsuccessful (Grime *et al*, 2002). Rees advises against the tendency of companies to extend brands. "When you are trying to be all things to all people, you inevitably wind up in trouble…In the long run and in the presence of serious competition, line extensions almost never work" (Rees, 1984:71).

Furthermore the opportunity to introduce real innovation is lost when a company exerts its energies on line extensions. A respondent said, "The risk is lower when introducing a "fourth flavour" as opposed to an entirely new product. Risk is a major driver in business and (this behaviour) does not encourage real innovation."

Marketers also understand physical rather than emotional consumer connections better. They are more tangible and more measurable. The same respondent continued, "A Board is sooner to approve an investment into a new flavourant of a product already known than invest in the unknown."

"The hard part about marketing is developing an emotional relationship that consumers have with a brand. When a brand has a popular flavour it is easy to introduce another flavoured line extension. Less sophisticated marketers leave out the need to reinvigorate the core of a brand. Brutal Fruit is an example of a brand with a core essence of "a licence to be naughty". It is found in three flavours and the agency suggested introducing five more to create news around the brand. This is a wrong approach as things get fuzzier with new extensions."

Other risks include confusing the market, misallocation of marketing funds to favour the "new toy" and cannibalization which is briefly discussed later in the report. In spite of this, line extensions remain the popular strategy for marketers.

While Aaker (1997a) generally cautions against vertical extensions largely because of interference with brand equity of existing brand, he says that there might be situations that present both "emerging opportunity and a strategic threat where alternatives to vertical extensions may have even higher risks and costs." (Aaker, 1997a:139).

A consumer shift towards premium brands was prevalent in South Africa as it is in most First World markets. Concurrently there is a shift towards value brands in certain products as well. This illustrated that consumers have become more selective in their choices driven by price as well as perceived value of a brand. Existing brands have naturally become more undifferentiated in a mature market. This has weakened their brand equity and is exacerbated as they become less relevant in light of the new brand offerings. Marketers have tried various strategic approaches to revitalize these brands. The two key approaches; repositioning entirely and the use of line extensions were researched in terms of risk. Complete brand repositioning was found to be riskier for established brand with many marketers opting to use line extensions instead.

4.2. PROPOSITION 2: The most effective way to introduce an upscale line extension is where the core brand is the driver and the line extension is a descriptor.

4.2.1. Introduction

When a line extension is used to assist in the revitalization of a core brand, its interaction with the core brand is a critical consideration. The type of relationship between a core brand and its line extension was analysed. If the primary objective is for the line extension to reciprocate value to the core brand in brand revitalization, a close association between the two is needed to be established. When a core brand played a “driver” role, it “reflects the degree to which a brand drives the purchase decision and defines the use experience” (Aaker, 2004:2). This position would make the line extension a “descriptor brand” which is “a word or phrase that tells the consumers that the company is offering a slight variation to the product they have come to know” (Aaker, 1999:88). This proposition highlighted the various functions a line extension could play in core brand revitalization. Proposition 2 analysed whether this driver-descriptor relationship would be optimal the given functions a line extension has to fulfil in revitalising its core brand.

4.2.2. Types of relationships between a brand and its line extension

Aaker (1999) identified three types of relationships between a core brand and its line extensions. In the first relationship, the core brand acts as an endorser of the line extension. Here the line extension is “the more dominant of the two and drives consumers’ decisions to buy a product or service as well as their perceptions of the experience using the product or service” (Aaker 1999:88). An example is Rose’s Lime Cordial, where ‘Lime Cordial’ is the stronger consumer association with the product than ‘Roses’. In the second relationship, both the parent and sub-brand have about the same influence on consumers and therefore act as co-drivers as in Smirnoff Spin.

In the third and last relationship mentioned by Aaker, the core brand is the key driver and the line extension acts as a descriptor – “a word or phrase that tells consumers that the company is offering a slight variation on the same product or service they have come to know" (Aaker, 1999:88). An example is Clover Milk's 'Clover Low Fat Milk'.

SABMiller in the US did an internal case study on how Lite was introduced to the market (Figure 6). The image below illustrated the progression from a stand-alone beer brand in 1974 to the gradual incorporation of the Miller name in the 1990's as an endorser, and then the driver of the brand Miller Lite today.

Figure 6: Miller Lite branding over time (US)

Source: Project Gaudi (2003), copyrighted

As a general guideline, Aaker (1998:88) says, "The safest bet for an upscale sub-brand is a driver – descriptor strategy because it positions the new offering against the parent brand rather than against its new upscale competitors." This is particularly relevant in categories like beverages where a brand is strong physical associations for consumers - like taste or nutritional content. By using the core brand as the driver, these associations remain as a fundamental part of the brand promise – provided that the line extension is an offering with reasonable consumer expectations of a brand's stretch.

Some examples of successful driver-descriptor relationships in beverage brands include Coke Light, Coke Vanilla, Sprite Zero, Bud Lite, Castle Lite, Castle Milk Stout, Redd's Diva, 5 Roses Lemon Tea, Lipton Iced Tea, Tropicana With Calcium, SuperMoo Chocolate, Nescafe De-caffeinated, and Ciro's Instant.

Furthermore, Aaker (1999:97) mentions a few examples of effective strategies to migrate upscale that are found in the beverage market: “Special edition, premium, professional, gold, or platinum” descriptors. He goes on to say that these are particularly successful when priced at a premium. This alludes to the point that a line extension can be successfully positioned upscale to a core brand. According to Aaker, “They send the message that the upscale entry is like the parent brand but tangibly better. Wineries use private reserve, library reserve, or limited edition to capture the higher end of the market” (Aaker, 1999:97).

A few respondents mentioned that line extensions needed to add back to the core brand or enhance its positioning. One respondent said, “It does not work like a typical mother-child relationship where the parent is expected to nurture the child. In line extensions, the relationship is such that the “child” or line extension should only be introduced if it adds value to the parent brand.”

Grime *et al* (2002:1426) quoted Aaker (1990) that “if an extension is introduced with a good fit, is aimed the right consumer segments and is extended to the most relevant categories, the core brand should be enhanced”. Enhancement could be in two areas: the reinforcement of brand associations (i.e. good quality, expertise and design) and the other area is the enhancement of the core brand personality and image through portrayal of symbolic values by the extension.

Brand marketers are responsible for the construction of brands and their line extensions. In their marketing communication emphasis is placed on certain values, attributes and/or benefits that the line extension is required to enhance or introduce in the marketplace. How similar or different the line extension is to the core brand will depend on how these relationships are constructed.

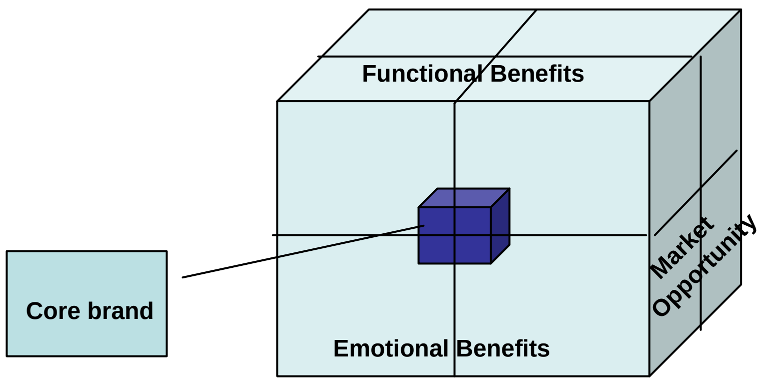
4.2.3. Line extension must be very close to core brand

The interviewees applied varying emphasis on the level of similarity between a brand and its line extension. However all agreed that while a line extension needed to show a clear differentiation, it needed to have some resonance with the core brand.

One respondent aptly described this as "a symbiotic relationship between a brand and its line extension, neither occurs in isolation".

In Figure 7 the basic construction of a brand is illustrated. It is three-dimensional and includes the functional and emotional benefits of the brand. It also factors in the market opportunity taken by the brand. All three dimensions total the brand's positioning in the market, a reflected by the dark cube. The area surrounding this is the area of exploration that is still congruent with the core brand's positioning. This forms the parameters to guide the construction of a line extension. An example of such a construction is discussed later under Recommendations.

Figure 7: The Parameters in Line Extension Construction



For some respondents this involved simply having the same visual identity as the core brand, be it in its name and/or brand imagery. For other respondents the similarity needed to go further with the line extension sharing the same brand values with the core brand.

For others still, it was sharing the same benefits. Here are some opinions quoted verbatim:

"A line extension must resonate with both the physical and emotional benefits of a core brand."

"I believe that one has to ensure that the extension has a clear product benefit…intrinsically…and the soul of the brand is to be rooted in the parent brand."

"You need to understand the brand's core proposition to know how far you can stretch a brand. The question is can you lead functionally and then introduce emotional benefits"

"It must work within the physical and emotional attribute parameters of the brand."

According to Keller (1998) things that stay the same are sections of brand equity: attributes attitudes and benefits. Grime *et al* (2002) say that brands need to satisfy consumers' functional (i.e. quality and reliability) and representational (i.e. emotional and symbolic) needs.

A line extension usually accentuates an existing aspect of the core brand's equity. Examples are Coca Cola or Appletiser that extend, emphasising either a physical or emotional benefit. Coke Vanilla is a line extension that accentuates a particular flavour, vanilla that is already in the physical make-up of the soft drink. For most of the marketers interviewed it was felt that a line extension had to work within a defined parameter of what the parent brand stood for. "Playing in the same sandpit" was an apt description of this guide rail by a respondent.

An interesting point was made where a line extension could be used to introduce a new aspect to a core brand's offering. Usually it is an aspect that is consistent with existing brand equity but taps into changing consumer demands (tastes, attitudes, etc.). Says one respondent: "Sprite Zero is a new line extension that is too early to tell in terms of its impact on sales volume. However it stands for what Sprite as a brand stands for, just offering less calories. Here this (line extension) is used to accommodate new consumer needs for a lighter variant."

What was found is that there are essentially two issues in determining similarities and differences that a line extension has. These are the:

a. Function that a line extension is to have and,
b. Consumer need to be met

When a line extension is introduced as a brand revitalisation strategy, it is expected to add value back to the core brand. It therefore stands to reason that a line extension needs to be very closely linked to the core brand for the effective transfer of the desired attributes.

4.2.4. Determining Similarities & Differences

A line extension, by its very nature, bears similarities to its core brand in varying degrees. Also important are key elements of differentiation from either the core brand and/or the competitors. This section deals with this problem and tries to identify any guide rails for defining similarities and differences between the core brand and its line extension.

The introduction of a line extension can "increase sales for the parent brand, due to the enhancement of consumers' perceptions of brand values and image through increased communication" (Grime *et al*, 2002:1415). Inherent in a line extension being used in a brand revitalization attempt, the line extension is required to add value to a core brand's value and image. An exploration was done of what was viewed to be non-negotiable brand attributes and which could be altered in the line extension.

There was little literature support in this area, nor clear theory, and the research therefore relied considerably on case study accounts by the respondents. Interviewees said that the starting point was being clear on what a brand stands for; both its physical and emotional attributes, before deciding on how a line extension would be designed.

A respondent said, "I believe one can revitalise a brand using a line extension provided that at its core it must the same thing. You can extend on flavourants and product uses but the values of the brand cannot digress."

This found academic support in Blasberg & Vishwanath (2003b) who said in their study of reviving tired brands: "In our study, innovation bubbled up across the gamut of brands, expressed in a range of attributes, from new product formulas, to new positioning to new packaging" (Blasberg & Vishwanath, 2003b:2). .

Three respondents referred to the Guinness Lager case study in the UK. According to one respondent, Guinness UK introduced a lager called Guinness Enigma in 1993/4 that was a failure. It did not resonate with the brand's positioning and is an example of taking an extension too far. Guinness as a brand stood for rich, dark malted alcoholic beverage that has a sophisticated brewing process. This includes the bottle top innovation to assist in its nitrogenation. "Launching a lager was a mistake as consumers did not see a brand link." He did add however that there was a non-alcoholic variant of Guinness that managed to capture 30% of the 3% of the UK beverage market.

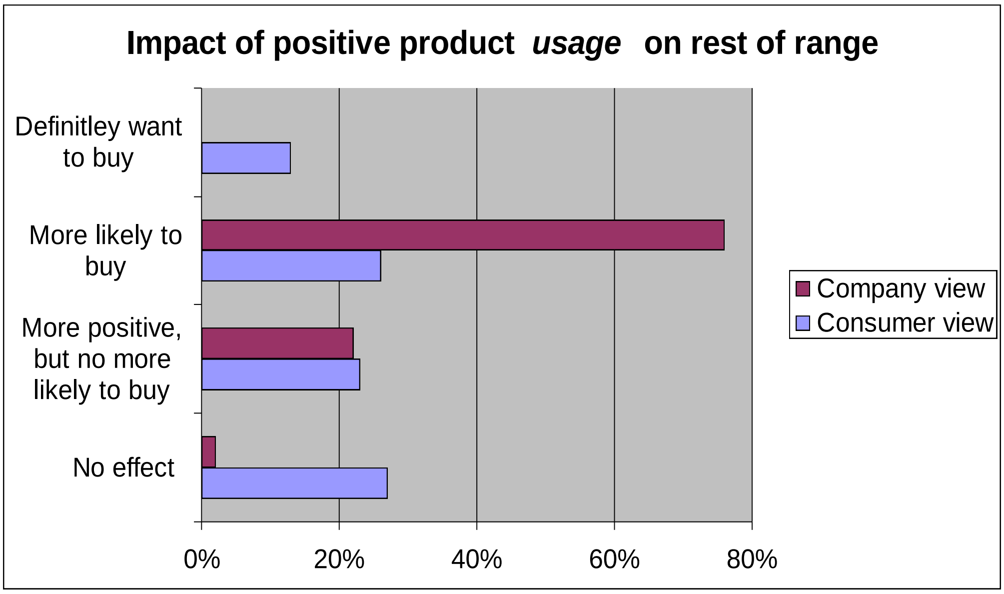
Another respondent supported this thinking saying that while Guinness could not extend into a lager as its physical attributes are about being dark and rich and a lager incongruent to this positioning, Castle Lager however is able to extend into a stout. "It is a brand that is closely linked to the company, SAB which gives it the versatility that Guinness does not have, being a stout," he said.

So while the general rule of thumb was that the brand core positioning should be kept the same, there was some evidence that new intrinsics could be introduced. In beverage marketing there is a fair following of needs-based strategy where brands are developed in alignment with consumer needs. Very often these are simply taste (functional) and image (emotional) in beverages. It therefore stands to reason that a line extension is either a flavour variant or have some content additive that differentiates it from the core brand. Image-wise, it may display a different attitude to the core brand.

4.2.4.1. Emotional Benefits

Brandgym (2003) quoted a study by Ernst & Young: "The success rate of extensions sucks *(sic),* with up to 70% failing. An obsession with brand image building is a key reason, leading to extensions that "fit" with the desired brand image, but fail to add value for consumers. In fact, the image effects of extensions are over-estimated by marketing directors, with consumers saying that many of them have no effect. (Figure 8) The only extensions that *do* help build brand image are big, breakthrough ideas with real sales impact, such as Gillette's Mach 3 and Apple's iMac. In other words, the best way to build image is to build the business. "

Figure 8.



Source: Brandgym (2003), copyrighted

According to a project conducted by SABMiller, too big an extrinsic stretch can lead to a split personality, or brand schizophrenia (Project Gaudi, 2002). An example that was quoted was Peroni, an Italian beer and its line extension, Peroni Nastro Azzuro. Peroni was a traditional beer, with an older target market and a mainstream price. Its line extension was a modern beer, with a younger, urban market and priced at premium.

In a local example of a brand stretching too far, a respondent said, "Castle Lite is a brand that was all over the place and managed to succeed even before the newly defined space it now occupies. It could do this whilst Lion, a brand that is stuck with heritage is difficult to stretch far.

Strong brand equity constitutes high stature and vitality but two respondents felt that a line extension could not build the stature of core brand; it must do this on its own.

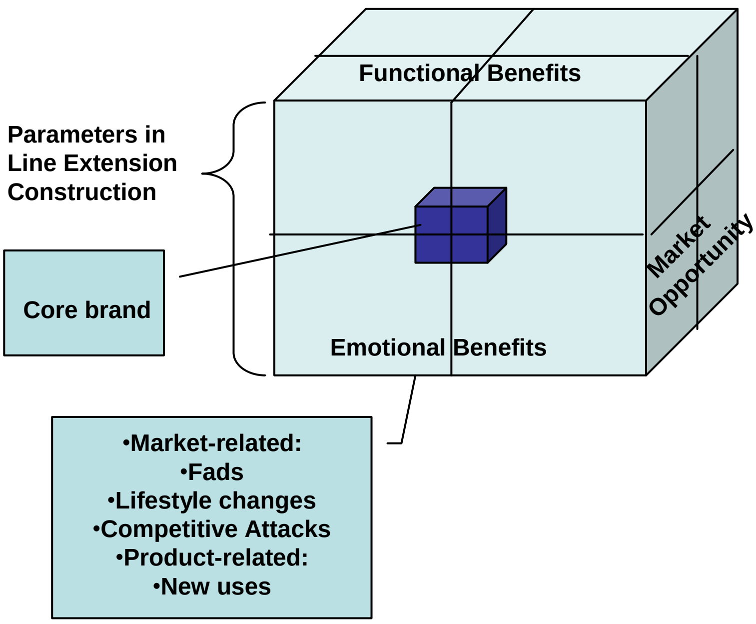
However it was felt that a line extension can enhance its vitality which depends on its relevance in the market.

A line extension that introduces new, more relevant imagery to a brand can do so at a lesser risk than having to reposition a brand altogether, as discussed earlier. Grime *et al* (2002) say that consumers view the development of competitive advantage as being closely associated with brand equity.

However if not properly executed, there is always the danger of image dilution. In the SABMiller study, it is stated that many beer extensions have led to resource fragmentation and image dilution (Project Gaudi, 2002). One respondent said, “The hoped-for image building effects of most beer extensions proved to be a mirage.”

The introduction of line extensions with new emotional appeal should not just be reliant on market-related factors like changes in consumer needs and competitive positioning (Figure 9). It should also be congruent with the core brand’s personality and values. A recent example is Sprite Zero that retains Sprite’s young, sporty personality but offers a tangibly different product. The light area around the core brand illustrates these parameters in Figure 8.

Figure 9: Emotional Benefits Construction of Line Extension



4.2.4.2. Functional Benefits

Line extension functional, or intrinsic, elements should also be congruent to what the core brand offers. This is particularly important for beverages where consumer expectations of taste already exist for the core brand. Coke Vanilla is a good example of this. A respondent said, "For Coke – the line extension's flavour profile has to be close to it. The dominant flavour is still Coke but we enhance aspects of the flavour mix e.g. vanilla. Emotionally too, we enhance a certain aspect of its personality that resonates with that particular consumer. Going too far would be communicating anything that is solitary, and not refreshing. "

Appletiser, for another example, could not offer a Diet version of itself as this would not be consistent with its core brand proposition. In a recent study looking at possible line extensions it followed the Anshoff model of needs-based marketing. Direct neighbouring beverage sub-categories were health drinks and energy drinks. Appletiser is able to introduce extensions into health drinks because of the close fit. However it is not able to extend to meet a consumer need for energy.

Having said this Appletiser found that introducing an extension into "health" like an Appletiser Light would not work as it detracts from the brand's positioning in indulgence, "Pure Pleasure". A lighter variant would therefore not add value to the core brand.

One respondent said, "With a strong functional benefit, its (a line extension's) life could be long. Shorter ones are for fleeting brand trends for example, low carbs. A line extension may be able to extract a benefit to capitalise on the trend. Coke is a good example of a brand positively responds to social trends. The danger however is range extending too far like Caffeine-free, Diet Cherry Coke which has no clear benefit."

There is some belief that "Nothing intrinsic about a brand or category lent itself to innovation" (Blasberg & Vishwanath, 2003b:2). This may be untrue in beverages where successful launches of lighter variants, for instance, have worked. Nijssen

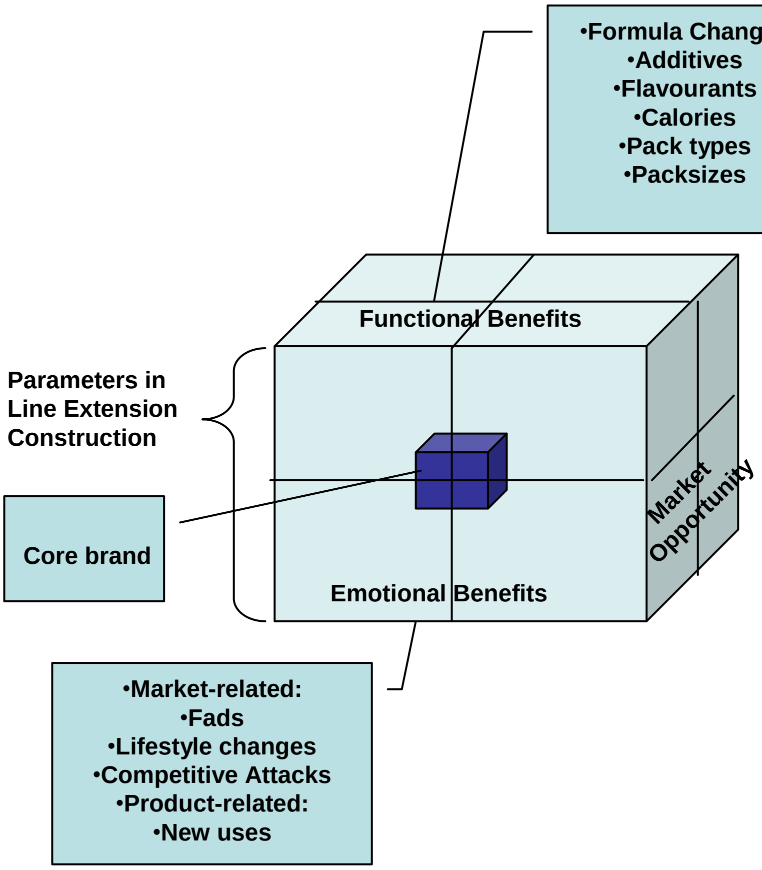
(1999) in a study involving 49 marketing and product managers in the fast-moving consumer goods Industry showed that line extensions related to new flavours and new packaging/sizes were most successful.

The beverage category is interesting as there is not a high level of differentiation in the product category from a physical benefits perspective. Benefits are taste-linked and are usually close in each sub-category. An example here is beer, which is differentiated on alcohol content, bitterness/sweetness and more recently calorie content. “The key to avoiding intra-firm competition is to clearly differentiate between products. Although similar, the products must be different enough that they will not compete against each other as much as they will rival other competitors’ brands.” (Giddens & Hofmann, 2002:2)

Beverage brands have varying degrees of intrinsic flexibility, depending on their sub-category. In the alcohol market, sub-categories like spirits are more flexible than wine and beer. This is because consumers more readily accept experimental tastes around spirits like vodka. Vodka, for example, and its mixers like cranberry, soda water and lemonade all provide opportunities for line extension ready-to-drinks. Wine and beer on the other hand are different where mixing is perceived as taste- and colour-tainting.

A deduction could therefore be made that in deciding on beverage line extensions that introduce new intrinsics they should be within the parameters that are congruent with the core brand. They should either accentuate an existing aspect of the taste profile or introduce a new one that has resonance with the existing one (Figure 10).

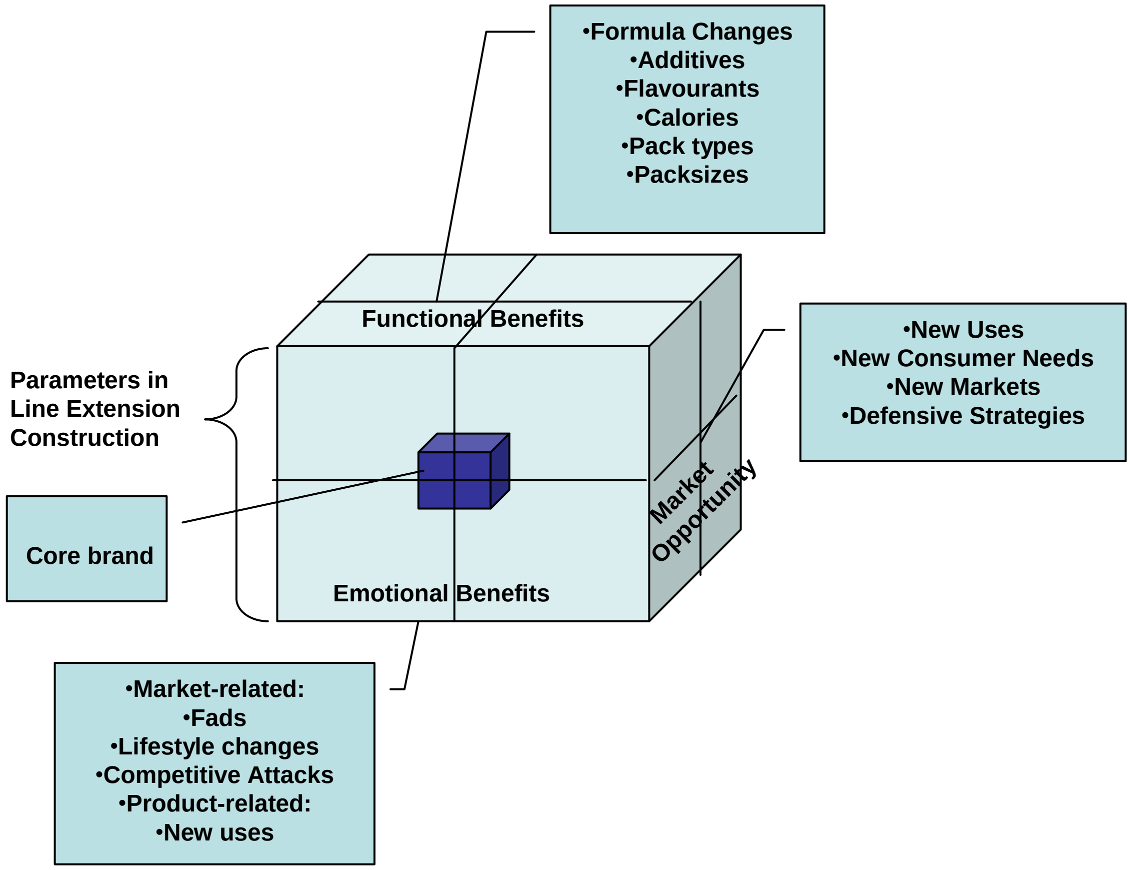
Figure 10: Functional Benefits Construction of Line Extension



4.2.4.3. Market Opportunities

When a core brand reaches the maturity stage in its life cycle, Steinhardt (2000) suggested re-packing, co-branding, pricing, product diversification and new product uses as some strategies to extend a brand's life. "A vertical move is not merely justified but is actually essential to survival – even for top brands, which have the advantages of economies of scale, brand equity, and retail clout" (Aaker, 1997a:135). There are several types of market opportunities that present reasons for line extensions to be developed. Figure 11 shows some including new uses, new consumer needs, new markets and defensive strategies by core brands to maintain category leadership.

Figure 11: The Market Opportunities in Line Extension Construction



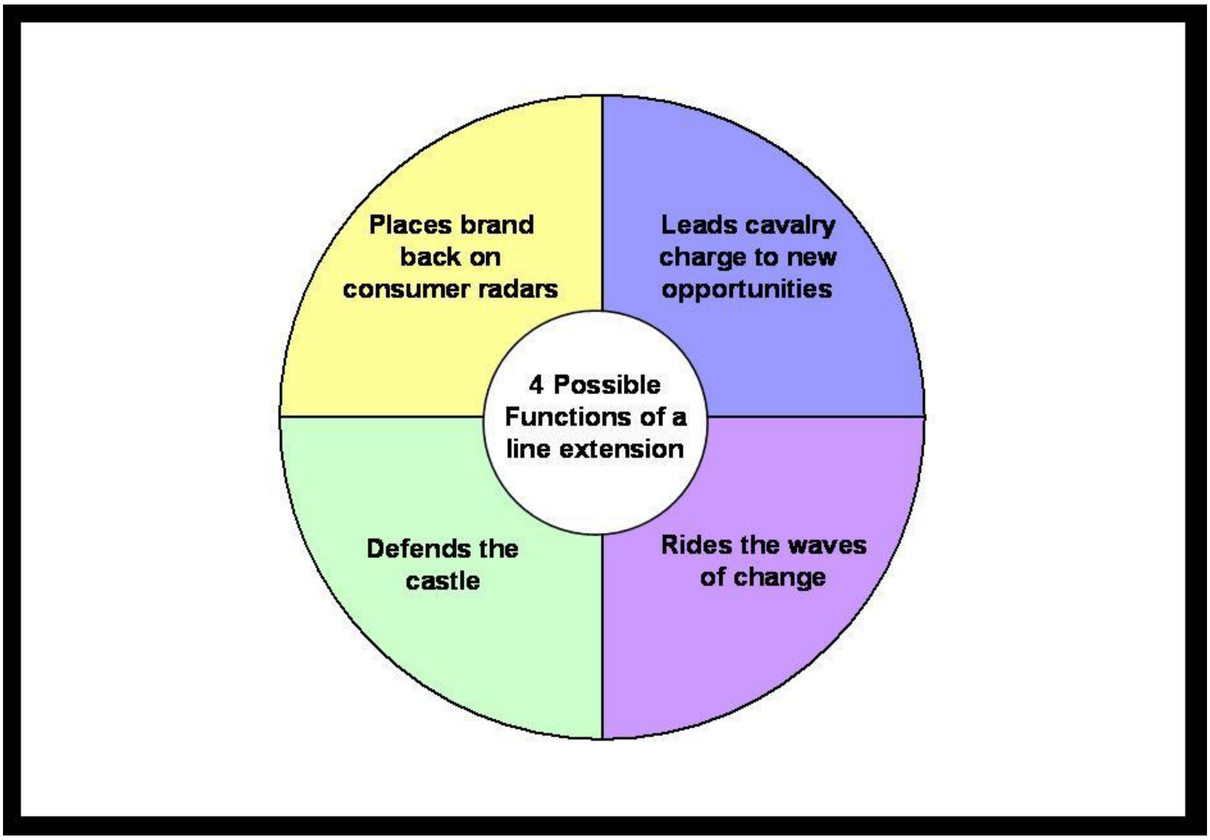
"The objective of a company for introducing a line extension may be not to generate extra sales and profits but to simply improve its strategic positioning by introducing an improved version of its current product (e.g. with a more functional type of packaging)" (Nijssen, 1999:54).

4.2.5. The 4 Possible Functions of a Line Extension

Knowing that marketers continue to use line extensions in spite of the cautions known to them, the function of a line extension was explored with the respondents. By understanding its function, marketing decisions could be made clearer around the line extension's identity and marketing execution. Four functions for line extension were identified in brand revitalization, as discussed here:

1. Places the brand back on consumer radars
2. Leads the cavalry charge to new opportunities
3. Rides the waves of change
4. Defends the castle

Figure 12: The 4 Possible Functions of a Line Extension in Brand Revitalisation



4.2.5.1. Places a brand back on consumer radars

On why brands like Coca Cola introduce line extensions most respondents said that this was a way of to stay top-of-mind and maintain category leadership. Brands have to constantly provide consumers with some kind of rationale to choose the product, especially in a category that is non-static. A line extension may be a way to make a brand more relevant, interesting, and visible, especially for a tired brand that needs a new basis of differentiation (Aaker, 1997b).

For established brands with high consumer recognition this means constant innovation or "news" around the brand. In beverages most innovations are intrinsic – like new flavours or additives. Such changes to the product content affect the product offering and make the use of line extensions an obvious choice for marketers. Line extensions are therefore less risky as they offer complementary alternatives without interfering with the primary product offering that consumers are accustomed to.

Coca Cola in the USA successfully applied line extension strategy to reintroduce its old formula as Coke Classic after a failed attempt at a formula change. In South Africa Coca Cola has recently used Coke Vanilla to create news around the brand. A respondent said, “With Coke, it enjoys solid stature and Coke Vanilla serves to put it top of mind for the consumer. It puts Coke back on the radar again for consumers.”

In the beer category Lion Lager also enjoyed positive results in introducing Lion Ale and Lion Light as short term extensions. An extension forces reconsideration by the consumer by being a legitimate excuse to drink the brand.

For National Brands, the repositioning of Ciro was a 5-year plan that introduced something new every 9 months. These line extensions went to market in the new livery while the core brand remained the same. Once these were established, the core brand was also transitioned into the new packaging.

Line extensions therefore serve a function to keep established brands on consumers' radars. This is particularly relevant in categories like beverages where the market is dynamic and rich with brand alternatives.

4.2.5.2. Leads the cavalry charge to new opportunities

A line extension can be used to expand a brand's core promise for new users. When a brand enjoys a strong brand image, it can also be exclusionary (Aaker, 1997 b). A line extension can safely open the gateway for new users of the brand. Castle Lite is a great example of how Castle Lager, a strongly male brand introduced a variant that appeals to female beer consumers.

Not only can line extensions expand the market to include new users, they can also be used to introduce new and innovative usage contexts for a brand. In the beverage category, this would be new consumption occasions. Guinness created Guinness Extra Cold to gain incremental sales in summer after it discovered a year-on-year seasonal dip. Consumers believed that the new pump mechanic provided added value to the stout that was traditionally seen as a winter beer. This resulted in a 10% sales increase in targeted outlets in the UK for Guinness (Project Gaudi, 2002:5).

Other usage contexts that have provided new opportunities include the introduction of light beers (lower alcohol content) that have made it acceptable to have beer during work-time lunches. In the last five years, low calorie beer was a do-or-die market demand pressure in the US where the Atkins diet has sustained low-carb consumption patterns.

One respondent summed up that a line extension is able to attend to new consumer tastes or consumption behaviour; in other words unfulfilled consumer needs. An example quoted is Heinz tomato sauce in the UK that has recently introduced a honey mustard variant for a market that expects it.

Line extensions enable brands to gain incremental sales with minimum marketing expenditure. An innovation enhances overall brand differentiation in the market and limited time offers are a good example of this in the short-term. Such short-term line extensions can also lead the cavalry charge to new consumer opportunities in the longer term if fads remain. This is discussed in the next section in more detail.

4.2.5.3. Rides the Waves of Change

Line extensions provide a way to survive in transitory environments like the new market dynamics in the last decade in South Africa. It allows established brands to "surf the waves" without losing their foothold in its core business. If a new trend comes in then a line extension gives an established brand some legitimacy in the new trend without losing its core positioning.

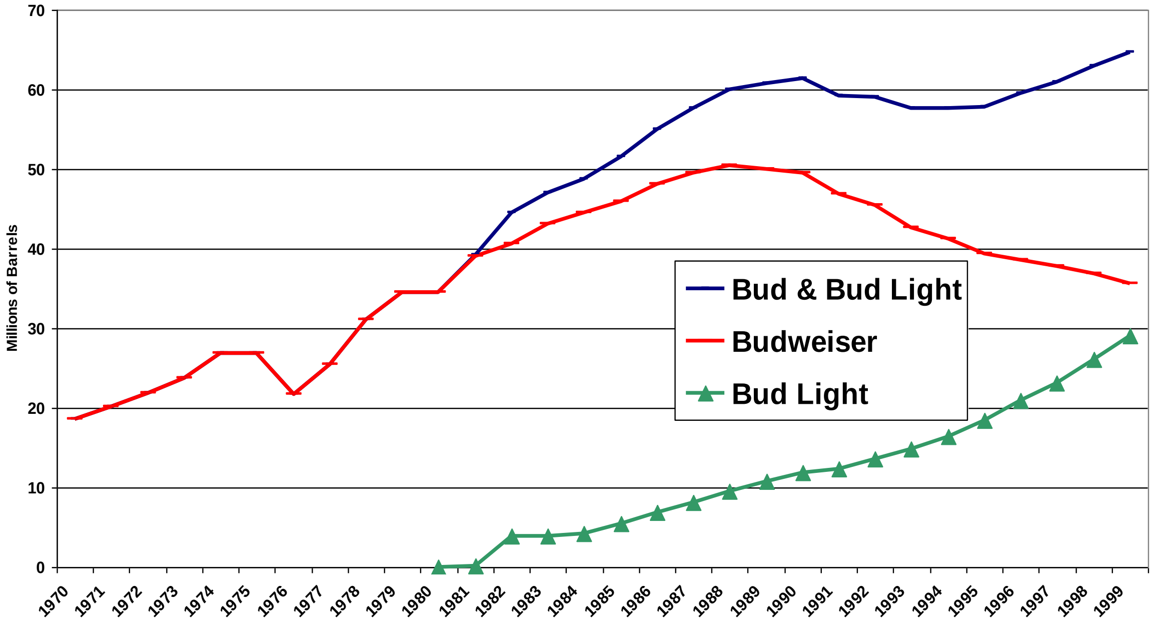
Very often a brand repositions itself entirely to resonate with changing consumer trends only to find that these damage brand equity. A beverage brand classic tale is that of SABMiller's Lion Lager that was rich in heritage, its product offering and consumer awareness. With the new dispensation in SA, the brand was repositioned to compete with flavoured alcoholic beverages that hit our shores. In a reaction to the new market dynamics, SABMiller changed Lion's livery from decades-old gold and red to a new blue and silver one. Consumers rejected the new offering and this led to the brand's demise.

A line extension gives a brand permission to play in new territories successfully provided that brand positioning is consistent. It allows a brand to look and behave in a different way although its promise on delivery is the same. New to the market, Sprite Zero is a new line extension intended to offer a less sugary variant. While it is still in its early days of it launch, it stands for what Sprite as a brand stands for, just offering less calories. Here this is used to accommodate new consumer needs for a lighter variant.

A line extension can create new product lifecycle curves for a brand. Redds cider, as an example, has been repackaged three times – the handi, the curvey bottle, and the Diva and also introduced Redds Dry as a flavour variant.

Budweiser introduced Bud Light to capitalise on the consumer trend toward lower calories in the US (Figure 13). This trend has stayed for longer than anticipated so instead of being a short-term line extension, injecting news about the brand, Bud Light has been market leader at 45% in a whole new market for light beer (Project Gaudi, 2002:5) and now makes up 30% of Budweiser's total beer volume (see diagram below). It has also kept the company in a leadership position with an over 10% incremental and profitable growth despite continued sales declines in the core brand.

Figure 13: Budweiser & Bud Light Interplay in US Markets (copyrighted)



Source: Project Gaudi (2002), copyrighted

4.2.5.4. Defends the Castle

Competitors usually enter a category through niche markets that are easier to tap into. Although niche markets may represent marginal businesses, they may strategically represent important footholds for competitors. Line extensions have the potential of “inhibiting or neutralizing competitor moves” (Aaker, 1997b:144). Castle Lite, a line extension for Castle Lager, was used successfully to block out Windhoek Light beer.

In some markets like the US where the retailer is powerful, the opportunity is a practical one of getting in-store “facing” or shelf and shoulder space. By introducing a line extension it allows brands like Coke or Pepsi to add to existing space and dominate. In this case line extensions assist in “crowding out the competitors”.

Looking at line extensions in publishing, Hurd (1998:1) said, “Even if extensions don't make money on their own, or in comparison with the parent magazine, ancillaries' promotional value is incalculable.”

On why brand like Coca Cola introduce line extensions one respondent said that this is one way of maintaining category leadership. Another respondent supported this by saying, “A line extension could help to confuse the market and assist in a strategic battle with a competitor.”

So there are broadly four value-adding functions that a line extension may have in brand revitalisation tactics. A clear understanding is required of what a line extension’s function is in the portfolio and brand strategy. This will aid marketers to construct it with improved focus.

This proposition discussed the three types of relationships between a line extension and its core brand in brand revitalization as proposed by Aaker (1997a). A line extension is expected to reciprocate value to the core brand (Speed, 1998). A close association between the two is necessary for this reciprocation to occur. Brand marketers are able to influence the level of association between the core brand and its line extension. The similarities and differences in both the functional and emotional benefits are constructed by brand marketers. Respondents felt most comfortable when line extensions work within the parameters of a core brand’s benefits. A line extension is then able to have some congruence with its core brand yet still offer a tangibly different product. Deciding on these similarities and differences is influenced by the function that line extension is to play. The research presented essentially four functions for a line extension in the findings. A line extension provides differentiation overall for a core brand from its competitors. Therefore this association with a core brand is optimized when it plays a “driver” role with the line extension as a descriptor.

4.3. PROPOSITION 3: The upscale line extension should play the role of a "silver bullet" where it is positioned against the core brand and not against its competitors in the premium category.

4.3.1. Introduction

In brand revitalization the line extension acts a "silver bullet" which is "the use of the sub-brand as a tool to revitalise the core brand" (Aaker, 1997a:139). As a line extension involves the introduction of another product into the same category as the existing brand, it has a delicate challenge of differentiating itself while transferring the desired positive associations back the core brand. This challenge related to its positioning in the category and its target market. An upscale line extension could range from being a luxury brand which is at the highest point of a premium positioning or lower and closer to a mainstream position in the category. This proposition involved positioning an upscale line extension at the lower end of the premium category so as not to make the leap too remote from the core brand that is positioned mainstream. It also necessitated an investigation into target marketing where it proposes that there is less risk of cannibalisation of the core brand when a new target market is used but still draws in the top-end of the existing target market.

4.3.2. Positioning & Brand Stretch

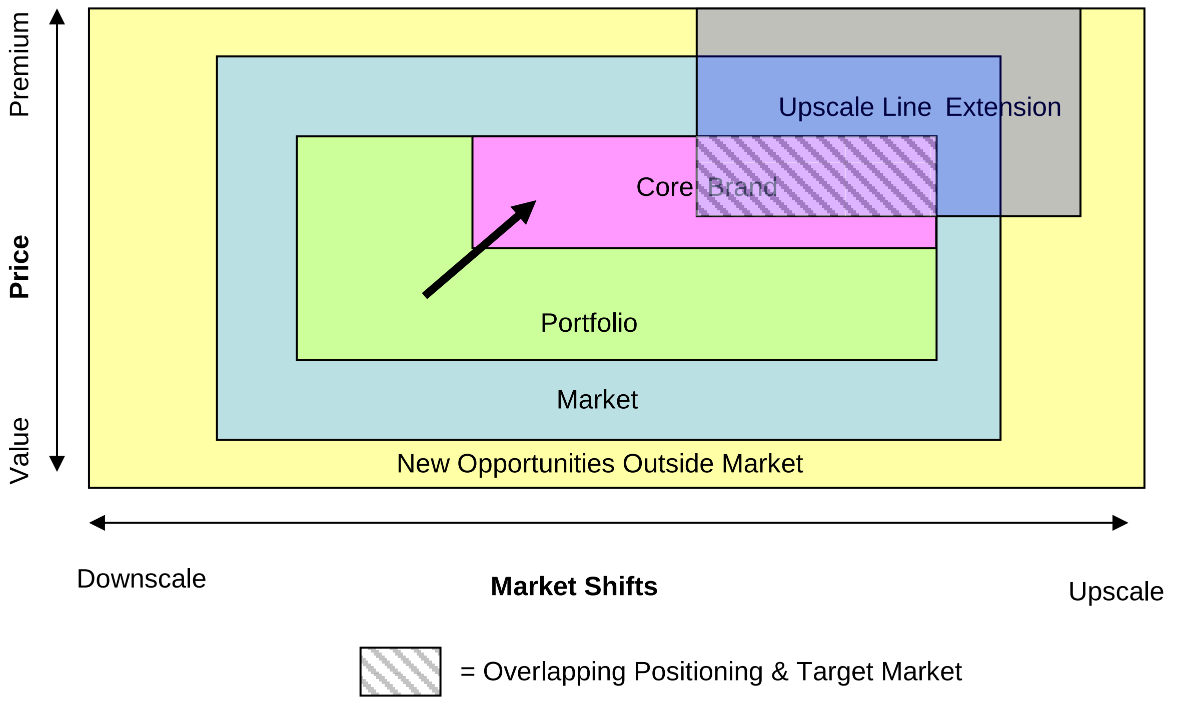
Line extension positioning relies on categorisation theory on how consumers perceive a brand's fit into a particular category (Grime *et al*, 2002:1423). This is based on category judgements by consumers who assess how suitable a brand in a particular category. An established brand that attempts to trade up on its own is more likely to be rejected by a more affluent market than its existing one, as it will be harder for consumers to find an adequate fit. A line extension however that is visibly different to the core brand but transfers of appropriate core brand attributes stands a better chance of being accepted by consumers as being in this top-end category.

In looking at how a line extension should be positioned when trading upwards, the perceived value of a brand plays a crucial part in determining its success. Therefore the smaller the jump upwards the less risky it is. A stretch too far into the premium-end of the market may not be believable to consumers.

Figure 14 illustrates the positioning of a line extension relative to its core brand on a market map. The map shows market shifts in brand perception from downscale to upscale on the horizontal axis. The vertical axis measures affordability from value-priced brands to higher premium ones. The market map positions the established brand around the centre of the market, where mature, mainstream brands are generally found. Around it is the rest of a company's portfolio of brands in the market. An upscale line extension is positioned top right towards a premium-price and upscale brand perception/image.

A new upscale line extension may be positioned to the furthest top right point, making it remote from its core brand. It can also be place closer the core brand, even overlapping in its market positioning and target market, as illustrated in Figure 14.

Figure 14: Market Map showing overlapping positioning & target market



Aaker and Joachimsthaler advise that a brand in a driver role “should only travel where it fits, where it can add value, and where the association enhances its equity. (Aaker & Joachimsthaler, 2000:153).

As discussed in the literature review, there has been some research around brand fit (Aaker & Keller, 1990, Speed, 1998, Grime *et al*, 2002) with a focus on the transfer of attributes from the core brand to its line extension. Contrarily, research, relevant to this paper, has been sparse on how a line extension can add value or enhance a core brand’s equity.

On the issue of brand fit, Carling Black Label was used to illustrate reasonable brand stretch. This beer brand has a core brand essence of “More Reward” that is intrinsically supported by a higher alcohol content than its competitors. A possible line extension would be a stronger variant Carling Black Label “Papsak” or “Superstrength” that targets those at the bottom-end of the market.

Another example would be Hansa “Crystal” which would be a more premium offering yet consistent with the brand’s proposition. Still in the beer category, Castle Milk Stout could be a Castle “Breakfast” Stout which will be line extension that is occasion based.

Aaker & Joachimsthaler (2000:154) noted, “When upward stretches do work, they tend to be more modest in nature. The brands are positioned as better than their established position rather then as one of the best, and the upward stretch is based on functional superiority or improvement rather than prestige. In addition, the new offerings usually are visibly different, and use sub-brands and endorsed brands to separate themselves from the master brand.”

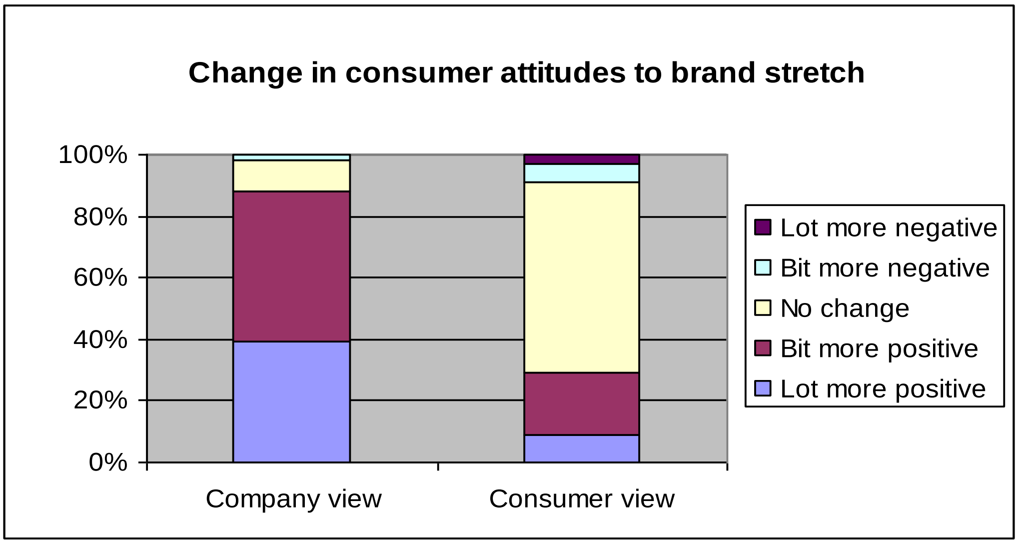
Here are some comments verbatim:
Look at Coca Cola’s Still division. I am not sure that slapping on the company name on still products helps in any way. How much authority does a carbonated drinks company have on still water to consumers? I think very little.

How about Toyota and its Lexus range. The Toyota brand hinders the luxury offering of a Lexus. It is still a Toyota product. I also feel that Toyota has gone a bit too far in stretching its brand proposition of reliability. It goes from the Toyota Tazz to the Toyota Hilux. The stretch must be reasonable.
BMW on the other hand has taken on Sheer Driving Pleasure as its brand proposition and made it work as its mother brand strategy.

The most research to shed some light on brand stretch was completed by Brandgym (2003), (Figure 15). "Consumers are less convinced about the benefits of brand stretch than marketers think they are. When asked about changes in consumer attitudes to brand stretch over the last 5-10 years, marketing directors thought the overwhelming majority had become more positive.

However, in reality consumers are much more ambivalent. Although almost 1/3 were more positive, the majority were neutral. This may be explained by the many under-performing brand extensions that companies have launched in recent years." (Brandgym, 2003:3)

Figure 15.



source: Brandgym (2003), copyrighted

A respondent working in the coffee business said, "Giving consumers choice is wonderful but most shop out of habit. It's about efficacy where beverage brands give them sensible choices. For Ciro we had a little key on the side of the pack that indicated strong to mild."

According to Speed (1998), prior research has found that other factors seem to affect the degree to which the line extension is able to assist a core brand. These include order of entry effects, prior extension activity, portfolio structure and framing through advertising.

4.3.3. Deciding on the Target Market

An established brand faces the dual challenge of keeping existing consumers as well as bringing in new consumers into its base to rejuvenate it. A line extension that is differentiated from its core brand is an easy way to generate trial of a product, especially when it is positioned in new market areas for the core brand. In beverages, a line extension assists in creating impact where an established brand is unable to like new news (new flavours, sizes, etc.) or new drinking occasions. These brands "tended to extend lower penetration brands - in other words, brands where there was 'room to grow'. Such line extensions added new buyers to the brand franchise by increasing trial, rather than simply shifting the purchases of current parent brand buyers to the new item" (ACNielsen, 2001:3).

A core brand therefore has the dual function of retaining loyal customers as well as enticing trial by new ones. A line extension, by its nature, is able to tap into the consumer needs of a new market quicker as a new product offering. This is evident in beverage marketing where younger, and now more affluent consumers are vital to a brand's sustainability. Tapping into this relatively volatile consumer group is necessary with an established brand having to compete with a number of smaller, niche market brands in this age group.

A challenge for marketers is in the marketing communications and who to target – existing users or potential new users of a brand. When positioning upscale, this could mean a choice between more affluent current users or a completely new upscale target market. The research revealed a divergence of opinions with some respondents believing that the extension would need to target a new market segment. Others said that the line extension needed to play in the same market as the core brand.

Here are a few opinions verbatim:
“Definitely opportunities in new markets, not existing ones.”

“Its essence must be the same but (marketed) to a new consumer group”

“One should target both (new and existing consumers)”

“An upscale line extension draws top end consumers, which in turn helps current consumers who aspire to them. It is about sprinkling some magic dust at the top and hoping it filters down.”

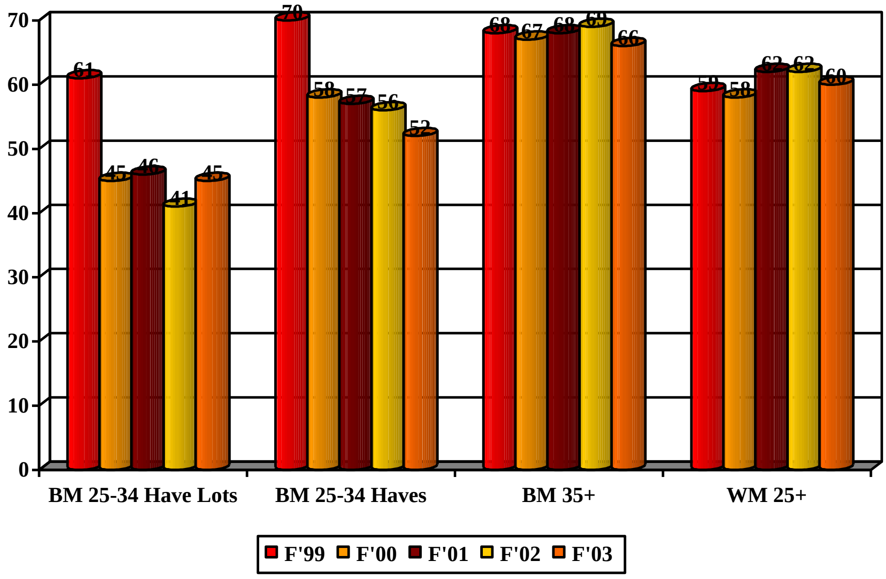
A successful local case of targeting a new consumer group is Five Roses’ Herbal Infusions range that targeted LSM 8 to 10 while the core brand targeted the bulk of consumers in LSM 5 – 7, according to a respondent with experience at National Brands.

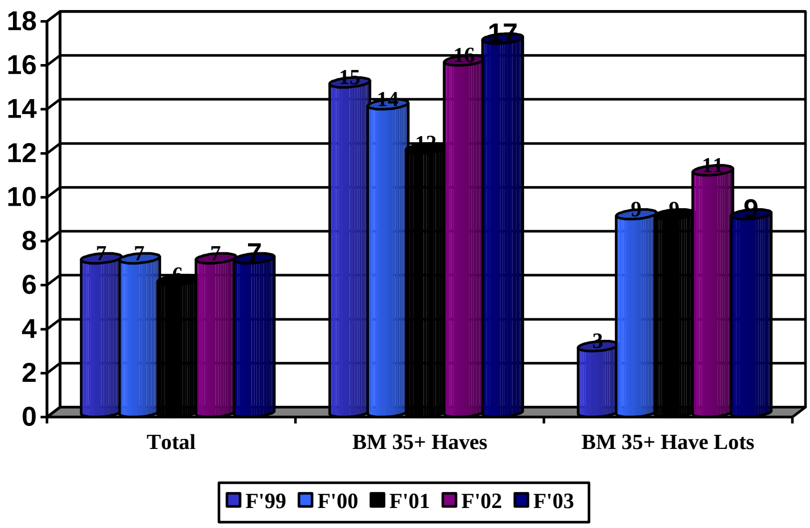
On the other hand, Castle Lager showed some effect in targeting existing users. An analysis of Castle Lager (red) and Castle Milk Stout (blue) imagery scores shows some interesting interplay between the two but is still not conclusive (Figure 16). Castle Lager is the established mainstream brand that is priced at parity while Castle Milk Stout is a niche line extension that is priced at an approximate 30% premium.

While Castle Milk Stout follows the identical packaging to Castle Lager, it is different in price, colour (blue, not red) and taste. This line extension was targeted primarily at the older black male consumer group aged 35 years and older. Over a four-year period it was found that the brand imagery scores for Castle Milk Stout increased with specific improvements in the more affluent group of 35 year olds. In comparison, Castle Lager’s target market is wider covering black, white and coloured males aged 25 and older.

For purposes of this research the black male market only was analysed. While brand imagery scores declined over the same four year period in all other black male segments, the overlapped segment of black males aged 35 and older remained consistent. This could be attributed to a number of things like this consumer group being more reluctant to abandon the brand. However there is the possibility that the influence of Castle Milk Stout's premium image was reciprocated or transferred back into Castle Lager. An analysis of Castle Lite and other competitors in this segment would complete the comparison but could not be done in this research.

Figure 16 : Castle Lager & Castle Milk Stout Imagery Scores





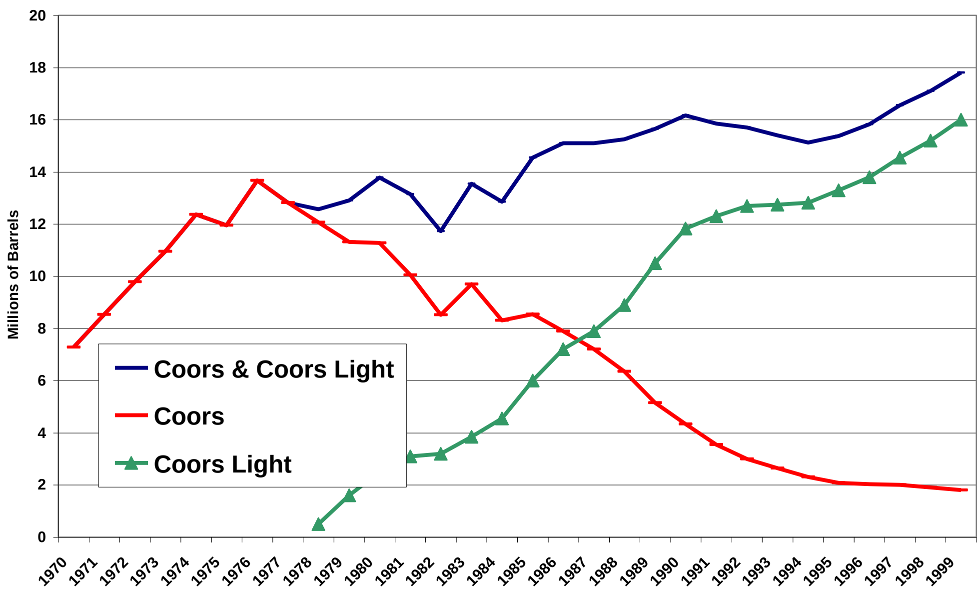
Source: SABMiller SA (2003), copyrighted

Apart from the National Brands and Castle Milk Stout example, none of the respondents were able to provide any information on target market decision-making to assist the research to draw a pattern in strategic approaches. Targeting the same consumer group as the core brand also has the risk of cannibalisation which some respondents mentioned.

Cannibalisation "occurs when new product sales are made at the expense of original product sales" (Speed, 1998:521). It could also cannibalize existing market share (Speed, 1998, Grime *et al*, 2002). Prior research shows that cannibalisation usually occurs when the line extension offers a superior benefit to its core brand and there is high similarity between the core and new products (Speed, 1998).

Below is a graphic illustration of how Coors Light cannibalised the sales of Coors in the US market (Figure 17):

Figure 17: Coors & Coors Light Interplay



Source: Project Gaudi (2002), copyrighted

While some respondents clearly felt that the new line extension should target a new consumer base altogether, others felt that that extension should operate in the same area as its core brand for revitalisation. Probably the most insightful data from the research was that the top-end of the existing consumer group should be treated differently as they were the ones most likely to trade up and abandon the core brand. This is where the line extension has a role to play. The research remained inconclusive on whether the target market would be the same as that of the core brand or an entirely new target market.

When a line extension is used to assist in brand revitalization it acts a “silver bullet” (Aaker, 1997a). By virtue of its nature a line extension operates in the same category as the core brand. It therefore runs the risk of cannibalizing the core brand. It also may confuse the market if not differentiated enough or is too similar to the core brand. By strategic positioning and target marketing it is able to minimize this risk. The research remained inconclusive on its proposition that a line extension should be positioned against the core brand and not against its competitors in the premium category. While respondents agreed that the line extension should be positioned closer rather than further to its core brand, they differed in opinion on the target marketing. Some respondents were of the opinion that a completely different and premium target market should be used to adopt the brand and draw the core brand towards its premium position. This was argued as the best alternative to prevent cannibalization. Other marketers believe that such a strategy inevitably resulted in cannibalization, allowing certain existing consumers to move over to the new line extension, shoring up possible brand abandonment altogether.

4.4. PROPOSITION 4: The most beneficial way to introduce an upscale line extension is be an early entrant but not first-to-market or late-to-market into the premium category.

4.4.1. Introduction

The strength of a core brand impacts on the degree to which consumers receive a line extension positively. This is a difficult position for a line extension that is expected to aid the core brand. Consideration is given to this as part of the decision of when to launch a line extension. Timing plays a critical role in the success of a line extension, particularly as it is expected to add value to a core brand. As established brands run the a greater risk of being damaged by a poor line extension, being a fast-follower on a new opportunity allows the core brand to test the waters before launching new line extension. This is the final proposition that was tested with the respondents.

4.4.2. The Status of the Core Brand: Making an Arabian out of a donkey

Very often the decision to move upscale is based on a market that has moved, causing a core brand to lose relevance in the marketplace. This is when brand revitalisation kicks in by marketers. More frequent than not, efforts are left too late as brand custodians scurry to rescue a brand that has reached its deathbed. One respondent aptly described this as trying to “Make an Arabian out of a donkey”.

Speed (1998) noted the importance of the strength (operationalised as perceived quality) of a core brand in determining the success of a line extension. Generally, “higher perceived quality in the original line therefore appears to lead to superior transfer benefits (to the line extension)” (Speed, 1998:522). Grime *et al* (2002) says that “consumers need to “hold positive beliefs and favourable attitudes towards the core brand for the extension to be successful” (Grime *et al*, 2002:1422).

There has been much written and the opinion of all the respondents interviewed that a line extension stands a better chance in the market if the core brand is healthy. While this is common sense, it does not help the cause of understanding how a line extension can help an ailing brand to be revitalised. In answering this, respondents noted that there are varying degrees of healthiness for a brand.

An example often quoted was that of Lion Lager which moved from being a market leader over decades to having single-digit market share. When management decided to reposition it to breathe new life into it, it was too late. Almost all its consumers had abandoned it and already established loyalty to other brands. As a general rule of thumb, it is better to revitalise a brand while consumers who have left it are still experimenting with other brands with no affinity to any particular competitor.

One respondent said, "A premium stretch from normal is okay but not from rubbish. I believe one can revitalise a brand using a line extension provided that at its core it must the same thing…its essence must be the same but (marketed) to a new consumer group.

An example that was quoted is Volkswagen and its Beetle and Toureg, which is its “Porsche” version. In the last five years these line extensions has given it impetus to move up. Often found with motor manufacturers who use upscale line extensions to pull up one dimension of a brand. Another example that was quoted is Dunhill which now sells upmarket lifestyle accessories instead of just cigarettes.

There are a couple of factors that influence the status of a core brand. The first is how embedded it is in the marketplace. For brands that are rich in heritage like alcoholic beverage, it is more difficult to introduce a line extension that is consistent to its core branding while being differentiated. However Smirnoff Ice and Spin as line extensions have fared extremely well and added back to the aging vodka brand. Klippies and Cola and Castle Lite are other line extensions that have proven successful.

One respondent referred to the “House Brand Effect” where the company name is the same as the product like CocaCola. Most brands like this influence the values and culture of the company itself. Complications arise when the values of the brand are different to that of the company. This is problematic when a company attempts to reposition a brand as it also undergoes a company overhaul too. Line extensions that are intended to revitalise a brand and enter into new forays might be too alien to consumers. Rees says that marketing is “a battle of perceptions, not product” (Rees, 1984:71). A respondent said: “It is incongruence, rather than congruence that matters in deciding on a line extension. “

A theory applied by some of the respondents was that of brand stature and brand vitality that when combined make up brand health. Two respondents said that line extensions are able to enhance a brand’s vitality but the core brand only could improve its stature. One respondent said, “To improve the vitality of a brand it is important to be first to market. To improve the stature of a brand one has to fix the core brand first”. Another respondent disagreed with this saying that if executed well, a line extension could not only increase a core brand’s vitality but also improve its stature by making it more relevant in a changing marketplace. This theory will be discussed later in this paper.

In summary there seems to be general consensus that a brand stands very little chance, if any at all, of being revitalized if it has lost significant relevance or impact on the market. Launching a line extension at this stage would prove fruitless, with companies having a better chance at the market with a new brand altogether. This opinion was supported by the lack of real case studies that illustrated such an attempt at brand revitalization. On the other hand, a few cases showed that an ailing brand could be resurrected if the damage is not too far gone. Line extensions have been found to assist this strategy in some instances. A core brand can have moderate to strong brand strength for its extension to be successful, contrary to popular belief that it always needs to be strong in the market.

4.4.3. Does First Mover Advantage apply to line extensions?

Most of the respondents were in favour of being the first-to-market as a general rule of thumb for any new product launches. However, they did concede that line extensions needed to be analysed differently case by case. Citing many benefits to being the first in the market, respondents were working on the premise that the line extension would be targeted at a newly identified market niche. Taking advantage of this opportunity would impliedly have added value for the core brand.

One respondent said, “If a brand is strong and if there is an unsatisfied consumer need, only then should a brand look at line extensions to take a slice of more market share before a competitor does. It is always better to be first. An example here is Windhoek Light which was launched before Sterling Light which is now struggling to compete.”

Rees (1984:75) says that “for a new brand to succeed it ought to be first in a new category… or be positioned as an alternative to the leader. Companies that wait until a new market has developed often find these leadership positions already pre-empted.”

Other respondents tended to support first-move advantage in theory but made mention of circumstances dictating how a line extension would be launched. A respondent in the hot beverages sub category said, “This (timing) depends on the circumstances and I have no expertise on radical launches. However (my company) is clear on “stealing shamelessly” from overseas ideas and being first-to-market locally. The (herbal) range is an example of this where the trend for herbal teas in Europe was big. We then introduced it in SA. Another is the rooibos range that we launched in the US.”

Category dynamics might change, for example, a competitor’s move may cause the entire category to shift from premium to value almost overnight. Beer once a value category is now premium making it necessary to spend more to build brand equity and resist the temptation to throw money at trade discounting. “It’s a judgment call, and it is all about timing” (Viswanath & Mark, 1999:186).

Another respondent from the beer industry said, “There are benefits in being the first-to-market as one gets automatic leadership. The drawback however is the cost of developing a market. An example here is Crossbow which was the first cider, yet Hunters is now leader, having superceded with technology.”

The Crown/Crossbow cider example was also quoted by another respondent who referred to how Crown introduced cider to South Africa but Hunters Dry, being a fast follower has taken market leadership.

One respondent described the importance of timing as follows, “There is a danger in getting it wrong; it is like accelerating a car towards a cliff.” He suggested that marketers refer back to the intended role of the line extension, “To improve the vitality of a brand it is important to be first to market”.

4.4.4. A Fast Follower Approach

There are advantages to being first-in for new markets but there high costs to creating the market. Therefore being a fast follower allows a brand to be cost-efficient yet effective. A representative of Coca-Cola said the company is not a first mover. Instead, it is an early entrant because the risk associated with the core brand is too high.

Eponymous brands that closely link to the company name like Coca Cola have a lot to risk if a line extension fails. SABMiller regards Castle in a similar vein, saying that the brand is closely related to the company in the marketplace and therefore cannot risk any radical marketing ploys. This “house brand” effect is mentioned earlier in this paper.

Delaying an introduction for too long may be damaging as consumers might see this as a “me-too” brand being introduced. For line extensions this has significant repercussions on the mainstream brand. A caution therefore is only to introduce a line extension when a company has the ability to respond to market trends quickly both from a supply and distribution chain perspective as well as a marketing one.

A respondent provided the example of SABMiller in SA, saying that the company has supply chain that has been designed to be highly efficient. However, the result is an undifferentiated supply line which does not allow for the introduction of new products easily. “This stifles the company’s ability to respond to changing consumer needs well enough”.

In conclusion on how to time the launch of a line extension that is used to revitalise a core brand, most respondents erred to the side of being fast follower in the market. When looking at revitalisation, an already weakened brand makes it riskier for even its new line extension to be accepted by the market. Being a fast follower allows the core brand to test the waters before launching new line extension. This also helps in curbing costs in an already expensive exercise. Further, understanding its role and consequential positioning also assists the launch timing decision. Broadly, the research shows that both first-to-market and late-to-market open risks to the success of the launch of a line extension, making early entry timing critical.

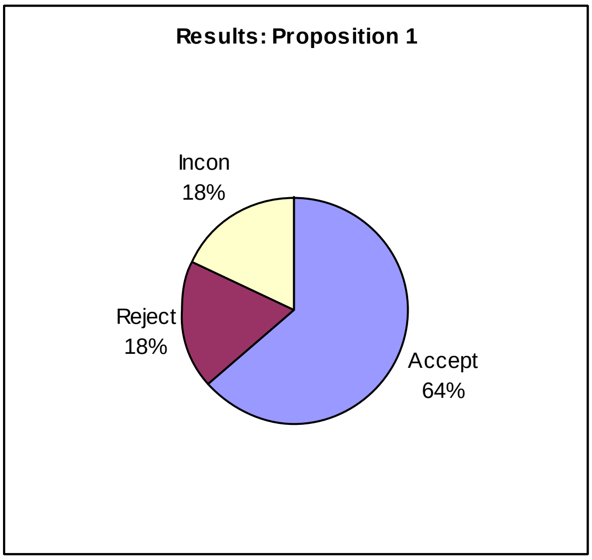
5. CONCLUSIONS

The results calculated were from a total of 11 respondents who participated in the research.

5.1. Results of Proposition 1 Analysis

Accept Proposition that a line extension into the premium category is seen to be an effective strategy to revitalize a brand.

Figure 18

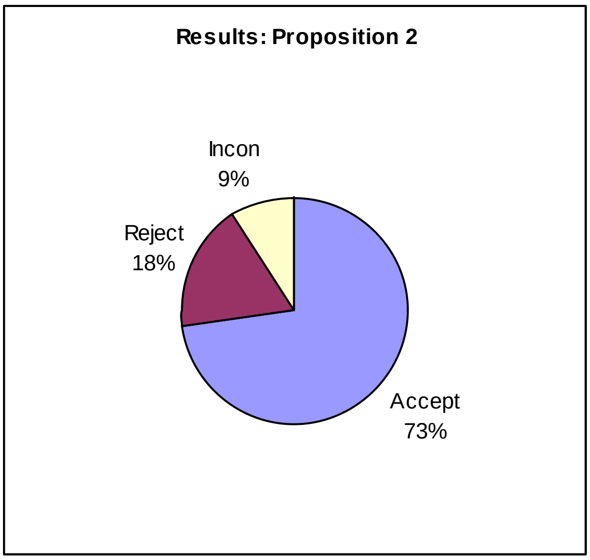


A consumer shift towards premium brands was prevalent in South Africa as it is in most First World markets. Concurrently there is a shift towards value brands in certain products as well. This illustrated that consumers have become more selective in their choices driven by price as well as perceived value of a brand. Existing brands have naturally become more undifferentiated in a mature market. This has weakened their brand equity and is exacerbated as they become less relevant in light of the new brand offerings. Marketers have tried various strategic approaches to revitalize these brands. The two key approaches; repositioning entirely and the use of line extensions were researched in terms of risk. Complete brand repositioning was found to be riskier for established brand with many marketers opting to use line extensions instead.

5.2. Results of Proposition 2 Analysis

Accept Proposition 2 that the most effective way to introduce an upscale line extension is where the parent brand is the driver and the line extension is a descriptor.

Figure 19

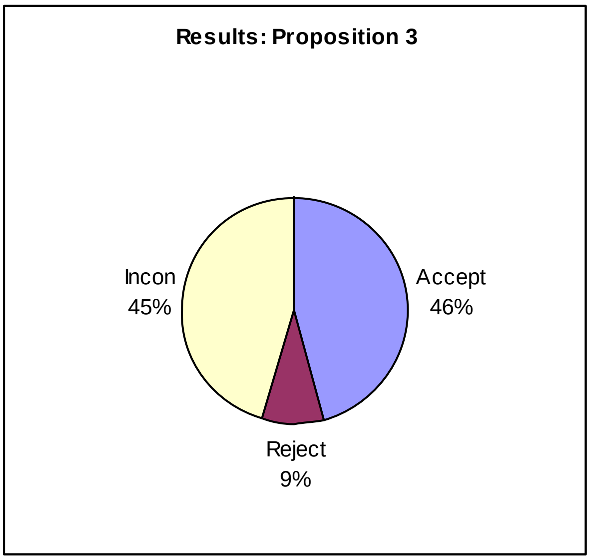


This proposition discussed the four possible functions a line extension could play in core brand revitalization. Having identified its function, the type of relationship between a line extension and its core brand is an important consideration. In brand revitalization, a line extension is expected to reciprocate value to the core brand. Consumers therefore need to form a close association between the two. While a line extension offers a tangibly different product, it provides differentiation overall for a core brand from its competitors. Therefore this association with a core brand is optimized when it plays a “driver” role with the line extension as a descriptor.

5.3. Results of Proposition 3 Analysis

Inconclusive results on Proposition 3: The upscale line extension should play the role of a "silver bullet" where it is positioned against the parent brand and not against its competitors in the premium category.

Figure 20

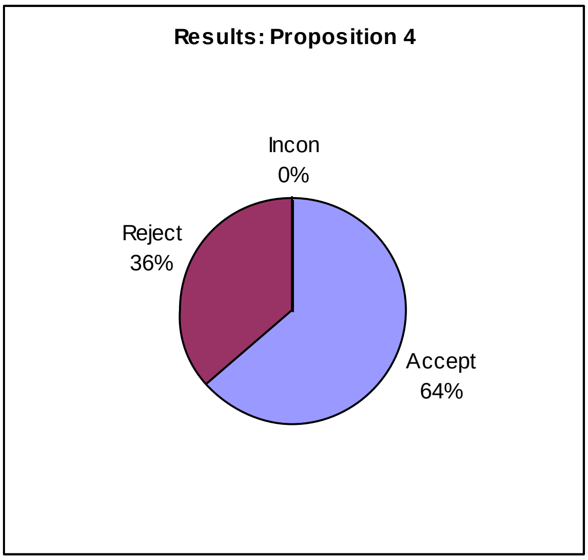


When a line extension is used to assist in brand revitalization it acts a "silver bullet" (Aaker, 1997a). By virtue of its nature a line extension operates in the same category as its core brand. It therefore runs the risks of cannibalizing the core brand and confusing the market if not differentiated enough or too similar to the core brand. By strategic positioning and target marketing it is able to minimize this risk. While respondents agreed that the line extension should be positioned closer than further to its core brand, they differed in opinion on the target marketing. Some respondents were of the opinion that a completely different and premium target market should be used to adopt the brand and draw the core brand towards its premium position. This was argued as the best alternative to prevent cannibalization. Other marketers believe that such a strategy inevitably resulted in cannibalization, allowing certain existing consumers to move over to the new line extension, shoring up possible brand abandonment altogether. Probably the most insightful data from the research was that the top-end of the existing consumer group should be treated differently as they were the ones most likely to trade up and abandon the core brand. This is where a line extension has a role to play. The research remained inconclusive on whether the target market would be the same as that of the core brand or an entirely new target market.

5.4. Results of Proposition 4 Analysis

Accept Proposition 4: The most beneficial way to introduce an upscale line extension is be an early entrant but not first-to-market or late-to-market into the premium category.

Figure 21



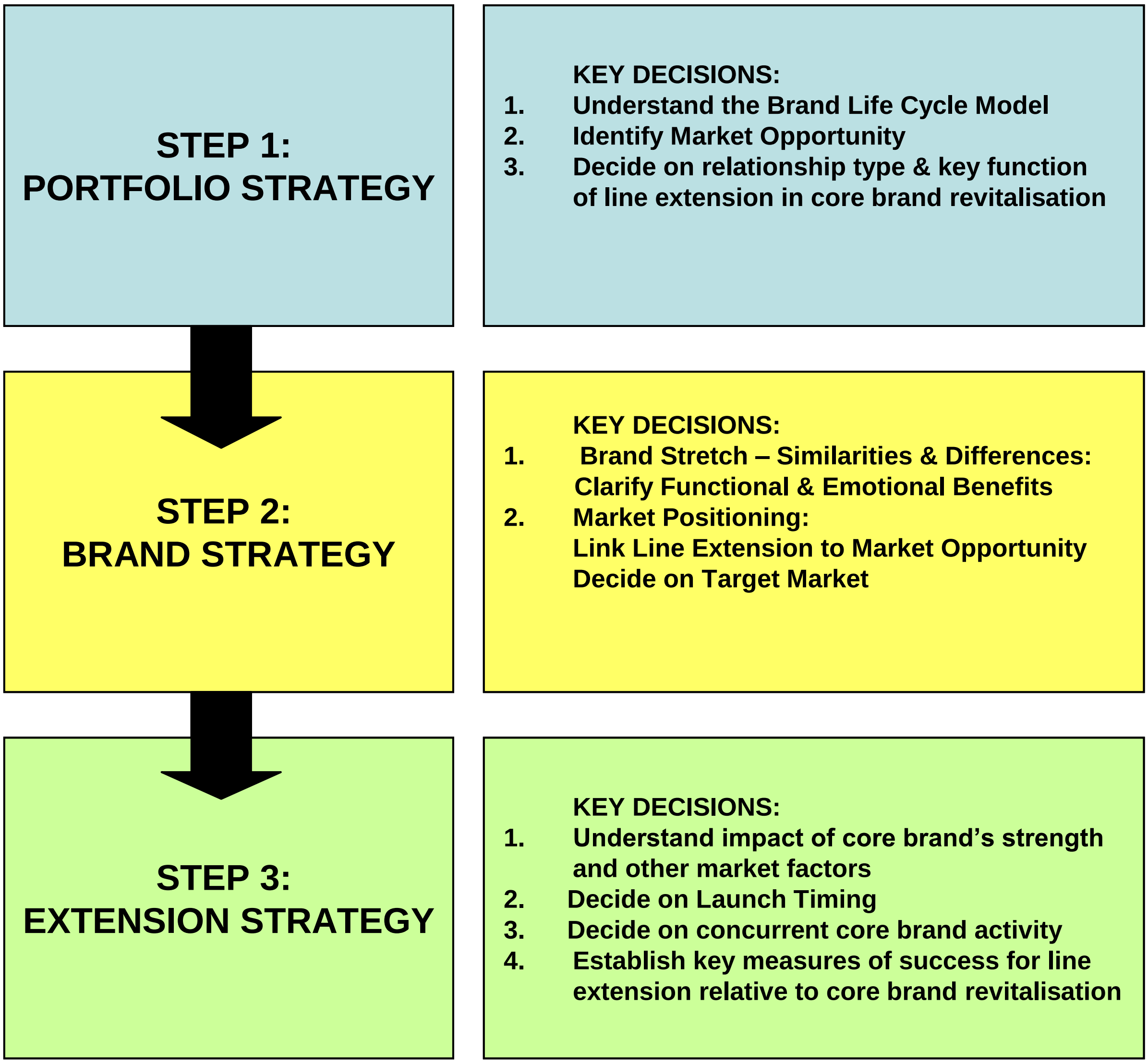
In conclusion on how to time the launch of a line extension that is used to revitalise a core brand, most respondents erred to the side of being fast follower in the market. When looking at revitalisation, an already weakened brand makes it riskier for even its new line extension to be accepted by the market. Being a fast follower allows the core brand to test the waters before launching new line extension. This also helps in curbing costs in an already expensive exercise. Further, understanding its role and consequential positioning also assists the launch timing decision. Broadly, the research shows that both first-to-market and late-to-market open risks to the success of the launch of a line extension, making early entry timing critical.

6. RECOMMENDATIONS

6.1. A Three-Step Approach

This research paper sets out to develop a framework for using upscale line extensions in brand revitalization strategies. A three-step approach is designed that begins with the placement of the line extension in the overall brand portfolio strategy of a company. This then leads to the core brand strategy which analyses the interplay between the core brand and the intended line extension. The third and final step is the line extension strategy itself that deals with specifics around the extension.

Figure 22: A Three-step Approach



6.2. Step 1: Portfolio Strategy

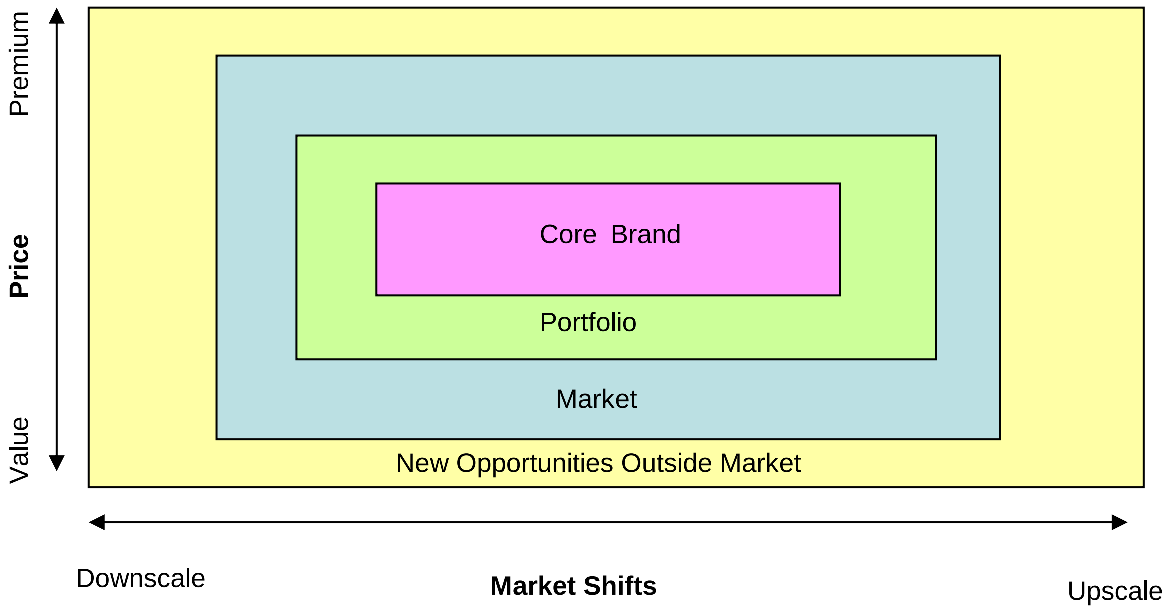
STEP 1: PORTFOLIO STRATEGY	KEY DECISIONS: 1. Understand the Brand Life Cycle Model 2. Identify Market Opportunity 3. Decide on relationship type & key function of line extension in core brand revitalisation

An analysis of the market context and the positioning map of all the brands in the portfolio will assist a company to identify gaps or opportunities for growth. Desired changes to a company's portfolio will assist in marking out how a possible line extension would fit into the portfolio of brands. In this research report on beverages in South Africa, two key drivers were found in the market, one on the demand-side and the other on the supply-side. On the demand-side, beverage consumer shifts were found towards premium brands and are driven primarily by taste and image. Concurrently there has been an influx of new brand offerings at this upper-end of the supply spectrum. These new brands, predominantly premium international ones, have repositioned established brands in the country by default.

The positioning map will reveal where a tired brand is positioned currently in the market. If the brand still occupies the desired market position, then the recommended strategy is simply to work more at its marketing. However, if the brand's position on the market map is off the desire mark, it is then useful to plot a strategic migration map for the brand. This will assist to outline the positioning of a possible line extension.

Figure 23 illustrates the positioning of a line extension relative to its core brand on a market map. The map shows market shifts in brand perception from downscale to upscale on the horizontal axis. The vertical axis measures affordability from value-priced brands to higher premium ones. The market map positions the established brand around the centre of the market, where mature, mainstream brands are generally found. Around it is the rest of a company's portfolio of brands in the market.

Figure 23: The Market Map for a Core Brand



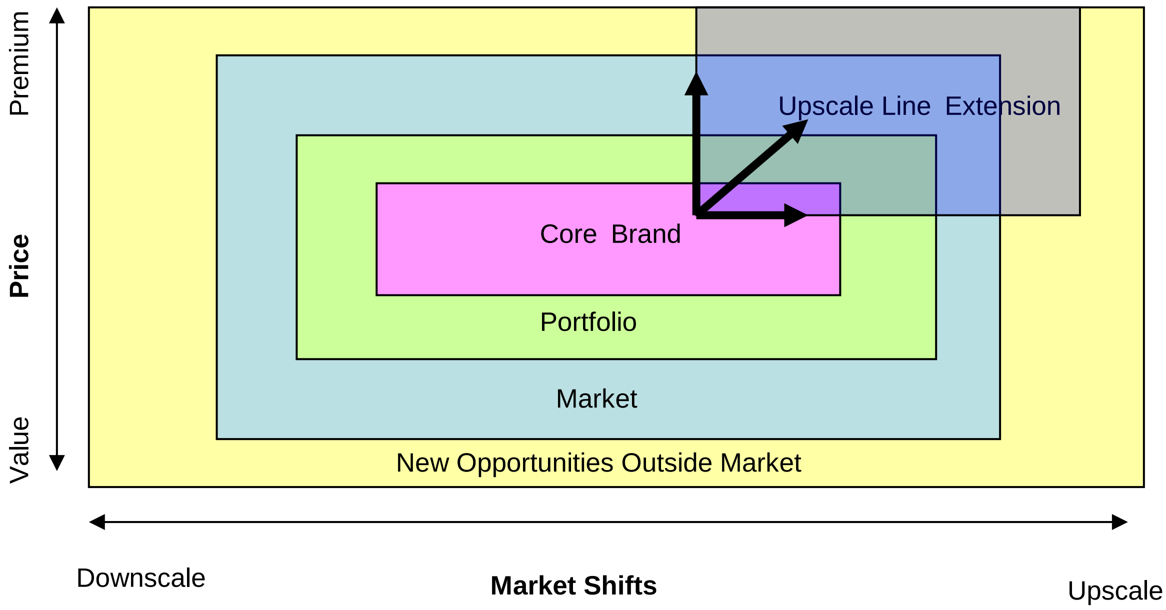
As discussed the recent phenomenon to affect the beverage market is the market supply shift towards downscale or value products and to the opposite upscale or premium products. This coincides with a changing and growing set of consumer needs, which together expand the market boundaries in all four directions offering consumers a wider range of brands to choose from. This increased market space is illustrated bellow as the gold area.

The desired brand migration map on the market positioning map will help a company decide on whether to reposition the brand entirely or introduce a line extension ("tugboat") to steer the core brand in the desired direction.

When a line extension is used in core brand revitalization that repositions the brand upscale, the extension is mapped out towards the top right of the market map. This is illustrated by the blue block below. It may overlap to some degree with the core brand as it targets the top-end of its existing consumer base. However it also targets new consumers that have traded up towards premium brands already on the market.

Another opportunity may be to lure in entirely new consumers into the category as is also illustrated below (Figure 24).

Figure 24: Positioning an Upscale Line Extension



By positioning the line extension upscale but not too remote from the core brand, it makes it easier to influence the repositioning of a core brand as it intends to go upscale. This will also require considerable concurrent or follow-up marketing effort by the core brand at the time of the line extension launch.

KEY DECISION: Identify the function of the line extension

Understanding the function that the line extension is to play is a fundamental starting point in developing the marketing strategy. It helps define the relationship between the core brand and its line extension, line extension brand architecture, positioning in the marketplace, timing and measures of success.

The four functions of a line extension are:

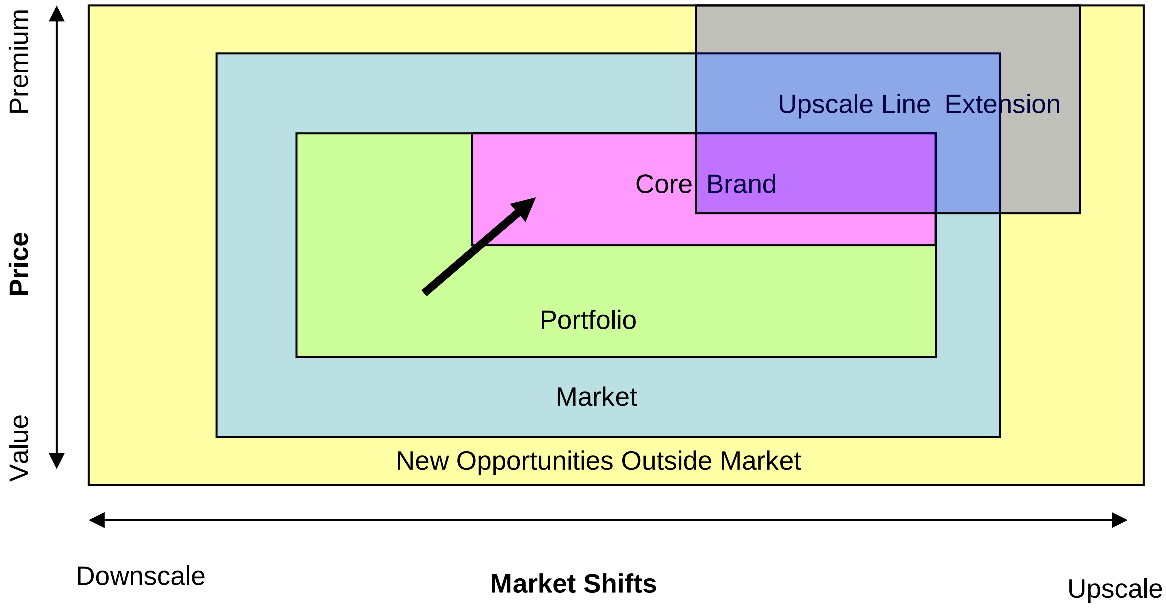
1. Places the brand back on consumer radars
2. Leads the cavalry charge to new opportunities
3. Rides the waves of change
4. Defends the castle

KEY DECISION: Establish the relationship between the core brand and the new line extension

The research showed evidence that the driver-descriptor relationship between a core brand and its line extension is the most suitable one for beverage brands that are in need of revitalization. This is supported by various factors with the primary one being consumer perceptions of taste and image being integrally linked to a beverage brand.

Figure 25 below illustrates the "tugboat" effect of a line extension that operates upscale. Reciprocity of upscale brand associations occur which stimulate the desired shift in the core brand's positioning towards an upscale position. The upscale line extension is always positioned further up in the market map than its core brand.

Figure 25: Upward Migration of the Core Brand, spurred by Line Extension



6.3. Step 2: Core Brand Strategy

STEP 2: BRAND STRATEGY	KEY DECISIONS: 1. Brand Stretch – Similarities & Differences: Clarify Functional & Emotional Benefits 2. Market Positioning: Link Line Extension to Market Opportunity Decide on Target Market

How far a brand should stretch and where a line extension should be positioned are the fundamentals of a core brand revitalization strategy. In terms of brand stretch, the brand's intrinsic make-up as well as its extrinsic make-up is marked as a grid of numerous factors. In terms of market positioning, this is outlined by a grid of where the core brand is currently positioned and the opportunity that the line extension will embrace.

KEY DECISION: Identify Similarities and Differences of Line Extension to Core Brand

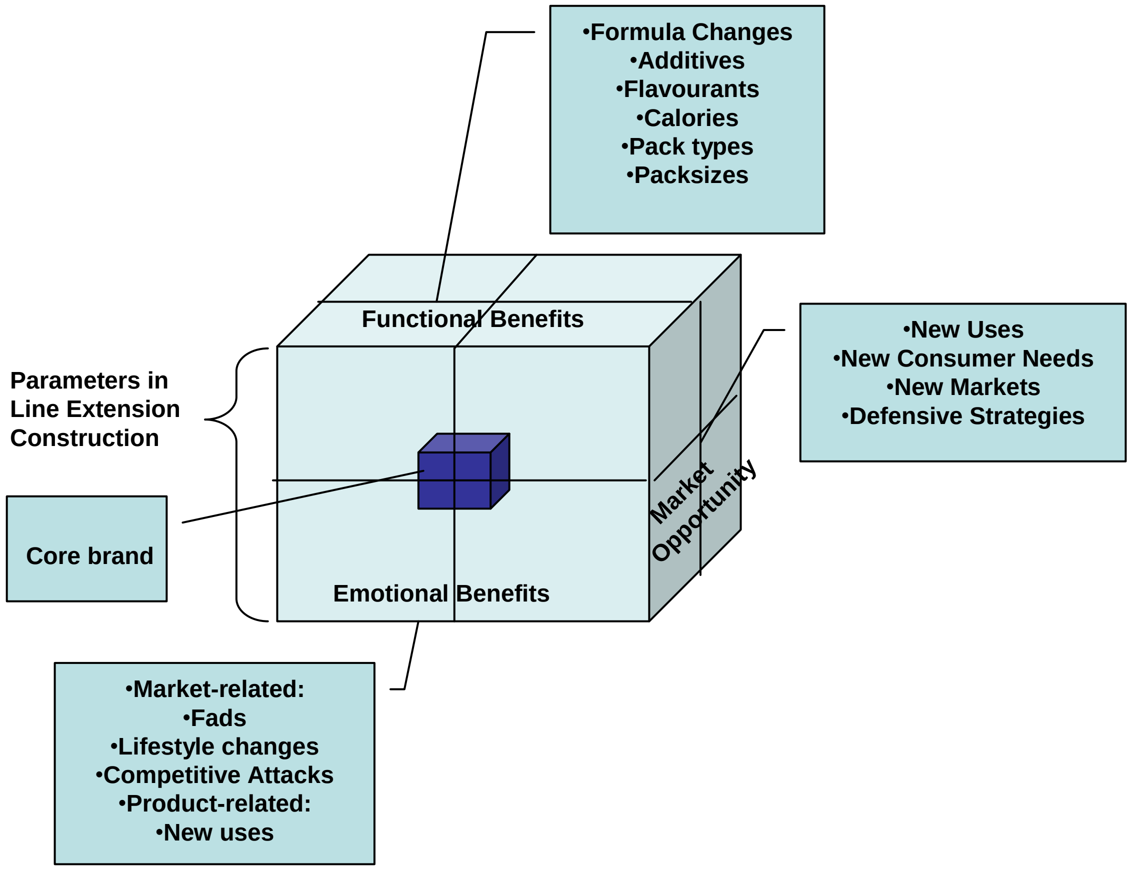
The research suggests that it is imperative for beverage line extensions to remain close to the intrinsics and/or extrinsics of a core brand, but still be tangibly different. This is based on:

a. The nature of beverage marketing as it is based on taste and image
b. It is more difficult to convince consumers to opt for a line extension of an already weakened brand in a revitalization job

Further the market opportunity identified should remain within the parameters that are believable for consumers. A stretch too far out of the current market context might be too risky for an ailing brand. In Figure 26 the basic construction of a brand is illustrated. It is three-dimensional and includes the functional and emotional benefits of the brand. It also factors in the market opportunity taken by the brand. All three dimensions total the brand's positioning in the market, a reflected by the dark cube. The area surrounding this is the area of exploration that is still congruent with the core brand's positioning. This forms the parameters to guide the construction of a line extension.

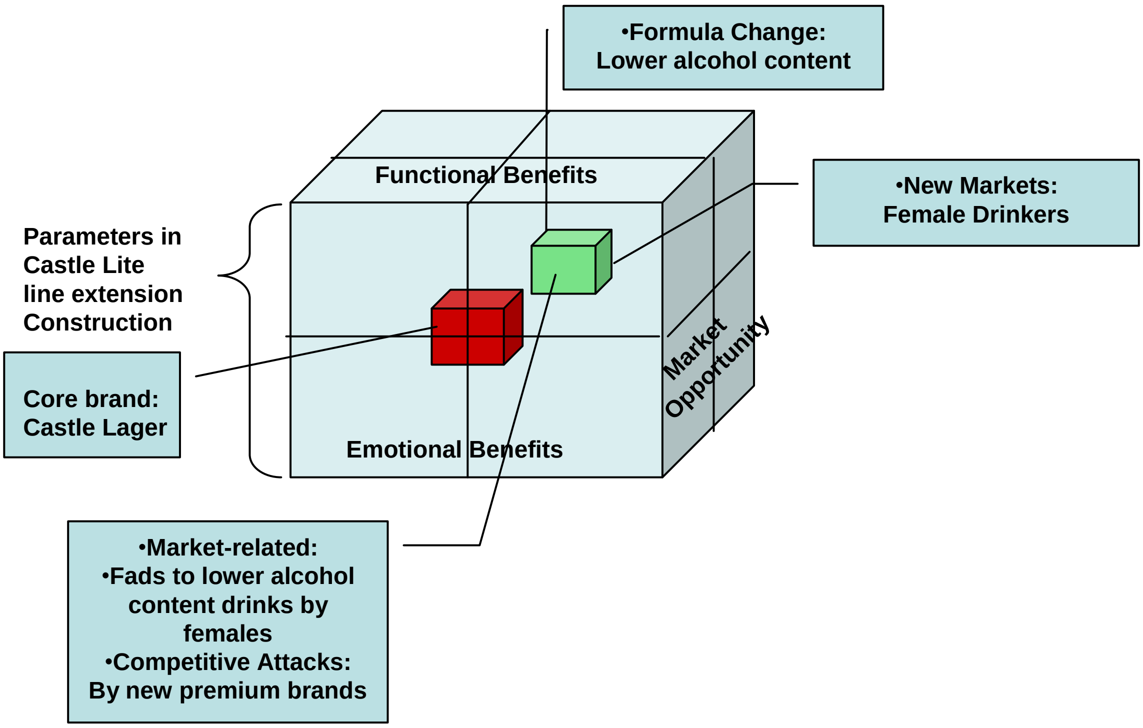
The guideline mapping out the line extension's intrinsic profile, extrinsic profile and market opportunity is best illustrated using a cube graphic as shown below.

Figure 26: Parameters in constructing a Line Extension



Castle Lite is used as an illustrative example (Figure 27) to show how a line extension could be positioned guided by the parameters defined by the core brand. In the case shown below, Castle Lager is the core brand and Castle Lite is the line extension.

Figure 27: Construction of Castle Lite



In looking at the intrinsic (functional) benefits and the Emotional (extrinsic) benefits we are able to plot a matrix of all elements that compose a core brand. Completing this exercise will help determine whether a specific aspect of it could be accented and used as a point of differentiation or if a new benefit is needed to be added to the profile by the line extension. In this case, Coke Vanilla accentuates an existing flavour – Vanilla – in Coca Cola. Coke Light on the other hand introduces fewer calories as a new aspect of Coca Cola's intrinsic make-up. Extrinsically, Coke Vanilla is positioned as more youthful than the core brand and reciprocity of these new accents into the core brand is anticipated.

KEY DECISION: Establish the target market profile from the market opportunity to be taken

From a market opportunity perspective, Coke Vanilla takes advantage of the trend towards sweeter drinks. As such the line extension is plotted off-centre from the current market positioning of Coca-Cola as a mainstream soft drink. Of the four functions identified by this research paper, Coke Vanilla, leads a defensive strategy to maintain category leadership. For other brands the function of a line extension in brand revitalisation could be any of the four functions for a line extension outlined in this paper.

6.4. Step 3: Extension Strategy

STEP 3: EXTENSION STRATEGY	**KEY DECISIONS:** 1. Understand impact of core brand's strength and other market factors 2. Decide on Launch Timing 3. Decide on concurrent core brand activity 4. Establish key measures of success for line extension relative to core brand revitalisation

KEY DECISION: Decide on the line extension's life span

While it is not always the way things turn out, it is important to establish the expected life span of a line extension. This is assist in fund allocation and expected measures of success for the line extension, which allows for strategic brand management. In brand revitalization, the line extension's function will assist in determining its life span. For example, a line extension that acts as a defensive strategy may only be short-termed, like Coke Vanilla. A line extension that addresses changes in consumer tastes on the other hand might be in the market for decades, like Coke Lite.

KEY DECISION: Decide on the launch timing

The research suggests that in revitalizing an established brand, it might be too risky to be first-to-market or late-to-market. Being an early entrant is the least risky strategy. This asks for a company to be highly responsive, quick to innovate and launch onto market. The framework outlined above enables this by guiding decision-making on positioning and attribute selection.

KEY DECISION: Plan concurrent core brand marketing activity

The research also suggested that a line extension is unable to deliver any of the four functions outlined if the core brand is inert. Some marketing activity by the core brand is required to reaffirm its presence in the market and thus "open the doors" for the line extension.

KEY DECISION: Decide on key objectives and measures of success

Many line extensions are considered failures based on the unreasonable expectations their marketers set for them. While this ensures funding approval by the Board, it does makes the delivery process challenging and inhibits future innovations. By understanding the line extension's function, the core brand's desired migration path and timing, management is better able to establish objectives and measures of success for the line extension in brand revitalization.

7. SUMMARY & SUGGESTIONS FOR FUTURE RESEARCH

7.1. Summary

The research sought to develop a framework of how an upscale line extension may assist the revitalisation of a beverage brand. Line extensions constitute the majority of new products launched, with many failing for various reasons. As there is a scarcity of academic support for line extensions, this study is expected to aid marketing strategy theory in the field of branding and line extensions and, inform marketing managers to enable clearer decision-making on revitalisation strategies of established brands. It utilised case study methodology in the beverage market to assess four propositions to guide the framework design.

Brand revitalisation theory is founded on the brand life cycle model where established brands in a stage of maturity seek to extend their lives. In this stage there is a strong need to deepen brand differentiation. There are many strategies to extend a brand's life and the research is guided by Aaker's (1997a) two ways to revitalise a stale brand – reposition entirely or introduce a line extension. Line extensions enable a brand to diversify and/or introduce new product uses within the same category with less risk than a complete repositioning. Speed's (1998) theory of reciprocation suggested that there are ways in which a line extension is able to add value to an established brand.

The first proposition, that a line extension into the premium category is seen to be an effective strategy to revitalize a brand, was accepted. Existing brands have naturally become more undifferentiated in a mature market. This has weakened their brand equity and is exacerbated by the introduction of new, and highly differentiated, brand offerings. A consumer shift towards premium brands is prevalent in South Africa as in most First World beverage markets. Concurrently there is a shift towards value brands in certain products as well. Consumers have become more selective in their choices driven by price as well as perceived value of a brand. Established brand that used to enjoy loyal customers have been abandoned. Complete brand repositioning was found to be riskier for established brand with many marketers opting to use line extensions instead.

The second proposition that the most effective way to introduce an upscale line extension is where the parent brand is the driver and the line extension is a descriptor was also accepted. This proposition discussed the types of relationships between a line extension and its core brand. It also found four possible functions that a line extension has in brand revitalization. A line extension is expected to reciprocate value to the core brand. A close association between the two is therefore necessary for this reciprocation to occur. Brand marketers are able to influence the similarities and differences between a core brand and its line extension. The research proposed using the functional and emotional benefits that are congruent to the core brand as parameters. Consumers are therefore able to link a line extension to the core brand but understand the difference.

The research proved inconclusive on proposition 3 which stated that the upscale line extension should play the role of a “silver bullet” where it is positioned against the parent brand and not against its competitors in the premium category. By virtue of its nature a line extension operates in the same category as its core brand. It therefore runs the risks of cannibalizing the core brand. A line extension also may confuse consumers if not differentiated enough or too similar to the core brand. By strategic positioning and target marketing it is able to minimize this risk. While respondents agreed that the line extension should be positioned closer than further to its core brand, they differed in opinion on the target marketing. Some respondents were of the opinion that a completely different and premium target market should be used to adopt the brand and draw the core brand towards its premium position. This was argued as the best alternative to prevent cannibalization. Other marketers believe that such a strategy inevitably resulted in cannibalization, allowing certain existing consumers to move over to the new line extension, shoring up possible brand abandonment altogether.

The last proposition was accepted that the most beneficial way to introduce an upscale line extension is be an early entrant but not first-to-market or late-to-market into the premium category. There are many factors that impact the launch timing of a line extension, with a core brand’s strength and the number of existing line extensions being main considerations. Most respondents preferred the fast-follower route as a general rule of thumb. In revitalisation, an already weakened brand makes it riskier for even its new line extension to be accepted by the market. Being a fast follower allows the core brand to test the waters of a market opportunity before launching new line extension. This also helps to curb costs in an already expensive exercise. Broadly, the research shows that both first-to-market and late-to-market open risks to the success of the launch of a line extension, making early entry timing critical.

The report presented a conceptual framework to develop a line extension strategy to brand revitalization. It takes the form of a three-step process that incorporates the decisions around the portfolio strategy, core brand and line extension execution. Finally it was found that a line extension is unable to solely revitalize a tired prominent brand. Concurrent activity by the core brand itself is necessary for brand revitalization using line extensions to be effective.

7.2. Suggestions for Further Research

While there is a plethora of studies looking at the decline of brands using line extensions, there is little academic support for the successes that some line extensions have had in assisting brand revitalisation. The formulation of a commonly understood theoretical base is much needed as line extensions continue to be the most prevalent new product launch choice in practice. In fact there was a call for research fourteen years ago by Aaker & Keller (1990) into the role of branding in upscale and downscale product launches into markets already served. More recently, the need for research into the field was noted by Grime *et al* (2003:1416), “Despite the importance, benefits and risks associated with extensions, the literature in the area tends to be fragmented and characterised by an absence of conceptual frameworks to guide empirical work.”

Pertinent to the topic of this research paper they concluded, “Although there is growing literature that emphasizes the potential negative effect extensions can have upon the core, there is a paucity of empirical studies measuring the enhancement to the core (original) brand” (Grime *et al*, 2003:1432).

The term “parent brand” insinuates dependency by line extensions on core brands. While it does rely on the existing brand equity of an existing brand, this paper has shown that a line extension is able to reciprocate and add value to a core brand. To find line extensions rightful place in brand strategy and unleash their full functional potential, terms steer clear of a dependency relationship.

Further research around the influences of additional independent variables in a line extension’s success is required. Influences include:

a. The age of the core brand,

b. The strength of the core brand,

c. The core brand’s extension history (Keller & Aaker, 1992),

d. The relationship types between the core brand and its line extension

e. The interrelationship between line extensions of the same brand and the order of entry (Speed, 1998),

f. The impact of consumer involvement with the product category (Nijssen, 1999).

In addition to influences of a line extension’s success, case research in the following areas may be useful to consolidate theory:

g. The statistical support for the theory of Reciprocity (Speed, 1998), particularly into premium and value categories, and the silver bullet role of line extensions

h. Advertising framing (Speed, 1998), target markets and positioning of line extensions relative to the core brand and,

i. Market entry, launch timing and life-spans of line extensions