

# Brand Extensions: What Works and What Doesn't

*Qaiser Janjua\**

## **Abstract:**

*This research paper summarizes the importance of key aspects affecting consumer evaluations of brand extension by synthesizing previous research in this field. Literature review highlights four main areas of importance including the nature of the brand extensions, extension's effect on parent brand, antecedents of consumers' evaluations of the extension, and the way the information about brand extension should be conveyed. These findings are then applied to the extensions of the brand Caterpillar and its hypothetical extension of work jeans as a dissimilar extension. Theoretical implications elicit remarkable revelations and strategic implications for brand managers in carrying out successful brand extensions in similar and dissimilar categories.*

**Key words:** Brands, Brand Extensions, Marketing, Brand Dilution

## **Introduction**

Brand extension has been a popular strategy for entering into new segments by extending brands into similar or new product categories through leveraging existing brand perceptions and image. In other words, it is a marketing endeavor that links and transfers existing positive consumer perceptions of a parent brand with the new product thereby capitalizing on existing emotional relationship and heritage of the parent brand. There are several managerial perspectives behind brand extensions, however, the basic idea is to capitalize on the existing positive brand associations which signify consumer trust and commitment. This is done by introducing new brands in

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\* Qaiser Janjua, Department of Business Administration, Air University, Islamabad, Pakistan.  
E-mail: [qaiser.janjua@mail.au.edu.pk](mailto:qaiser.janjua@mail.au.edu.pk).

similar or dissimilar categories in order to achieve diversification and most importantly generate new sources of revenues and increase market share. Extending a brand leads to economies of scale, reduced marketing costs and lesser time for market adaptability as compared to introducing a new brand. Brand extensions are also a profitable strategy for franchise development and licensing.

For decades, firms have been employing brand extensions and the trend is on the rise. Aaker (1990) found that from 1977 to 1984, approximately 175 new brands were launched in the United States each year and out of which 40% were brand extensions. Similarly, Murphy (1997) in his study found that 95% of the 16,000 new brands introduced in the US every year were brand extensions. Aaker (1990) revealed that US companies spent around US\$ 50 Million per year for launching new brand extensions. Nevertheless, the hype in brand extension has led many brand extensions to face a disastrous failure where not only the brand extension entailed a negative perception and caused significant monetary losses but also diluted the overall brand equity of the parent brand. Ernst, Young and Nielsen (1999) in their study covering several countries showed that brand extensions in fast-moving consumer goods (FMCG) categories had a failure rate of about 80%. This shows that brand extension is a double-edged sword and some industry analysts call extension as a low-risk branding strategy but also term it as a gamble.

Since brand is an emotional affiliation between the company and its customers, as a result, the success of extension is dependent on how consumers evaluate it. Therefore, it is essential to understand the factors affecting consumer evaluations of brand extension. During the past three decades, considerable research has been conducted in exploring and understanding factors influencing brand extensions which provide key insights in generalizing success strategies for brand extension. Consequently, the purpose of this article is to summarize and synthesize key findings of prior research in the area of brand extension by reviewing important articles and applying relevant insights to a dissimilar brand extension in a hypothetical scenario. The chosen brand is an industrial giant i.e., Caterpillar and the application revolves around its existing consumer extensions as well as the proposed extension of work jeans.

## 2. Literature Review

### *Brand Extension Characteristics*

Aaker and Keller (1990) presented some of the most useful concepts in the brand extension literature. Their study which involved hypothetical brands revealed a number of useful concepts including a concept of 'fit'. They found that the brand extension will carry parent brand positive associations only if there was a 'fit' between the two product classes. They elaborated different dimensions of 'fit' including the concept of 'Transfer,' 'Complement' and 'Substitute.' They also found that when consumers perceived that the parent company had necessary capability in the first product class to launch a brand extension in a new product class then consumers evaluated that extension positively regardless of the quality of the parent brand. For instance, Honda generators gained popularity because consumers believed that the company had necessary engineering capability to launch a quality product in a new segment. However, if Honda had introduced sneakers then it would have resulted in a failure. In other words, parent brand positive associations are successfully transferred whenever there is a perceived ability of the firm to enter the new category.

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Similarly, 'complement' is basically how the parent brand and the brand extension enhance each other such as addidas sneakers and addidas tights provide common application and there is a 'fit' between the two brands. It means that greater the element of complement exists between the parent brand and the brand extension, better is the extension evaluated. Moreover, literature reveals that presence of either the element of 'Complement' or 'Transfer' was adequate for a successful extension. The effect of the element of 'Substitute' was not found to be of significance. Another dimension of 'fit' was the perceived difficulty of making an extension. Consumers negatively evaluated the brand extension when a quality brand name was extended into a trivial and easy-to-make product category. Bottomley and Holden (2001) secondary research of several replication studies strongly supports the findings of Aaker and Keller's (1990) model which concludes that the 'fit' between the parent brand and the extension is reliant on dimensions of 'fit' (complementarity and

transferability of assets and skills) and the difficulty of making an extension. Broniarczyk and Alba (1994) further elaborated the concept of 'fit'. They explain that 'fit' is dependent on a variety of brand specific related associations that are present in the minds of the consumers and when these associations are prevalent in the extension product category then a brand is perceived positively.

Therefore, brand can be extended to both similar as well as to a dissimilar category where the salient brand associations are most relevant. They found that Nike Wingtips were perceived negatively because irrelevancy of Nike's 'athletic' image in a more 'formal' category. However, Froot Loops cereal which depict image of 'sweet, flavor and kids' was evaluated positively by consumers when it was extended to lollipops and popsicles, a dissimilar category. In other words, brand-specific associations were found to be key elements which dominated brand effect and product category similarity. According to the authors, brand concepts are the brand's distinctive associations that are an amalgamation of particular product attributes, consumer benefits and marketing communication that highlight these associations into concrete or abstract fashion. They found that brands which were regarded with respect to their product class category (functional aspects) were difficult to extend to dissimilar categories whereas prestige brand names which were associated with luxury and status (e.g., Rolex) were easy to extend to similar or dissimilar categories (e.g., bracelets) because they not only hold the functional aspects but also depict prestige which reside on a more emotional and superior level and were dominant than functional associations.

Brodie & Glynn (1998) replicated Broniarczyk and Alba (1994) study and found similar results that relevant brand-specific association help increase 'fit' and the brand could be extended to far off categories. An example in this regard is the Jif bathroom cleaner for which the ad says 'cleans and shines without harsh scratching' into glass cleaners and cleaning cloths since the brand specific associations between the two categories become relevant. Farquhar & Herr (1992) provide further elaboration of this concept that brands which are known for their tangible product associations are difficult to extend on an abstract basis but can be extended if their tangible attributes are highly desirable in the product category and vice versa.

Examples of such extension includes Toyota introducing Forklifters thereby extending salient brand associations such as superior weight-lifting capacity, powerful engine and other concrete features which are highly desirable in the forklifter category. This leads to the fact that a 'fit' between the parent brand and the extension is also dependent on the type of important attribute(s), tangible or abstract, dominating the product category.

Bridges et. al (2000) further clarified the concept of 'fit' by introducing a concept of 'Coherent Categories' where consumer particular needs bring together different product categories. For instance, Bombardier aerospace products such as small commercial planes and Bombardier chronometer are coherent in a way that they fulfill the needs of pilots. Martin et al. (2005) recently introduced a goal-derived categorization framework according to which consumers arrange brand information and form attitudes in the memory related to goals and as long as products having similar name have common goals, positive perceptions of 'fit' are generated. In their study, participants were confused to know that Reebok would launch leather shoes and Benetton would introduce athletic wear. As an example, McCain Pizzas, McCain French Fries and McCain Iced share common link of an 'American Food' that provide its customer's a more abstract and emotional goal of shared values i.e. 'American Lifestyle' and/or 'Patriotism'. However, this goal derived theory can be termed as the broadest stage of brand extension as according to Kapferer (1997), "the last and broadest stage of brand extension is when the brand signifies a common spirit, an ambition and an allegiance to shared values". In other words, it's a subculture of consumption that binds categories and consumers together.

Apart from product and brand issues, Taylor and Bearden (2002) found that the price of brand extension had more positive effect on the quality of dissimilar extensions in contrast to similar extensions. In addition, they found that a higher initial price for a brand extension had a positive impact on perceived quality evaluations for dissimilar extensions but not similar extensions. Although the study did not consider certain factors such as the marketing communication system for that particular brand, however, the results imply that if management is looking for leveraging its brand equity in a more effective way then it should consider dissimilar product categories and position the new extension as relatively high-priced.

*Parent Brand Characteristics and Dilution*

The supremacy of parent brand is extremely important in brand extensions. Keller and Aaker (1992) found that high quality brands such as Lever Brothers were perceived as trustworthy, expert and more reliable. Reast (2005) in a UK study found that brands with higher trust tended to show favorable consumer evaluations for line, similar and dissimilar extensions. Hem et al. (2000) also showed that consumer belief in strong and high quality brands compensated intervening factors such as lack of direct product knowledge in evaluating a brand extension. Fombrun and Van Riel (1997) illustrated the concept of brand 'reputation'. They posit that reputation is an outcome of consistent product quality, the firm's marketing activities especially relationship marketing that provide consumers with greater risk relief and encourage more positive evaluations than brands of lower reputation and therefore brand extensions are also evaluated in terms of parent brand reputation. Keller and Aaker (1992) also generalize that high 'quality' and 'trustworthy' brands hold strong brand associations and these associations are easily transferable to diverse categories and resist dilution. However according to Park et.al (1991), there exists a border line where the brand concept consistency plays a major role in determining the appropriateness of similar and most importantly dissimilar extensions. For instance, 'Casio Calculators' were perceived favorably because of its relevancy of the concept of 'accuracy' between watches and calculators, however, 'Pond's Toothpaste' extension failed because of irrelevancy of Pond's brand concept with respect to the overall concept a Toothpaste.

In addition, Farquhar & Herr (1992) found that a prototypical brand which typifies a particular product category is difficult to extend because of its narrow brand meaning. For instance, Intel had to pull out from consumer electronics, toys and digital cameras because Intel was perceived to be particularly limited to computer processor technology. According to Farquhar & Herr (1992), these master or prototypical brands hold a firm association in the consumers' minds in a way that whenever they look for a particular attribute or a benefit, that particular association brings master brand to the mind.

The literature research findings also show some direction in terms of effect of unfavorable brand extensions on parent brand. Romeo (1991) and Keller and Aaker (1992) studied the effects of unsuccessful extensions on evaluation of a parent brand and found no negative or positive effects when the extension was in dissimilar category. These studies show that despite receiving and processing negative information about a brand extension, consumers did not evaluate the parent brand name differently. Loken and John (1992) study also shows that parent brand dilution occurs when extension was in the similar product category i.e., when extension generated expectations inconsistent with the core brand. In other words, similar extensions represent an area where the company is deemed to have a considerable expertise and consumer confidence in the parent brand is more likely to be weakened as a result of a failed similar, rather than dissimilar extension. In addition, risk of brand dilution is greater for certain beliefs for very specific and distinctive attributes (e.g., softness) than beliefs related to more global and abstract attributes (e.g., quality). Keller and Sood (2003), posit that brand evaluations are only diluted when the extension is in similar category but not when extensions are in a dissimilar category. They posit that overall, parent brands are less vulnerable to failed brand extensions. Zimmer and Bhat (2004) also prove that attitude toward the parent brand is similar or harmless when extended to dissimilar categories thereby supporting the results of Keller and Aaker (1992) that failure of brand extension usually does not affect parent brand evaluations.

Apart from category similarity, certain brand moderating factors also interplay for dilution. According to Chang (2002), 'flagship' or 'original products' are relatively immune to dilution as they are shielded on account of having well-established brand knowledge structures. Sheinin (2000) shows that high familiarity of the parent brand leads to less dilution by an unfavorable extension than unfamiliar parent brands. On the basis of previous literature, it can be reasonably concluded that high quality, strong, favorable and trustworthy brands are less prone to dilution especially when extensions are made into dissimilar product categories keeping in view consumer factors such as consumer loyalty and experience, diagnosticity and inconsistency.

### *Consumer Characteristics*

Literature research also reveals the role of certain consumer characteristics related to brand extension. According to Muthukrishnan and Weitz (1990), success of brand extension depends on the consumer knowledge. 'Expert' consumers emphasize more on concrete and functional commonalities between the parent brand and the extension while 'Novice' consumers evaluate more on surface features such as shape, size, color, etc. and perceive greater 'fit' between similar extensions. Broniarczyk and Alba (1994) also demonstrate that perception of 'fit' relies on consumers' knowledge about the parent brand and in the absence of such knowledge they rely on apparent image and features of the product, level of awareness and more abstract associations in evaluating an extension. Kirmani et al. (1999) show that overall 'owners' of the parent brand have favorable perceptions towards line extension than 'non-owners'. The study also shows that, 'owners' are more reactionary towards upward and downward stretch and react negatively towards downward stretch of prestige brand such as Kelvin Klein's downward extension. Ahluwalia and Gurhan-Canli (2000) uncover the fact that extension's negative evaluations depend on the extent of consumers' involvement with the experience. When consumers are less motivated or the buying decision does not require high involvement then negative evaluations occur only with similar extensions as they consider dissimilar extensions to be 'exceptions' and give them a 'benefit of doubt'. In addition, they found that when consumers engage in active processing of negative information about the extension then negative evaluations occur regardless of extension similarity.

### *Brand Extension Communication*

Literature research also provides valuable insights in developing effective communication strategies for brand extensions. Aaker and Keller (1992) posit that most effective communication strategy for improving consumers' evaluations about a brand extension is to highlight particular extension attributes for which consumers are concerned. However, Keller (1993) explains that effective communication strategy is dependent on the salient associations and the nature of the brand-to-extension relationship. According to the author, recognizing already existing salient parent brand



associations and establishing relevant explanatory links in the extension category is likely to home success. In addition, according to Bridges et al. (2000), attribute illustrating communication strategy is more likely to bridge the parent-extension gap. They also posit that 'Elaborational Communication Strategy' is effective when parent brand non-attribute associations are extended to a category having no concrete attributes in common. Similarly, 'Relational Communication Strategy' is best suited when the parent brand non-attribute associations are extended to a category with physical attributes in common. Lane (2000) demonstrates that for slightly incongruent extensions, exposures to both peripheral and benefit sought results in improvement in the consumer perception of 'fit'. In case of drastically incongruent extensions, repeated advertising strategy focusing on benefits reduces incongruency. Finally, Taylor and Bearden (2003) have shown that large advertisement spending was evaluated positively for similar extensions but not for dissimilar extensions as consumers became skeptical about the quality of a dissimilar extension.

#### *Brand Extension Application*

In this section, the concepts and insights from the literature review on brand extension are being applied to a real brand. The chosen brand is Caterpillar, one of the leading brands in earthmoving industrial, construction equipment as well as in consumer segments of work boots. Over the years, Caterpillar has become one of the most successful brands in extending its products into similar and dissimilar categories. The literature research shall be applied to Caterpillar's extension into dissimilar categories.

#### *Caterpillar and its Brand Extensions*

Caterpillar was founded in 1890 by Benjamin Holt and Daniel in California, USA as a manufacturer of steam tractors for farming using self-laying tracks. Through continuous innovation in its core technologies and adherence to strict quality control along with supporting marketing programs, strong customer relationship management and Caterpillar tractor usage in eras and situations such as First World War and its participation in mega projects such as Golden Gate Bridge, Channel Tunnel and Three Gorges Dam in China not only earned the company a leader in earthmoving

machinery and equipment segment but also brought in an unarguable credibility and reputation to the company. Its continuous modernization and diversification by extending its product line length through several joint ventures and transfer of technologies and several manufacturing alliances in different parts of the world has earned the company a strong footing in each of the industrial product category. The company also moved to other areas including Caterpillar Financial Services, Caterpillar Insurance and Caterpillar Service Technologies mainly to support its dealers around the world. In addition, Caterpillar also established Caterpillar Logistic Services division that provides logistics solutions to Caterpillar itself and other companies as well. In late 80s, Caterpillar started building a strong identity system where the CAT trademark was used consistently in order to inculcate responsibility and pride in its stakeholders. Brand consistency stressed with specific guidelines for logo use, signage and design issues resulted in enormous brand recognition.

Today, Caterpillar has around 75,000 employees, almost 100,000 dealers, and thousands of agents across six continents. It has 280 operations in 40 countries and more than 50% of its sales come from outside the US, where more than 2 million Caterpillar machines are at work each day, clearly depicting its position as a global supremacy in earthmoving and industrial machinery. Caterpillar's continuous success in its businesses has earned it strong, unique and favorable associations in the minds of consumers worldwide. In other words, years of brand building efforts resulted in development of strong brand knowledge structures which clearly translate into 'durability, reliability and ruggedness' on a concrete level as well as 'quality, credibility, consideration, security, trust and pride' on a more abstract level. In 1994, the company moved into consumer-oriented, work wear products by successfully leveraging these associations into its new apparel brand extensions and earned record sales of \$1 billion worldwide. Its success in work boots has been rated as one of the most successful brand extension in the history of branding where a total of 56 million footwear were sold in 1994 alone. Its recent introduction of heavy bike known as 'CAT Chopper' has attracted immense popularity and according to industry analysts, CAT Chopper is the toughest and most rugged bike ever produced. In 2005, Caterpillar further extended its brands that included battery-operated light and sound and remote-and-radio-controlled vehicles, bicycles, tricycles,

and wagons, sandbox toys, traditional and interactive books, and role-play toys. Caterpillar also introduced CAT eyewear by introducing industrial safety glassed. Caterpillar's unique success and prominence in two different segments makes it a most relevant brand to apply researchers' findings and thereby unveiling underlying phenomena of its brands success. Therefore, a hypothetical extension of CAT Work Jeans is proposed and evaluated in the light of literature research and Caterpillar image as well as its existing extensions.

### **3. Caterpillar Consumer Extensions and Proposed Work Jeans Brand**

In terms of parent brand dilution, it can be implied from Keller and Aaker (1992), Fombrun Van Real (1997), Hem et. al (2000) and Reast (2005) studies that Caterpillar brand is known for high quality, credibility and enjoys high reputation and holds strong and favorable brand associations. It can be implied that owing to such a high quality image it became easier for Caterpillar to extend to diverse and distant categories such as work boots, eyewear etc. It can also be implied that these beliefs provided customers with greater risk relief and therefore compensated FMCG consumers' lack of product knowledge and other intervening factors in evaluating its dissimilar extensions.

Over the years, Caterpillar has extended into similar product categories such as machines, engines, power generation, tools, turbines, allied equipment, used equipment, technology and OEM solution in order to diversify and build an 'out-of-the-box' image and diminish a stigma of a prototypical brand that was related to construction machinery only. In case of the industrial markets, it is still very much known for its flagship product category of earth moving equipment, however its skillful strategy of highlighting more abstract associations such as 'durability and ruggedness' and then transforming into a 'lifestyle' image has led it to broaden its brand meaning. In other words, these 'small steps' have moderated Caterpillar's 'prototypicality' image to quite an extent and has extended its brand meaning boundaries which is in conjunction with the studies of Furquahar & Herr (1992). This means that Caterpillar can extend to areas where its well-developed parent brand theme is applicable. For instance, the 'CAT Chopper', a recently introduced heavy bike is like a 'two-wheeled offspring

of a bulldozer'. These boundaries are very limited to other renowned earthmoving equipment brands such as Komatsu because of its limited and concrete brand associations built overtime. Therefore, CAT Work Jeans will be portraying the same image of 'durability and ruggedness' as well as 'lifestyle'. However, even if this dissimilar product extension totally fails in the eyes of the consumers, the Caterpillar brand image is likely to be unharmed according to the findings of Romeo (1991) and Keller & Aaker (1992). Applying Loken and John (1992) studies, it can be inferred that Caterpillar's brand image could have been seriously damaged if its line extension such as excavators had failed because buyers in industrial segments, who have immense faith in Caterpillar's core expertise in manufacturing earthmoving equipment, would have been certainly taken aback by a nearby extension failure and there would have been a greater chance of parent brand dilution. On the other hand, Jeans or other Caterpillar's apparel brand which do not depict Caterpillar's core competency image of industrial machinery is unlikely to hurt Caterpillar's overall image as consumers would find it hard to establish a negative relationship between the two brands which is in accordance with the findings of Loken and John (1992).

Further, in light of Keller & Sood (2003), Zimmer and Bhat (2004), Chang (2002) and Sheinin (2000) findings, it can be reasonably assumed that the strong brand image of Caterpillar brand shall remain unharmed if the existing and proposed brand extension of work jeans fails. Consequently, it can be implied that Caterpillar years of brand building activities have led its customers develop well-learned brand knowledge structures that can withstand negative impact of failed brand extension along with the fact that consumers will be less diagnostic due to parent brand and extension dissimilarity as well as they shall be more forgiving in case of failure of proposed brand. In terms of brand extension characteristics, Aaker & Keller (1990) concept of 'Complementarity' can be applied where the existing brand extensions and the proposed work jeans are likely to provide an opportunity to the users of Caterpillar machinery and equipment, employees as well as its consumers to wear jeans together with the parent brand as well as with other extensions. For instance, the consumers would be able to complement Caterpillar boots, apparel, eyewear and proposed jeans together thereby enjoying an 'absolute' brand-self image. The concept of

transferability is applicable to Caterpillar which has a strong image of engineering capability, durability, technology and expertise to introduce a quality and reliable consumer products such as other extensions and work jeans. Additionally, in accordance with Broniarczyk and Alba (1994) and Brodie and Glynn (1998) studies, Caterpillar's salient brand associations such as 'durability and ruggedness' were successfully transferred to its existing extensions and therefore can be transferred to work jeans product category that shares similar associations.

It can be implied by studying Park et. al (1991) and Farquhar & Herr (1992) results and comparing it with Caterpillar over all brand image that Caterpillar brand is relatively more of functional brand than a prestige brand on a continuum. Over the years, its communication and marketing strategy has strongly elaborated attributes that translated into superior performance under extreme conditions rather than prestige and therefore these salient and tangible associations were successfully transferred to similar/dissimilar categories dominating such associations such as workboots and heavy motorbikes. Similar analogy can be applied to the proposed extension of work jeans. Caterpillar consumer brand extensions can be well understood in light of the studies of Bridges et. al (2000) and Martin et. al (2005), where it can be implied that consumers of Caterpillar products establish link between categories in which durability and ruggedness are dominant features as well as develop a goal-derived categorization framework where the goal in case of apparel brands is to feel confident under rugged and tough conditions as well as to show a particular lifestyle of 'feel-and-look' rugged and tough. Therefore it can be assumed that such consumers will look for Caterpillar products in all those categories sharing the same theme/goal. This conclusion strongly favors the introduction of work jeans exhibiting the same theme and goal. The goal-derived concept of perception of 'fit' is quite vivid in Caterpillar Watch brand and Caterpillar Eyewear which received positive evaluations and public acclaim. This is also in conjunction with Harley Davidson extension into boots and bike jackets both of which portray an 'outlaw' image that binds 'outlaw-oriented' people. In terms of pricing, Caterpillar followed a premium pricing strategy for its work boots watches, eyewear etc. i.e. these products were placed on a higher price side which resulted in positive quality evaluations by its customers. This corresponds to the results of Taylor and Bearden (2002) study that higher product pricing in

a dissimilar category resulted in favorable consumer evaluations for the parent brand. This implies that the proposed work jeans should be relatively high-priced in order to be perceived as a high quality brand.

Relating literature research pertaining to Caterpillar's consumer characteristics shows some interesting insights. Before 1994, Caterpillar's customers belonged to the industrial sector. Since business-to-business deals in an industrial sector carry substantial expenditures and poses a direct impact on the buyer organization's productivity, therefore such purchases require extensive evaluation of specific features of the product and usually organizations hire expert procurement managers for evaluation and scrutinizing the deal. Therefore, sellers in industrial segment highlight more concrete and performance features in their marketing communications. Since Caterpillar entered into a consumer segment for the first time, therefore all its customers can be deemed as completely 'Novice' who had limited concrete brand knowledge and therefore in light of Muthukrishnan and Weitz (1990) and Broniarczyk and Alba (1994) studies, it can be implied that in case of work boots they relied more on global aspects such as overall image of the Caterpillar brand as well as its extension's physical appearance. It is quite likely that this could be the reason that Caterpillar designed a unique yellow color CAT logo, a tractor track resembling lower sole and 'digger' shaped upper sole for its work boots that resulted in positive response from consumers. Similar inference can be derived for the proposed work jeans. However this generalization is somewhat contrary to Muthukrishnan and Weitz (1990) study which showed that this behavior occurred when the extension was in similar category. As a matter of fact, it is quite difficult to relate and apply research findings related to consumer characteristics on Caterpillar brand because it would require in-depth knowledge of its customers as well its brand history.

Caterpillar communication strategy for its work boots initially focused more on establishing a link between its overall image of durability and ruggedness and its work boots rather than boasting the overall quality of the Caterpillar. The first advertisement campaign leveraged CAT's work boots slogan as "One Tough Boot". This strategy can be justified in light of Bridges et al. (2000) and can be termed as 'Relational Communication Strategy'. It can be implied that Caterpillar's industrial products and its work

boots extension shared similar attributes of being rugged and tough, however, Caterpillar's overall brand image was restricted to industrial machinery products and therefore for new consumers there was somewhat lack of connection between the parent brand category and the work boots category. Communicating salient and concrete feature i.e., 'tough' might have helped in establishing physical relationship and educating customers that resulted in increased consumer acceptance of an extremely dissimilar category of work boots. This strategy can also be justified through Lane's (2000) analysis that Caterpillar's focus on communicating benefits of work boots rather than reminding the parent brand image resulted in increased perception of 'fit' and favorability. Caterpillar's marketing strategy for its work boots and other apparel was then focused on highlighting 'lifestyle' image for its consumer brands rather than concrete associations and benefits which led to a corresponding change in its advertising strategy where one of ads said "CAT shoes talk it like they walk it".

Consequently, for the proposed work jeans brand, 'relational communication strategy' would work during the introductory phase and later on, the advertisement could highlight the lifestyle or attitudinal elements. Although there is no information about Caterpillar advertising budget and its strategy for its consumer brands however according to Taylor and Bearden (2003) study, the jean advertisement frequency should be controlled in order to preserve the overall image of Caterpillar. Caterpillar consumer business strategy and performance matches with the literature research to quite an extent and its success not only validates the previous studies but also provides key guidelines for a successful brand extension. There are some findings in the literature research which seem to be at loggerheads with Caterpillar's extension strategy. For instance, according to Aaker and Keller (1990), when a high quality parent brand introduced products that seemed to be easy to make then consumers negatively evaluated the brand extension. Since work boots, apparel, eyewear, baby wear is relatively easy products to make for a company like Caterpillar, the image of the company should have been diluted. In addition, Caterpillar entry into baby wear is an extension beyond its boundaries as 'durability and ruggedness' does not match with the desired attributes of children wear category which is usually dominated by the attributes of 'softness' and 'comfort'. Aaker and Keller (1990) study also showed that consumers can be literal in evaluating a brand extension as

subjects in their study expected Heineken Popcorns to taste like Heineken beer. In light of literature research, an atypical extension is likely to be negatively evaluated and according to Keller (2003), with the passage of time these confusing extensions such as Caterpillar's upcoming traditional and interactive books might blur overall image of Caterpillar consumer brands. Similarly the pricing strategy of Caterpillar's consumer brands seems to be inconsistent. Caterpillar work boots, eyewear and toys have been priced higher relative to the respective competitors in each product category however, in other product categories it has priced its extensions at a lower price which is in contradiction with the research findings.

#### **4. Conclusion**

The theoretical application of literature research in brand extension reveals the fact that brand extensions are likely to be most successful when there is a 'fit' between the parent brand and the brand extension. This 'fit' is dependent on consumer's perceptions of the parent brand expertise in making the extension as well as extension consistency with the concept of the parent brand. In general, these brand concepts can be gradually transformed from concrete associations to abstract associations such as goal derived or on the basis of shared values and overall horizon of the parent brand can be gradually broadened and extended to similar and dissimilar categories. It can also be implied that 'brand' in brand extension is superior to category-based similarity and 'fit' is dependent on what resides in the minds of the consumers. In addition, reputation of a parent brand has been found to be a crucial factor in brand extension success. Therefore, consistently building strong, unique and favorable associations of the parent brand that translate into continuous fulfilling of 'brand-promise' will result in successful brand extensions as well as resist dilution in case of extension failure. Consumers brand knowledge and experience, their perception of risk and their attitude towards price are important factors that influence their judgments towards brand extensions. Finally, developing relevant communication literature, visual cues and advertising along with effective customer relationship management techniques are more likely to generate favorable responses towards dissimilar brand extensions.



### *Future Research*

The application of literature research on Caterpillar consumer extensions highlights certain limitations. Most of the literature on brand extension is based on consumer products or FMCG and there is a lack of research on Business-to-Consumer brand extensions. More specifically, impact of Business-to-Consumer extensions on existing industrial extensions as well as on industrial consumers should be examined in order to judge the applicability of existing generalizations. Also, it would be worthwhile to find out pros and cons of brand extensions from Consumer-to-Business segments, for instance, Timberland extending into earthmoving equipment. Further, the relationship between previous and existing brand extensions needs to be explored in order to find out if the success or failure of anyone or more of sibling extensions impacts consumer evaluations of existing and new brand extensions. The review of literature research also highlights the fact that relatively little research has been conducted on appropriate pricing, promotion and distribution elements of brand extensions under different scenarios. In other words, brand extension positioning requires further exploration. A question arises whether the main findings reported in literature are generalizable across all product categories as well as across all consumer segments. One more important shortcoming of brand extension literature is its lack of exploration about brand extensions across different cultures. In other words, many brands have gone global and have adopted a strategy of 'glocalization' i.e., adding a flavor of local cultures in their brands as well as in their communications and therefore brand extensions might also require 'tuning' and changes in specific elements owing to varying evaluations of brand extensions by consumers belonging to different cultures. Future research which comprehensively explores the above-mentioned areas and amalgamates previous literature research is likely to provide invaluable guidelines in the field of brand extension.

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