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The Analysis of Challenges and Opportunities in Brand Extension

Authors:
Chen Si Jia 891028-4986
Gu Jing 880711-T284

Supervisor:
Gabriel Awuah

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Abstract

Over the decades, brand extension has been a core marketing strategy for a great number of companies. Brand extension enjoys a good reputation for bringing practical advantages to companies whilst it faces disputation at the same time because of a relatively high percentage of failures. Using modified Aaker's brand equity model as the theoretical framework, the authors undertake a comparative case study to analyze the opportunities and challenges a company might face while using brand extension strategy, particularly in category brand extension: Yamaha Corporation as a successful example, and Virgin Group as a failure one. The analysis mainly focuses on the four elements in the modified Aaker's brand equity model: brand awareness, brand loyalty, brand associations and perceived quality. The findings show that a company faces challenges when consumers have a more solid loyalty towards the competitor's brand and when consumers are confused about brand associations. On the contrary, a company acquires opportunities in brand extension as long as a strong brand loyalty and a related connection between the parent brand and the extended brand exist.

Keywords: brand equity, brand extension, category brand extension

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1 Introduction

1.1 Background

Brand extension as a growth strategy has been employed in many companies and has increased its popularity in the recent decades. It also has gained a lot of attention from academic field. The use of established brand names to enter new product categories or classes is defined as brand extension (Keller and Aaker, 1992). Brands are important and are becoming more crucial for a company to survival in today's fierce competitive business world. Brand names are among a company's most valuable assets (Klink and Smith, 2001). A brand name defines a unique quality, function, characteristic, promises, and trust which make it distinguishable from other products. Brand can be produced, just like any product, by the company (Karin, 2010). Obviously, using an existing brand name can substantially reduce the risk of introducing new product and thus enhance the opportunity of fast profit growing. According to Byron (1993), the reason why brand extension is so popular is because it can create growth in the cost leading competition, redefine a new direction of a business or firm, gain economic scale in advertising, introduce new products without advertising and achieve new products' success through endowing it with the goodwill but gain trial and distribution in an easier way.

Brand extension has been discussed by lots of researchers (Aaker, 1991; Keller, 1993; Peter, 1989), some of them hold the opinion that brand extension can be broadly classified into two general categories: vertical extension and horizontal extension. Horizontal extension includes line extension and category extension (Peter, 1989). Having studied 276 brand extensions cases, Tauber (1990) uses 7 types of categories to understand different ways of brand extension, trying to show the numbers of possibilities in brand extension depending on company's products and customer franchise. Other researchers classify brand extensions into 3 types: range extension, line extension and brand extension (Hamish and Peter, 2008).

Well-implemented extensions can offer a number of advantages to companies: reduce the cost of developing a new brand, increase efficiency of promotional expenditures, allow for packaging and labeling efficiencies and so on (Kevin 2003). The successful sectors in brand extensions have been widely discussed by many scholars. Successful brand extension depends on many considerations, including the appropriateness of a company's corporate structure, ability of personnel in the new market, and also

requires a favorable prior attitude toward transferred from current branded products to a new product (Boush & Loken, 1991; Reddy, Holak & Bhat, 1994). Keller (2003) argues that most companies are more concerned about when, where and how the brand should be extended instead of whether it should be extended. Several advantages for a brand extension strategy: increase efficiency of promotional expenditures, reduce the cost of introductory and follow-up marketing programs and so on (Keller & Aaker, 1992; Keller, 2003; Kim & Sullivan, 1998).

In practice, therefore, brand extension has become a widely accepted growth strategy for many companies. The most typical and well-known case might be Virgin, it extended its original brand to many other businesses like: jeans, airline, vodka, mobile and etc.. Other famous brands, like Coca-Cola, it has different categories, classical, diet and regular. Sports brand, Nike and Adidas, both extend their brand names to all kinds of sport related clothing. Additionally, the well-known piano producer, Yamaha, also stretches its brand and enters into motorbike industry.

1.2 Problem discussion

Although countless cases can be listed as successful brand extensions examples, while the advantages of brand extensions have been widely discussed, there are also quite a lot of failures which cannot be ignored. Statistics shows that there is an unexpected 84% failure rate among brand extension in some categories (Ernst & Young 1999; Marketing, 2003). David Talyor (2004) argues that only 50 percent brand extensions survive after three years which in other words, employing brand extensions can be gambling the company's money on the black at the roulette table.

Additionally, some experts keep claiming that brand extension should be avoided (Ries & Trout, 2000). Aaker (1990) has pointed out that brand extension may bring serious damage to company's original products and result in a decrease in growth. It can hurt parent brand image and encounter retailer resistance as well. An inappropriate brand extension could create damaging associations that may be very difficult for a company to overcome (Kim and Lavack, 1996). Some researchers argue that brand extension can dilute the parent brand while new brand may fail to fulfill the needs of consumers as a whole (Roedder, Barbara and Christopher, 1998; Keller, 2003; Xie, 2008).

Few of previous researchers (David, 2004; Kim and Sullivan, 2007; Matt, 2001), however, use practical case studies when considering both challenges and opportunities together in brand extension. In addition, most of researches focus on

brand extension as a whole regardless of different brand extension types. Category brand extension, for instance, has not been widely studied and discussed. When implementing brand extension strategy, opportunities along with challenges might occur at the same time which can bring contrasting consequences to a company. Category brand extension as one of the brand extension types has been employed in some companies. Thus, it is worthy further studying in this area to figure out the two aspects of category brand extensions.

1.3 Research purpose

The purpose of this paper is to describe the challenges and opportunities in brand extension. The factors that help a company to fulfill successful brand extension will be analyzed. While, the reasons why a company fail in brand extension will also be discussed. Thus, to get a better understanding of knowledge in brand extension, particularly in the cases of category brand extension.

1.4 Research question

From the problem discussion above, it is interesting to pose the following question in this study:

What are the challenges and opportunities a company faces when implementing brand extensions strategy?

1.5 Delimitations

Brand extensions is a broad concept, that is why the theoretical part will be delimited by focusing on brand transfer, which also means introducing new products under an existing brand name. In this paper, the authors will delimit on discussing Aaker's brand equity model to identify the challenges and opportunities of brand extensions.

Empirical delimitations have also been taken into considerations. There are various types of companies that have succeeded in brand extension and the products they manufacture, the resources they require can vary at a large scale, as well as those failed. Therefore, the authors will delimit this study by comparing two companies: Yamaha Corporation and Virgin Group. Both of these companies are category brand extension, which means they use the existing parent brand name when stretching their products to another different category.

2 Literature review

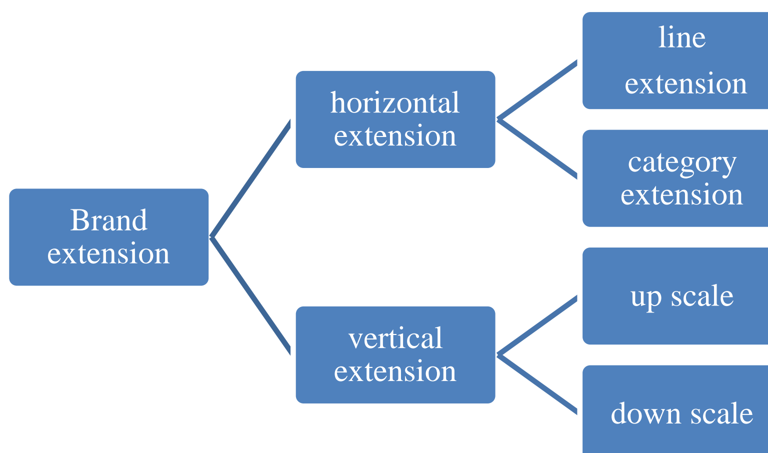
2.1 Brand extension

Brand extension is now a quite popular and frequently used strategy in brand management. The history of brand extension can be traced back to the 1960s (Gamble, 1967). It started to get popular in the 1980s, and keeps on increasing in the 21th century. It is reported that as many as 70 percent of new products were launched with existing brand names on certain brands in 1980s (Buday, 1989), and the number is continuously increasing nowadays. Brand extension, also named as brand stretching, is using an established brand name to enter a new product category (Aaker and Keller, 1990). Brand extension is sometimes a choice full of risks, as can be seen in the high percentage of failure examples. Famous failure examples such as Virgin and Miller provide learning experience in real cases. In a word, it is very important for managers to know how to reduce the risk of brand extension in order to achieve success.

2.1.1 Types of brand extension

Brand extension classifications can be showed in figure 1.1. This figure introduces brand extension in an easier, clearer and more systematical way.

Figure 1.1 Brand extension classifications. (Adapted from Peter, 1989; Pitta & Katsanis, 1995; Keller, 2003, pp. 577)



Horizontal extension includes line extension and category extension (Peter, 1989). Pitta and Katsanis (1995) define it as extending a parent brand to a new product in the same product class or to a product which is completely new for the company. The definition includes two aspects which bring out the difference between line extension and category extension. In line extension, however, the parent brand is used to

introduce a new product within a product category currently served by the parent brand. In category extension, the parent brand is used to enter a different product category from what currently served by the parent brand (Keller, 2003). Line extension has been discussed in many studies of plenty of scholars (Ina, 2010; Kim and Sullivan, 1998; Kim and Mary, 1998; Rise, 2009) while compare to line extension, category extension does not cause such attentions.

Vertical extension is defined as introducing a similar brand to the same product category while being different in quality and price (Keller & Aaker, 1992). Additionally vertical brand extension can be divided into up-scale and down-scale brand extension ((Kim & Lavack, 1996; Xie, 2008). According to the definition, it can be concluded that up-scale extension refers to a higher quality and higher price point as compared to the parent brand. Whereas, down-scale extension means extending a brand with lower quality and price. For example, Nikon offers cameras in different categories. But within the 35mm SLR category, Nikon's offerings include the N90, N70, and N50. All of these cameras are intended for essentially the same application, but are different in quality level and price.

2.1.2 Benefits for brand extension

Brand extension is always seen as a way for companies to seek growth while introducing a new product (Carolin, 2007). As it is a phenomenon in strong competitive market, previous studies report that failure rates are 80 percent of the extension (Völkner and Sattler, 2006). With such a high rate of failure, brand extension is still one of the most popular ways for companies to develop. There are reasons why it is so attractive and profitable.

Economic benefit should be the first dynamic of brand extension. In the world of cash, one of the greatest profits everybody wants to seek is economic benefit. According to Tauber (1988), the economic as well as the business world, is now a cost controlled and cost based world. Brand extension can be considered as a costly effective outcome for new categories, the sales of parent brand will increase when employing brand extension. On the other hand, brand extension can also reduce the cost of launching a new product (Jean-noel, 1993).

It is well known that much more investments are required while introducing a new brand to the market, such as advertisement, and this factor motivates managers to use the way of brand extension. It is because brand extension can help in gaining financial scale in the field of advertising (Roberts and McDonald, 1989). One of the most

popular and effective but costly ways of branding is advertising. Good advertising makes great contribution to the development of brand products. But advertising needs a big amount of investments into the market to compete with competitors. Brand extension can achieve the efficiency of advertising (Smith and Park, 1992). In addition, brand extension can also become an advisable way to introduce a new product without advertising (Hasting, 1990). This can also lower the cost and provide easier chances for the new product when entering into the market.

Secondly, brand extension reduces the risk of the new brand while entering the market (Jean-noel, 1993; Lain, 2002). It is considered that the parent brand is famous if brand extension is applied, because the new product can earn market share and customers more easily with the help of the reputation of parent brand. Customers will be attracted as they share the loyalty and trust the brand image of parent product (Aaker and Keller, 1990). In this case, the risk and chance fail for the new product can be reduced (David Taylor, 2004), since the name of the parent brand can attract a group of customers based on their loyalty. Also, this is an easier way to compete with the competitors. Moreover, brand extension expands parent brands' consumer base and eventually assists in developing parent brand franchise.

2.1.3 Risks of brand extension

Even though there are thousands of reasons and benefits of brand extension, no matter how attractive it is, brand extension is full of risks. The probability of success is uncertain and unpredictable. 80% of the failure examples tell that brand extension is a two-side sword.

Many managers are motivated by brand extension, since the new product can be introduced with the image and the popularity of the parent brand. It is acquiesce that the parent brand is a famous brand when implementing brand extension. Consequently, once the brand extension is failed, the image of the parent brand will surely suffer from negative influence. A wide selection of extensions confuses consumers (Quelch and Kenny, 1994) and then will reduce the parent brand's original image, consumers' loyalty and brand equity at the same time. Much worse, it will bring down consumers' trust and belief in the brand name (Ian, 2010; Loken and John 1993; Milberg, Park and McCarthy 1997; Sullivan 1990). Take the example of Coca-Cola, in order to compete with the biggest competitor Pepsi, in 1980s Coca-Cola Company introduced new flavor coke, but customers didn't like the new coke which resulted in the decrease of the sales of original taste coke.

Brand extension might cause psychopathy conflict of customers, weakening of exiting associations, and the sharp image of the parent brand can be fuzzed (Aaker, 1990). Besides, it might also reduce the market share and number of customers. Take the example of Scott Company, Kleenex was the strongest brand of toilet paper in American during that time. But the Scott introduced Kleenex facial tissue to the market what made customers feel strange when using the tissue. Famous American advertisement science expert, Al Ries, even commented on the product as: Kleenex toilet paper and Kleenex tissue, which one is for nose? Later on, Procter & Gamble's product, Charmin toilet paper took place of Scott in the toilet paper.

Another risk is changing the position of the brand. For a new product, there will be a strong restriction regarding the positioning. The positioning of the new product should be close to the parent brand to realize synergy effects, otherwise, risks might appear (Carolin, 2007). GOLDLION is a famous Chinese clothing brand for men, which was popular for a time. Its slogan is "Goldlion, men's world". With the development of Chinese clothing market especially for women's clothes, Goldlion started to promote its own brand for women's clothes, but somehow ended up with a fuzzy image to the original brand. Indeed, Goldlion's women collection is not as popular as men's. The positioning of Goldlion is men's clothing and has been well known among customers for years. Once the new collection for women came out, customers changed the image of the brand and in return they got confused about the product (MBA library).

From all the literatures listed above, it is expected that a company might confront both challenges and opportunities when implementing brand extension strategy. However, category extension has not been discussed independently as a type of brand extension. Neither have specific cases and examples been further implied to related theory.

2.2 Brand equity

Branding is all about creating differences (Keller, 2003). Consequently, the brand equity concept is about the importance of the role of the brand in marketing strategies. Brand equity provides a common concept for interpreting marketing strategies. Brand equity can be defined differently by different approaches: consumer based view and company based view. Consumer based brand equity is the most widespread nowadays due to the importance markets given to the brand evaluation from the consumer's point of view (Ilias & Anastassios, 2010).

Aaker (1991) defines brand equity as a set of brand assets and liabilities linked to a brand, its name and symbol, which add to or subtract from the value provided by a

product or service to a firm and/or that firm's customer. By the other words, the differential effect that brand has on the customer's response to the marketing of that brand. Therefore, the brand equity that a company enjoys is the essential piece that reflects the performance of the company and is the guide towards future strategies and decisions.

Keller (1993) refers brand equity as the differential effect of brand knowledge on customers' response to the marketing of a brand. Keller (2003) stresses that in order to understand the brand equity, it should be realized that the power of a brand lies in what resides in the minds of customers. In Keller's consumer-based brand equity theory, brand awareness and brand image are used as two components.

Many more scholars have explained and developed the definition of brand equity: Based on Aaker's (1991) and Keller's (1993) conceptualizations of brand equity, Yoo and Donthu (2001) developed and validated the multi-dimensional consumer based brand equity (MBE) model. In their study, there is a comparatively high positive relationship between brand equity and purchase intention as well as between brand equity and brand attitude across all consumer groups. Solomon and Stuart (2002) put brand equity as the value that a brand has for a particular organization or company. They explain that brand equity provides a competitive advantage because it gives the brand the power to capture and hold onto a larger share of the market and to sell at prices with higher profit margins. Moreover, Brady, Cronin, Gavin and Roehm (2008) state that brand equity implies a way of superiority. It is a perception of belief that extends beyond mere familiarity to an extent of superiority that is not necessarily tied to specific action. Nam, Ekinci and Whyatt (2011) study a sample of 378 customers in hotel and restaurant industry by testing a model of five dimensions which as a result further develops Aaker's brand equity theory.

2.3 Modified Aaker's brand equity model

The theoretical framework of this paper explains the challenges and opportunities of brand extension based on modified Aaker's brand equity model. There are five categories in Aaker's brand equity model: brand loyalty, brand awareness, brand associations, perceived quality and other proprietary brand assets. Four categories of Aaker's brand equity model are further discussed. Later on authors use the modified model to analyze two cases of category brand extensions from the collected data in empirical part.

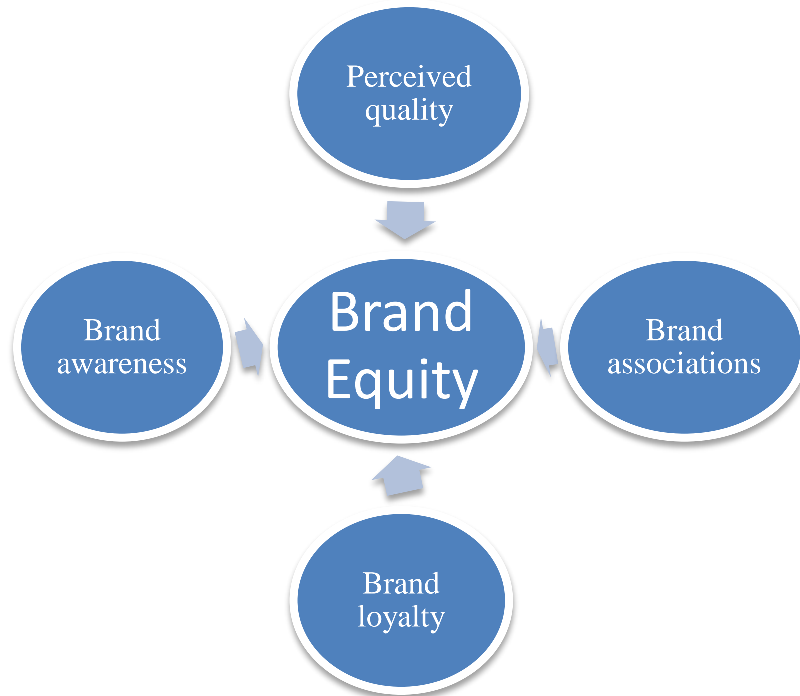
Relationships between brand equity and brand extension success can be found.

Researches show that a brand's equity has an impact on the success of extensions: Carolin (2007) argues that higher brand equity has higher chance for extension success. Pitta and Katsanis (1995) state that there seems to be a relationship between brand equity and brand extensions. Herr, Farquhar and etc. (1996) study the relationship between brand awareness and the evaluation of brand extensions, and they find the relationship between the parent category and the target category of the proposed extension. Moreover, Glynn and Brodie (1994) find that the brand-specific associations are important to evaluate brand extensions. Hem and Iversen (2003) explore the effects of brand loyalty towards the original brand on the evaluation of brand extensions. In their study, a high affective relationship towards the parent brand may reduce the evaluation of brand extensions while high loyalty towards the parent brand is important for reaching a positive evaluation of extensions.

The conceptualization and structure of Aaker's brand equity contain five categories (Aaker, 1991): brand loyalty, brand awareness, brand associations, perceived quality and other proprietary brand assets. The last category represents elements like patents, trademarks and channel relationship. Brand equity can generally add value for customers by helping them process and store a lot of information about the products and brands. Brand equity can also potentially add value for the company. It can provide a platform for growth via brand extension.

As showed in figure 2.1, the network indicates the glue that ties each piece together and enhances solidity to the brand.

Figure 2.1: Modified brand equity model (Original model is from Aaker, 1991, pp.17).



2.3.1 Brand awareness

Brand awareness is defined as the ability of a buyer to recognize that a brand is a member of a certain product category. Brand awareness reflects the presence of the brand in the mind of customers. It should occur regardless of environmental conditions such as time and locations. Consumers may link the related brand knowledge to the brand name, which finally constitutes brand equity (Aaker, 1991). Aaker argues that consumers in general turn their attention towards a recognized brand rather than an unfamiliar brand.

Brand awareness can be characterized according to depth and breadth. The depth of brand awareness concerns the likelihood that a brand element will come to mind and the ease with which it does so. The breath of brand awareness concerns the range of purchase and usage situations where the brand element comes to mind. The breadth of brand awareness depends, to a large extent, on the organization of brand and product knowledge in memory (Keller, 1998).

Moreover, for some low involvement products, brand awareness is sufficient to create sales (Dennis and Lea, 1995). Since consumers spend little time or effort on the consumption decision of low involvement products, familiarity with the brand name may be enough to determine purchase.

Apéria (2001, cited in Kollander and Lejon, 2007.) claims that brand awareness is essential for a company because of the following three different reasons. Firstly, brand awareness is crucial for a company to communicate the attributes that follow with the brand. Secondly, brand awareness establishes a relationship between the company and the customer. Finally, brand awareness symbolizes to the customer that the product is of high quality.

2.3.2 Brand loyalty

Loyalty is a core dimension of brand equity which is a measurement of the attachment that a customer has to a brand (Aaker, 1991). Keller (1998) also explains that brand loyalty is often measured in a behavioral sense through the number of repeat purchases. If a customer prefers to go to McDonald's instead of Max, it is because the customer has brand loyalty towards McDonald's.

Repeat purchase of the brand, however, may not represent commitment, it may merely represent acceptance of the brand (Assael, 1998). Loyalty reflects how likely a customer will change to another brand, especially when that brand makes a change, probably in price. Aaker (1991) convinces that loyalty demands a long term strategy from the company perspective to position and presents the brand as a necessary ally in the mind set of consumers. But once loyalty is gained, it can bring value: The marketing costs will be heavily reduced when the majority of the customers become loyal to the brand; As an effect of brand loyalty, the trade leverage of the brand will be facilitated in terms of an increase in distribution hubs; The company will be able to acquire more time to respond to competitive threats. Brand loyalty also gives a company some protection from competition and greater control in planning their marketing programs (Kotler, 1994).

Aaker (1991) uses a brand loyalty pyramid to differentiate the different levels of brand loyalty. In this pyramid, the bottom loyalty level is the non-loyal buyer who is completely indifferent to the brand, whereas the top level is committed customers who are very likely to recommend the brand to others. The main goal for a company is to execute actions that can influence consumers in the lower levels to become more loyal towards the brand.

2.3.3 Brand associations

Brand association is defined by Aaker (1991) as anything linked in memory to a brand. It also refers to any brand knowledge relating to the brand in the customer's mind.

Keller (1998) noted that brand association can affect consumers' purchasing decisions based on the recall of brand information. Brand associations are very essential for a brand to be different from others and to acquire unique values.

Three types of brand associations are: attributes, benefits, and attitudes. Brand attitudes are the other types which are defined as consumers' overall evaluations of a brand. This might be abstract criteria but it is of importance as well (Tuominen, 1999), because they often form the basis for actions and behavior that consumers take with the brand. In addition, Keller (1998) has explained that brand attitudes can be formed on the basis of benefits about product-related attributes and functional benefits and/or beliefs about non-product-related attributes and symbolic and experiential benefits.

Brand association can provide the basis for an extension (Aaker, 1991). Since brand association involves product attribute or consumer benefits that provide a reason to buy and use the brand, it will result in purchasing the extended brand because of the fit between the brand name and a new product.

2.3.4 Perceived quality

According to Aaker (1991)'s definition, perceived quality refers to the customer's awareness of products' superior quality in relation to other products. To what extent a customer is aware of product quality of a particular brand might depends on past experiences from practical use or possible feedbacks/comments from others. In this case, a product considered of high quality can be perceived by the consumer as poor quality depending upon the consumer's expectations of the product and vice versa. Aaker (1991) also argues that a strong brand with respect to perceived quality will be able to extend further, and will find a higher success probability than a weaker brand.

3 Methodology

3.1 Research method

According to Bryman and Bell (2007) there are two methods in social research, quantitative and qualitative. The quantitative method is characterized by many respondents and uses figures and quantities to describe the reality. A quantitative research should be conducted by measuring indicators which can explain or indicate the respective concept. Meanwhile, a qualitative research emphasizes more on the words the respondents use and leaves more freedom to the answers of the respondents. The qualitative method makes use of text in writing and is more interpretive in its nature. It is also usually limited to a fewer number of respondents and looks more into the depth of the problem or issue.

In this study, qualitative research method is used because it allows flexibility and openness which enables the process to be interactive. Two contrasting cases will be analyzed because Hantrais (1996, cited on Bryman and Bell 2007) suggests that a comparative design may be able to seek explanations for similarities and differences or to gain a great awareness and a deeper understanding of the issue. Because two cases will be studied, qualitative research method will provide a deeper insight into the empirical data and thus in return enhance the possibility of getting a better understanding of the research question.

3.2 Research approach

In general, two research approaches are used in social research, inductive and deductive. Inductive approach is moving from specific observations to broader generalizations and theories (Saunders & Thornhill, 2009). It also refers to when the researcher starts by making observations of the reality without having reviewed the theories in that given area. Whereas, the deductive approach is described as going from theoretical approach to empirical. The reasoning is conducted from the more general to the more specific and the conclusion follows logically from available facts. As specific case study is used to find observations and to analyze and generalize the findings comparing to theoretical overview, deductive research approach is going to be employed through this study.

3.3 Data collection

There are mainly two different ways to collect data: primary and secondary data

collection. Primary data is gathered from original sources by the researcher whilst secondary data is gathered from existing sources (Pervez et al., 1995).

The literature being used in this study is secondary data which is cited in course books, published articles and Internet resources. The courses books are derived from Halmstad University library. The published articles are derived from Halmstad University database and Google article. All references are listed at the end of the paper.

In order to proceed to the case study, two companies which represent successful example and unsuccessful example respectively have been chosen. The successful example is the Yamaha Corporation while the failure example is Virgin Cola in Virgin Group. The reasons why these two companies are chosen are because firstly, both of them are category extension. They both stretch their business into other different fields compared to the parent brand. Second is they are international companies enjoying a worldwide famous reputation. Each of them has a long history and attracts a great number of customers.

Interviews and observations are two of the most frequently used primary data collection methods for empirical data. But they usually cost a lot of time and money. Whilst, secondary data is more economical, as the cost of collecting original data is saved (Rajendar, 2008). The two companies used in empirical data are located in the UK and Japan respectively, which brings us the difficulty in collecting primary data. Besides, the two companies are both worldwide global companies. There are enough data on their official website from which authors can ensure the reliability of the data.

Both cases in the empirical data are derived from the Internet. The data of Yamaha Corporation is from the following sources: Yamaha annual report 2010, Yamaha annual report 2011, Yamaha factbook 2011 and Yamaha official website. The data of Yamaha history and marketing performance has been reorganized and summarized. The Data of Virgin Group is from the following sources: The official website of Virgin Group as well as the companies' official websites under the home page, other data related to details is reorganized and summarized from websites, books and articles (Tom Bower, 2005; Matt Haig, 2001; David Taylor, 2007).

3.4 Reliability and Validity

In order to test the reliability and the validity in this qualitative research, LeCompte and Goetz (1982, cited on Bryman & Bell, 2007) identify the reliability and the

validity as external and internal respectively. External reliability means the degree to which a study can be replicated, and internal reliability means all the research members should agree about what they say and hear. Internal validity refers to the degree to which researchers' observations and the theoretical ideas match, while external validity means the degree to which findings can be generalized across social settings. To maximize the chance of reliability and validity, the authors collect empirical data from the companies' official websites to ensure the reliability of the data. The literature framework used in the paper is modified from Aaker's brand equity model which is believed to be very valid and reliable in brand management research. The authors analyze the empirical data by comparing it to the theory presented in the theory literature and theoretical framework. This will minimize the risk of incorrect findings and conclusions.

4 Empirical Data

4.1 Case Ⅰ: Yamaha Corporation

4.1.1 Introduction:

Yamaha Corporation is a Japanese multinational corporation with a wide range of products and services. Yamaha has grown to become the world's largest manufacturer of musical instruments, as well as a leading manufacturer in other areas, like motorbike and audio/visual related products (Yamaha annual report 2011). The beginning of Yamaha's business went back to 120 years ago, when Torakusu Yamaha, the founder, repaired a broken reed organ in Japan. Ten years later, 1897, Nippon Gakki Co., Ltd. was established with capital of 100 million Japanese yen. The name was officially changed into Yamaha Corporation in 1987 to mark the 100th anniversary of its foundation (www.yamaha.com/about_yamaha/corporate/).

The Production of upright Yamaha piano began in 1900 (www.yamaha.com/about_yamaha/corporate/). Today, Yamaha is a worldwide known brand for its excellent and high-quality products including musical instruments, audio/visual, semiconductors, motorbikes and so on. Yamaha musical instruments segment includes manufacture and sale of the traditional craftsmanship piano, professional audio equipment and the operation of music schools and English language schools. Moreover, Yamaha also sells a variety of music-related products sourced from other manufacturers and accessories. Yamaha is continuously growing and becoming better (Yamaha annual report 2010 and Yamaha annual report 2011).

Yamaha's first brand extension was taken place in 1903, three years after the first Yamaha piano was made. Yamaha made use of its woodworking expertise to begin building fine furniture. The first acoustic guitar was produced in 1942. And in 1954, Yamaha Music School was established as well as Yamaha's first Hifi player was produced. Yamaha's most well-known case in brand extension is the establishment of Yamaha Motor Co., Ltd. in 1955. In 1960s, Yamaha stretched its business to recreation business and wind instruments. In the recent year, 2007, music entertainment business holding company was set up. Yamaha's internationalization began in 1958 by which an overseas subsidiary was set up in Mexico. Two years later, US subsidiary was established. In 2002, Yamaha Music & Electronics Co., Ltd.'s opened up in China marked a new page in Yamaha's history (www.yamaha.com/about_yamaha/corporate/).

In April 2010, Yamaha launched a three-year medium-term management plan entitled "Yamaha Management Plan 125" in order to lay a strong foundation for growth, particularly in the musical instrument, music and audio domains (www.yamaha.com/about_yamaha/corporate/ and Yamaha annual report 2011).

4.1.2 The Parent Brand: Yamaha Musical Instrument

The year 1900 witnessed the birth of first Yamaha upright piano. The first grand piano was produced two years. Within four years, a Yamaha piano was awarded the Honorary Grand Prize at the St. Louis World's Fair. Yamaha has joined the Faust Harrison Piano collection, which stands for high quality and good value instruments (www.yamaha.com).

Yamaha brand represents the expert in assembling musical instruments. The goal of Yamaha is to inspire people with the joy of music performed on musical instruments that capture the heart and soul of both the player and audience (Yamaha annual report 2010 and Yamaha annual report 2011). Yamaha pianos have consistently remained the yardstick for piano production since the first piano was introduced to the world in 1900. Yamaha's expertise in acoustic and digital technologies makes it the world's only integrated manufacturer of a complete lineup of musical instruments, which are sold to professionals and beginners alike. Yamaha's musical instrument categories span acoustic instruments such as pianos, brass instruments, and digital musical instruments. Yamaha has also carved out a new segment in hybrid instruments, which combine acoustic and digital qualities (www.yamaha.com/design).

In the meanwhile, Yamaha is also recognized as a trusted and admired brand (Yamaha annual report 2011). The quality of Yamaha pianos is recognized by world renowned pianists while Yamaha pianos have served to captivate audiences from many world-class stages, for example, the eleventh International Tchaikovsky Competition where Denis Matsuev and the Yamaha CFIIIS claimed victory in 1998 (Yamaha annual report 2011).

By the end of fiscal year 2011, the net sale of Yamaha musical instruments was 271.1 billion Japanese yen, in which 14.5% were Yamaha piano. 26% of Yamaha's musical instruments were sold in Europe, followed by North America-22.4%. Yamaha made an amazing sale in its domestic market where 21.7% of Yamaha's total sales were sold (Yamaha annual report 2011).

The reasons why Yamaha brand is so successful in one hundred years can be summarized as follows: Firstly, Yamaha always keeps high-quality in its core technical expertise based on traditional craftsmanship in acoustics and advanced digital technology. Secondly, Yamaha has acquired development of high-quality products by forging close relationships with customers-artists. Besides, a global strategy built on Yamaha's localized marketing and service activities in each country makes Yamaha brand both unique and famous. Moreover, Yamaha has gradually launched a variety of activities through the operation of music schools to increase the music playing population (Yamaha annual report 2010 and Yamaha annual report 2011).

4.1.3 The Extended Brand: Yamaha Motorbikes

Even though Yamaha is well-known as a musical instruments manufacturer, it has not been tied down to this only category. After sixty years of piano making, Yamaha started its new business in motorbike manufacturing. In 1954, the expertise in metallurgical technologies led Yamaha to the manufacture of the first Yamaha motorcycle, the YA-1(www.yamaha.com/about_yamaha/corporate/). Genichi Kawakami was the president at that time. He was also the third-generation president of Nippon Gakki. When he talked about the reasons of setting up Yamaha Motor, first is the fact that Yamaha was performing well and had some financial leeway, so Yamaha would have few problems in managing money flow. But for the challenges, it might be a little late to enter motorbike industry than other companies. After some researches and a visit to United States, Genichi saw the opportunity was still there and Yamaha's experience in manufacturing mechanical products would turn the challenge into a great opportunity. On his tour around Europe with other company managers, the chief engineer learned how to build motorbikes. By doing as much research as possible to insure that Yamaha was able to build a bike as good as any others', they started going to expand (www.yamaha-motor.com/corporate). In 1959, the success of the YA-1 resulted in the founding of Yamaha Motor Co., Ltd (www.yamaha.com/about_yamaha/corporate/).

Genichi Kawakami said, "The most important thing when building a product is to always keep in mind the standpoint of the people who will use it." Just like he said, Yamaha was building a strong reputation as a superior manufacturer. Toyota and Yamaha teamed up to produce the highly regarded Toyota 2000 GT sports car. This very limited edition vehicle, still admired for its performance and craftsmanship, created a sensation among enthusiast in Japan and abroad. By the late 1960s, Yamaha had quality products that had proven themselves in the global marketplace based on

superior performance and innovation. But success demands more than high quality, Genichi Kawakami knew that walking hand in hand with original ideas, would create an opportunity for the company and its customers that could mean years of happiness and memorable experiences (www.yamaha-motor.com/corporate).

Yamaha overseas expansion began as the company grew larger. In 1968, the globalization continued with Brazil and the Netherlands (www.yamaha-motor.com/corporate). In years, Yamaha continued to grow and continues to today. Yamaha Motor Co., Ltd. today, is a multinational enterprise with 140 subsidiaries and equity-method affiliates in 30 countries (Yamaha factbook 2011).

Yamaha Motor's mission is to offer new excitement and a more fulfilling life for people all over the world. Yamaha Motor strives to realize people's dreams with ingenuity and passion, and to be a company people look to for the next exciting product or concept that provides exceptional value and deep satisfaction (www.yamaha-motor.com/corporate).

In fiscal year 2010, Yamaha Motor had net sales of 1,294 billion Japanese yen, and 66.1 billion ordinary incomes. Today, Yamaha Motor manufactures a variety of specifications, each type featuring unique technologies serving its particular use: from commuting and shopping trips to long-distance touring, from road racing, motocross to other competitions. Yamaha Motor shares 12.8% of worldwide demand in 2010. Asia is Yamaha's biggest and fastest growing market. Beginning in 2010, Yamaha Motor has initiated a new three-year Medium-Term Management Plan, designed to evolve Yamaha into an excellent engineering (Yamaha factbook 2011).

4.2 Case Ⅱ: Virgin Group

4.2.1 Introduction

The Virgin Group was found in 1970 by a twenty years old boy Richard Branson. Until now, it has developed into a leading international investment group and one of the world's most recognized and respected brands. And it still keeps on going. The Virgin Group achieves successful businesses in sectors ranging from mobile telephone, travel, financial services, leisure, music, holidays to health and wellness, which is really a wide scale and widely covered on different fields. According to the statistics on the official website, the group has approximately 50,000 employees in 34 countries and global branded revenues were around 13 billion pounds (21 billion US dollars) in 2011.

The Virgin Group believes in making a difference. What it seeks are value of money, quality, innovation, fun and a sense of competitive challenge. It is eager to provide its customers with a better experience by empowering the employees (http://www.virgin.com/about-us). The Virgin Group has its own vision and slogan but different subsidiary companies follow different ones. But they share the same spirit of creating sustainable lifestyles. "Our belief in the power of entrepreneurship and innovation help us rise to the new challenges that we all face" is what they keep in mind. They share the same vision which is contributed to creating sustainably happy and fulfilling lives (http://www.virgin.com/people-and-planet/our-vision).

The history of the Virgin Group started from 1971: the open of the first Virgin Record Shop in London. Then it developed and became Britain's first residential recording studio in 1972. In 1973 The Virgin Records label and Virgin Music Publishing launched in the UK with the release of Mike Oldfield's Tubular Bells. And till 1979, Virgin opened the first Virgin Megastore in London. In the same year, Virgin Books was launched to publish which were focused on music titles. This is the development of Virgin in the early stage, starting from the field of record and music. The preliminary appearance of a company is formed within the first several years.

Started from the 1980s, Virgin got stronger and became a competitive company. Virgin Games was founded in 1981. With vast progress, it was capable to buy Heaven in London. Moreover, with the launch of Virgin Atlantic Airways Company and Virgin Cargo in 1984 and the Virgin Airship and Balloon in 1987, Virgin stepped into travel and transportation field. In later 1980s, Virgin started to take part into the international business in American, Europe and Asia, but never stopped in extension, Virgin Hotels was born later at that time.

In 1990s, Virgin Atlantic continued to develop. It opened up more new flights around the world. Virgin Megastores, Publishing, and Virgin Videos kept on expanding. Virgin Drinks serving Virgin Cola, Vodka and soft drinks were new established during the same time. In 1996, Virgin Trains was built aiming to becoming the best service company in the UK. In 1996, Virgin Mobile was born. Up till now Virgin Mobile owns business all over the world, in Europe, America and Asia. In the new century, Virgin never stops its step in developing to a new field: Virgin Active, Virgin holidays, Virgin Cars, Virgin Blue, and Virgin Cosmetics set up. These years, with the rapid development in information technology, Virgin put lots of effort in this area. Virgin Group continues to complete itself as an all-powerful global company. From the new 20th century and up till now, Virgin has never stopped its extension and development,

but becomes stronger and stronger (http://www.virgin.com/history).

The extension type of Virgin Group is category extension which means the new products use the existing brand name but in different categories. The categories of Virgin Group are very board basically including five varieties in different fields: lifestyles, Media & Mobile, Money, Music and Travel.

Seen from the history and achievements of Virgin Group, it can be considered as a successful case. It might be difficult to find another company like Virgin which is a company almost covers all kinds of business. While nothing is perfect, one of the most famous failure examples of Virgin Group is Virgin Coke. It is not saying that Virgin is an unsuccessful company, but only taking the frustrated case of Virgin Coke into consideration.

4.2.2 The Parent Brand: Virgin Atlantic Airways Company

Looking back at the history of Virgin, the earliest brand of the Virgin Group is the field of music which included Virgin Megastore and Virgin Radio International. However, the most successful and well-known brand (or product) of Virgin Group is the field of travel, covering airways, travel agency, hotels trains and vacations. Virgin starts to “fly” with Virgin Atlantic Airways Company. And then it continues to fly higher and become stronger, but never ends. Consequently, airlines business of Virgin is considered as a parent brand of the Virgin Group.

The Virgin Atlantic believes that there is no 100% sustainable and perfect aircraft at the moment. They are trying their best to contribute to a more sustainable lifestyle by working towards an accessible and strong global economy through profitable and low carbon aviation. The vision of Virgin Atlantic is ‘flying high’ (http://www.virgin.com/people-and-planet/flying-high) while the mission is ‘to grow a profitable airline, where people love to fly, and where people love to work’. What’s more, the company focuses on the business and leisure markets and driving efficiency and effectiveness to achieve the successes in the industry (http://www.virgin-atlantic.com/en/us/allaboutus/missionstatement/index.jsp).

In 1984, Virgin Atlantic Airways was born. By the end of this decade, the company had flown over 1 million passengers and started shaking up services onboard by becoming the first airline to offer individual TVs to their business class passengers. In 1992, Richard sold Virgin Music to Thorn EMI and invested the proceeds into Virgin Atlantic. It was in the same year that first super economy service was launched. In

1999, the Virgin Group sold 49% of the company stock share to Singapore Airlines valuing a minimum of 1.225 billion pounds. The year of 2003 came with the launch of Virgin Atlantic's revolutionary Upper Class Suite, the longest and most comfortable flat bed and seat in business class. The new Virgin Clubhouse at Heathrow opened in March 2006 enjoying many unique features of the flagship lounge: a cocktail bar, a hair salon, a cowshed spa, a brasserie and a games room.

In 2007, Virgin Atlantic launched a brand new check in facilities at Heathrow Terminal Three. For economy and premium economy passengers, Zone A is now wider, brighter and more spacious, enabling passengers to check-in at kiosks in a faster and more stress-free way. Upper class passengers can come to the upper class wing via a private security corridor so that passengers can speed through the terminal to the Clubhouse more quickly than ever before. Virgin Atlantic operated a pioneering biofuel demonstration in 2008 with Boeing and engine manufacturer GE Aviation on a 747 between London and Amsterdam. This was the world's first flight using biofuel on a commercial airline. Virgin Atlantic has also ordered 15 of the 787-9 Dreamliners which burn around 27% less fuel per passenger than the A340-300, the aircraft it will replace in the Virgin Atlantic fleet.

The statistics also show that Virgin Atlantic makes great financial profits year by year, and keeps the vision and value in mind: Virgin Atlantic fly higher and higher till now. (http://www.virgin-atlantic.com/en/us/allaboutus/ourstory/index.jsp).

The statistics also shows that Virgin Atlantic makes great financial profits year by year, and keeps the vision and value on mind, Virgin Atlantic is the biggest success by far, with its £1.9billion of turnover roughly 50% of the entire Virgin Group's sales (David Taylor,2004). Virgin Atlantic flies higher and higher till now.

4.2.3 The Extended Brand: Virgin Cola

With the development and success of Virgin Group, Richard Branson showed his ambition for Virgin brand clearly in the mid-1990s (Tom Bower, 2005). He said, "I want Virgin to be as well-known around the world as Coca-Cola." In order to achieve this goal, the best way should be entering into the cola market. In 1994, with the cooperation of Cott Corporation, a Canadian private-label soda maker, Virgin Cola was first launched in the UK market. The new cola which was in 500ml bottles was marketed as 'The pammy'. Their curves were designed to resemble Pamela Anderson who was at the height of her popularity in the UK and USA at that time (Matt Haig, 2001).

The statistics went quite well in the first period of time when Virgin Cola was introduced to the market. Virgin Cola has 50% market share in the outlets. The Virgin Cola soon spread to other countries, France, Belgium, Switzerland and South Africa. The coke was served in Virgin Atlantic flights, Virgin Cinemas and also sold in the on-board shops on Virgin Trains. But the popularity of Virgin Cola was soon cold down. At the end of 1990s, Virgin Cola crashed in sales. One of the most important reasons is that Virgin Cola cannot compete with the leading brand in the coke industry, Coca-Cola. Coco-Cola is the world most famous coke brand as well as soft drinks with 125 years of history. It is also the world biggest beverage company. Coca-Cola is now selling in more than 200 countries with sales of 1.8 billion per day. This is a soft drink you can find almost everywhere: in grocery stores, restaurants, mass merchandisers and so on. The customers of Coca-Cola are largely responsible for the unrelenting success of the company (http://www.thecoca-colacompany.com). Numbers of researchers' studies have discussed the reasons why the brand is so famous and have concluded that the customers of Coca-Cola share a strong brand loyalty to the brand (Tucker, 1964; Jan, 2000 & 2001; Albert, 2001). Most of the customers think Virgin Cola is nothing special but coke, and they love Coca-Cola better.

While in 1998 Virgin group bought the stock of Cott Corporation and paid extra 25 million US dollars to rebuild Virgin Cola in order to replace Coca-Cola in the US market and fight with Coca-Cola. Virgin even prepared a 'fighting show' in the New York Times Square. After that, the sales of Virgin Cola raised a little bit in the market. However, the increase did not last long. By 1999, the statistics showed clearly that Virgin's plan to compete with Coca-Cola in coke market on both sides of the Atlantic did not go well. Compared to Coca-Cola's sales of 620.4 million pounds in the UK, Virgin's sales were only 28.6 million pounds. Even though Virgin Cola lowered the price by 10 to 15 percent compared to Coca-Cola, the sales were still poor, and did not make profit. Later, Virgin Cola was stopped being offering on Virgin Trains because nearly no one bought it (Matt Haig, 2001).

Afterwards, Virgin Cola slowly disappeared in the USA market and moved to other areas. The main reason is Virgin suffered too many disadvantages in the US market. (Claudio, 2001) The brand of Virgin Drinks and Virgin Cola are still there, however, Virgin Coke chooses other ways of development trying to avoid fierce competition with Coke-Cola. Virgin Cola is not as popular and famous as other Virgin brands, and is considered as a failure brand extension in Virgin Group.

5 Analysis

Aaker's brand equity model analyzes the relationship between the company and the customers. A brand's equity has an impact on the success of extensions (Pitta and Katsanis, 1995) while brand awareness as well as brand loyalty may influence brand extension, and also the parent brand. In the empirical part, two cases are given: Yamaha's successful case that sends its motorbike business soaring off the shelves along with another case, Virgin's dismal failure in extending its name into a new field, Virgin Cola. These two cases will be analyzed in this part using modified Aaker's brand equity model. Four categories of brand equity will be examined to illustrate the challenges and opportunities in category brand extensions.

5.1 Brand Awareness

Brand awareness reflects the presence of the brand in the mind of customers. It should occur regardless of environmental conditions such as time and locations. Aaker (1991) argues that one way to gain brand awareness when consider brand extensions is to put the same name on the other products. Yamaha is a very typical case using the brand strategy. Yamaha Motor well copied the name from Yamaha successful piano brand. Although the depth of Yamaha brand, in other words the likelihood between Yamaha music instrument and Yamaha Motor is not so obvious, the breadth of Yamaha's brand awareness has been tested since Yamaha had been tried stretching its brand categories fifty years before the first Yamaha Motor was made. Virgin Group also uses the same name in all of the products. This helps customers recognize the brand and consolidate the position. The first business that makes Virgin famous is music record, and the second is the airlines industry. Before the birth of Virgin Cola in 1994, the well-known Virgin was all about recording, megastore, travelling, games and books, but never soft drinks. The vision of Virgin--to create happy life and make it sustainable matches the product and image of them well. Although Virgin is a universal name for all the stuffs, people may not recognize Virgin Cola instead of its brand image as always.

Apéria (2001, cited in Kollander and Lejon, 2007) claims that brand awareness is essential for a company. Yamaha did very well in this part. Yamaha took advantage of its material expertise to create another line of metal equipment. Yamaha's success is a testimony to the quality and performance of its products, rather than through advertising which is a way to help lower the cost. It is the high-quality performance that manages to unite even the most diverse of products. Unlike Yamaha, who did not

position itself as a champion of consumer caused entering into troubled markets. Virgin Cola did not play a well part in brand awareness. Firstly, the extended product Virgin Cola could not communicate well with customers, the other brand or products of the original ones. Secondly, because of the new brand product, the changes of brand image decline the relationship between the company and customers, as the new product confuses the customers of the previous awareness of the company. Thirdly, customers believe that Virgin can provide them with a happier life in the field of music records, travelling and games, but they doubt whether it is able to provide them with a coke in good quality. As a result, the introduction of Virgin Cola confuses the brand awareness of Virgin brand and causes the problem of changing the positioning of Virgin. This is a risk of brand extension that leads to the failure of Virgin Cola at the beginning.

5.2 Brand Loyalty

Loyalty is a core dimension of brand equity and it demands a long term strategy from the company perspective (Aaker, 1991). As the largest musical instrument manufacturer, the trusted and admired Yamaha brand has definitely built up a strong loyalty among customers. The product itself, however, is not a daily consumption as fast-food or soft drink. The consumption of one product per person in a lifetime can be limited. The immediate effect of brand loyalty might not show such an advantage in Yamaha's case. Neither is proper to use Aaker's loyalty pyramid. But brand loyalty can bring value: The marketing costs can be reduced (Kotler, 1994). The marketing saved cost in building such a strong loyalty was transferred to invest in other music related area. The best example is the establishment of Yamaha Music School in 1954. By spreading and educating more music lovers was not merely Yamaha's social responsibility, but also its marketing strategy aiming to expand its potential consumers. A gradually increasing number of satisfied consumers are loyal to other brand products. The fast growing business in Yamaha Motor can hardly not be the result of strong brand loyalty built under the name of Yamaha. The excellent performance of Yamaha Motor reinforces Yamaha brand in contrary. The brand loyalty provides Yamaha with a good opportunity to enter the market and achieve success. Brand loyalty provides a very good opportunity for Yamaha to enter the market and succeed in the industry.

Compared to the success of Yamaha Motor, Virgin Cola is more likely a very surprising negative example. However the problem is not all in Virgin Cola, but chosen a bad competitor. Research points out that the loyalty of customers may reduce the evaluation of parent brand and extension as well (Hem and Iversen, 2003).

Seen from the case of Virgin Cola, Coca-Cola is the strongest and most popular soft drink brand in the international market, which has been lasted for about 120 years. The manager of Virgin Group clearly knows about that, and he even said "I want Virgin to be as well-known around the world as Coca-Cola." On the other hand, Coca-Cola firstly stepped into the market since 1880s. In 1998, Coca-Cola sold more than one billion eight-ounce drinks per day which is more than 236 million liters. As a result, Coca-Cola as world's biggest coke brand with more than hundreds years' history brand, surely wins a great group of customers. The strong loyalty of brand for Coca-Cola can be self-evident.

Whilst, Virgin Group was founded in 1970, even it rapidly developed to be one of the strongest companies in the UK, the original business of the company is music record, and the most famous brand image of Virgin is games and airlines. However, the company decided to participate in soft drink industry, against the powerful leader brand Coca-Cola. Although the price was 15–20 per cent lower than the leading brands, not enough consumers were won over. The loyalty of consumers to Coca-Cola provided strong competitiveness to the brand in the market competition. Consequently, Virgin cola is not a patch on Coca-Cola, because of lacking of loyalty customers. Also because of the loyalty, Virgin made wrong estimation of the market, thus finally lost to the opponent.

5.3 Brand Association

Brand association is defined by Aaker (1991) as anything linked in memory to a brand. Developing associations is worthwhile because when the attribute is meaningful, the association can directly translate into reasons to buy or not to buy a brand (Aaker, 1991). Aslo as Keller (1998) has pointed out, brand association can affect consumers' purchasing decisions.

As for its importance in brand extension, Aaker (1991) added that an association can provide the basis for an extension by creating a sense of fit between the brand name and a new product, or providing a reason to buy the extension. Brand attitudes are the other types which are defined as consumers' overall evaluations of a brand (Keller, 1998).Yamaha at first has an association with high techniques in manufacturing piano instruments that helps it to expand to other instruments like guitar. As the extended brand under the same name, Yamaha Motor is found to enjoy the associations with high-quality too. Additionally, the goal of Yamaha is to inspire people with the joy of music performed on musical instruments that capture the heart and soul of both the

player and audience. Yamaha is not only a piece of instrument, it is also a type of lifestyle. Yamaha Motor shares the similar attitudes with it. The mission of Yamaha Motor is to offer new excitement and a more fulfilling life for people all over the world. Besides the high-quality product, there is more that success requires. The close relationship between Yamaha's parent brand and the extended brand brings better brand associations in its brand extensions.

Brand associations have trade-off, too, as in the unsuccessful case of Virgin Cola. The original business of Virgin is far from soft drinks, which made it hard for customers to believe that the two totally unrelated products can share the same attitude. It was difficult for customers to imagine an airline company can produce good coke, neither a famous music record could do so. The customers' overall evaluations of the product-related image might never be "good taste coke", but happy holiday or beautiful music instead. Bear these in mind, customers chose not to take the new brand of coke whenever they associated the product with Virgin. There were not enough reasons to attract customers to buy the product. Thus, this can be considered as a psychopathy conflict of customers. It is exactly caused by the big differences between the parent brand and extended brand of Virgin.

5.4 Perceived Quality

Perceived quality refers to the customer's awareness of products' superior quality in relation to other products (Aaker, 1991). Even though perceived quality cannot be objectively determined because it is a perception, and because it is not simply satisfaction, according to Aaker, a strong brand with respect to perceived quality will be able to extend further, and will find a higher success probability than a weaker brand.

In Yamaha's successful case, Yamaha brand had already become a successful and strong brand before Yamaha Motor was born. Yamaha brand was marked as high-quality with unique traditional craftsmanship in acoustics and advanced digital technology. Based on either self-previous experience or feedbacks and comments from others, customers' expectation can be easier found to consider Yamaha Motor also perceived a high quality. Years later, Yamaha Motor has developed very successfully with high quality and good feedback as well. This enhances the perceived quality of original Yamaha brand in return.

In this case, the failure of Virgin Cola is not related to this point. In customers' mind,

Virgin is a famous and large-scale company with good reputation as well as good experience. So the customers can think about other Virgin products.

6 Conclusions

6.1 Conclusion

This paper analyzes the challenges and opportunities a company faces when implementing brand extension strategy. Four factors in Aaker's brand equity are used to compare two brand extension cases. The research question of this paper is:

What are the challenges and opportunities a company faces when implementing brand extensions strategy?

Challenges always exist in brand extensions no matter how successful the parent brand is. When stretching the brand to a new category, the company should be aware of consumers' strong brand loyalty to an existing brand. Take the example of Virgin Cola, the buyers' strong loyalty to Coca-Cola destroys the development of Virgin Cola. As a matter of fact, it is essential to think and act thoroughly when considering extending the brand into new market and make sure the product is able to compete with the competitors. Secondly, the unrelated relationship between the extended brand and the parent brand may cause restriction regarding the positioning of the new brand. Virgin's case illustrates that the big change from entertainment to soft drink confuses the consumers. It is not easier for consumers to associate it with the original slogan. Furthermore, it causes a psychopathy conflict to customers.

Opportunities can be found accompanied by challenges at the same time. Firstly, the loyalty of an existing welcomed brand can make good contribution to brand extension. Yamaha Motor takes good advantage of the loyalty of parent brand's customers. Customers trust the new brand because of their love for the parent brand. The association of the parent brand, in addition, can lower the risk of producing new brand to the market if the parent brand's image is positive and well related.

Regardless of the result of each brand extension in the case, it is a good way to use the same or at least related brand name as the original brand while extend the brand. This is an efficient way to enter the new market, because the original brand name is already in the mind of the customers. Both Yamaha and Virgin intend to use this strategy to attract customers.

From what has been discussed in the analysis, perceived quality is the only category that both Yamaha and Virgin have in common. The quality and reputation of parent brand makes great influence on the extension brand. Good brand image of the parent brand can bring benefit to the development of the extension brand. Conversely, negative impact will affect the new brand. Both companies enjoy a very good brand reputation, but the result of brand extension is completely different. Thus, it is not easy to tell in category brand extension whether the perceived quality might be the challenge or opportunity.

6.2 Implication

By comparing the two cases, Virgin Group and Yamaha Corporation, it can be seen that brand equity plays a very important role in the success of brand extension. There is a considerably big difference between different cases when taking the four elements of brand equity into consideration, together with other factors which might also influence the result of brand extension. In addition, it is interesting to notice that the failure of Virgin Cola in Virgin's case doesn't have a long lastingly negative effect to the whole Virgin Group. The failure of Virgin Coke seems not to have such a negative impact to the Virgin Group. Because of the huge gap between the parent brand product and the extended brand product, one failure does not cause overwhelming destruction to the parent brand, since the extended brand doesn't built a very close relationship with the parent brand. That is a very important fact for future research to distinguish between different types of brand extension in order to precisely analyze the process of brand extension.

In order to maximize the positive impact while minimize the negative impact of brand extension, the manager or the leader of the company should better take a thorough and careful investigation before apply the brand extension strategy. Together with the four elements in brand equity model, other factors should also be taken into consideration, including industrial develop trends, organizational cultural and many other factors. Yamaha did a very well and comprehensive marketing research before entering the motor industry. Only after fully preparation did the leader make the final decision to extend the parent brand to motorbikes. On the contrary, the Virgin Group underestimated its competitor. Without a detailed and practical long-term oriented marketing plan before the brand extension, Virgin Cola ended its story in failures.

6.3 Limitation

Several potential areas of limitation for this paper could be the following:

Firstly, only two companies are analyzed. The small amount of samples might limit the result. Besides, the two cases are category brand extension which is only one type of brand extension. It will be interesting to analyze other types of brand extension, like line extension or vertical extension. Thirdly, this paper uses Aaker's brand equity to implement in the analysis part. It concentrates on the company brand that might affect the success the brand extension. Other factors, however, like the company size, interior management and product market share can also have influence too. Furthermore, only secondary data is implemented is this paper. And it is evaluated only by the authors, which might limit the objectivity of this paper. Therefore, further researches can be conducted with primary data with different perspectives towards this topic.

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