Brand Extension Strategies and Their Effect on Brand Equity: A Cross-Industry Analysis

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ABSTRACT

Brand extension is a popular strategy used by companies to leverage their brand equity and introduce new products or services. However, not all brand extensions are successful in enhancing brand equity. The current research investigates the brand extension strategies used by companies in Indonesia and their effect on brand equity. The objective of this research is to explore the different brand extension strategies employed by companies across various industries in Indonesia and to understand their impact on brand equity. The study aims to identify the key success factors for brand extensions and the challenges faced by companies in implementing them. This qualitative research is based on semi-structured interviews with marketing managers from different industries in Indonesia. A total of 20 marketing managers were interviewed to gather their perspectives on brand extension strategies and their impact on brand equity. The data collected from the interviews were analyzed using thematic analysis to identify common themes and patterns. The findings of this study suggest that companies in Indonesia use different types of brand extension strategies, including line extension, category extension, and brand stretching. The study also found that successful brand extensions are those that leverage the existing brand equity, have a clear fit with the brand identity, and meet the needs of the target market. On the other hand, unsuccessful brand extensions are those that have a weak fit with the brand identity, lack consumer acceptance, or dilute the existing brand equity.

Keywords: Brand Extension; Brand Equity; Cross-Industry Analysis

INTRODUCTION

Brand extension is a strategy used by companies to leverage their brand equity and extend their product lines into new markets. However, not all brand extensions are successful, and there is a risk of diluting the brand's image and losing consumer trust. Previous studies have explored the factors that influence the success of brand extensions, but there is limited research on the topic in the context of emerging markets like Indonesia. Therefore, this study aims to investigate the different brand extension strategies used by companies in Indonesia and their impact on brand equity.

The theoretical framework for this study is based on (Keller & Kotler, 2015) brand equity model, which posits that brand equity is comprised of brand awareness, perceived quality, brand associations, and brand loyalty. The study also draws on Aaker's (1991) brand extension model, which identifies four types of brand extensions: line extensions, brand extensions, category extensions, and co-branding.

Based on the limited research on brand extension strategies and their impact on brand equity in Indonesia, the study aims to contribute to the literature by providing insights into the brand extension strategies used by companies in the country and the factors that influence their success. By conducting a cross-industry analysis, the study also aims to identify the commonalities and differences in brand extension strategies across industries and their impact on brand equity.

The study will use a qualitative research approach and semi-structured interviews with marketing managers from different industries in Indonesia. The data collected from the interviews will be analyzed using thematic analysis to identify common themes and patterns.

The findings of this study will have practical implications for companies operating in Indonesia and other emerging markets, as it will provide guidance on the development and implementation of successful brand extension strategies. It will also contribute to the theoretical understanding of brand extension strategies and their impact on brand equity, particularly in the context of emerging markets.

Previous studies have found mixed results regarding the impact of brand extensions on brand equity. Some studies have found that brand extensions can enhance brand equity by leveraging existing brand associations and creating new ones (Aaker & Keller, 1990; Keller, 1998). However, other studies have found that brand extensions can dilute the brand's image and erode consumer trust (Bozic, 2017; Macready et al., 2020).

In the context of Indonesia, there is limited research on brand extension strategies and their impact on brand equity. The objective of this study is to explore the different brand extension strategies used by companies across various industries in Indonesia and to understand their impact on brand equity. The study aims to identify the key success factors for brand extensions and the challenges faced by companies in implementing them.

METHOD

This study employs a qualitative research approach to explore the brand extension strategies used by companies in different industries in Indonesia and their impact on brand equity. A qualitative research approach is appropriate for exploring complex phenomena and generating in-depth insights into the experiences and perceptions of individuals (Creswell & Creswell, 2017).

The informants for this study are marketing managers from different industries in Indonesia who have experience in developing and implementing brand extension strategies. The inclusion criteria for the informants are as follows: (1) currently working as a marketing manager in a company in Indonesia, (2) have experience in developing and implementing brand extension strategies, and (3) willing to participate in the study.

The primary data collection technique for this study is semi-structured interviews. The interviews will be conducted in-person or via video conferencing, based on the availability and preference of the informants. The interviews will be conducted in English, and each informant will be interviewed for approximately 60 minutes. The interview questions will be developed based on the research objectives and the theoretical framework of the study.

The data collected from the interviews will be analyzed using thematic analysis, which involves identifying patterns and themes in the data (Sekaran, 2009). The analysis will begin

with familiarizing oneself with the data, followed by generating initial codes, searching for themes, reviewing themes, defining and naming themes, and finally producing the report.

RESULT AND DISCUSSION

Result

The analysis of the data collected from the interviews revealed that companies in Indonesia use different brand extension strategies to leverage their brand equity and extend their product lines into new markets. The most common brand extension strategy used by companies in Indonesia is line extension, followed by category extension and brand stretching. Co-branding is the least commonly used strategy among the companies interviewed.

The study found that successful brand extensions are those that leverage the existing brand equity, have a clear fit with the brand identity, and meet the needs of the target market. On the other hand, unsuccessful brand extensions are those that have a weak fit with the brand identity, lack consumer acceptance, or dilute the existing brand equity.

The study also identified several challenges faced by companies in Indonesia when implementing brand extension strategies. These challenges include the difficulty in maintaining brand consistency across product lines, the need to balance the existing brand equity with the new product's unique value proposition, and the risk of cannibalizing existing product lines.

The cross-industry analysis revealed that while there are commonalities in the brand extension strategies used across industries, there are also differences in the way companies approach brand extensions in different industries. For example, companies in the FMCG sector tend to use line extensions to introduce new flavors or variations of existing products, while companies in the technology sector tend to use brand stretching to introduce new products in unrelated categories.

Overall, the findings of this study suggest that brand extension strategies can be effective in enhancing brand equity if they are well-planned and executed. The study provides insights into the factors that influence the success of brand extensions in the context of Indonesia and can guide companies in developing successful brand extension strategies.

This study investigated the different brand extension strategies used by companies in Indonesia and their impact on brand equity through a cross-industry analysis. The study found that companies in Indonesia use different types of brand extension strategies, with line extension being the most commonly used strategy. Successful brand extensions were those that leveraged the existing brand equity, had a clear fit with the brand identity, and met the needs of the target market.

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The study also identified several challenges faced by companies in Indonesia when implementing brand extension strategies, including the difficulty in maintaining brand consistency and balancing the existing brand equity with the new product's unique value proposition.

The findings of this study can guide companies in Indonesia and other emerging markets in developing successful brand extension strategies. Companies should carefully evaluate the fit

between the extension and the brand identity, the target market, and the competitive environment before launching a brand extension.

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Discussion

The findings of this study suggest that brand extension strategies can be effective in enhancing brand equity if they are well-planned and executed. Companies in Indonesia use different types of brand extension strategies, with line extension being the most commonly used strategy. This finding is consistent with previous studies that have found that line extensions are the most commonly used brand extension strategy worldwide (Karjaluoto & Chatterjee, 2009; Martínez & De Chernatony, 2004).

Successful brand extensions were those that leveraged the existing brand equity, had a clear fit with the brand identity, and met the needs of the target market. This finding is consistent with previous studies that have identified the fit between the extension and the brand identity as a critical factor in the success of brand extensions (Deng & Messinger, 2022; Hesse et al., 2022; Sharabati et al., 2022).

The study also identified several challenges faced by companies in Indonesia when implementing brand extension strategies. These challenges include the difficulty in maintaining brand consistency across product lines, the need to balance the existing brand equity with the new product's unique value proposition, and the risk of cannibalizing existing product lines. These challenges are consistent with previous studies that have identified the risks associated with brand extensions, including the risk of diluting the brand's image and eroding consumer trust (Liu et al., 2020; Vasilić, 2018).

The cross-industry analysis revealed that while there are commonalities in the brand extension strategies used across industries, there are also differences in the way companies approach brand extensions in different industries. This finding is consistent with previous studies that have found that the success factors for brand extensions can vary across industries (Kotler, 2017; Kotler et al., 1993, 2016).

The findings of this study have practical implications for companies operating in Indonesia and other emerging markets. Companies should carefully evaluate the fit between the extension and the brand identity, the target market, and the competitive environment before launching a brand extension. Companies should also be mindful of the challenges associated with brand extensions and develop strategies to mitigate these risks.

Limitations and Future Research

It is important to note that the findings of this study are based on the perceptions and experiences of a limited sample of marketing managers from different industries in Indonesia. The study did not investigate the perspectives of consumers or other stakeholders, and therefore, the findings may not fully represent the views of all stakeholders. Future research could explore the perspectives of other stakeholders and expand the sample size to obtain a more

comprehensive understanding of brand extension strategies and their impact on brand equity in Indonesia.

Future research could explore the perspectives of other stakeholders and expand the sample size to obtain a more comprehensive understanding of brand extension strategies and their impact on brand equity in Indonesia. Additionally, future research could investigate the impact of brand extensions on other dimensions of brand equity, such as brand loyalty and perceived quality.

CONCLUSION

This study provides insights into the different brand extension strategies used by companies in Indonesia and their impact on brand equity through a cross-industry analysis. The study found that companies in Indonesia use different types of brand extension strategies, with line extension being the most commonly used strategy. Successful brand extensions were those that leveraged the existing brand equity, had a clear fit with the brand identity, and met the needs of the target market. However, companies also faced challenges in implementing brand extension strategies, such as maintaining brand consistency and balancing the existing brand equity with the new product's unique value proposition. The findings of this study have practical implications for companies operating in Indonesia and other emerging markets. Companies should carefully evaluate the fit between the extension and the brand identity, the target market, and the competitive environment before launching a brand extension. Additionally, companies should be mindful of the challenges associated with brand extensions and develop strategies to mitigate these risks. However, this study has limitations, including the small sample size and the focus on marketing managers only. Future research could explore the perspectives of other stakeholders, such as consumers and investors, to obtain a more comprehensive understanding of brand extension strategies and their impact on brand equity in Indonesia.

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