Line Extensions

From a customer’s perspective

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Abstract

The majority of products that are launched today are extensions of a brand. These extensions are often launched as line extensions where the new product is developed within an existing product category. The use of line extensions has affected customer’s evaluations and purchase decisions, and the factors impacting these are important to consider. The purpose of this thesis was therefore to further explore the customer perception of line extension and how it affects the brand image. Focus groups were used in our empirical research, among our findings we discovered that successful line extensions provides variety and fulfil a customer need, line extensions easily tend to fail if they are too dissimilar from the rest of the brand’s products. The brand image can be strengthened through marketing and promotion of the line extension. The thesis is supposed to contribute and function as a guide for further research in the area.
Preface

This thesis is covering customer’s perceptions of line extensions and is written during ten turbulent weeks spring semester 2004. The work has been intense but at the same time very learning. We would hereby show our gratitude to the persons who in different ways helped us and contributed to this thesis:

The participants in the focus groups who answered our questions and gave us valuable information.

The seminar participants, who have read, commented and brought our attention on upcoming problems and suggestions for changes.

Rickard Wahlberg, our supervisor for his support and constructive criticism.

Thank you all!

Luleå 28 may 2004

Rikard Holm    Victoria Blomquist
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1. Introduction

In this chapter our research area and background will be presented. The problem situation of the research area gives us a foundation upon which we will develop and state the purpose of the thesis and the research questions, which are going to be answered and reflected upon in our conclusions.

1.1 Background

According to Stenmark and Lidberg (2003, p. 2) many companies experience a tough and complex competitive situation and the products within most industries become more similar. Further on the authors say that margins become tighter and brand names have got a major role in the world of the customer. The importance of a strong brand name is very prominent and the building of such is what many companies spend a lot of effort and money on (ibid.).

Brands can be defined in different ways and Ambler and Styles (1997) present two different approaches. One way to look at the brand is as a mere addition of a product, and another way is to look at the brand from a more holistic approach. The latter can be described as:

The promise of the bundles of attributes that someone buys and that provide satisfaction…. The attributes that make up a brand may be real or illusory, rational or emotional, tangible or invisible. (op cit, p. 14)

Martinez and Charnatony (2004) declare that companies try hard to establish a positive brand image because a brand creates associations in the mind of the customer and companies strive to have these associations as positive as possible. Further on Fatt (1997) gives us the examples of associations, which can be familiarity and credibility, and it is important to understand what individuals are affected when developing a strong brand image. This, since the brand also connects to different social classes, the author says. Hollensen (2003, p. 469) also talks about associations and says that strong brands inherit associations that are valued by the customer as a differential tool to other brands. Further on the author says that this is what customers in economic value are ready to pay for compared to a non-brand product. Hollensen claims that a company that possess brands with added value creates a competitive advantage against their competitors, the added value are what we call brand equity.

Ambler and Styles (1997) define brand equity as the store of profits that will be realized at a later date. Hollensen (2003, p. 469) states further on that there are numbers of reasons for firms to determine the value of the brand. The author claims that a brand with high equity inherit a competitive advantage against its competitors, it can play a role in the customer decision process to favor one brand before another. But the building a strong brand is costly (Martinez & Pina, 2003; Nijssen, 1999) and time demanding and a strong brand is important to use as much as possible (Martinez & Pina, 2003). Martinez and Pina (2003) goes further and say that high costs of product launches contribute to product extensions in an increased number of companies, which means that existing brands launch new types of products via the same brand name. Further on, the authors say that usage of an already known brand
name will lower costs dramatically when it comes to marketing activities. Companies can choose to do a product launch by the use of an already known brand name or through a complete new brand (Ambler & Styles, 1997). Further on the authors propose two ways for companies to experience growth; by using the product category or the brand name.

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<th>Product category</th>
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<td>Flanker</td>
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<td>Brand extension</td>
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<td>Line extension</td>
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**Figure: Taubers’ growth matrix (referred to in Ambler & Styles, 1997)**

These extensions can be divided up in two categories where the definition of line extension is described as:

> Using a successful brand name to introduce additional items in a given product category under the same brand name, such as new flavours, forms, colours added ingredients, or package sizes (Hollensen, 2003, p. 765).

Authors describe line extension (Grime, Diamantapolous, Smith, 2002; Reddy, Holak, Bhat, 1994) as when a company launches new products that fit into the existing product category. This is for example when Volvo launches a new car model or when Diet Coke penetrated the market. Ambler and Styles (1997) describe brand extension as when a company launches a new product that is different from their existing product category. This is for example when NOKIA started to produce mobile phones, when they before produced Wellington boots or when Dell introduced printers. Ambler and Styles (1997) have noticed that brand extension and line extension are expressions that are frequently mixed up. The authors noticed that the company Häagen-Daaz claimed that their first brand extension was when they introduced new varieties of flavours of their ice cream. This definition was used even though the brand is the same and that the products are within the same product category. At the same time the launch of “P&G’s Oil of Ulay Hydra-Gel” was claimed to be a line extension, which like Häagen-Daaz introduced a new product in their existing product line (ibid.). We have therefore been careful and observing during our study about extensions since we also have noticed this mix up.

However, Speed (1998) does not only highlight the differences between the two kinds of extensions, he says that the characteristics that make a brand extension product strong, also applies to a line extension product. Though the author highlights that there is a distinction between these, since the new line extension product and the original product fall into the same category. Therefore cannibalization is a highly important issue when it comes to line extensions (ibid.). Authors (Speed, 1998; Lomax, Hammond, East & Clemente, 1997; Reddy, Holak & Bhat, 1994) explain
cannibalization as something that occurs when the sales of the new products are made at the expense of original product sales.

The new line extension products can overshadow the original products, but this does not necessarily mean that they always are accepted. However, cannibalization is not the only factor that affects the success, Martinez and Charnatony (2004) claim there are several factors that impact the acceptance of the extension. Previous research has pointed out the similarity or fit between the original brand and the category of the extended product as an important factor for analysing the extension and the effect it has on the parent brand. Fit has been included in all major studies and another important factor is the perceived quality that also seems to possess a great role (ibid.). Grime, Diamantapolous and Smith (2002) state that new products of a company will be more appealing to the customer if they are closer to the core concept and the brand image of the company. According to Hollensen (2003) a general theory is also that brand equity of the original brand helps the line extension gaining favor in the eye of the customer (Hollensen, 2003).

Even though there are findings about the correlation between line extensions and the brand equity, Reddy, Holak and Bhat (1994) state that previous research has mainly been focusing on the customers’ attitudes toward brand extensions even though line extensions are the most common products, this is important to investigate. However, the authors say, some attempts have been made to examine the attitudes toward the line extension and how it affects the parent brand as well as the fit between the extension and the parent brand. Grime, Diamantapolous and Smith (2002) have also noticed that conducted research about customers’ views on line extensions are less common. This is one of the reasons why we decided to go deeper into the line extension area and how it affects the brand image.

1.2 Problem discussion

Grime, Diamantapolous and Smith (2002) says that in later years the interest of customers’ values and thoughts about line and brand extensions has escalated. However, most research has been made only about brand extensions and not line extensions, the impact it has on the brand in general and what costumers think of this.

In an article by Nijssens (1999) it is mentioned that the Association of National Advertisers noticed that 27 percent of all line extensions fail, which is almost one third of all new line extension products. Nijssen (1999) declare that line extension products often are easy to imitate which makes the vulnerability fairly high. Competitors can easily and quickly respond with superior products and better prices.
Reddy, Holak and Bhat (1994) bring up factors that result in a failure or success, the key factors include:

- Brands’ relative strength
- The brands’ symbolic value
- The extensions’ order and sequence of entry
- Support for the extension
- Size of the firm and
- A firms’ distinctive marketing competencies

According to Grime et al. (2002), failed line extensions can also be considered as products that dilute brand image. Further on Lomax, Hammond, East and Clemente (1997) discuss that cannibalization can be a negative consequence of a line extension, even though many companies cannot avoid this occurrence. Nijssen (1999) has also noticed that as line extensions become more common, the shorter product life cycles and the time to plan the launch of the product. Further on the author explains that there are many different views on successful line extensions that mainly are described from a company’s point of view. Line extension products that are considered as successful does not necessarily need to generate extra profit says Nijssen. The author consider this statement as confusing and says that this is why it is important to understand factors that influence successful and unsuccessful line extensions, and it therefore needs to be better examined (ibid.).

Our following definitions of successful and failed line extensions are developed through conclusions of articles about the subject of matter (Nijssen, 1999; Reddy, Holak & Bhat, 1994; Ambler & Styles, 1997; Fader & Hardie, 1996; Lee, Lee & Kamakura, 1996). When line extensions are successful, they indicate desirableness in the eye of the customer and give a possibility of purchase. The definition of failed line extensions indicates that the customer does not see the line extension as desirable and feel no temptation to purchase it.

Ambler and Styles (1997) claim that the success of a line extension is still often connected to factors such as the strength of the parent brand, the similarity to other items in the parent brand and the amount of marketing activities and promotion linked to the line extension, and when it comes to brand image the customer perception is just one factor among others, but we have chosen this factor because of our own interest in the topic and the lack of research within it. The existing literature is in high extent reviewing the companies approach and their view on line extensions. Our conclusions of reasons why this is the case, is that most of the conducted research is done specifically for a product in the company and seen as internal material. Lack of research available to the individuals outside the company is a driving force for us to further look into the topic.

To examine what the customer actually thinks of product line extensions, how this affect brand image and when they think a line extension is a failure or a success is as important to examine as companies’ opinions about this. Not much research has presented customers’ different opinions on line extensions and there must be many

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1 The course of a product’s sales and profits over its lifetime (Hollensen, 2003, p. 767)
considerations among customers when it comes to this. These facts gave us the base upon which we decided what to examine more closely in this thesis. It also enabled us to develop the purpose of the study as well as three research questions we seek to answer.

1.3 Purpose and research questions

The purpose of this thesis is to further explore the customer perception of line extension and how it affects the brand image.

To answer this purpose we have developed following research questions:

RQ1: What factors are according to the customer resulting in a successful line extension?

RQ2: What factors are according to the customer resulting in a failed line extension?

RQ3: In what way is the line extension affecting the brand image?
2. Literature review

The literature review chapter contains relevant theories, which will together with our empirical material enable us to meet our stated research purpose.

2.1 Factors resulting in a successful line extension

2.1.1 Successful line extensions

According to Ambler and Styles (1997) there are three factors that are linked to the success of a line extension:

1) A strong parent brand,
2) Similarity to other items in the parent brand, and
3) The amount of advertising and promotion support.

According to Reddy, Srinivas, Holak and Bhat (1994) and Fader and Hardie (1996) who present another view of successful line extensions they will be affected by:

1) the characteristics of the extension’s firm
2) the characteristics of the extension’s parent brand
3) the characteristics of the extension

Fader and Hardie (1996) and Reddy et al. (1994) have also chosen to add another factor to the success of line extension and say that profitability often also is included. At the same time Nijssen (1999) say that successful line extension products not automatically need to generate extra profit. He states that a line extension can also be considered successful if it generates added value to the brand itself. Further on he found that line extensions featuring new packaging and sizes were most successful because they took care of customer needs.

Reddy et al. (1994) also say that the market share in the product category will affect the customer in its purchase decision. He further on states that if the market has a high failure rate it is suitable to look at the number of years the extension survives. There is also evidence that a positive attitude of the parent brand is automatically transferred to the line extension (ibid.). Marketing efforts (Reddy et al.1994; Ambler & Styles, 1997) and the sequence of the extension are also factors that can determine a successful line extension (Reddy et al. 1994). On the other hand, according to Grime, Diamantapolous and Smith (2002) the success might be bigger if the new product fit with the other products if the product development is either a brand or a line extension. Park, Milberg and Lawson (1991) explain fit as both product-similarity perceptions and brand-concept-consistency perceptions. Further on Grime et al. (2002) state that the new product will be more appealing to the customer if it is closer to the core concept of the company. For example it would not be a successful line extension for BMW to produce a cheaper car model because it would probably dilute the core brand image. It would according to Grime et al. be more interesting for the customer to buy a brand extension as an exclusive mountain bike model because it fits more into the existing brand image.
The importance of the line extension similarity to other brand items is mentioned by several authors (Ambler and Styles, 1997; Grime et al., 2002; Reddy et al., 1994). Reddy et al. argue that the major findings from their research were that successful line extensions have strong parent brands. The authors also see motion and marketing support as factors connected to success and line extensions that are introduced earlier in a product subcategory are more successful than products that are introduced later. Further more the authors say that the size of the firm and the marketing competence is an important part of success and extensions introduced early have contributed to growth for the parent brand and the risks with extensions seem to be smaller for stronger brands than weaker brands. Other factors that impact on success, according to the authors, are the number of brands the customer can choose from and the market share these brands presents on the market.

According to Lee, Lee and Kamakura (1996) the critical success factor is the newly added features to the line extension. They explain that since line extensions share most attributes with the parent brand except for one or more features, it could be regarded as all extensions would succeed. Further on the authors say that customers pay more attention to the new features and when they evaluate the line extensions they will rely heavily on the features instead of the affect from the original brand. Even though previously mentioned factors are important to examine, customers will rely on added features, state the authors.

Lomax and McWilliam (2001) made a research about customers’ response to line extension. They examined seventeen real-life line extensions among disproportionate purchasers who were all familiar with the brands. These extensions had to fulfill certain criteria, for example that the category must be frequently purchased and that the parent brand already is in the category. According to the authors the ideal situation is when the customer is more likely to buy the parent brand and that the parent brand’s market share wont experience negative consequences when the line extension is introduced, then it gives justification to the line extension. The research showed that the parent brand experienced no negative effect by the line extension, the situation was rather the opposite. The brand broadened their market shares with nearly two percent, a figure that showed how purchasing occasions of the brand had increased, according to the results of the research by Lomax and McWilliam.

It could be seen in this research (Lomax & McWilliam, 2001) that line extensions work mainly on existing customers, like advertisement and price promotions do. They found that customers tend to buy line extension products when they already know the brand and therefore feel encouraged to buy the brand, otherwise there would be no need to use an existing brand name if customers would not buy from the parent brand if their product line was extended. It was also shown that the extension was not always a substitution of existing products, and customers kept buying the extension products as well as the existing (ibid.). Finally in the conclusions of this research (Lomax & McWilliam, 2001) it is stated that it is important for the customer to feel important and desired, because it is obvious that customers buy the line extension products when they used to be satisfied with the brands existing products. They also claim that the challenge is to be ensured that the products are no substitutes to the existing line, but an expansion of the present product portfolio. It is also important for the customer to feel as the line extension is positioned in a different way than existing
products, this could for example be the difference in the usage occasion, say Lomax and McWilliam.

Lomax and McWilliam (2001) talked about how customers of the existing products are more likely to buy a line extension from that brand, and further on Speed (1998) can see that customers can develop two different connections to the original product; transfer and reciprocity. Transfer implies the transfer of customers’ attitudes, preferences and knowledge from the original product to the new product. Speed says that reciprocity implies the transfer of customer attitudes, preferences and knowledge from the new product to the original product.

Only five percent belong to brand extensions of all new product introductions, according to Speed (1998), the majority are introduced as line extensions. Further the author says that many researchers stress the importance to bring in relative price as a factor affecting the line extension, and this phenomenon has especially increased during the last years, e.g. Levis and Dockers, Toyota and Lexus.

2.2 Factors resulting in a failed line extension

2.2.1 Line extension failure

Nijssen (1999) presented in his article that the Association of National Advertisers has discovered that the failure rate for line extension products is 27 percent but it is not mentioned how and why it fails. The author goes further that customers want variety and products that come in different shapes and flavours, but development of these kinds of products makes it harder to reach out to the customer. There are many similar products for the customer to choose from and this shortens the product life cycle, a shorter product life cycles also mean that companies time to market will be shorter as well as the time to organize the product launch, which result in high failure rates, says Nijssen. The author also claims that earlier research have discovered that the positive side about using product line extension is that the introduction costs of the new products are limited as well as the advertisement costs. Even though companies are aware of the positive sides of line extensions, they are now also more aware of the dilution impact and the potential loss of brand equity line extensions can have on the brand, says the author. Line extension products have a close relation to the parent brand and are very often easy to imitate, the vulnerability is therefore high because of the broadened range of products, lower prices and better products customers can select from, explains Nijssen.

Even though the above argument is important to consider it is highly vital to include the product attributes as a major factor affecting the line extension, according to Lee, Lee and Kamakura (1996). They state that some products that have been on the market for a long time can have certain emotional impact on the customer, which results in that customers don’t want any modifications of the products.
2.2.2 Cannibalization

Lomax, Hammond, East and Clemente (1997) describe cannibalization as the situation when a new product in a line extension becomes popular, but at the expense of other existing products within the category and this encourages the customer to buy the line extension and to stop buying the original product. It is stated by Reddy, Holak and Bhat (1994) that cannibalization is the risk that does not occur in brand extensions, but in line extensions the potential for cannibalization is severe. Nijssen follows this argument and (1999) say that the aims with extensions are to encourage more customers to buy the products, but most often customers will buy the line extension on the expense of original products. Speed (1998) says that the risk of cannibalization is larger when the new product offer superior benefits compared to the original product and is still similar to the original product, and the risk is also higher if the price of the new product is lower than the original. Speed says though, that the risk of cannibalization is modest when the prices of the two are the same.

However, cannibalization may not always be negative (Cravens, Piercyl, Prentice & Ashley, 2000), even though the phenomenon should try to be avoided in most markets (Lomax & McWilliam, 2001). According to Cravens et al. (2000) it can in fact also be looked upon as a progress that will help the customers finding new products and when this is the case it is called proactive cannibalization.

2.2.3 Proactive cannibalization

In an article by Samli and Weber (2000) results of research made by the Marketing Science Institute was presented and it showed that some innovative companies use cannibalization as a strategy when there is no wish to preserve old products and values of these. They further on presents a good example of a company who has used this strategy is Gillette. Their aim is to frequently improve their razorblades and when the introduction of the new razorblade MACH3 would take place, the company knew that this would have a negative impact on the sales of existing products (ibid.). The reason why Gillette could do this was the superior shaving experience the new product would offer and it would present a new technology of razorblades, according to the authors. Further on the authors mean that companies in industries with a striking growth should not hesitate to let new products cannibalize their existing ones because the need for aggressive product development is high especially in these kinds of industries.

Here it is noticed that Lomax and McWilliam (2001) talked earlier about that cannibalizations should be avoided in most situations but there is a challenge to make sure the new products in the line will not be substitutions of the existing products and that the line extension product should be positioned in a different way than the existing products, where the difference could be usage occasion. At the same time Samli and Weber (2001) talk about cannibalization as something that at times is necessary to face when conducting line extensions. The authors gave the example of Gillette who launched MACH3, which does not differ in usage occasion compared to their old products.
2.3 Line extensions affect on brand image

2.3.1 Brand image

According to Martinez and Charnatony (2004) there is no empirical evidence of how to measure the image of a brand because it is a multi-dimensional perception. They explain the identity of a brand as something that creates associations in the mind of the customer, which in the end results in a brand image. Martinez and Pina (2003) highlight that the association that make up the brand image can refer to both tangible and intangible aspects, intrinsic or extrinsic, and can be a result of both external and internal stimuli to each individual depending on their own experience with the brand in question. Martinez and Pina (2003) consider this as a wide definition that makes it harder to find the different associations connected to the brand.

Further on Martinez and Pina (2003) provides us with a definition describing associations based on aspects such as the attributes of the product, intangible factors, benefits provided to the customer, relative price, use of application, the kind of user or customer, a known patronage who serves as a promotional presenter, lifestyle, brand personality, class of product, competitor products and country of origin. Again, the authors say, that this is a wide definition, which makes it difficult to systematically define the dimension (ibid.). A more structured definition is presented by Keller (1993), who classifies the variables and breaks them down into attributes, benefits and attitudes. This description is shared with Rio, Vázquez and Inglesias (2001) who write that a brand image can be defined as the collection of associations that the customer relates to the brand name, these different associations are categorized as:

- **Attributes**: the descriptive characteristics the brand has. It is also what the customer think the brand has or what it is. It is also connected to the purchase and the actual consumption.

- **Benefits**: this implies the customers’ personal perceived value of the brand and what customers think the brand can do for them.

- **Attitudes**: this is the customers’ general evaluation of a brand.

Fatt (1997) adds that the brand is also recognised to speak familiarity and credibility, therefore it is highly important to examine and learn what kind of people that are buying the products or services. Fatt says that past research has also shown that customers have connected the brand image to specific social classes. Another author that gives us a short definition of brand image is Keller (1993, p.3) who describes it as:

> The perceptions about a brand as reflected by the brand associations held in customer memory. (op cit., p.3)

Moreover it is explained by Pitta and Katsanis (1995) that there are three different existing aspects to brand image that are important to consider, these aspects in return determine the different customer responses to different products or services. The dimensions are according to the authors; favorability, strength and uniqueness.
Rio et al. (2001) present that brand functions are related to different dimensions, which are derived from the brand image and from intangible associations customers make with the brand name. The four different dimensions are:

**Guarantee:** this dimension is connected to the reliability of the brand, the performance of the brand and if the brand meets the expectations of their customers.

**Personal identification:** this dimension refers to the similarity between the brand and the self-image of the customer. It is also connected to the customer who wants to enhance his or her own self-image through a brand product purchase.

**Social identification:** this dimension refers to the customer who sees the brand as a communication possibility to blend into any forms of social groups and feel acceptance from those.

**Status:** There are five characteristics that are connected to the status of the brand; symbol of the individual’s power and social status, reflection of social approval, exclusivity or limitation of the offer to a small number of people, contribution of emotional experiences and technical superiority.

According to Rio et al. (2001) the status dimension is modestly similar to the social dimension. The authors continue with saying that the distinct difference is that the status dimension implies the wish for a higher status and prestige among social groups with the help from a brand, while the social dimension means the want and need for acceptance in social group through the brand.

### 2.3.2 Line extensions impact on brand image

According to Pitta and Katsanis (1995) a line extension can both weaken and reinforce the brand image. Park, Milberg and Lawson (1991) explain that the effect a line extension has on brand images also is influenced by the characteristics of the brand. Luxury and high status brands are more accepted by the customer to introduce products that are further away in characteristics and functions then low status brands, according to Park, Milberg and Lawson (1991). They further on state that the degree of perceived fit is a function of both product feature similarity perceptions and brand concept consistency. Jeppsson and Kullin (1994) also highlight the importance of fit between the products of the brand and explain that the customer should recognize some kind of connection between the products. An example is brought up by the authors regarding Levi’s attempt to introduce a men’s clothing line including costumes and coats. They explain that the effect on the brand image was negative due to the fact that little connection was made to Levi’s brand image and Levi’s selling premium priced clothes with dissimilarity in fit with their present products.

Martinez and Pina (2003) agree with the above and states that the deterioration of the brand image will have a greater likelihood to increase in the case of extensions that are inconsistent with the brand image or that mismatch customer expectations. Further
on the authors explain the link between line extensions and brand image as ideal when the line extension contributes to improving the brand associations for the brand, and therefore reinforce the image and promoting greater recognition or new associations for the various segments in addition to be supported by a suitable promotion strategy. According to Speed (1998) reciprocity is also examined and seen as an important factor in line extensions. The author explains this as attitudes and preferences that are transferred from the line extension to the original product. Reciprocity will change the perception of the brand because of exposure of the line extension, says Speed. Lomax and McWilliam (2001) held a similar discussion about line extensions and that it only work on customers already familiar with, and buying, the original brand products. These findings are not surprising and the authors put some light on the importance on that companies must focus on customer retention.

Roedder, Loken and Joiner (1998) published a research in an article about the immunity of flagship products when there is a line extension. They describe flagship products as the products that directly are associated to the parent brand and these are therefore close connected to each other. This can for example be the Baby shampoo which customers may be most familiar when it comes to the umbrella brand\(^2\) Johnson and Johnson. The authors explain this as the product that first comes up in mind when the parent brand name is mentioned. The brand name is also associated with attributes and in this case Johnson and Johnson is often associated with gentleness and quality, according to the authors.

Initially Roedder et al. put forward the hypothesis that flagship products are less vulnerable to change because of years of exposure and the deeply rooted image customers have about this product. Conclusively, the authors found that flagship products are resistant to change as long as the new product information is consistent to their expectations of the brand. That means that the flagship product can be diluted and can be vulnerable to a line extension if the new product does not fit into the image of the parent brand. In this case they presented “Baby shampoo with vitamin E” as a line extension derived from the flagship product baby shampoo. The authors explain the dilution impact as in this case involved that attributes such as hygiene and gentleness no longer were connected to the baby shampoo product according to the respondents, and the product was no longer connected to the brand image.

\(^2\) An umbrella brand is the brand where all products of the producer concerned are brought on the market under this brand name (Antonides & Van Raaij, 1999, p. 566).
3. Methodology

In this chapter we present and motivate our selection regarding research strategy and data collection method. We will also describe the selection of focus group participants. Finally we will discuss the methodology problems and what has been made in order to decrease them within the study.

3.1 Research strategy and data collection

The aims of the thesis was to study the factors which determine what result in a successful or a failed line extension in the eye of the customer, and further more the effect a line extension has on the brand image. This was done in an exploratory way.

In the process of collecting data there are a number of alternatives to choose from when selecting the appropriate research strategy. According to Yin (2003, p.10) there are five different strategies to use when collecting and analyzing empirical evidence. Each strategy is depending on the characteristics of the stated research questions. According to Yin the researcher can select among the following alternatives: an experiment, a survey, history, an analysis of archival records and a case study.

Another strategy that exists is called focus groups, which is the strategy used in our research. Different authors have tried to include focus groups in one of the five alternative ways to conduct research, but without success (Krueger, 1994; Krueger, 1998; Wibeck, 2000). According to Krueger (1998) surveys have several common characteristics that connect focus groups to the survey category. However, they also have several differences. In surveys, there are already defined sampling procedures while in focus groups it is up to the researchers to judge and select participants that fit the need of the project, says Krueger. We followed the authors’ recommendations and selected the participants with having the connection to the study’s approach in mind, which is going to be further explained later on in this chapter. Krueger (1998) also states that in surveys the questions are fixed to the extent that every respondent is asked the same questions, while in focus groups the participants have more flexibility in the questions asked and the responses are up to the participants themselves. This could be seen in our focus group interviews, the participants held discussions between each other within the frames of the subject, but still had the possibility to slip in to different kinds of areas within these frames.

When it comes to data analysis of surveys and focus groups there are differences as well, data from surveys are often reduced and summarized to numbers and presented in figures and tables (Krueger, 1998). The analysis of data from focus groups is characterized by listening and making sense of what has been said (Krueger, 1998). Because the focus group is not as standardized as surveys, the confusion about in which research category focus group belong is even more distinct, according to Krueger. As a result it is difficult to include focus groups in the category of surveys even though surveys are considered by the author to be the strategy that has most in common with the focus group. We therefore leave the characterization and attempts to connect to present strategies, and continue with the justification of the selected path and highlights the advantages of our choice.
Krueger (1994) presents six characteristics or features of focus group interviews. These characteristics relate to the ingredients of a focus group: (1) people, (2) assembled in a series of groups, (3) possess certain characteristics, and (4) provide data (5) of a qualitative nature (6) in a focused discussion. According to Wibeck (2000, pp.18-19) there is an expansion of using focus groups in particular areas of social science. Before focus groups were almost solely used in marketing research, but has now become more common in other disciplines. The use of focus groups as a research method has also become more common in scientific research articles in the last years, according to Wibeck. During the period when this thesis has been written and developed, there have been discussions whether or not focus groups can be seen as a research method or as a way to collect data, this since the nonexistent opinions about this in the literature. We follow the argument of the authors who do not place focus groups in any of the five mentioned common research strategies, even though it should be pointed out that this is a question open for further discussion. The traditional dividing of data collections methods has in this case a finite relevance, because focus groups have elements of similarity to structured interviews as well as open conversations.

A focus group can almost be described as a kind of a group interview, but it is important to know that all group interviews are not focus groups (Wibeck, 2000, p. 23; Morgan, 1997, pp. 5-6). Morgan (1997, p. 6) defines focus groups as a research technique that through an interaction in a group collects data, and the topic has to be determined by the researcher. Wibeck (2000, pp. 27-32) present a few important factors to consider before the focus group interview because of their impact it has on the focus group:

- Intra personal factors: the individual participant’s personalities will have an impact on the session. For example an open and confident person might be perceived to be friendly and intelligent and the others might therefore respond to this person’s ideas and opinions in a positive way. A mixture of different personalities in the group is therefore important.

- Inter personal factors: these are factors that have an impact on the interaction between the participants. The important thing is to understand that the participants will bring their own experiences and backgrounds to the session.

- Environmental factors: this is the physical surrounding and the seat arrangements. The best way is when seats are placed around a round table to make all positions equal.

According to Yin (1994, p. 78) there are six available forms for collecting qualitative empirical data. The main advantage of qualitative data collection is because of the socially oriented research procedure. People are social creatures who interact with others. Yin says that they are influence by the comments of others and make decisions after listening to the advice and the counsel of people around them. Krueger (1994) says that focus groups place people in natural, real life situations as opposed to the controlled experimental situations typical of quantitative studies. Also, the one on one interviews are not able to capture the dynamic nature of this group interaction,

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3 Originally a Swedish source of literature which we translated to English

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which we considered as the most important reason for choosing focus group interviews in our research. Inhibitions are often released in group situations, and the more natural environment prompts increased candor by respondents, Kreuger (1994) says. Further on, Kreuger present other advantages of focus group discussions as the possibility of probing given to the moderator, the high face validity, the relatively low costs, speedy results and finally the possibility to increase the sample size of qualitative studies. These advantages also matched the topic of the study. We wanted to investigate the connection between line extensions and brand image and customers opinions about this and we thought that focus group discussions would be the most appropriate way to conduct research in this field. We also constructed a moderating guide (see APPENDIX A), and the connection between the interview questions and our research questions (see APPENDIX B).

In accordance to Holme and Solvang (1991, p. 100) the interview guide should be constructed in order to obtain answers on the set of questions. The same moderating guide was used during both focus group meetings and it had the function as a tool of support during the discussions. The focus group meetings lasted for approximately one and a half hour. We established two focus groups with 5-8 participants each and had one discussion per group. Both of us attended at the sessions but one of us had the role as the moderator. The other person only listened, observed and wrote down what was said. Because of the environmental factors that are considered as important when conducting this form of interaction, we placed the participants in a neutral environment around a table with seating that did not centralize any of the participants. During the focus group interaction the moderator was very discreet and according to Wibeck (2000, p. 45) the moderator should only interfere in the discussion when the subject of matter is sensitive or when the participants are vulnerable. In our case the subject is not regarded as particularly sensitive, neither the participants were seen as vulnerable. The moderator hardly interfered in the conversation, except if the group slid away from the topic or if one person needed encouragement to express his or her thoughts. A tape recorder was used for the reason that we wanted to listen to the discussion again after the session and what was said was written down word for word. When there is less structure there is no need for the moderator to make sure the participants answer certain questions, he or she should only listen to the interaction between the members and what they consider as important within the frames of the subject, says Wibeck. This suggestion gave us the reason to stay fairly passive as a moderator.

3.2 Choice of participants

According to Wibeck (2000, pp. 67-69) there are different ways to recruit focus group participants. The selection can be done by using an existing list of people, randomized selection, through contact persons open applications in for example daily papers or they could be non-randomly picked.

We decided to select the participants in a non-randomly way because of our need for people who were easily reached, people who had a perceived knowledge and interest in the subject of matter and had degree of cooperativeness. They did not have to have any marketing skills or knowledge as long as they had opinions and thoughts about
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Line extensions. This is something that is possessed by most of us who do regular shopping. The characteristics of a non-probability sample selection have a considerable appeal when accuracy is not of crucial importance (McDaniel & Gates, 1999, pp. 411-414). A non-probability sample selection supports our study since it is exploratory and we have no intention of projecting our results to the total population.

After coming to the conclusion that our study intends to exercise the non-probability sample selection there are a numerous of methods that can be used and one of these methods is the judgment sample (McDaniel & Gates, 1999, pp. 411-414). Judgment samples are based on personal judgment that the element is representative of the population under study according to the authors. Our choice of respondents was an outcome of our personal judgment.

Selecting the respondents with the right knowledge about the research area is crucial for qualitative research (Holme & Solvang, 1991, p. 101). In our focus groups, we followed identical procedures in choosing the respondents. All chosen persons were sent e-mail with an information sheet where we gave the individuals a short description of the subjects and explanations of terminology. We also presented our research purpose and asked them if they had time to discuss the topic in a discussion group. We presented examples of line extensions in the e-mail which were not discussed during the interviews and this decreased the possibility of bias. In the e-mail we excluded the word focus group since it highly connects to experiments and could frighten the contacted individuals, and we therefore used the word discussion group.

3.3 Data analysis

According to Miles and Huberman (1994, pp. 10-12), a qualitative data analysis focuses on data in the form of words. The data analysis is believed to consist of “three concurrent flows of activities”:

- Data reduction: The process of selecting, focusing, simplifying, abstracting, and transforming the data. The purpose is to organize the data so that final conclusions can be drawn and verified.

- Data display: Taking the reduced data and displaying it in an organized, compressed way so that conclusions can be more easily drawn.

- Conclusion drawing/verification: Deciding what things mean – noting regularities, patterns, explanations, possible configurations, causal flows, and propositions.

We followed the steps proposed by Miles and Huberman (1994). First data were written down word for word with help from the tape recorder, and after that the data were reduced to compressed information. We consolidated the data from both of the focus groups and made no comparison between them since we have no intention to emphasize different opinions between the groups. After this we also translated the empirical data from Swedish to English.
3.4 Methodology problems

First of all we need to have a discussion on the characteristics of a focus group and its connection to validity and reliability. Questions asking whether focus groups are valid or not and if the results of focus group interviews can be relied on, have been raised during the research. Krueger (1994, p. 31) says:

Focus groups are valid if they are used carefully for a problem that is suitable for focus group inquiry.

Validity can be seen as the degree to which the procedure really measures what it proposes to measure according to Krueger. Further the author goes that a cynic person can argue that nothing is valid, when it comes to focus groups people can give an answer that seems best for the situation or they can feel inhibited which makes them hold back important information. Several authors (Krueger, 1994, p. 31; Wibeck, 2000, pp. 119-121; Greenbaum, 1998, p. 68) bring up validity and reliability in focus groups studies even though it can be considered as misappropriate compared to other strategy methods. According to Krueger (1994) this is because validity and reliability can be seen as less interesting in focus group studies because of the small sample of people and the absent possibility to generalize data. But even when this is the case we can still review the method used and see that steps have been taken within the focus groups to increase validity and reliability. These steps are presented in the following paragraphs.

First we had to decide if our method of collecting data gave us the information that we were looking for. In this case we considered the construct validity through asking an outsider familiar with the complexity of problems about this persons’ opinion. Together we discussed the research area and how we tended to collect data. We also talked to students who previously used the same data collection method and who know about the complexity.

To strengthen the validity even more we guided the whole discussion as a neutral narrator and we only interfered when there were some problems or misunderstandings. The validity was also increased due to the fact that we made contact with people that were familiar with line extensions. The participants of the focus groups were students from the Luleå University of Technology, who held a certain but not an advanced degree of knowledge about line extensions. What further affected our validity was the participant’s high level of openness and participation during the discussions and their strong willingness to share their knowledge. It can be discussed whether or not the results of the interviews would have been different if another group of the population would have participated, for example elderly or if differences between men or female would have been considered instead of only focusing on students’ opinions. Since our aim is not to generalize our results we do not regard this to be a problem.

The same interview guide was used in both our discussions, and we tried to lead the discussion as similar as possible to have a valid base to compare the outcomes, even though we let the participants speak freely about what came up in mind. This automatically contributed to differences between the discussions. Furthermore, the collected data were organized into separate sections where each of the focus groups
was presented. We tried to establish a structure in the thesis in an easy way for other researchers or other readers, so that they can retrieve any desired material.

It should also be mentioned that both of our focus group discussions were conducted in Swedish. It is therefore important to be aware of possible translation errors both when we translated the English written interview guide to Swedish, and when we translated the analyzed collected data back to English.

As Yin (2003, p. 10) brings up, there is always the risk that personal biases interfere with the discussions regardless of how cautious one tries to be. We had therefore in mind that the influence of the respondents as well as our own attitudes and values always can be questioned.

We let the respondents hold open discussions, in which we intended to seek out patterns of correlation. Yet only one discussion per focus group was made. To improve our reliability, we conducted the discussions with groups of individuals where they had similar knowledge about the research area.

We noticed that intra personal factors were an important issue to handle during the interview, and if the moderator had not interfered at times this would have had a negative impact on the session because of withheld opinions. It was noticed that a few of the participants were more likely to express themselves in free manners, whereas some of them were more quiet and observing. To solve this problem we deliberately asked the less talkative people for their opinion.
4. Data presentation

In this chapter the collected data from our focus group interviews will be presented. We will start with a presentation of the data related to each of the research questions. We will end the discussion with an explanation of what customers think are the starting initiatives for implementing line extensions and what the focus group consider as important for companies to be aware of when launching line extensions.

4.1 Factors resulting in a successful line extension

We will in the rest of this chapter express our results as a mix of answers from both of the focus groups, we will distinguish the answers between the groups. Though, we will underline if both of the groups spontaneously mentioned a specific brand or a line extension when not given any clues from us.

During the interview it was stated that a line extension will be bought if many people are buying it, it will increase the attractiveness of the line extension. However they said, this necessarily does not mean existing customers of the original product move towards the new line extension, but new customers can also be attracted to the new line extension. The market shares are in other words expanded. Both of the groups gave the example of Diet Coke, because the product attracts another target group compared to the flagship product Classic Coke.

Further on they stated that a successful line extension also fulfills existing needs or even needs that maybe are not yet thought of, or maybe exist in smaller scales. The participants in both of the discussion group brought up Loka Lemon as an example. Many of the customers buying Loka put a slice of lemon in their drink and viewed this need as a base for Loka to introduce the line extension Loka Lemon.

The focus groups also brought up that the success of a line extension can be the result of an innovative function, for example when there is a technical asset or an advanced function included in the product. For example when multicolored displays and cameras where developed for mobile phones. They also stated that these types of line extensions later can affect the whole business area. According to the discussion groups they considered price to be important, they felt that prices will drop because of increased supply and that this will have a positive impact on line extensions as an attractive product. This is because of the increased competition and an increased number of rivals who usually adopt the line extension idea after a while.

Another success factor is when they provide variety to the original product. The introduction of flavors like “tomato and basil” or “green herbs” to the product Crème Fraîche gave the customers variety and also makes them take action in trial purchasing. They also expressed that different packaging sizes enables them to use the product in various occasions.

The participants also believe that the success can be an outcome of new target groups. If the line extension is modified to attract new possible customers, this can result in the success of the line extension. If companies only move customers from the original
product to the extended, the success will decrease. Product attributes must be developed so that they are not considered as an exchange of the original product. When line extensions attract new customers and therefore gain market shares they will be successful.

4.2 Factors resulting in a failed line extension

Both of the focus group participants considered Coca Cola’s Vanilla Coke as a failed line extension. This was an effect of the product attributes. The failure of a product was mainly seen as a result of the attributes, and in Vanilla Coke’s case the taste was repelling. The cottage cheese product Keso, mostly seen as a product successful in the business of line extensions, has also done mistakes. The variety of flavours is positive except the ones which move too far away from its original product. An example with the introduction of Keso with pineapple was brought up which goes beyond the sphere of the original product, which in this case also is the flagship product.

Some products cannot be introduced even though there is nothing wrong with the product attributes itself. The company Eldorado which produce staple foods could introduce Cola beverages on the market, but they can’t sell it and package it with a persona that interferes with the brand image itself. The focus group brings up Vanilla Coke and Pepsi Max and states that these products would fail if Eldorado would launch something like this because of the nonexistent connection with the brand image.

A common opinion among the focus groups is that some products should not be a base for line extensions. During the last years we have seen the vegetable and fruit industry produce line extensions on basic food (gene manipulation). It will only create trial purchasing to introduce for example a red banana, but the focus groups mean it would never create a stable demand.

The participants also put some light on that some products will harm the original product and some customers feel driven away as a target group when brands introduce line extensions that they feel less connected with. A person drinking the classic Mer beverage could feel driven away to the whole brand with new line extensions called “dragon-fruit-cactus-fire”.

The focus groups also explain that some products are not possible to extend because of their strong position in the market and a strong flagship product. The introduction of Daim mint, Ahlgrens car tires and yellow coloured ketchup is seen to be products that will fail. We are a bit conservative in our buying behaviour and some classic products should be left with no extensions at all the groups say.

No marketing is also seen as a possible cause of failure as some companies seem to believe that no marketing is needed at all. Even though the brand itself is already well recognized the product won’t sell itself, the groups state. Time is also considered as a factor that can result in an outcome of failure. The extension could be unsuccessful if it is delivered with attributes that are not desirable at that time period.
The focus groups also suggested that companies ought to be careful with the original product that should not be overshadowed by the line extension. It should not sell more or be more popular than the original product. This is according to marketing theories called cannibalization.

4.3 Line extensions affect on brand image

Most often a line extension is seen by the focus groups participants as a good way to attract attention to the brand. It gives a bigger possibility for the customer to notice the original products after a while. Further on this also enables customers noticing other products of the brand and therefore it will be strengthened.

Many of the products characterized as a failure did not have to affect the brand negatively. This was the case with brands considered as possessing a high level of strength. This was mostly seen as the case with products within the food industry. A product like Vanilla Coke was seen as a failure, but had none or limited negative effect on the brand itself. The participants of the groups found it important to still keep the original product the line extension is derived from in the market so that customers still have the choice of going back to the original, or being able to buy both products. Otherwise this could create a negative view on the brand itself.

The general opinion is that brands with low rate of recognition among customers are more negatively affected by a failed line extension than those considered as high rated. According to the focus groups the line extension always give the brand extra attention and recognition. Even though the individuals do not like the line extension itself, it can strengthen the brand through the awareness. At some occasions the line extension can function as a connector to the company brand and be more of an introducer to the brand. This is for example often the case with beer commercials. The marketing activities and promotional efforts for the line extension light beer is used for the reason to actually draw attention to the beer with a stronger percentage of alcohol.

When it comes to high status brands line extensions have a possibility to strengthen the brand by introducing line extensions, this enables customers to use the products in several different occasions. For the last couple of years many car manufacturers have introduced different car models for different needs, this is especially the case with SUV’s and smaller cars as they reach a larger target group. By doing this the focus groups highlight that this also can put the brand image in danger to the extent that it can dilute the persona of the brand. Both Porsche and Mercedes have introduced cars in smaller to larger Van classes, and as long as they are consistent with the brand image in their introduction the outcome of the line extension can be successful.

To improve the brand image the focus groups mentioned that characteristics of the line extension should be at the same level or higher then the existing brand image. They further on highlight the importance of the line extension to stay close to the original product. Line extensions that go too far beyond the original product may affect the brand image negatively and create a diluted picture of the brand image. The

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4 Sports and Utility Vehicles
example that is brought up again is Keso and the added flavors on this product. This product belongs, according to the focus group, in the area of food, and therefore it feels awkward when the fruit pineapple is added to the product.

The introduction of new line extensions can strengthen the brand image in individual’s minds even though they don’t buy the product themselves. Both of the focus groups bring up Coca-Colas’ Diet Coke as an example and state that even though they don’t drink the product themselves, they recognize the product which strengthen the brand image on the whole. In general they think line extensions create a positive brand image and the other way around, customers can move further up and down in the family brand. Brands with a high level of recognition can make the line extension inherit trust and familiarity.

Within the focus groups it was clarified that the brand image is negatively affected when the line extension goes too far beyond the original image of the brand. For example it would not be good for Volvo to go far away from the present image. They should continue to emphasize security as the most important aspect of their cars. It would not be a good idea to suddenly produce cars with a sporty image, which overshadows the importance of security.

Participants of the focus groups discussed a lot on when the line extension harmed the brand image and it was commonly stated that the affect was to a large extent connected to the type of product. Foods made less impact both on successful and failed line extensions while a car brand conducting line extensions had greater impact on the brand.

4.4 General considerations regarding line extensions

The general opinion from the focus groups on why companies launch line extensions was that companies do this to gain market shares through a modification of an original product. Other considerations were that this could be a way to lengthen the life cycle of a product and to make the customers to buy both the line extension as well as the original product.

A summary of factors that the groups came up with as reason for the use of line extensions are as follows:

- Company wants to increase their profit
- They want to expand their market
- They want to drive rival firms out of the market
- The company wants a certain niche
- They are striving for monopoly
- The company wants to offer customers a diverse set of products to choose from, the need to switch brand does not exist if the brand can offer variety
- Companies want to find new target groups

According to the focus groups companies should put themselves more in the role as customers when launching line extensions and it would be good if companies highlight the positive things with the original product and through a light modification
Data presentation

develop a line extension out of the original. The focus groups think that more market research should be conducted before launches of line extensions, as for example Vanilla Coke. It is important that companies look more at our needs.

A general opinion is that the global responsibility is very important and companies should show that the interest is not only to be more profitable, but also to be more aware of environmental consequences. This aspect is very up to date and will give the company credibility.
5. Analysis

In this chapter the information from our empirical study will be compared with the chosen theories in our literature review. This will in its turn result in material that will enable us to come up with our final conclusions.

5.1 Factors resulting in a successful line extension

Fader and Hardie (1996) and Reddy, Srinivas, Holak and Bhat (1994) include profitability as a function of the success of line extensions. The focus groups join the authors’ opinion, a successful line extension is one that sells well and has high profitability. At the same time Nijssen (1999) say that successful line extension products do not automatically need to generate extra profit.

Lomax and McWilliam (2001) stated that line extensions work mainly on already existing brand customers. They found that customers tend to buy line extension products when they already know the brand, otherwise there would be no need to use an existing brand name if customers would not buy from the parent brand if their product line was extended. The focus group agrees and says that customers must recognize the brand otherwise the success could decrease, however they said new customers can be attracted to the line extension as well. The market shares are in other words expanded. They gave the example of Diet Coke because the product attracts another target group compared to Classic Coke.

Further on they stated that a successful line extension also will fulfill the need that exists or even a need that maybe is not yet even thought of, or maybe exist in a smaller scale. The participants in the discussion group bring up Loka Lemon as an example. Many of the customers buying Loka put a lemon slice in their drink and viewed this need as a base for Loka to introduce the line extension Loka Lemon. This is according to Lee, Lee and Kamakura (1996) the critical success factor and the attributes of the line extension is the most important variable of success. The customers focus will lie on these attributes of the line extension when evaluating the product.

The authors Lomax & McWilliam, (2001) claim that it has to be ensured that the new line extension products are not substitutes to the existing line, but an expansion of the present product portfolio. It is also important to position the line extension products in a different way than existing products, and this could example be the difference in the usage occasion (ibid.). The focus group agrees and says that the success of a line extension can be derived from an innovative spirit, advanced functions and technical assets, which can make the line extension successful. Further on the focus groups thought that the introduction of multicoloured displays and cameras on mobile phones do not substitute the original products, instead this are seen as developments and can be used in new occasions.

Nijssen (1999) has discovered that customers want variety and products which comes in different shapes, sizes and flavours. This corresponds with the focus groups who
say that a line extension success factor is when it provides variety to the original product. Different sizes enable the customer to use it in more diverse occasions. It gives customers variety and encourages a trial purchase.

Speed (1998) stress the importance of bringing in relative price as a factor affecting the line extension, this phenomenon has especially increased during the last years, e.g. Levis and Dockers, Toyota and Lexus (ibid.). The focus group felt that prices will drop because of the increase in supply and that this will have a positive impact on line extensions as an attractive product. The prices will drop because of the increased competition and the increased number of rivals that usually will adopt the line extension idea after a period of time. According to Reddy et al. (1994), an important aspect that affect the success of the line extension, is if the customer sees the company as market dominant.

The participants also believe that the success can be an outcome of new target groups. If the line extension is modified to attract possible new customers, this can result in the success of the line extension. If companies only move customers from the original product to the extended, the success will not be as immense. Product attributes must be developed so that they are not considered as an exchange of the original product. When line extensions attract new customers and therefore gain market shares they will be successful.

5.2 Factors resulting in a failed line extension

According to Reddy, Srinivas, Holak and Bhat (1994) and Fader and Hardie (1996) the line extension will be affected by the characteristics of the extension and this is seen by the focus groups too, who considered Coca Cola’s Vanilla Coke as a failed line extension. This was an effect of the product characteristics, and in Vanilla Coke’s case the taste was repelling.

Ambler and Styles (1997) writes about similarity to other items in the parent brand, and that if the similarity does not exist, the outcome can be a failure. The focus group brought up Keso as an example and says the introduction of Keso with pineapple did fail because there was an attribute that didn’t fit with the brand Keso, since the line extension included fruit and therefore went beyond the original product.

Park, Milberg and Lawson (1991) also discusses fit as an important factor, the product will fail if product-similarity perceptions and brand-concept-consistency perceptions doesn’t fit between the products. According to the focus group some line extensions can not be introduced even though there is nothing wrong with the product attributes itself. The food company Eldorado which produce staple foods could introduce Cola beverages on the market, but they should not sell it and package it with a persona that interferes with the brand image itself. Grime, Diamantapolous and Smith (2002) agrees and state that the new product will be more successful if it is closer to the core concept of the company. For example it would not be a successful line extension for BMW to produce a cheaper car model because it would probably dilute the core brand image. It would be more suitable for them to do a brand extension and for example produce an exclusive mountain bike model because it fits more into the existing brand image. The focus group brings up Vanilla Coke and Pepsi Max and states that these
products would fail if introduced by Eldorado because of the no existing connection with the brand image.

Many authors state (Fader & Hardie, 1996; Reddy, Srinivas, Holak & Bhat, 1994) that failure can depend on the characteristics of the extension. The focus group mentioned the vegetable and fruit industry as an example of this, and when line extensions are conducted on basic food (gene manipulation). It will only create trial purchasing to introduce a red banana, but it would never create a stable demand the groups mean.

In the research conducted by Lomax & McWilliam (2001) it was found that it is important to have customer retention as a strategy in the company, because customers obviously buy line extension products when they used to be satisfied with the brands existing products. The participants in the focus groups also put some light on this and say that some products will harm the original product, and some customers can feel driven away as a target group when brands introduce line extensions they feel less connected to. They bring up that if line extensions are introduced that move a bit away from the previous target group it is important to still keep the original product in stock so that the demand from some customers can still be upheld.

The focus group also explain that some products are not possible to extend because of their strong position in the market, the introduction of Daim mint, Ahlgrens car tires and yellow coloured ketchup is seen to be products that will fail. Customers are quite conservative when it comes to buying behaviour and some classic products should be left with no extensions at all the groups say. This argument is supported by Lee, Lee and Kamakura (1996) who say that some products have established a strong emotional connection between the product and customer and therefore is not desirable to modify.

Line extensions can lower marketing costs, according to Martinez and Pina (2003). But with less marketing efforts it is more likely that the line extension fails, say Reddy et al.(1994) and Ambler and Styles (1997). This is supported by the focus groups who say that the lack of marketing activities can be seen as a possible cause of failure as some companies seems to believe that no marketing at all is needed. Even though the brand itself is already well recognized the product won’t sell itself the groups state.

Reddy et al. (1994) argue that line extensions that are introduced later are less successful then products that are introduced later in the category. This is according to the focus groups important, line extensions that are introduced later will dilute themselves and create a failure.

The focus groups suggested that a line extension will not be successful if it overshadows the original product and that it should not be more popular than the original product. At the same time Nijssen (1999) argues that the aims with line extensions are to encourage more customers to buy the products, and it is common that customers will buy it on the expense of original products. Speed (1998) proposes the risk of cannibalization as higher when the new product gives superior benefits compared to the original product and is still similar to the original product. The risk is also higher, according to the author, if the price of the new product is lower than the original. Cravens, Piercyl, Prentice and Ashley (2000) do not only see cannibalization
as something negative, it can also be seen as an opportunity to provide new products and can even be used as a strategy (ibid.). According to Samli and Weber (2000), Gillette used this as a deliberate strategy when the new products were improvements of the older ones.

### 5.3 Line extensions affect on brand image

According to Rio, Vázquez and Inglesias (2001) brand image is connected to the dimension that is if the brand meets the expectations of their customers. Further on Martinez and Pina (2003) say the risk of a deterioration of the brand image increases if the line extension mismatches customer expectations. The focus groups think that even though Vanilla Coke was considered as a failure and mismatched the customers’ expectations, this did not harm the brand image of Coca Cola or the original product. In this case, the brand image was resistant to a less successful line extension and the focus groups think that a line extension is generally positive for the brand image.

Pitta and Katsanis (1995) say that the strength of the brand image is one among other aspects that determines different customer responses to products or services. Coca Cola is known for their strong brand image, which seems to be protected from a dilution impact according to our focus groups.

The authors Ambler and Styles (1997) claim that the success of a line extension is often connected to its amount of marketing activities and promotions. According to the focus groups, line extensions increase customer awareness of the brand and the original product. The focus group thought that a line extension and the marketing activities around it, even though they would not buy or use the extension themselves, it is a way to strengthen the brand image because of amplified attention.

According to Speed (1998), attitudes are transferred from the line extension to the original product. The focus groups sees difficulties for a brand that has not yet been purchased or used by a customer earlier than the experience of a perceived non-satisfactory line extension, to be accepted by that customer. A brand that does a non-satisfactory line extension, but is normally used and purchased by a costumer, can more easily be accepted. This can in a way be connected to the statement of Lomax and McWilliam (2001), that line extensions work mainly on customers already familiar and buying the original brand products, even though the focus groups mean that the acceptance of a failed line extension is more likely to exist if the customer is used to buying the original products.

Jeppsson and Kullin (1994) highlight the importance of fit between the different products of the brand, and customers should recognize a connection between the products. Fatt (1997) states that the brand should speak familiarity and credibility, and that it is very important to examine what kind of people that are buying the products or services. This argument is supported by our focus groups who thought that the brand image could experience bad consequences if it goes far beyond the original image and the original product. They also say that the line extension product should be on the same level or higher than the original product, according to the theory this would probably cause cannibalization. The focus groups also emphasized the importance of keeping the original product in the stores.
It is more acceptable for luxurious and high status to introduce products that are further away in characteristics and functions than low status brands, according to Pitta and Katsanis (1995). The focus groups talked about high status brands that can be strengthened through line extensions because it enables customers to use their products in several different occasions. In other words this means that the focus groups think that a status brand can develop line extension products that are functionally different from one another, and still strengthen the brand. According to the focus groups the line extension of a high status brand can be successful as long as it is consistent with the brand image.

They also talked about the impact of line extensions upon the brand image, and that it depends to a large extent on the type of product. The focus groups think that a failed line extension within the category of groceries is more acceptable than if a car brand launches a failed line extension.
6. Conclusions

In this ending chapter the research questions will be answered. We will also connect findings from the literature review and the empirical research with our purpose of the thesis. Then our theoretical and practical contribution will be presented with an ending in further research.

6.1 Factors resulting in a successful line extension

It is suggested that line extensions work mainly on existing customers, but it is also possible for a line extension to attract new customers.

A line extension might be considered as successful if it provides more variety, but still doesn’t work as a substitute to existing products. However, rapid-growth companies must use cannibalization as a strategy because of the intense need for fast product development. A line extension can be considered as successful when it creates new target-groups, which is a way for companies to gain more market shares.

It can be seen as positive for the customer if the price of a line extension drops after a while. This will occur because of imitation among other rivals in the industry and the supply will be greater than before, this is considered as a risk with line extensions. Increased competition could enlarge the share of the product category. But if a certain brands’ line extension has a large market share within the product category, it is often connected to success and if the prices will drop for every rival, it would probably not alter the customers’ choice of brand.

It can be discussed if whether or not the added features of the line extension can be considered as the most important determinant for success. It is though declared that the added features can to some extent, as one factor contribute to the success as well as if the new features fulfill the customers need.

Line extensions that are launched in different sizes and packages will probably have greater success than others because they provide variety to the customers.

6.2 Factors resulting in a failed line extension

The success or failure of a line extension is dependent on its characteristics to a certain extent, but the failure rate might be higher if the line extension is too dissimilar to the rest of the brand’s products. Dissimilarity seems to be more accepted if a line extension is introduced by a high status brand. Those brands can enhance the image through line extensions that will offer customers alternatives of products in many different situations.

Some characteristics of line extensions might be disturbing in the eye of the customer, this was suggested from our focus groups when we were given the example of manipulation of basic food. People might want to conduct a trial purchase because of
curiosity, but they did not think that the demand can be expected to be stable. Sometimes it is not appropriate to do a line extension even though the product is superior itself. If the packaging and the product interfere with the brand image, it would probably be difficult to make it sell.

Line extensions might not be considered as successful when they eliminate the original product from the market and if the customer feels driven away from the brand. The person might feel that the image of the line extension is no longer in harmony with his or her own self-image. This is a not a way to practice customer retention which is one of the reasons for even conducting line extensions.

The line extension probably needs to be exposed and marketed even though the brand is considered as strong, without marketing efforts the product won’t sell itself. It is also important that line extensions are introduced on time because otherwise it is less likely to experience success. The line extension should preferably also meet the customers’ need, and if it is introduced late the need might already be fulfilled.

Some products should perhaps be left without a line extension. Customers may have developed strong emotional attachments with some products and will only accept the original product as untouched.

Cannibalization can be seen as a factor of failure by the customer, but most often this will occur when line extensions are introduced. It can in fact be necessary to face, for companies who are positioned in fast-development industries.

6.3 Line extensions affect on brand image

Customer expectations are seen as an important factor in line extensions. It is made clear that the mismatch between customer expectations and the line extension can have a negative effect on the brand image. It is important though to consider that some elements contradict this thinking. It is suggested that strong brands won't be affected by a failed line extension as much as a weak brand.

It is also important to look at the type of product, it was suggested that within the food industry failed line extensions seem to have less impact on brand image compared to for example within the car industry.

Strong brands also seem to manage a larger number of line extensions than weaker brands, the dilution effect that could appear when launching a large number of line extensions doesn't seem to interfere with the brands persona as much as when the brand is weak.

The brand image can be strengthen in a number of ways, marketing and promotion of the line extension can be seen as a major influencer on the success of line extensions. These activities do not only benefit the line extension, but also the brand itself as the awareness covers both the product and the brand. It is suggested that some companies tend to rely too much on the brand working as a marketer for the line extension, and this self-selling technique might not always work on its own.
Conclusions

It is mentioned that a brand will experience difficulties to reach acceptance from a customer who has not yet purchased or used the brand earlier than an experience of its perceived non-satisfactory line extension. It can be presented from our empirical results that a brand that does a non-satisfactory line extension, but is normally used and purchased by a costumer, can more easily be accepted.

Line extensions should if possible inherit the brands image, and this could increase the success factor. During the study it has become clear that if customers witness a connection and fit between the line extension and the brand, it will increase the possibility of success. Line extensions that go too far away from the brand image may not be as successful as if there is a connection. Line extensions should perhaps offer a better product then the original one and its characteristics should offer a premium, but this can also cannibalize the original product. Some products are supposed to cannibalize the original product because some products are replaceable. The example of Gillette's razorblades is a product that is exposed to pro-cannibalization as a strategy.

The strengthening of the brand can occur even though the line extension is far away from the brand image or original product. This is the fact with luxurious and high status brands. They can have extended differentiation within the product category compared to low status brands, and still the brand name can create synergy to the product group. In this case it is important that all products inherit the persona and similarity with the brand image.

The impact line extensions have upon brand image depends to a large extent on the type of product and the situation it is based on. A line extension within the category of groceries that is not tasty according to the customer can be seen as more acceptable than if a car brand launches a failed line extension because of insecurity.

6.4 Reconnection to the research purpose

6.4.1 Theoretical contributions

The study has shown that the empirical findings to a large extent are similar with present literature. However, there are some differences and therefore we present two statements.

- The study shows that a line extension includes profitability as a factor affecting the success/failure rate. This is brought up in literature as well, but there is also another view which implies that a successful line extension necessarily does not have to be profitable. A clarified view is needed since both approaches exist.

- Acquiring new customers are considered more important by the empirical study since these customers are adding more to the brand than existing customers.
6.4.2 Empirical contributions

Our research results can be reflected upon and used by both students and companies who want to know more about customer’s perceptions of line extensions. This research was made from a customer perspective because of a possibility to contribute with an insight in people’s common thoughts about this.

A presentation of considerations for companies who plan to conduct line extensions:

- Make sure that the line extension does not go too far away from the present brand image and the present products, an exception can be made if the brand is more luxurious where different usage occasions for the product is more accepted than a cheaper brand.
- A line extension does not always sell itself because of a strong brand name, promotions and marketing activities need to be done.
- Customers want the original products to be available in the stores, even though there is a line extension. The possibility to go back to the original has to exist.
- Sometimes line extensions are not appropriate for a brand even though the attributes are superior, it has to be in accordance to the brand image or otherwise some customers will feel pushed away from the brand.
- Customers like variety and many different options within a product category, and therefore it is suitable to conduct line extensions on several products.
- Line extensions on basic food (gene manipulation), such as fruits and vegetables, will create curiosity in the customers mind, but the demand cannot be expected to be constant.

6.5 Further research

This thesis has focused on factors behind the failure/success of line extensions and the affect they have on the brand image. During our empirical study we held two focus group interviews that discussed the phenomena. These discussions ended in data that was not covered by our purpose, further on it resulted in data that was not covered by previous research. These findings would be interesting to research further. These areas are presented below.

One interesting topic that was noticed in the empirical study was the use of line extensions as a method to extend the product life cycle. Companies like Intel have used line extensions on their computer processors as a method to extend present products as well as maximizing profit. This is an interesting area to further investigate, what factors are justifying a line extension by this reason?

During the study efforts have been laid on line extensions affect on brand image. It could therefore be in place to research how brand image affects the line extension. They are in a way bonded together but this different approach could result in new interesting findings.
Another interesting research area is the comparison between companies and customers’ points of view when it comes to line extensions. It has to some extent been covered during this study but could be looked upon more deeply. The research could include a case study on a company and focus group interviews with their customers.

Brand extensions are also an area to further explore, especially how far away a brand can move from its original category product groups. Luxury brands have been able to attain new target groups and many clothing brands have introduced brand extensions like perfumes that ended in success.

The empirical study showed concern and confusion on product packaging, even though the product and its attributes were the same, the package could differ. Example of this is milk in new smaller handy bottles, should these types of products be considered as line extensions? The literature review has no suggestions of answers. This area is therefore open to further exploration.

It was suggested from our empirical study that companies want to offer customers a diverse set of products to choose from through line extensions. Therefore, the need to switch brand does not exist if the brand offers variety. A further research of this area could explore whether this is the case or not.

Our focus group study highlighted the importance of the line extension fulfilling some kind of a customers’ need, and if it does, the line extension is more likely to be successful. This is also an area which would be interesting to examine further, if this is the case.

It was also seen in our focus group interviews that it is important to look at the type of product within the line extension. Failed line extensions within the food industry seem to have less negative impact on brand image compared to a failed line extension within the car industry. This area is not covered by existing theories and therefore this area could be researched further.

Further research could also include the correlation between age and opinions about line extensions as a variable. By bringing in quantitative variables it enables research to be conducted with surveys in the future.
References


Interviews

Focus group interview 2004-05-13
Focus group interview 2004-05-14
Interview guide

Öppningsfrågor

• Berätta vad du heter och vart du bor.

Introduktionsfrågor

• Vad är en line extension för dig?

Övergångsfrågor

• När du tänker på en line extension, vad kommer då upp i dina tankar kring detta?

• Har du lagt märke till någon/några line extensions på sistone och vad tyckte du om dessa?

Nykelfrågor

• Varför såg du dessa som framgångsrika/misslyckade?

• Hur påverkade dessa din syn på varumärkets image? Image är kopplat till faktorer så som de beskrivande egenskaper varumärket har, kundens egen värdering av varumärket, vad det kan bidra med och den generella uppfattningen kunden har av ett märke.

• Hur kan line extensions påverka varumärkets image?

• När ni anser att en line extension förstärker ett varumärkes image, vilka egenskaper anser du då att den skall ha?

• När en line extension försämrar ett varumärkes image, vilka egenskaper anser du då att den skall ha?

• Bortsett från varumärkets image, vad skulle kunna göra att en line extension blev framgångsrik? Faktorer som har kopplats till framgång är exempelvis varumärkets styrka, om den nya line extension produkten liknar varumärkets andra produkter och hur mycket det satsas på marknadsföring kring produkten.

• Kan du säga några positiva saker om line extensions, det spelar ingen roll hur små de positiva sakerna är?

• Hur skulle en line extension kunna misslyckas?

Slutfrågor

• Om du vore moderator, vilken fråga skulle du då ställa till gruppen härnäst?

• Av allt som har diskuterats idag, vad känner du att företag måste ta hänsyn till när de utför en line extension?
Sammanfattningsfrågor

Ge gruppen en summering och sedan ställa frågan:

- Hur bra förklarade summeringen vad som har sagts här idag?

Slutfråga

- Har vi missat att ta upp något viktigt eller är det något som vi inte har talat om som vi borde ha gjort?
Focus group interview guide

Opening question

• Tell us your name and where you live.

Introductory questions

• Describe a line extension

Transition questions

• When you think of line extensions, what comes in mind?
• Have you noticed any line extensions recently and what did you think of them?

Key questions

• Why did you see them as successful/failure?
• How did they in your mind affect the brand image?
• How can a line extension affect the brand image?
• What benefits do you see with a line extension regarding brand image?
• What disadvantages do you see with a line extension regarding brand image?
• What could make a line extension to succeed?
• Can you tell me five positive things about line extensions, no matter how small that positive thing is?
• What could make a line extension to fail?

Ending questions

• If you were the moderator, what would be the next question you would ask the group?
• Of all things we discussed what do you feel companies must consider most when conducting line extensions?

Summary question

Give a summary and then ask:

• How well did this summary capture what you said here?

Final question

Have we missed anything and is it something that we should have talked about but didn’t?
Appendix B

Interview guide connected to research questions

FF1: Vilka faktorer resulterar enligt kunderna i en lyckad line extension?

- När du tänker på line extensions, vad kommer då upp i dina tankar kring detta?
- Har du lagt märke till någon/några line extensions på sistone och vad tyckte du om dessa?
- Varför såg du dessa som framgångsrika/misslyckade?
- Bortsett från varumärkets image, vad skulle kunna göra att en line extension blev framgångsrik? Faktorer som har kopplats till framgång är exempelvis varumärkets styrka, om den nya line extension produkten liknar varumärkets andra produkter och hur mycket det satsas på marknadsföring kring produkten.
- Kan du säga fem positiva saker om line extensions, det spelar ingen roll hur små de positiva sakerna är?
- Om du vore moderator, vilken fråga skulle du då ställa till gruppen här nästa?
- Av allt som har diskuterats idag, vad känner du att företag måste ta hänsyn till när de utför en line extension?
- Har vi missat att ta upp något viktigt eller är det något som vi inte har talat om som vi borde har gjort?

FF2: Vilka faktorer resulterar enligt kunden i en misslyckad line extension?

- När du tänker på line extensions, vad kommer då upp i dina tankar kring detta?
- Har du lagt märke till någon/några line extensions på sistone och vad tyckte du om dessa?
- Varför såg du dessa som framgångsrika/misslyckade?
- Hur skulle en line extension kunna misslyckas?
- Om du vore moderator, vilken fråga skulle du då ställa till gruppen här nästa?
- Har vi missat att ta upp något viktigt eller är det något som vi inte har talat om som vi borde har gjort?

FF3: På vilket sätt påverkar line extensions varumärkesimage?

- När du tänker på line extensions, vad kommer då upp i dina tankar kring detta?
- Har du lagt märke till någon/några line extensions på sistone och vad tyckte du om dessa?
- Hur påverkade dessa din syn på varumärkets image? Image är kopplat till faktorer så som vilka beskrivande egenskaper varumärket har, kundens egen värdering av varumärket, vad det kan bidra med och den generella uppfattningen kunden har av ett märke.
- Hur kan line extensions påverka varumärkets image?
- När ni anser att en line extension förstår ett varumärkes image, vilka egenskaper anser du då att den skall ha?
- När en line extension förstärker ett varumärkes image, vilka egenskaper anser du då att den skall ha?
- Om du vore moderator, vilken fråga skulle du då ställa till gruppen här nästa?
- Av allt som har diskuterats idag, vad känner du att företag måste ta hänsyn till när de utför en line extension?
- Har vi missat att ta upp något viktigt eller är det något som vi inte har talat om som vi borde har gjort?
Connection to research question

RQ1: What factors are according to the customer resulting in a successful line extension?

- When you think of line extensions, what comes in mind?
- Have you noticed any line extensions recently and what did you think of them?
- Why did you see them as successful/failure?
- What could make a line extension to succeed?
- Can you tell me five positive things about line extensions, no matter how small that positive thing is?
- If you were the moderator, what would be the next question you would ask the group?
- Of all things we discussed what do you feel companies must consider most when conducting line extensions?
- Have we missed anything and is it something that we should have talked about but didn’t?

RQ2: What factors are according to the customer resulting in a failed line extension?

- When you think of line extensions, what comes in mind?
- Have you noticed any line extensions recently and what did you think of them?
- Why did you see them as successful/failure?
- What could make a line extension to fail?
- If you were the moderator, what would be the next question you would ask the group?
- Have we missed anything and is it something that we should have talked about but didn’t?

RQ3: In what way is the line extension affecting the brand image?

- When you think of line extensions, what comes in mind?
- Have you noticed any line extensions recently and what did you think of them?
- How did they in your mind affect the brand image?
- How can a line extension affect the brand image?
- What benefits do you see with a line extension regarding brand image?
- What disadvantages do you see with a line extension regarding brand image?
- If you were the moderator, what would be the next question you would ask the group?
- Of all things we discussed what do you feel companies must consider most when conducting line extensions?
• Have we missed anything and is it something that we should have talked about but didn’t?