Line–extensions;
A longitudinal study concerning effects on brand equity

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Thesis purpose:	The study aims to examine the effects vertical and horizontal line extensions might have on the total parent brand equity in terms of strength and its baseline product regarding of market share, loyalty and penetration under an elapsed period of time. The study aims to investigate a number of actual conducted line extensions effect on the above mentioned aspects of Kellers (1993) definition of brand strength as a part of the total brand equity.
Methodology:	The effect of a number of line extensions of the parent brands and the baseline products is being examined in terms of market share, loyalty rate, cannibalization and market penetration. The thesis is focused on the correlations between these different parameters during a certain elapsed time ratio in order to test our theoretically routed hypothesizes in a deductive manner. Occasional correlations are derived from an indexation of data collected from the Gfk database.
Theoretical perspective:	The study is derived from Kapferers (2004) definition of brand equity, where he is dividing the concept into three parts. This study is focused on Brand strength in particular, which is one of the parameters in the above-mentioned theory. This definition is in turn highly influenced by Kellers (1993) research which also are of great authority in this thesis.
Empirical data:	The empirical data is of longitudinal character and consists of an indexation derived from data obtained from the Gfk database.
Conclusion:	The results is indicating that the concerns expressed by a majority of theorists can't be directly validated in terms of line extensions negative effects on brand strengths. The study will contribute as part of a decisional framework when evaluating a possible line extension.

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1 Introduction

This chapter is intended to provide the reader with an elementary knowledge and understanding of the focal problem is this thesis. A problematizing background description is followed by proposed areas of relevance and the intended purpose of the study.

1.1 Background

If you aren't everywhere, you are nowhere. This is a citation from the, at least in marketing contexts, elementary book No Logo (Klein, 2000). Every company of to day is trying to establish a consumer relation that in such a large extent harmonizes with the consumer needs that the brand itself eventually will function as a lifestyle. As a consequence of this brand related market strategy, the war fought on the market today is not between products but between brands trying to create overall solution concepts (Klein, 2000).

During the last couple of years, the number of stores and products has exploded on the grocery market; the globalization has allowed financially and organizationally strong enterprises to extend their operations over several borders. The intruding companies often enjoys the favourability of economies of scale and is hence able to charge lower prices on goods identical or at least similar to the products offered by the native companies. These national companies has naturally attempted to, adapt to the new environment in a number of ways. One precautious move among others made to survive in the tougher competition is the increasing implementation of their own branded goods (Anselmsson et al, 2005).

The intensified competitive market environment surrounding store outlets, has naturally also effected the manufacturers and providers of branded goods sold in these. In order to be able to uphold and gain profits and to keep contending on the shelf spaces, organizations are engaging in a constant struggle to uphold their positions. To just survive is not an option; hence organizations are making strategic moves using their existing brands as a tool, trying to increase their market shares. Anselmsson et al (2006) states that a lowering of price level could be a way to respond but that this eventually will harm the brand equity. Their study stresses that the area of focus in brand management should be thorough attempts to create positive values and associations surrounding the brand. This could increase the perceived quality and offer the possibility to charge premium prices. There are although other ways to expand and to improve the equity of a brand. A common and widely debated way to generate growth by using the existing brand equity is to extend their offered service- or product portfolio over a number of markets and hence segments (Hassen & Craft, 2005).

Keller (1993) says that a brand should be defined as "a name, term, sign, symbol or design or a combination of these" that should help the consumer identify a product and to create a perceptual framework surrounding the brand. The creation of this perceptual framework is also in a direct way influenced by the branded organizations strategic segmentation activities. Successful extensions are considering these critical success factors according to Draganska & Dipak (2005). Further Kapferer (2004) presents a model containing his definition of brand equity, explaining the factors that influences the essences of a brand and that seemingly can be affected and affects the strategic moves that an organization implements.

The essence of an extension is to capitalize on the parental brand and the popularity of its baseline products i.e. the assets and its strengths, which indirectly also are affected by the intentional extension. This can be considered the basic problem with extensions, since the possible gain from using the parent brand on new products also can constitute the errors that can harm the brand and consequently the whole organization (Aaker & Joachimstahler, 2000). There are further, variations in strategic approaches to extensions thus Vertical line extension are defined as an expansion of a product range aiming to reach costumers with other qualitative preferences i.e. products that are priced different from the baseline product. The horizontal and more common ditto is an expansion of the baseline product, modified or in some way different but still in the same price range (DelVecchio & Smith 2005).

Despite the fact that extensions of various kinds is the most frequently used strategy when trying to develop further profits, the critique against the functionality of the strategy is massive and is in many cases advised to be disregarded. Aaker (1993) states that this kind of branding activity is most likely to create confusion and dissonance in the consumer perceptions of the brand and will on a long-term basis eventually harm the total brand equity. Kai-Lung (2004) are concerned about the cannibalization effect of extensions, meaning that further introductions to a product category might bring the undesired consequence of internal competition. The risk of just dividing loyalty rate and market shares into smaller peaces seems to be a big issue of concern, but at this moment there are no empirical studies to be found on the issue, especially not pertaining to the Swedish grocery market.

As stated, the strategy of extension is, regardless of the possible negative effects, the most common tool when engaging in growth intentions. There is a variety in the ways you can approach the issue, and there is very little research conducted on which ones are suitable for different product categories and the effect of these actions on the parent brand and its baseline product i.e. the product that stands to be identified as the base in a certain product category of a brand (Kapferer 2004). Horizontal line extensions are according to DelVecchio & Smith (2005) defined as an attempt to expand sales within the existing segment and are by many researchers (Aaker 2003, Draganska & Dipak, 2005) criticized for only cannibalizing on the primary product within the segment, the base line product. Vertical line extensions are by DelVecchio & Smith (2005) further described as attempt to reach new customer segments, over or below the existing one by adding or subtracting qualitative features, these kind of extension are also characterized by a change in price level compared to the baseline product. Some researchers are ever so sceptic about the concept of line extensions while others tend to move towards the matter in a more open manner. (Aaker 2003, Chadwick & Clowes 1998) It is though, as mentioned, stated by many studies that these kind of activities will eventually cause harm to the total brand equity. Martinez & Pina (2003) presents results that indicates that a line extension is likely to harm several parts mentioned in Kapferers (2004) model, especially endangered are the intangible parts of the brand. There are although no, known to us, empirical studies that examines how certain aspects in Kapferers model is affected, the fluctuations of criteria like total market share, loyalty and market penetration has seemingly been excluded empirically, as far as we know the only studies regarding the issue of interest is of theoretical character like the one by Keller (1993)

1.2 Problem Discussion

1.2.1 Practical Relevance

Since the strategy of extensions are so frequently adopted by organizations aiming for growth and the fact that researchers line up to condemn the method, this indicates that a general framework of the issue of concern is useful. An extension should preferably generate revenues for the organization behind the extended brand and at the same time strengthen the parental brand.

For the organizations that are striving for an increased growth of market shares and consequently augmented profits, extensions is of increasing importance as an competitive tool. Extension may, if conducted in an efficient manner, increase the consumer perceived utility of using the brand and its products in several areas of consumption and will thus constitute a solid foundation and appreciation for the brand equity.
So a relevant question to as is, how has earlier conducted line extensions effected the brand equity in the sense of brand strength of the parent organizations?

Extensions are used to penetrate new markets as well as capitalizing and exploiting the markets an organization with its brand already are operating within. A organization with a well established brand has a lot to gain of this can be transferred successfully and if all important parameters are thoroughly considered the possibility of rewards should by far exceed the risks. Seemingly the enquiry is, how has the total product categories been effected by line extensions being made?

The current research is, as earlier mentioned, critical to extensions although Aaker (2003), Keller (1993) and their colleagues within the field agree on that there are agreeing on the fact that there are several possible positive outcomes. We will by taking into consideration the various factors involved that are excluded in previous research try to examine patterns on cases where these different factors combined has been used on various kinds of extensions. So relevant information for several companies that are thinking of extend their categories is there then, any patterns in the results of earlier conducted line extensions in terms of loyalty, penetration and market share that can guide the decision making of companies struggling with the question?

1.3 Purpose

We are aiming to examine the effects vertical and horizontal line extensions have on the total parent brand equity in terms of strength and its baseline product regarding of market share, loyalty and penetration under an elapsed period of time. The study aim to investigate a number of actual conducted line extensions effect on the above mentioned aspects of Kapferers (2004) definition of brand strength as a part of the total brand equity.

2 Conceptual framework

In this chapter we are aiming to, in a fundamentally manner, give an account for the theory we have chosen to use in the thesis. We are focusing on the basics of brand equity and Kellers (1993) definition of brand strength as a part of it, with focus on brand- and line- extensions viewed from a horizontal/vertical point of view. This chapter is finalized with our hypothesises preceded by a concluding theoretical motivation.

2.1 Brand Equity

Brand equity can be defined in different ways but a general postulation is that it is the value the brand projects to the product and consumer (Broniarczyk & Alba, 1994), the effect of brand names on consumers product evaluations (Osselaer & Alba, 2003), the marketing effects uniquely attributed to the brand (Keller, 1993) and the degree of the brand as an identifier for a given set of products offered from a company (Randell et. al., 1998). Given this, there are two commonly used and summarizing definitions; customer-based definitions and the brand as a financial asset (Kapferer, 2004).

Where 'customer-based' brand equity is the relationship the consumer encompass to the brand the brand as a 'financial asset' is just how you measure the countable value of the brand (Kapferer, 2004). A brand can be defined as a 'name, term, sign, symbol, design, or combination of the former which is intended to identify the goods and services of one seller and to differentiate the seller from the goods and services of the competitors' (Keller, 1993). A brand can be further divided in three parts; *asset* - the source of influence on consumers, *strength* - behavioural competitive indicators such as market share, market leadership, loyalty rates and price premiums) and *value* - the ability of the brand to deliver profit. The important strategic aspects of brand equity are the aptitude to understand the effects of market activities where the short-term market actions will develop the long-term desirable attitude of the brand in the mind of the consumers.

Anselmsson et al (2006) has conducted a study aiming to examine how price premiums are created, deriving from the concept of brand equity, i.e. which particular aspects of the concept that embodies peoples will to pay higher prices for certain products with the conclusion that price premium possibilities are created alongside with the implementation of positive values and associations of the brand. In this case the major grocery chains own branded products were in focus and the results indicated that factors such as the nativity of the brand, the social responsibility of the organization behind and their concern for environmental and health issues were of great importance for being positively perceived. Further the perceived quality has to be viewed upon as highly subjective and has very little to do with the actual quality, this proves the fundamental importance of brand equity in the sense that a well functioning concept could add features to a product in a seemingly intangible manner.

Consumer based brand equity, is defined as differential effect of brand knowledge on consumer response to the marketing of brands. The important concepts from this point of view are the differential effect, the brand knowledge and the consumer response to marketing. The key to gain successful brand knowledge is to produce and maintain a high favourability, strength and uniqueness of the brand associations combined with brand awareness. These three parts are fundamental to produce differential customer response to the marketing of brands (Kapferer, 2004) (Keller, 1993).

Building brand equity requires the creation of a, in the mind of the consumers, familiar brand, that possesses favourable, strong and unique associations (Keller, 1993). This can be managed by the initial and hence crucial choice of brand identity where brand identity is defined as the different aspects of the brand assets. Another way of building equity is to successfully integrate the brand identity into the supporting marketing activities (Fombrum & Van Riel, 1998). Brand strengths are the corporate side of the brand delineated as the knowledge that is essential for the company when attempting to increase the brand assets. Further, brand strengths is referred to as the foundation of in what direction the brand is heading and how it will increase its equity and general growth and success (Kapferer, 2004). The model below is by us constructed but is containing the exact words of the Kapferer (2004) definition of brand equity. Worthy of note is though, that this model is by a high degree deriving from pervious research conducted by e.g. Keller (1993)

• **Brand assets**, brand reputation, brand personality, brand deep values, brand imagery, brand preferences
• **Brand Strengths**, market share, market leadership, market penetration, share of requirement, growth rate, loyalty rate, price premiums
• **Brand Value**, Net discounted cashflow attributable to the brand after paying the cost of capital invested to produce and run the business and the cost of marketing.

Figure 1, Kapferer, 2004

When attempting to measure the effects and success of a product launch due to the parent brand and the base line product, the most palpable factors within the above mentioned model stand to be found in the area of brand strengths. Of special interest is, according to Hui (2004) the subsequent figure changes in market shares, market penetration, loyalty rate and price premiums are of explicit weight in order to establish the success of the new product i.e. the line extension and the impact it has had on the total product category and its baseline product. These parameters are ostensibly important and there should preferably be considerable positive correlations in the figures in order to be able to define the extension as successful, since the intention is to strengthen brand equity and increase profits of the organization (Keller, 1993).

2.1.1 Brand Strengths

By combining the above mentioned parameters you get an explicit picture of how brand knowledge can be used and in what way you can affect a consumer's consumption behaviour and seemingly make them use and consume certain products in specific ways. Hence brand awareness is how consumers relates to recognition and recall of products and brands (Keller, 1993). The combined above mentioned is ostensibly derived from the communicated message that are aimed at the consumers and the perceived utility enabling organizations to charge premium prizes (Keller, 1993). How companies build there name, brand, position, segment and how they want customers to perceive the brand, is referred to as brand architecture. The combination of how the brand owner uses the assets and strengths of the total brand in order to create a consistent profitability is of crucial matter. The producing company is deemed to positively affect consumer associations and to steer the product benefits to produce positive fondness on a long term basis (Kapferer, 2004).

Gilbert & Hewlett (2003) points out the essentials due to brand strengths when launching new products, claiming the rather given fact that strong brands are more likely to gain a synergy effect by this managerial decision. The synergy effect would consist of the fact that a brand with an already strong equity would enjoy a decrease in this capital if the new product answers to the earlier core values of the brand. MacRae & Uncles (1997) are agreeing to this proposal with the addition that the same assumption should be considered in a reversed scenario i.e. a brand with seemingly week equity are likely to be stripped further if a new product launch is made. This could be accounted as a argument of why a intended exploitation of a brand is so perilous, by endangering the current advantages enjoyed by a strong equity in order to create further profits, you are putting a whole line of products at risk. In a worst case scenario, the whole brand is hurt and since the positive fondness to a brand is to considered as a long term project, it can take years to repair the damage if ever so possible (Mcdonald, 1997).

2.1.2 Market shares

One of the most common critique to line extension initiatives is the, according to researchers overwhelming risk of the products "eating" of each other market shares and are hence not increasing the brand strength but rather decreasing it in terms of relative percentage figures (Aaker, 2003; Draganska & Dipak 2005; Reddy & Holak, 1994; Chen & Liu, 2004).
The revenues of product variety have increased significant interest in many research areas hence also in the management functions of many organizations. Thus, the extensive product proliferation of the industry of today that aims at capture demand from a multiple number of consumer segments (Kai-Lung, 2004). Besides from the sometimes-obvious advantage of economies of scale in assembled product industries, an extension should lead to an improved stance in the competitive pressure (Ramdas & Sawhney, 2001). There is one particular downside though, besides from the possible degeneration of the long-term overall brand equity which is the risk of creating competing products within one firms own range, commonly referred to as cannibalization. The initial product is often passed on as a base line set i.e. the product that is being extended and as earlier mentioned, extensions of this base line set is made both horizontal and vertical in order to reach as many consumer preferences that is possible. Horizontal extensions are likely to differ from the base line set in features, that is in taste, colour or size etc while vertical extensions distinguish themselves through a higher quality and price, speaking to consumers with higher or lower preferences of these matters (Preyas, 2001).

Baring in mind that the utterly determinant of product success is the consumer's self-selection it is most likely that a extension either it is horizontal or vertical will draw sales from close substitutes on the market, that is both from the base line set and from the competitors and thereby to some, calculated or unexpected, extent cannibalize of the own company sales and profits (Ramdas & Sawhney, 2001). Since consumers differ only in terms of preferred features and preferred quality and how much they are willing to pay for these things, this could naturally lead to that lower quality products are cannibalizing on higher quality products and that extensions with a generally preferred feature could cannibalize on the base line set, which in turn leads to undesired local competition, i.e. cannibalization (Kai-Lung, 2004).

It is though, important to compare the risks and consequences of a possible cannibalization situation with the extracting of new consumer exploitation, a certain amount of local competitiveness is almost unavoidable and the potential revenue increase could easily compensate the matter. The task is by looking at previous cases, to calculate and compare trends that may affect the extension and the base line set, these components in turn are important influences on the long-term success of the parent brand behind the extension (Preyas, 2001).

2.1.3 Brand Loyalty

Keller (1993) defines the parameter Brand loyalty as a part of brand equity, this is viewpoint though questioned by others. Aaker (1997) means that the total brand equity affects the loyalty rate in a reversed manner. Neither one of these two opposing paradigms can of course be neglected, deriving from two different complex viewpoints, although Keller (1993) makes a strong point claiming brand loyalty as an in relative terms, important corner stone in brand strength and hence in brand equity i.e. how loyal a consumer is to a brand, product or product category. The concept of brand loyalty per se, is in relative terms defined as how loyal a consumer is to a brand, product or product category (Hsin-Hui & Yi-Shun, 2006). The highly desired aim of having loyal customer is derived from two major reasons. Primarily your brand will in the long-run increase the probability for a more frequent buying behaviour from the users of the product, it is a fact that positive customers are more likely to try new products and product categories when they trust a brand and are loyal to it. The other reason for trying to create and sustain loyalty is the fact that this factor most likely in the long-run, will prevent customers to abandon the brand. Because of the good relation and perceived utility the customers have to the brand/product they are likely to keep consuming it (Uncles et. al., 2003, Pappu et. al., 2005). It is however sometimes questioned how loyal a consumer really can be to a brand, Briggs (2006) claims that loyalty towards the parental brand only in a utopian manner is transferred to a new product and that the loyalty is aimed at products solely. These above-mentioned views are to be viewed as two opposing paradigms to loyalty according to Gilbert & Hewlett (2003) who in their study although concludes that loyalty is prone to be transferred over product lines within the borders of a parental brand.

Brand loyalty is simply a question of to what extent a customer prefers a brand and how frequently the consumer is willing to buy premium priced products related to the brand in different product categories. The Gfk database has therefore in a seemingly logical manner, calculated loyalty due to de amount of the given sum spent on a category that the consumer expend on a particular brand or product. According to Meyvis & Janiszewski (2004), an ostensibly important brick when engaging in a new product launch and hence also in the decision whether to make a line extension either horizontal or vertical. Management must have a deep routed knowledge about a) how the brands loyalty rate looks right now and further how this rate will be affected if the implementation of an extension is conducted (Ramdas & Sawhney, 2001).

2.1.4 Market Penetration

When measuring market penetration you are trying to appreciate the amount of a given sum of money that a consumer is willing to spend on your brand in a certain product category which in turn can be described as the establishment factor of a brand (Keng & Ehrenberg, 1984). This is an important part of how to understand why targeted segments consume in certain patterns. Market penetration is a key variable used when attempting to measure brand equity and Kapferers (2004) definition of brand strengths and is linked to the likelihood that the brand name will come to mind as a considerable cornerstone of a product category in a given market. Outwardly the market penetration of the parental brand and baseline product would to an a degree function as a ground for an attempt to expand the product offerings since the recall relates to consumers ability to immediately relate to a brand when given a certain category of products (Meyvis & Janiszewski, 2004). Further market penetration and awareness is fundamental due to in what order the brand will come to mind, when mentioning the brand to the consumer (Keller, 1993). Without brand awareness the brand has to be considered as fairly weak and would face complexity to appoint a desirable penetration if it is not known to the consumer. This will seemingly in turn lead to difficulties when attempting to position the brand as favorable (Yang & Zhou, 2005). When brands possess a high awareness it results in spontaneous positive inferences and high positive recognition, which of course in turn increases the possibilities of a high penetration rate on the targeted market (Keller, 1993; Meyvis & Janiszewski, 2004). Further, awareness play an important role in consumer's decision of three reasons, the first is if and how consumers relates to a brand when they think of a category. Secondly, awareness of the brand can affect consumer's decision in a given set of products and third the brand awareness affects customers decision making by influencing brand associations by formation and strength and this affects the brand Image (Keller, 1993). Further the market penetration should also to some extent correlate with the market share of a product or a brand, if it is perceived as representative for a product category but fails to lure consumers, something is wrong and has to be corrected (Preyas 2001).

Given the facts referred to in this chapter, Sargent (1996) presents an opposing theory, claiming that market penetration of a baseline product is likely to have negative effects on the ditto of a new product launch i.e. line extension, his conclusion is that the amount of a given set of dollars a consumers are willing to spend on a brand declines with every product bought from the brand. Hence a strong market penetration of the parent brand would decrease the probability of a successful penetration when it comes to a intended product.

2.2 The Brand as a competitive tool

Firms are trying to seek differentiation of their brand as a competitive tool, after all the main factor of profitability and brand enhancement is the companies' capability to persuade consumers to choose their product before the substitutes of other firms and hence increasing their profit. If a company fails to differentiate, there are no real incitements for the consumers to choosing it over others. The brand is in many cases to be considered as a valuable asset in managing to keep customers loyal and thereby extract some additional consumer surplus. A firm must always be motivated to look for ways to manage the competitive pressure and to increase their market share within their targeted segments (Draganska & Dipak 2005).

There are several examples on companies attempting to strengthen their brand and hence making it more profitable, given the importance and the key function the brand has due to a firm's success this is in no way remarkable, there are although several strategic implications to consider when trying to increase the brand value and the firm profits (Aaker 2003).
A brand should be considered a long-term vision and actions must be concerned with not only the short-term benefits of an action but also cautiously consider what outcome a possible strategic move would have during a longer elapsed period of time (Kapferer 2004). The

analogy of architectural engineering is a pretty adequate terminology concerning the issue of brand and profit creation, that is, a coherent and successful brand maintenance and building should lead to impact, clarity, synergy and leverage. All these peaces should support each other concerning that one link could weaken and possibly ruin the whole brand over time even it seems suitable at the moment. Brand architecture is about managing the relationships between the essences of a brand and organizing the structure of the brand portfolio (Aaker & Jaochimstahler 2000).

There are a number of questions that ought to be asked and thoroughly investigated before engaging in any brand and profit building activities given the fact that the brand is a direct consequence of the strategy of market segmentation and product differentiation. What advantages is created is the primary and most essential question to ask and what attributes materializes the brand is crucial in order to gain the desired outcome of the action taken. Further one has to be aware of the potential benefits that emerges from the activity and more explicitly what exact ideal one communicates by engaging in the activity (Kapferer 2004). As indirectly stated there are enormous risks evolving along an attempt to increase profits by the tool of branding and there cant be no doubts whether the rewards of the actions will be worth the risks. The great challenge is to leverage and protect the value of the brand while at the same time, taking advantage of the momentum opportunity (Aaker 1997).

What possible negative and positive effects then, are really ascertained with profit building activities in the name of branding? First of all, seemingly many brands are closely connected to, and sometimes even synonymous with the reputation of a corporation, this means that a poorly made decision can prevent the whole future success of a company and in a worst case scenario preclude them for further operations. Further the company risks to erode the equity of the brand, sending far to incoherent messages by their profit driven action and hence confusing the consumers in the value deriving assumptions and associations of the brand (Keng & Ehrenberg, 1984).
Given the considerable amount of corporations that carries a rather extensive brand portfolio and the above-mentioned metaphor of architectural engineering one action in one single product category could damage a whole product range and thereby get the complete opposite effect deriving costs instead of products. Referring back to the important parts of brand equity defined as the strength of brand positioning and brand authority these are features that are situated in great danger when engaging in brand building activities (Draganska & Dipak, 2005).

There are of course numerous ways of building profits in a company and quite a few of them involve sustaining and building brand equity. The first and maybe the most fundamental issue is the actual launching of a brand, which is not to be confused with launching a new product. A common way to engage into this activity is though to launch a innovative product under an ordinary name but with a high degree of differentiation from the competing products. This has been the start up strategy of many successful companies, such as Coca-Cola and Mercedes. At a initial stage, little reflection upon the actual name of the brand is made and the focus lies solely in the differentiation part (Kapferer, 2004). Although products are being copied and replaced by higher quality products the interpretation of the original brand stays on the mind of the consumers and if it has been successful, the sensation create great opportunities to establish brand awareness and hence a important part of the equity is implemented (Aaker & Joachimsthaler 2000).
Again there have to exist a deep routed awareness of the difference of a product and a brand campaign even if these to by nature of course are linked together. Despite this there are two

extremes to choose between while engaging in marketing activities, that is the choice of focusing on the brand or focusing on the product itself, these are as stated extremes and the most common way to grip this kind of engagements is by being somewhere in between on the scale (Aaker and Joachimsthaler 2000).

2.2.1 Line Extensions

A common method to increase brand equity, which is also the tool that this thesis focuses upon is the extension of a company's offering of products into different segments or markets. This is commonly referred to as brand extensions but the method holds a couple of distinctions that allows it to be viewed upon in different ways. A shared view is although that the product that embodies the extension is affected by and also has an impact on the parental brand e.g. the core brand associated with the initial product (Sullivan, 1992).
A distinction is made by some researchers between Line- and brand- extensions, where a line extension is the currently most common form of new product introduction and is used to enter a new market segment in the same product class e.g. to introduce new products into the firms present product category. A Brand extension is commonly described as usage of a existing brand to enter a utterly dissimilar product class or in other words, to introduce products into a product category, new to the parent organization (Chadwick & Clowes 1998). However, this distinction between the extension strategies is though not at al normative and most of the researchers we have studied makes no distinction, referring to the phenomena solely as Line extensions, this is also the view we will adapt. As an additional element to extensions, they can be chosen to do either horizontal or vertical comportment. Referring to the previous chapter on brand equity, positioning and segmentation the vertical dimensions explains if the intention with the strategic choice that is the extension is targeted upward or downwards market-level wise i.e. if the extension is expected to be perceived as a more qualitative and prestigious item or as a cheaper more basic product in the minds of the consumers. The horizontal dimension aims at widening the product range within the same strategic position but to various segments and maybe by launching new products (Aaker, 2003).

Line extensions is likely to be used combined with a exploitation of the parent brands strength and to some extent advertising efforts based on the recognition of the parent brand name, in attempt to capitalize on the positive consumer perception of the core product of the company that originally is elusively tied to the parent brand (Kapferer, 2004). Line extensions has been become a favoured strategy among managers to increase the consumer surplus and to face competitive pressures because they in general are seen as good tools to increase a companies market share and the profitability of a brand (Meyvis & Janiszewski, 2004).

As a somewhat given fact a line extension is highly dependent on, the characteristics of the extensions firm, the characteristics of the extensions parent brand and, of course, of the characteristics of the extension itself **(**Reddy et al. 1994). The impact of former strategies are hence a major success factor given that the position and segmentation made for the parent brand constitutes a solid ground when considering the different line extension alternatives. Factors as image and consumer perception/awareness of the parent brand could function as decision makers while considering these alternatives (Reddy et al 1994). A line extension can be made in a considerable amount of ways, depending on the above mentioned factors, a brand could aim for higher status by adding quality and hence price but also for higher market share and sales by introducing a less qualitative and thereby cheaper product to the market. A organization can also choose to stay in the existing segment, using their current position to further capitalize on their current and accessible customers (Aaker, 1990).

The risks and the dangers in employing a line extension strategy is the fact that the company's former record if satisfying consumer needs has been poor and hence, the parent brand is precluding the very incitement to extend (Aaker & Joachimstahler 2000). Another downside is that demand of the strategists calculations on extensions success cannot differ in any way, given that the influence the new branded product will have on the parent brand (Sargent, 1996). A miss appreciation could get consequences that would damage the parent brand and thereby the whole organization drastically. Referring back to the essences of brand equity consumers expect a certain and consistent level of perceived quality in a brand and if a extension fails to provide this all other product lines will suffer harm. Direct impact on brand strengths is further mentioned as risks of declining penetration in the sense that consumers will choose different brands for different purposes (Chen & Lui 2004). Loyalty rates might also be affected positively or negatively by an extension depending on performance of both baseline product and extension (Briggs, 2006), further market shares are likely to only be divided up (see chapter. 2.1.2).

As referred to above, the ultimate goal of a Line extension is to, by traversing the parental brands recognition and equity, obtain shares of markets that the organizations not yet have operated in. Note that a market and a segment is not synonymous, hence a new market can include the same segment as the one the brand earlier operated in. Line extensions have several similarities due to the nature of their success. The parental brand is a major influence while it at the same time they are highly influenced by the extension being made. Enhancements made in the extension in comparison to the position of the parental brand will also show in the consumer perception of the parental brand, while at the same time if the parental brand already are seemingly strong a extension should have a hard time to lever the parental brand, although this does not mean that extensions of seemingly strong brands automatically means failure (Chen & Lui 2004). This is based on the fact that perceptions of a brand tend to vary across different segments of consumers (Draganska & Dipak 2005).

Considering the fact that extensions is defined as a brands attempt to, by expanding their product offering range by adding items under the brand umbrella, there might, to some extent be a problem with the consumer associations and hence the positioning of a brand if the extension is not well associated with the core values of the brand. Some theorists claim that if the criteria of fit are essential for the success of a brand extension (Aaker & Joachimstahler 2000). Other argue that it is only preferable, claiming that there is lots of examples where extensions has been successful with little or seemingly no fit between the extension and the parent brands flagship product. These theorists are more concerned about the message the extension sends to the consumers, meaning that a brand positioned as a quality and status brand cannot communicate price advantages. The extension does not have to be related in another sense than that it communicates and live up the same strategic position as the parent brand flagship product (Martinez & Pina 2003).
A distinction and further explanation is supplementary introduced in the model below.

Line Extension- Existing brand name used to enter a new market segment in its product class e.g. Pepsi and the introduction of Pepsi Light.	**Or…**the use of an existing brand name to introduce new products into the firms present product range, e.g. the use of Ragu brand to introduce a range of non-Italian sauces.

Figure 2, Chadwick & Clowes 1998

Specific affections of the brand equity parameter brand strength defined by Keller (1993) is as earlier mentioned brand loyalty, market penetration and market shares. Theses are naturally in a rather high degree affected by a strategic implementation of a line extension. Hui (2002) states that since the extension of a product line increases the likelihood of the consumers finding their preferred brand within a given category and that this in turn will help increasing both loyalty rate, penetration and market share holding. Although the same mechanisms will according to Hui (2002) create a weakening of the brand strength and apparently the brand equity (Keller, 1993) if the brand suffers from a weak equity at an initial stage. Consumers tend to evaluate extensions collectively with the baseline product and the brand which is why most researchers is sceptic to the format, Aaker (1997) suggests that product extensions I made under new brand names in order to minimize the risk of undermining the total equity of the brand.

The horizontal and most common dimension of extensions is aimed at the same level of market position and is implemented as an incentive to attract more customers and/or to be able to charge a premium price. A good example is the abovementioned Rabu brand that decided to go from only providing their baseline of Italian sauces to a varied assortment of sauces. The sauces are not aimed to any kind of higher market-level but are kept within the existing range of consumer perception of the organizational brand equity i.e. the extension is made in a horizontal, not vertical manner (Draganska & Dipak 2005, Reddy et al 1994).

Depending on how the organization behind the brand has chosen to position the brand in their segment of the market, the risks and possibilities varies in accordance with this. One of the most critical factors mentioned concerning this decision is the perceived fit of the extension; this factor involves how well the new product is proficient with the overall assortment and the basic core activities of the parent brand. If the perceived core value of a brand is high quality, there has to be congruence in the extension due to this positioning strategy i.e. the extension has to of high quality in comparison to the competitors in the new segment since brand attributes often are viewed as schemas containing attributes and beliefs about brand related experiences (Delvecchio & Smith 2005). Further the essence of a brand is the providing of an oblique promise that purchase result will be coherent with the beliefs and expectations, consumers have with the brand historically. This further stresses the fact that there has to be a clear and consistent positioning strategy involved when using horizontal extension strategies in order to succeed with the extension but in particular to maintain or preferably strengthen the dynamics of the parent brand (Chen & Lui, 2004).

2.2.2 Vertical Line Extensions

A vertical extension is highly linkable to the above-mentioned extension in the sense that they are both aiming bring the brand to new customers whose demand of the branded product is seemingly attractive. The addition though is the possibility to reach customers above or below the current level, i.e. the baseline product are provided or deprived with or of features that creates certain values in the mind of the consumers. As a clearance a line extension is likely to differ from the baseline product in terms of quality and/or price (Hui 2002). If the aim is upward in the market hierarchy, some characteristics are added to strengthen the product while they are downscaled if the aim is downwards (Martinez & Pina, 2003). This decision hold a lot of imperatives to consider, an alternative is to reposition the brand into the targeted segment and thereby attempt to change the whole brand equity. A manager can also choose to use the parent brand as a sub-driver, that is to launch product with their own names but who is still using the parent name to some capacity to reinforce equity. The third choice involves to incorporate the extension as a co-driver, where the intentions is that both of the product groups should contribute to the enhancement of total brand equity (Aaker 1997).

Another aspect that has a major role when engaging in vertical extension is the question of how this will affect the parent brand. Given the fact that there already are a image and a whole brand equity surrounding the corporation, the choice of segment and how they will build or avert from their current positioning strategy is if of significant importance. This outlines in a major success factor, that is, how well the organization behind the brand accomplishes to manage this properly (Aaker 2003).

By referring back to the importance of a long-term vision about the brand it is of great importance to understand these mechanisms from the very start since the first product launch is very likely to set the tone of how the brand will be perceived during the rest of its life time. (Draganska & Dipak 2005). Over time the brand is likely to start co-existing side by side with the products associated with it and the name itself will create a public awareness and in the eyes of the consumers, a typical way to communicate (Byung-do & Sullivan 1998). Given this, a change in quality and price will ostensibly change the perception of the brand in the eyes of the consumers and will thereby create undesired dissonance in the brand equity (Ferris et al. 2006).

Although there are many hazardous traps to fall into when choosing to work with a vertical extension there are also many possible good outcomes if all the pieces of the brand architecture, the segmentation and the positioning are handled delicately. There are great opportunities to increase the awareness of the brand on markets different from the ones that the brand usually operates in which in turn can generate a considerable growth in the organizational turnover. Depending on if the aim is to position the brand upwards or downwards, the rewards of an extension may look different, while an upscale extension hopefully enables the brand to charge premium prices, a downward extension with a lower price and lower quality, would increase the income by boosting sales (DelVecchio & Smith 2005).

2.3 Chapter summary and Hypothesizes

A general Line extension i.e. a horizontal one, is per definition in at least one way linked to the baseline product in terms of features, quality and price, this is de facto also viewed as a crucial criteria of success in terms of positioning the brand into the consumers mind (Reddy et al, 1994; Aaker,1997). At the same time, engaging into this intended brand enhancing strategy is strongly connected to the risk that the consumers are forced to chose between the extension and the baseline product, this due to their, in the theoretical optimum, similar elements (Preyas, 2001). Cannibalization means that products under the same brand umbrella are stealing market shares from each other, therefore;
H1: When a horizontal extension is conducted the total market share will over time be constant and in parity with the initial market share of the baseline product.

Brand loyalty is considered as highly favourable in terms profit maximizing, that is a loyal consumer will keep purchasing the brand (Hsin-Hui & Yi-Shun, 2006). Based on this, Keller (1993) defines brand loyalty as a part of brand strength. All theorists seem to agree that loyalty is an essential ingredient or result of brand equity, while they at the same time are sceptic towards the intentionally brand enhancing activity of line extensions (Draganska &

Dipak, 2005; Chen & Lui, 2004). Briggs (2006) presents a possible explanation to this scepticism in his theory declaring that loyalty are aimed at products and outwardly not brands, therefore;
H2a: The loyalty gained by an introduced extension is not congruent the loyalty rates towards the baseline product.
H2b: If the loyalty rates of the extension product change, this does not effect the loyalty rate of the baseline product.

Market penetration is said to be the amount of a given sum of money that a consumer is willing to spend on a particular brand given a particular product category (Keng & Ehrenberger 1984). The result of a measure of this kind is to a large extent dependant on the awareness and recognition of the brand and it's desired positioning (Meyvis & Janiszewski, 2004). Market penetration is a brick in Kapferers (2004) model of brand equity and acts as an indicator of the brands position on the market in relation to the competitors (Peryas, 2001). Sargent (1996) is although claiming that this will to spend money on a certain brand in a given category declines for every product already bought, therefore;
H3a:If the penetration of the baseline product is high this results in lower penetration rates for the line extension.
H3b: If the penetration rates of the extension rise over time, the penetration rates will decline for the baseline product.

Vertical line extensions aim to reach different segments within a market in order to gain a broader consumer base (Aaker, 2003). The strategy comprises that quality and features are added or subtracted leading to a change in price. Given that the consumers expects certain levels of these above mentioned parameters due to the brands earlier position and segment (Chen & Lui, 2004), a vertical line extension is likable to cause dissonance in terms of the perceived brand equity, therefore;
H4: A vertical line extension will cause dissonance in the brand equity and hence in the brand strengths of the parent brand and baseline product.

3 Method

In this chapter we intend to give the reader a understanding how this study has been conducted, from the conceptual framework to the measurements and analysis of these. The chapter further holds a discussion on alternative methods of choice and our arguments of working in the manner chosen.

3.1 Overall methodological choices

3.1.1 Methodological Approach

The chosen methodological approach should, due to Bryman and Bell (2003) be adapted to the purpose of the study, this implies that the responsibility of the researcher is rather high to thoroughly evaluate different alternative approaches in order to be able to identify the choice seemingly best suited for the area investigated. In our case, the effect of a number of line extensions of the parent brands and the baseline products is being examined in terms of market share, loyalty rate, cannibalization and market penetration. We have focused on the correlations in these different parameters during a certain elapsed time ratio in order to test our theoretically routed hypothesizes.

3.1.2 Deduction

Bryman & Bell 2003 is describing different methodological approaches that are used in the area of research and examinations. The inductive approach is derivable from the positivistic school while the deductive approach draws from the constructionalistic viewpoint. The deductive approach is most commonly used in social science and takes stance in existing theory that ought to be tested by hypothesizes in order to reach a result. This suggestions are in no way normative, but are to be viewed upon as extremes on a linear scale. In the middle of this scale we would find alternative and compromised versions e.g. the hypothetic-deductive where creativity to a larger extent is a cornerstone (Ulver, 2003). However, we dare to claim that our used approach has to be viewed as mainly deductive (Easterby-Smith et al, 2004). Our deductive approach consists of 4 steps, these are; 1) to find and describe current and hence relevant theory concerning the issue., 2) to, with a stance in these theories, formulate hypothesizes adapted to the Swedish market 3) to analyze the gathered empirical data in accordance with the theories presented 4) and finally to test the hypothesizes in an analysis to be able to conclude the results.

3.1.3 Quantitative approach

Research can from an empirical point of view be conducted in one of two ways, Quantitative or Qualitative. The former is due to Holme & Solvang (1997) strongly influenced of structure and a standardization of the process while the latter is tied more to a flexible focal point. Qualitative methods are said to be better suited for grasping complexities in subjective social scientific problems while Quantitative methods matches' attempts to generalize different phenomena (Bryman & Bell 2003). The weakness of a quantitative research proposal is the fact that it is very hard to obtain guarantees that the information gathered is relevant for the

purpose of the research and since the process ought to be more or less standardized this is very hard to correct when the wheels are in motion (Holme & Solvang, 1997).
This thesis is conducted in a quantitative manner, this choice is done due to the data available and the problem we are aiming to investigate. The area of issue, to examine the effects of line extensions on parameters of brand equity such as; market share, market penetration and loyalty is not of a particular complex nature and there are no specific subjectivities to consider hence a qualitative approach can be excluded. We are though to some extent, aiming to succeed with a generalization that should be derived from a number of hypothesizes in which we are suggesting correlations and commonalities between the managerial decision of expanding and the earlier mentioned paragraphs. Further the analysis is conducted in a structured and systematic way with an interest for a number of separated variables (Easterby-Smith et al, 2004). The focus is placed on presenting a, as precise as possible, picture that describes the variation of the area examined (Holme & Solvang, 1997) The alternative to these assumptions would have been to collect and investigate some kind of qualitative data, this would although probably not have provided the necessary material to make general assumptions about the branch examined, namely the Swedish grocery market (Holme & Solvang, 1997) since the stated purpose is not grasp any subjective complexities . Further it occurs unreasonable to by e.g. in depth interviews, attempt to understand seemingly market oriented numerical commonalities and the data would have had to be focused on a narrower range of categories which in turn had led to unsatisfying analytical material.

3.1.4 Research object

We are in this thesis aiming to investigate the effects of line extensions on the part of brand equity that Keller (1993) defines as brand strengths focusing especially on the parameters of loyalty, penetration and market share in a chosen cluster of products available on the Swedish market since the year 2000. The theory we are presenting should seemingly adapt well to the above-mentioned parameters. The theory should also constitute a solid ground from which we are developing concluding hypothesizes. There are no studies, known to us, that are examining the same aspects that we are, although Anselmsson et al (2006) has conducted a report evaluating brand equity on the Swedish grocery market from focusing specifically on retailers own brands and their effect on price premiums on the market. We have been able to gather some theory from this report although most research conducted in the area of brand equity and especially concerning line extensions is conducted in USA and Asia from where we have gathered most of the theory. These has however not focused on the parameters we are aiming to investigate which in turn has hardened task to establish what to actually measure. The brand enhancing strategies that have been described in the previous chapter are combinable to some extent. But what are the consequences of the strategic action for the organization and apparently the parent brand and baseline product in terms of market share, loyalty and penetration. Is there stringency between the attempts that has been done in the aspect of parent brand equity enhancements on the part defined as brand strengths, or is the extension only cannibalizing on the total market share? The common view among researchers is that line extensions over segments or strategic positions is to avoid in most cases since they are highly likely to cause dissonance in the brand identity and hence have negative consequences on the parental brand and baseline product. (Aaker 2003) The most common critique of extension strategies is the lack of guarantees of the parent brands ability to really motivate purchases of the extension and that if the extension succeeds it can presumably hurt the associations of the parent brand by adding new undesirable ones. (Chadwick & Clowes 1998)

Despite this scepticism extensions in various forms have been the core of strategic growth the last decades, applying different strategies concerning the issues of market segmentation and strategic positioning which in turn are highly adoptable or even synonymous with horizontal or vertical line extensions. (Aaker 1990) These combinations have been used by a number of brands as a tool to strategic growth. A line extension made in a horizontal direction should be defined as, when the existing brand name is used in order to exploit a current segment or a new segment with the similar preferences and perception of the brand. We have assumed that our empirical categories are horizontal if the features and price are in the same range as our defined baseline product. The extension is made within the same strategic position that the parent brand already operates within. The extension is ought to be categorized as part of a focused strategy (Chadwick & Clowes 1998, Draganska & Dipak 2005, Kotler, 1999, Hassen & Craft 2005). Line extensions made in a vertical direction, either downwards or upwards on a strategic positioning scale. This implies that a organization is trying to either increase the status and perceived quality of the brand by adding value to an existing product or that they are trying to gain market shares by offering a cheaper alternative on a market below the current position of the parent brand. The empirical evidence showing that the extension is intended to be vertical we have interpreted as differences in price from the baseline product. Note that these two are different strategies under the same categorization, we will though, be alert on differences in the results of the dimensions. (Chadwick & Clowes 1998, Reddy et al 1994)

3.2 Data Collection

The data collection is solely built up from the consumer scan databases of Gfk. This market research oriented company is keeping statistics from a majority of the grocery items available on the Swedish market and is able to provide representative figures derived from quantitative examinations of each and every one of these items. These examinations are further based on 3000 Swedish households gathered in a panel that reports their actual consumption by a hand scanner, Internet surveys and consumption diaries. From this information, Gfk develops statistic data concerning e.g. loyalty, penetration and market shares. One alternative to this source of data could have been to individually contact each and every manufacturer of the chosen categories, aiming to gather the necessary material to enclose the much-needed figure. Assumed downsides with this method of data collection would although have been the time factor together with the fact that most organizations probably are most unwilling to share this kind of sensitive information (Easterby-Smith et al, 2004).

Another alternative could have to conduct a survey endeavouring to grasp important criteria in, a) the motivation to choose a specific line extension and b) how the perception of this extension affects future buying decisions. Again the time factor would constitute a problem since the number of respondents needed would have been considerable and the fact that the significance of the results would have difficulties to stand as trustworthy (Bryman & Bell, 2003).

Gfk is seemingly the best-suited source of information and their consumer panel has been operating since 1997, we have although chosen to limit our measure to the years between 2000 and 2005. This limitation is done because of the sometimes-drastic changes in product offering and the change of trends during e.g. the millennium shift. To follow a longer elapsed period of time would have brought difficulties in terms of structure changes and far to many new categories being introduced which in turn would have affected to balance in market share etc.

3.2.1 Empirical Connection to intended measurement

The internal validity get a little bit more complicated when looking at the actual variables that we are intending to measure and the data we have had access to. The ultimate data would have be constituted by a nationwide list of all extensions made, including a already defined intended baseline product and data on how the parent brand strength has developed during the lifecycle of the extension since our aimed measurement is to check for common correlations concerning the issue. The data we have used is steaming from a panel including 3000 randomly chosen households and are in sense actually showing purchases of the product so the data is in that aspect of market shares sort of reversed. However this data is rather easily turned into factual market shares since the products are fit in to different categories and hence is comparable to the total revenue of the whole category. The loyalty is in the empirical chapter defined as how much of every 100kr spent in the category that is squandered on a particular brand or product. This makes it rather simple to follow fluctuations in loyalty rate during the time period that the extension is active. This is probably the measurement that is of most accuracy and should presumably not be affected of any variables not brought up in the overall thesis. Penetration rate is how many of the 3000 households in the Gfk database that has bought the product in question during the elapsed period of time and hence have developed some kind of awareness of the item, this is seemingly a important part of brand strength and an indicator of how wide spread the knowledge about the product is and how the purchases is divided over the total segment.

3.2.2 Category selection

At an initial stage in the selection of categories, the database of Mintel was used to allocate the baseline products introduced in the year 2000. The Mintel database is stated to hold all grocery products introduced to 25 European and American country markets and involves information such as introduction year, type of extension (if the item in focus is adaptable to this concept), weight, nationality etc.. From this extensive variety of categories we selected 8 products ostensibly suitable for our purpose. We developed four criteria that the products has to pass to be included in the categories, a) they have to be introduced to the market in the year 2000, b) they have to exist parallel in the Gfk database i.e. figures revealing the products market share, loyalty rate and penetration has to be available for reviewing, c) the products should be available on the Swedish market from the year of release and d) there has to be at least one apparent extension made, either vertical or horizontal. Further the extension were as earlier mentioned picked from Gfk:s database where the criteria for acceptance were a clear linkage to the base line product, a clear linkage is in this particular case defined as common names and more or less same package sizes. The categories stopped at 8 separate items excluding extensions, which should be enough to conduct a percentage index in order to allocate concluding correlations (Körner & Wahlgren, 1997). By looking closer on the included categories in figure 3, shows that theses induce a fairly representative image of the grocery market when focusing on branded goods in particular.

Categories included in the study			
Desserts	Cereals	Bean Coffee	DF Fish au gratin
Ice Cream	Continental Sausage	Drinks/Juice	DF Meat products

Figure 3, Categories included in the study

3.2.3 Method of measurement

The measurements that are being used is taken every quarter of a year, this might infer some fluctuations in the figures due to the seasonality of some of the categories. This is although more or less eliminated in the analytical part of this thesis since the figures although is being reviewed on a one-year basis. This is though of lesser importance sine the centre of attention should be directed at the fact that the same measurements are carried out profoundly during the whole study (Körner & Wahlgren, 2000). The measurements that we are conducting are made every quarter of year, and we have calculated the difference between the first years (the base line introduction years), which is also the starting point of our index series. This is done to support the later work with analyzing how the different brand strength parameters are correlating with each other in order to pin point possible commonalities. Observe that this does not mean that there de facto is a correlation, only that we are going to investigate whether there is. We are using a average price on a one year basis and the total sales value of the specific product, category and extension. We are measuring market shares as a function of the total value of sales by the actual product, which are deriving in percentage differences ((2000q2-2000q1)/2000q1), in order to gain percentage variations – increase or decrease from the initial time point. The difference between these variables becomes a measurable value that is allowed to correlate with the other indexed posts.

We have also looked at the differences between the different years 2000-2005 in order to spot feasible fluctuations yearly that have not shown concerning the seasonal variation in the data material used. We have chose to use value/sek, this because we believe that this measurement is representable for the monetary base that the consumer is willing to spend on a certain category, further the monetary base is also adjusted for price fluctuations since the column is based on a average price for chosen product multiplied with the volume that is sold. By managing the measures this way the risk of ignoring probable price fluctuations that can co-exist together with campaigns e.g. is minimized. These precautions taken are made in order to attain a strong index that is suitable to function in accordance with our purpose.

An alternative way to process the data obtained is for example a consumption price index (cpi) of the figures, this would perhaps shown a more exact picture of how the development in the categories had elapsed. We could also have chosen to work with a larger set of categories and a shorter period of time, this would probably have given a more updated information since the current methods allows changes in other parameter than the factual aim of measurement i.e. sizes of products and occasional closings of categories. A further alternative would have been to only look at two or three categories, this would have allowed us to be more nuanced and perhaps more in-depth, using a measurement method where the intervals were closer i.e. weekly or monthly, this method would have provided is with even more prices information.

3.2.4 Grouping of Products

In this study the spotlight is aimed at extensions in general, although as mentioned in the conceptual framework, this phenomena originate in two possible dimensions, namely horizontal and vertical alternatives (Chadwick & Clowes, 1998) In order to make the study somewhat more complex the products and the extensions are adapted to one of these two simply by the criteria of extension price relative to baseline product price, a further description is made in figure 4 below.

Horizontal	**Vertical**
Bean Coffee	Cereals – up
Dessert	Continental sausage – down
Ice Cream	DF Meat products – up
	Fish au gratin – up
	Juice – up

Figure 4, Horizontal- vs. Vertical extension

3.3 Scientific status criteria

A study that wishes to gain some kind of scientific value are supposed to show a systematic methodology in order to obtain this status (Easterby-Smith et al 2004).
Bryman and Bell (2003) states that there is a general risk when engaging in quantitative studies to rely on single indicators to describe whole concepts and that it is a common mistake to view these indicators of core concepts as deficient. In this thesis we are aiming to be clear due to the fact that we are only examining selected parts of Kellers (1993) definitions of brand equity in general and the phenomena described as brand strengths in particular, we have no intentions to claim that the results are explaining the total concept of brand equity but only a important part of it, this can not be stressed enough. Since there are figures and not responses that are being analyzed the stability of the study should be of satisfying nature, since there are no possibility that undesired events that will mislead the result can occur between the periods and further no influence of the non-existing respondents can result in false correlations. One possible weakness with our study though, could for example be unexpected fluctuations in currency that affects buying behaviours in general, this could lead to that the result of vertical extensions are not properly evaluated.

3.3.1 The validity and reliability of the study

In an quantitative study, the demands on validity and generalizability is apparent in the sense of if the study really measures what is stated in the purpose and whether the results should be able to transfer into other areas of interest. The validity of a study is the research’s ability to respond to outside scrutiny; seemingly a positivistic study like this should be able show measures that correspond closely to the reality (Easterby-Smith et al, 2004). The internal validity is by Ulver (2003) defined as the stringency between the concepts in the model and the measurable concepts in the theoretical framework, Hence we are below presenting a operationalization of the theoretical/empirical material and the empirical/intended measurements.

3.3.2 External Validity of Empirical Data

Since it only is a rather small number of products and brands that is examined in this thesis it is of seemingly great importance that these show the ability to situate as key products for the intended measurement (Easterby-Smith et al, 2004). The problem here is that the data available were more or less limited to the ones we have chosen which might lead an observer to question the external validity of the empirical posts. Even if we define the products and categories chosen as fairly significant for the grocery business in terms of branded goods, there are really no actual guarantees that the obtained results would transfer to other product categories. Although since the variation of the results on each and every product is moderately small, this should indicate on commonalities in the effects on brand strengths. Further the external validity should increase with our choices of examining more than one category and the fact that we have divided the extensions into two different ways of expanding (Körner & Wahlgren, 1997).

3.3.3 Reliability

A quantitative study cannot, according to Bryman & Bell, 2003 be valid if it not qualifies for the criteria of reliability. The stability of the measure is determined by if the results can show steadiness over time and that no external circumstances affected the obtained results. This is in this thesis handled by the fact that we are measuring over a considerable time period which in turn would minimize the risk of undesired fluctuations, this lead us to believe that the results should be considered as stable. The factor that Bryman & Bell defines as the Inter-observer consistence is of lesser risk to reduce the trustworthiness of the measurements in this thesis since there is no subjective judgments involved more. However the thing that ought to be questioned is the fact that we ourselves have defined and implemented which line extensions to use on the baseline products. Further it has to be stated testing of hypotheses according to Körner & Wahlgren (1997) is a quite tricky task to manage. Testing a hypothesis results in that we either accepts or rejects it. It is although important to define the conceptualization of theses terms, that we are accepting something doesn't mean that it is utterly correct but more outwardly that it can't be rejected. Acceptance is cleared when the result of a measurement is not incompatible with the theoretical framework. Although when a hypothesis is rejected it should be interpreted as not being in consistence with the above-mentioned framework. An expression that also might need some clarification is *significance;* the word itself might lead the reader to think that this implies that the differentiation is considerably large although the true meaning of the concept is solely that the result of the measurement is not exactly correlating with the theoretical bias.

4 Results

In this chapter we are aiming to declare the results derived from our quantitative study in a manner that is graspable but still feasible with our stated purpose. The variables investigated are market share, for the brand totally and individually for each product, further penetration and loyalty are reviewed, discussed and correlated. On a more specific level, the aim is to examine commonalities and if these are statistically significant. The choice of working with correlations is motivated by the fact that the different variables coefficients are shown so that the affection between the parental brand i.e. the baseline product and the line extension can be examined.

Category, Extensions	Market share 2000	Market share 2005	Penetration 2000	Penetration 2005	Loyalty 2000	Loyalty 2005	Number/ Extension category 2000-2005
Bean Coffee Gevalia Ebony	**0,14%**	**0,53%**	**1,3**	**1,4**	**8,9**	**26,9**	**+ 1, 13**
Cereals Kellogg's K-special redberries	**1,08%**	**2,26%**	**4,9**	**4,3**	**10,1**	**23,6**	**+ 4, 28**
Continental Sausage Curry Curry	**3,05%**	**The product expired in ninth quarter**	**3,4**	**The product expired in ninth quarter**	**22,9**	**The product expired in ninth quarter**	**- 4, 8**
Dessert Mannafrutti Jordgubb	**5,35%**	**7,18%**	**2,9**	**4,4**	**10,3**	**8,4**	**+/- 0, 13**
DF Meat products, Ekologiska Ox Köttbullar	**1,04%**	**0,19%**	**0,5**	**0,2**	**28,0**	**26,9**	**- 1, 18**
Fish au gratin Rickards Fiskgratäng	**4,2%**	**2,36%**	**3,3**	**1,1**	**27,2**	**34,2**	**- 6, 8**
Ice Cream Vienetta Citron	**0,02%**	**The product expired in the seventh quarter**	**0,1**	**The product expired in the seventh quarter**	**51,0**	**The product expired in the seventh quarter**	**- 3, 7**
Juice, God Morgon	**0,33%**	**0,78%**	**1,8**	**2,2**	**9,2**	**10,6**	**+ 6, 15**

Apelsin Ekologisk							

Figure 5, Overall view of line-extension development in each category

These figures represent the changes in the measured categories in relative terms. By showing this chart we want to make the fluctuations in all the categories that has occurred during the period of measurement, graspable and clear. The different parameters of measurement are in accordance with the conceptual framework; total market share, relative market share, market penetration and loyalty. We have also tried to examine if there are any continuous patterns in the different categories with the conclusion that there are a slightly negative correlation between the base-line product and the line-extension product, this derives from a correlation test of the variables base-line extension and line extension that gives a r-value of -0,168 and a p-value of 0,293 on the yearly basis from 2000 -2005. The chart also shows how many other products there are in every respective category. Seemingly there seems to be a small overweight for a reduction of brand extensions, with five categories containing zero or fewer extensions today versus for five years ago when there were only three categories.

4.1.1 Bean Coffee

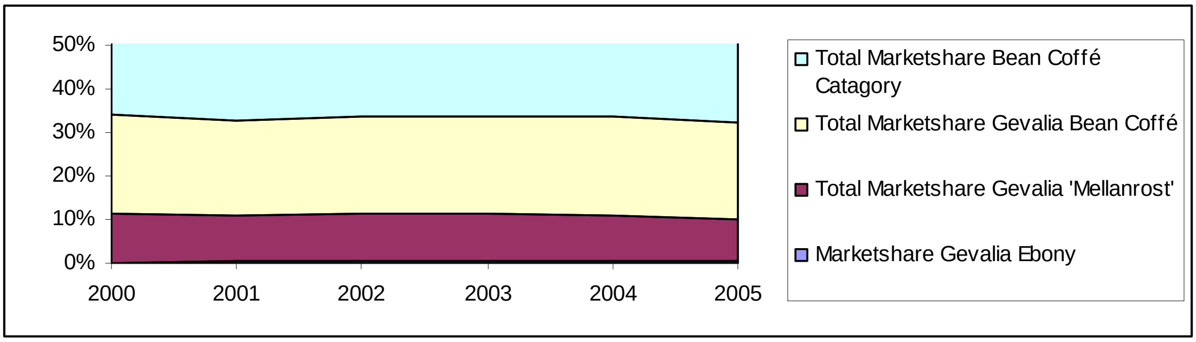

Figure 6, Total market share bean coffee Category

The graph shows that Gevalia have a substantial part of the total market share with one third of the total sales. Of these, approximately ‘mellan rost’ have a market share of 15 percent and you can’t even see the ’ebony’ part of the market share but it is roughly 0,5%. Ebony is modestly represented in this chart, although the size of the extensions market share per se is not interesting for this study.

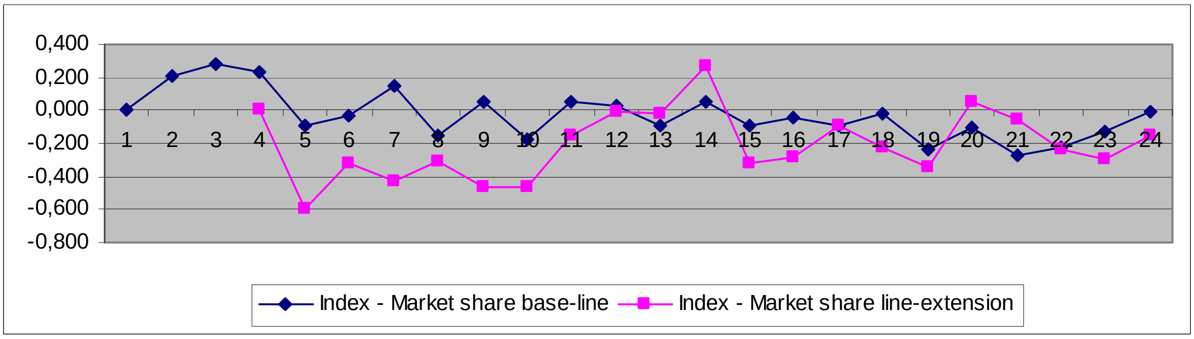

Figure 7, Variation in market share base-line and line-extension quarter 1-24

The remarkable point in the above pictured chart is that the fluctuations in market share for the two Gevaila products is not at all parallel in a numerical matter, although they seem to consequently move towards the same direction. There seems to be a positive correlation pattern, but a closer look at the r-value of 0,204 and the p-value is 0,375 shows that there are no statistically significant correlation between the variables

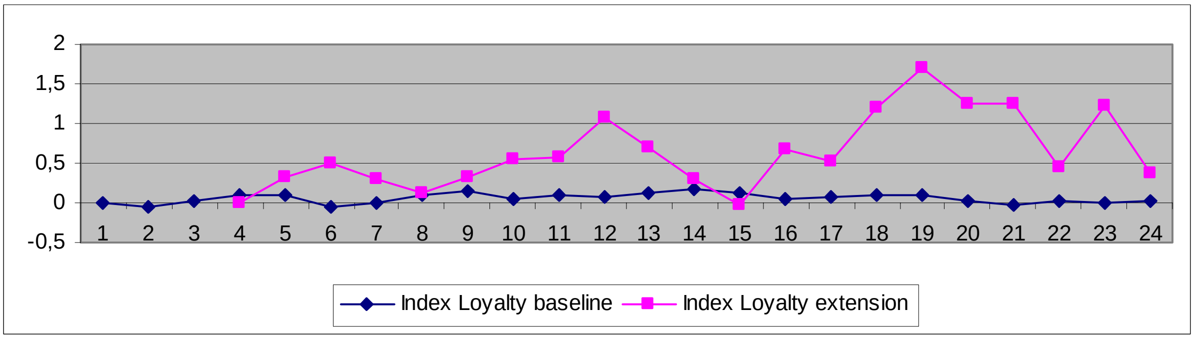

Figure 8, Variation in loyalty between line-extension and base-line product quarter 1-24

The loyalty rates of Gevaila's are as graspable by no means feasible and are shifting in different directions inconsequently. It seems to be a negative correlation with the r-value of -0,249 but this conclusion is not statistically significant with a p-value of 0,249. What can be read from the chart is that the loyalty for the line-extension has increased during the researches time period and the development for the base-line product is almost constant in the same time period.

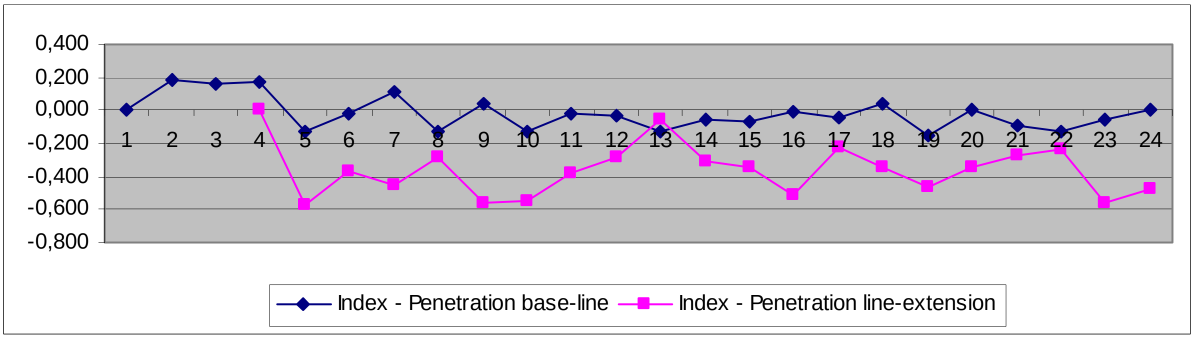

Figure 9, Variation in penetration between line-extension and base-line product quarter 1-24

Also in the penetration rates there are obvious incongruence and the shifting and rates are under no circumstance comparable. Here we can also see that there is a small negative correlation with the r-value of -0,109 and the p-value of 0,638 shows that there is no statistically significance between the variables.

4.1.2 Cereal

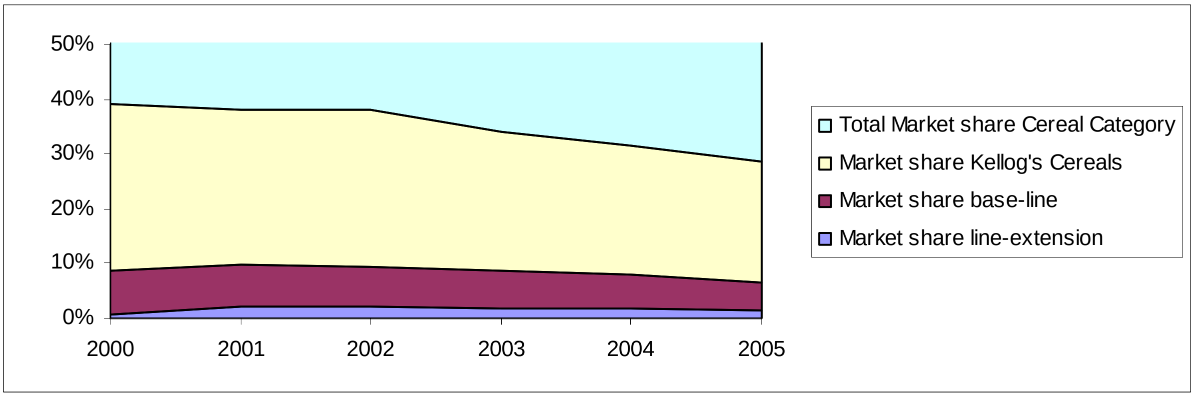

Figure 10, Total market share total cereals category

The graph above represents the total market share in the cereals category. There is a clear drop for Kellogg's in their market share from year 2000-2005in this category. We can also see that the line-extension has relatively increased its market share in Kellogg´s cereal category during this period.

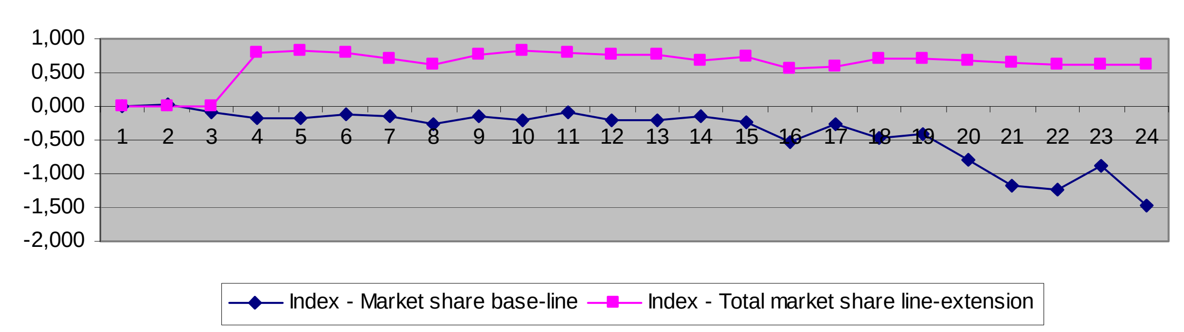

Figure 11, Variation in market share base-line and line-extension quarter 1-24

This graph pictures the market share development over time in our two chosen products. It is obvious that the demand for the line-extension product is more constant and that the demand for the base-line product is falling in terms of market shares in the examined time period. But if we look more closely it seems to be some positive correlating moves along the axis. There are though no statistically significance to support these statements due the r-value 0,144 and the p-value 0,501.

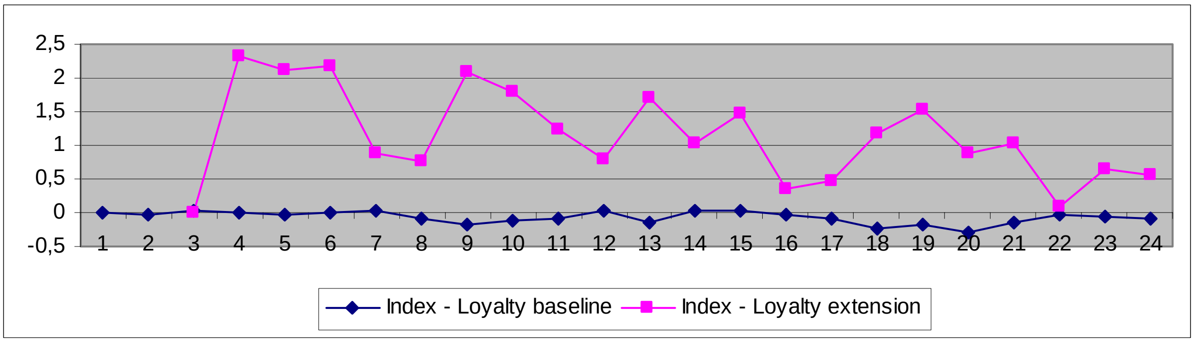

Figure 12, Variation in loyalty between line-extension and base-line product quarter 1-24

The loyalty of our two products extracts a small negative correlation but the r-value of -0,185 and p-value of 0,411 tells us that there are no statistically significance in the material. But we can see that the loyalty rate is more constant in the line-extension product parameter then in the base-line variable..

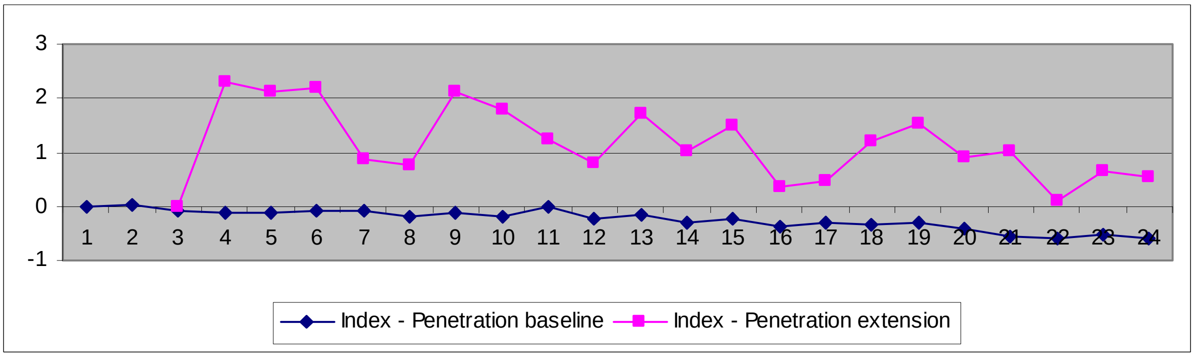

Figure 13, Variation in penetration between line-extension and base-line product quarter 1-24

This graph is showing the variation in penetration and we can see a correlating pattern between the products. This is also statistically significant with an r-value of 0,464 and a p-value of 0,030. Seemingly, there is a significant positive correlation between the two variables with a certainty of 95%. Although, as also shown, there are great changes in the market view of the base-line product with a drastic fall in penetration for their leading product.

4.1.3 Continental sausage

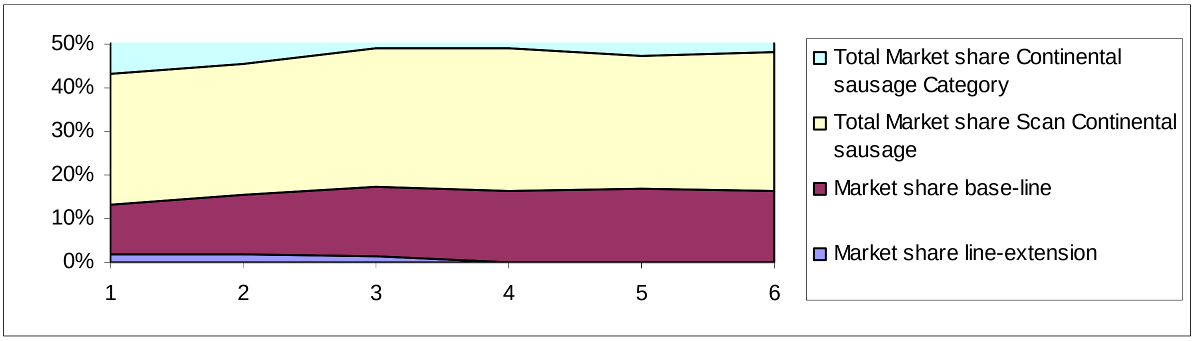

Figure 14, Market share Total Category Continental sausage

The noticeable aspect also in this category is that the line extension is taken from the market after only a few years on the market. Note also that Scan is holding a substantial part of the total market in the category.

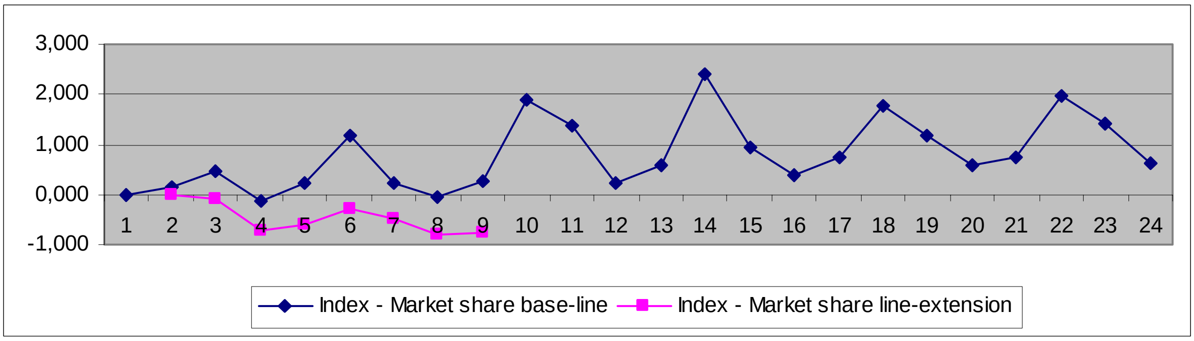

Figure 15, Variation in Market share base-line and line-extension quarter 1-24

We can see that there are some drastic changes in the variables and also it is notable that the continental sausage category has a seasonal pattern with its peak in middle and late every year. As seen, the line-extension product is taken of the market just after two and a half year, seemingly we have chosen to not do any deeper studies in this graph with r- and p-values.

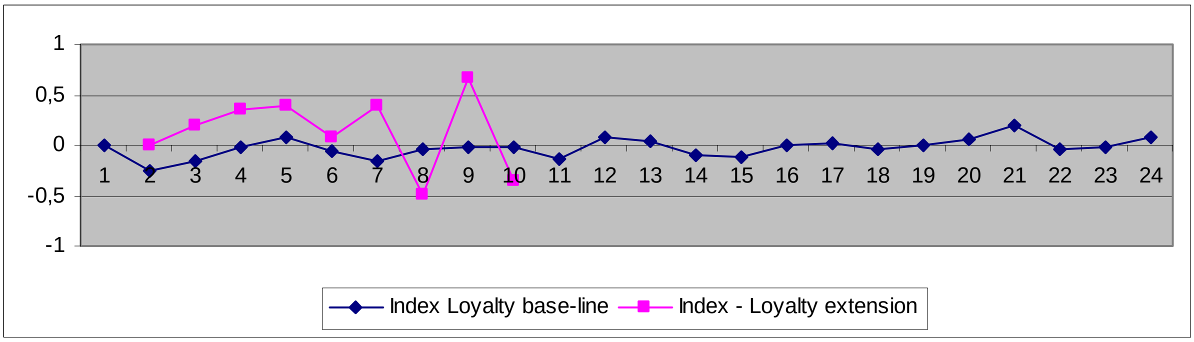

Figure 16, Variation in loyalty between line-extension and base-line product quarter 1-24

This particular category holds rather interesting figures due to the variation in loyalty, although the line extension is only marketed during a short period. The extension is making a remarkable dip in loyalty during one month in order to fully recover during the next month.

Reasons for this are by all probability of characteristics that we are not intend to investigate in this thesis. It could be different kinds of market incitement to increase market share. But due to the short time, we can make the conclusion that the extension didn't manage as it was intended to.

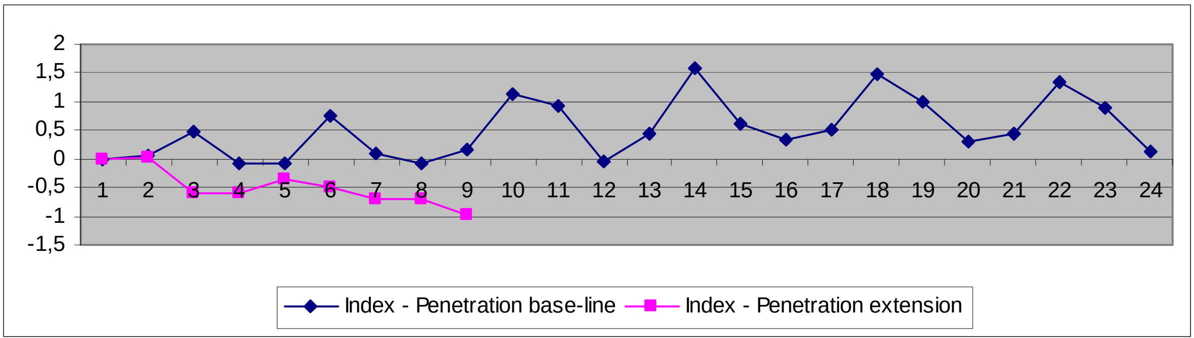

Figure 17, Variation in penetration between line-extension and base-line product quarter 1-24

This diagram holds information that reveals that right before the line extension was taken from the market it experienced a substantial loss in penetration, although before this break it correlated relatively well with the baseline product.

4.1.4 Dessert

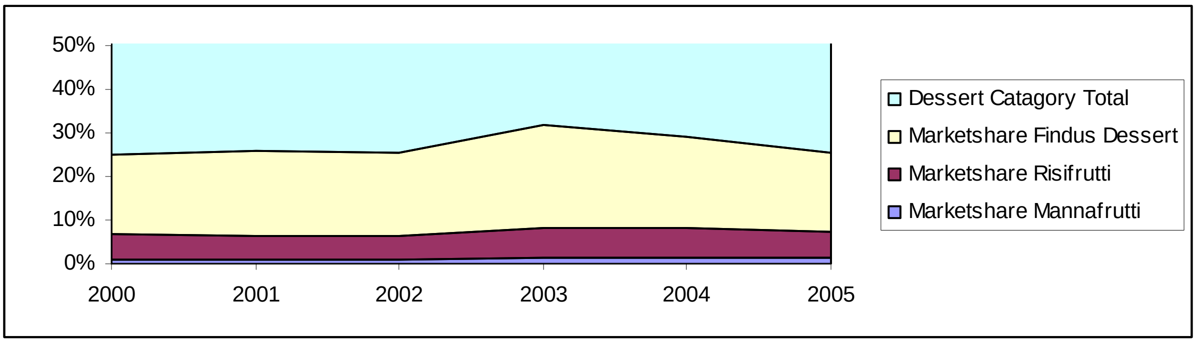

Figure 18, Market share Total category dessert quarter 1-24

As we can see, Findus is continuously holding around 25 to30 percent of the total dessert market where Risifrutti i.e. the baseline product is accounted for around halve of this market share. Manafrutti manages to survive during the whole measured time and are increasing its shares conservatively but yet ongoing and steady

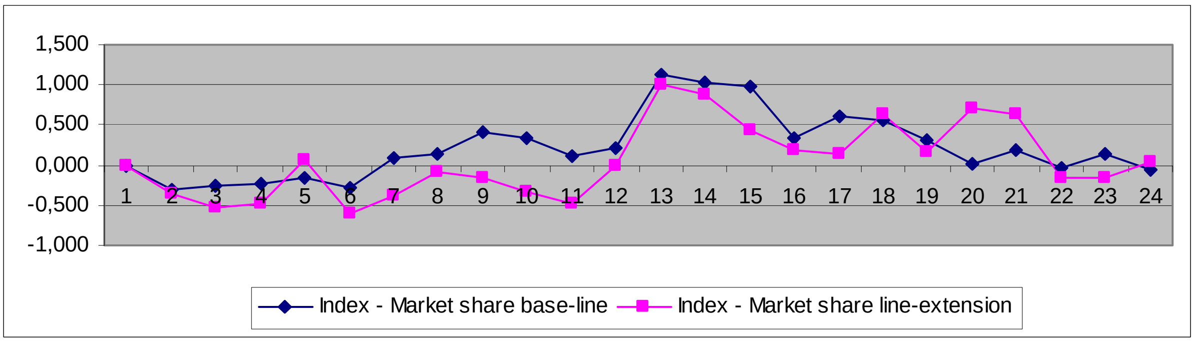

Figure 19, Variation in market share Dessert quarter 1-24

Although it is shown that there is certain incongruence in levels of market shares, the products are synchronizing their turns only in different degrees. Here you can see a correlating behaviour and the observations of the positive correlated variables are statistically significant with an r-value of 0,637 and a p-value of 0,000 on a 99 percent certainty.

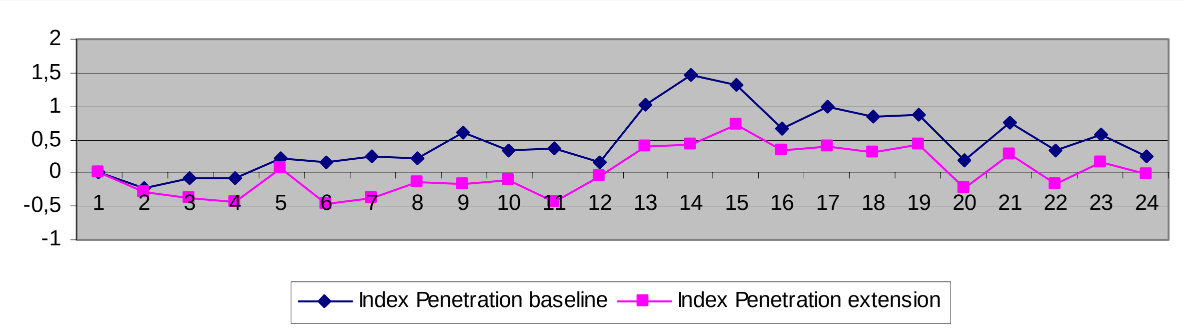

Figure 20, Variation in penetration between line-extension and base-line product quarter 1-24

The penetration rates of the two co-existing products are somewhat correlating with the exception of some fluctuation of the line extension that are showing a more instable curve with relatively more visible and direct changes. The variables are strongly positively correlating with an r-value of 0,794 and this is statistically significant with a p-value of 0.00 with a 99 percent certainty. Also if we look carefully here are substantial similarities between the development between the market share graph and the penetration graph.

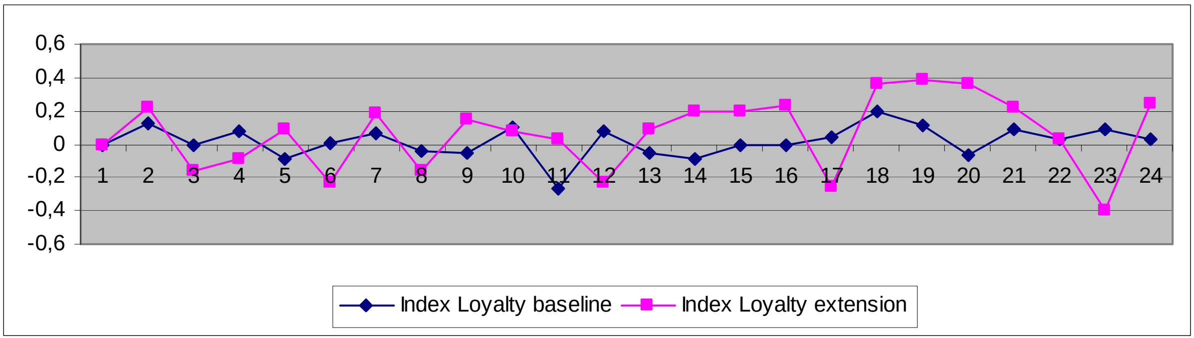

Figure 21, Variation in loyalty between line-extension and base-line product quarter 1-24

The measures show that rates in loyalty seemingly alike from a relative point of view, obvious is although that the line extension is enjoying a constant lower rate over time with some exceptions. It is somewhat hard to comment on this graph since it seems to be a non-correlating behaviour both positive and negative with the r-value 0,085 with a p-value of 0,692. Hence, we can't make any statistical conclusion besides the fact that there is no correlation between the variables.

4.1.5 Deep Frozen Meat Products

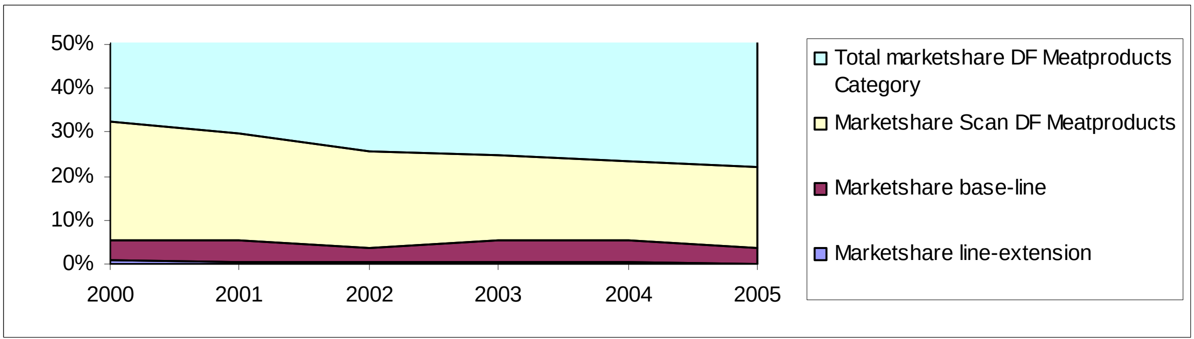

Figure 22, Market share total deep frozen market share

The charts shows that Scans relative market share is decreasing during the elapsed period while at the same time the small meatballs are holding a pretty consistent grip of its particle part of Scans total market share. The ecological Ox meatball is not showing particularly well in this chart, which might be an indication of its seemingly small portion of the total market share of the company.

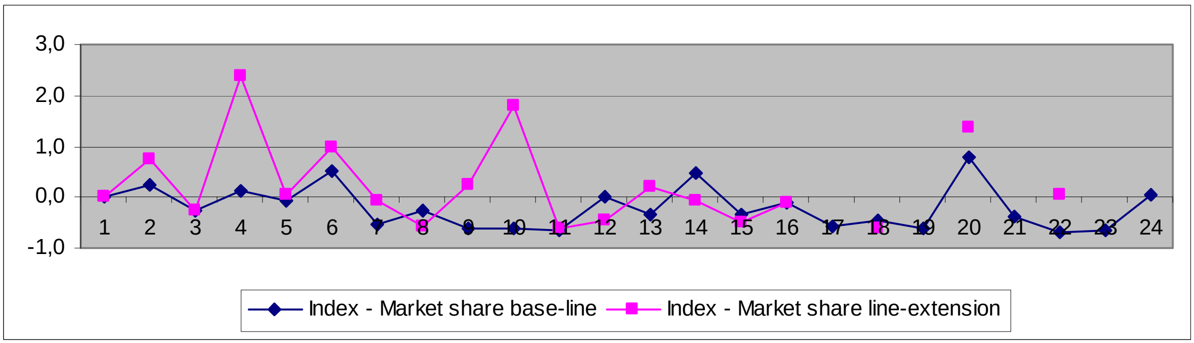

Figure 23, Variation in market share Deep frozen meat products quarter 1-24

Regarding the variation of market shares between the products there is seemingly no indications at al showing some kind of relationship. There are no statistically significant values to support at positive a positive neither a negative correlation with r-value of 0,087 and a p-value of 0,724.

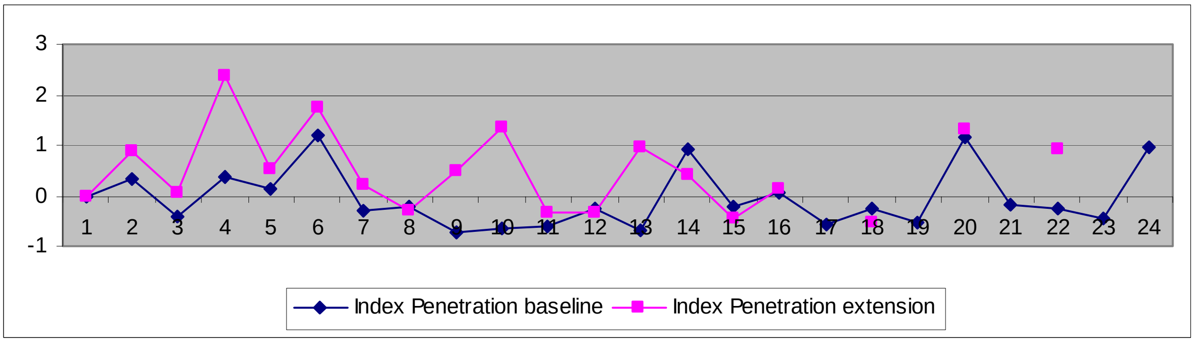

Figure 24, Variation in penetration between line-extension and base-line product quarter 1-24

Also this chart reveals that there is lack of congruency in the fluctuations of the penetration rate. The line extension is enjoying an overall higher penetration rate. Overall you could say that there is a positive correlation between the variables, with some deviations. Although an r-value of 0.309 and a p-value of 0,198 are not showing any statistically significant correlations nor negative or positive.

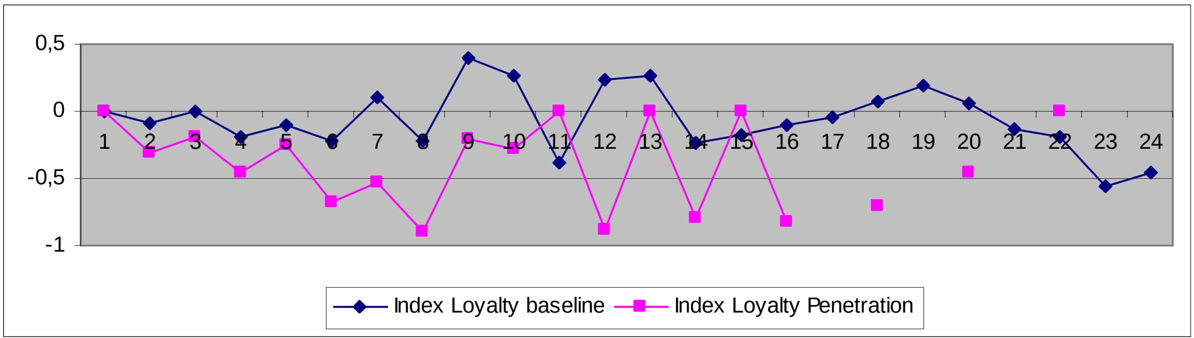

Figure 25, Variation in loyalty between line-extension and base-line product quarter 1-24

At an initial stage one could assume that the line extension and the base line product is rather congruent in the matter of loyalty although the figures reveal that there is very few commonalities due to a higher degree of change in the function of the line extension. Thus, there are too many deviations to make a statement of how the variables are correlating. The r-value of 0,078 and the p-value of 0,724 just tell us that there are no statistically significant relation between the variables.

4.1.6 Fish au gratin

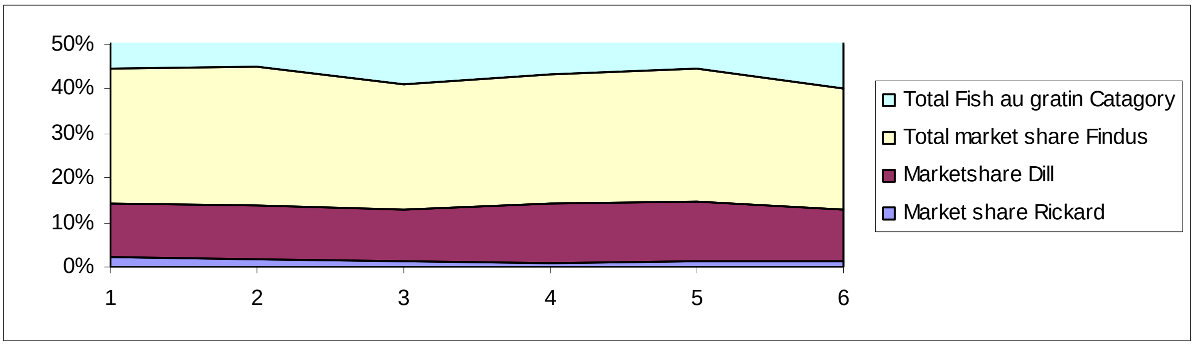

Figure 26, Market share total category Fish au gratin

In the upper diagram, the Fish au gratin market is shown together with the baseline product and the line extension we are examining. Findus relative market share has decreased since 2000 and we can also see that 'Rickards' fish au gratin have increased it relative market share over the evaluated time period.

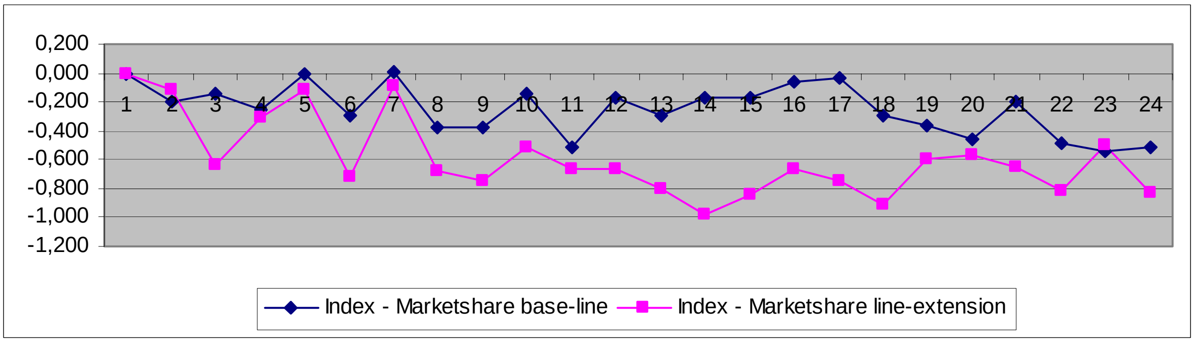

Figure 27, Variation in Market share Fish au gratin Dill and Rickard quarter 1-24

At same time we can spot that there are no statistically significant correlation between the variables market share for Findus fish au gratin dill respectively Rickards ditto. It can be certified with the correlations between the variables that the correlations coefficient 0.326 is not significant with the p-value 0,120.

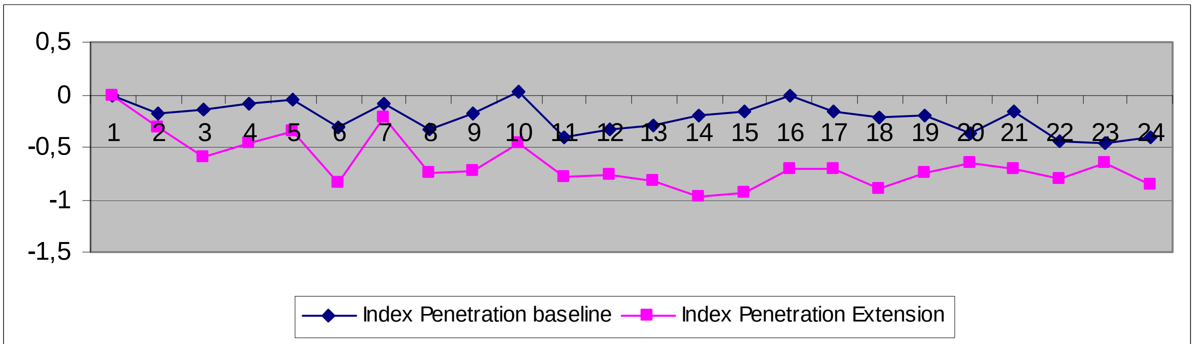

Figure 28, Variation in penetration between the line-extension and base-line product quarter 1-24

The diagram shows how the market penetration is changed over time. We can se that there is a positive correlation between the baseline product and the line extension. This is also statistically significant with a r-value of 0,561 together with a p-value of 0.004 with a 99 percent certainty.

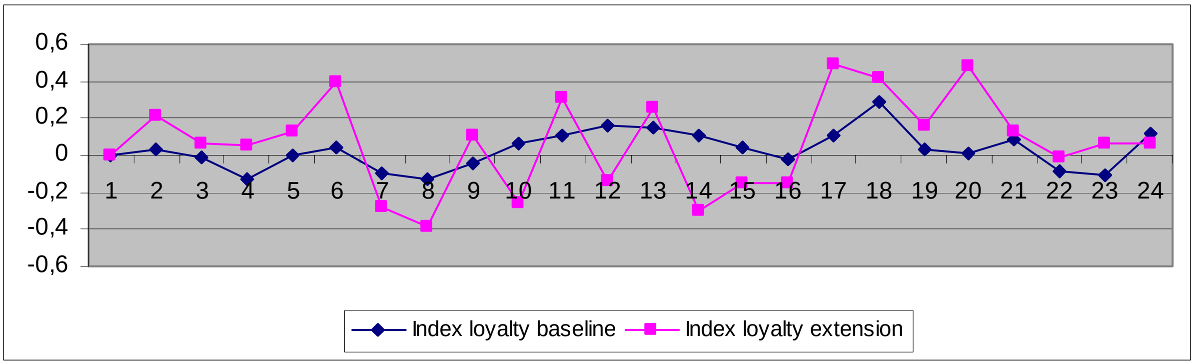

Figure 29, Variation in loyalty in base-line and extension quarter 1-24

In the loyalty index there are some similarities between the variables but the fluctuation from the line-extension parameter gives a positive but not statistically significant relation with a r-value of 0,384 and a p-value of 0,064 support this statement.

4.1.7 Ice Cream

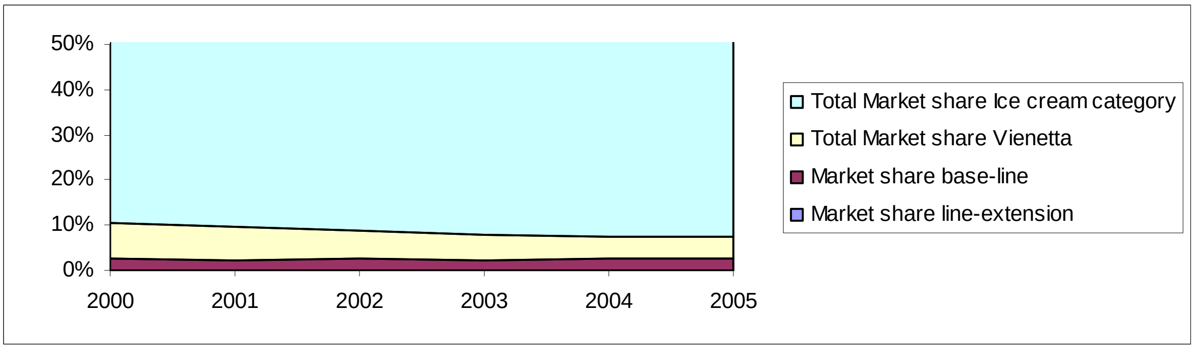

Figure 30, Market share total Ice cream Category

As we can see, Vienetta is continuously holding around 10 to 5 percent of the total ice cream market where Vienetta Vanilla i.e. the baseline product is accounted for around three percent of the market share. Although, Vienetta Citrus manages only to survive during the first two years and then picked of the market.

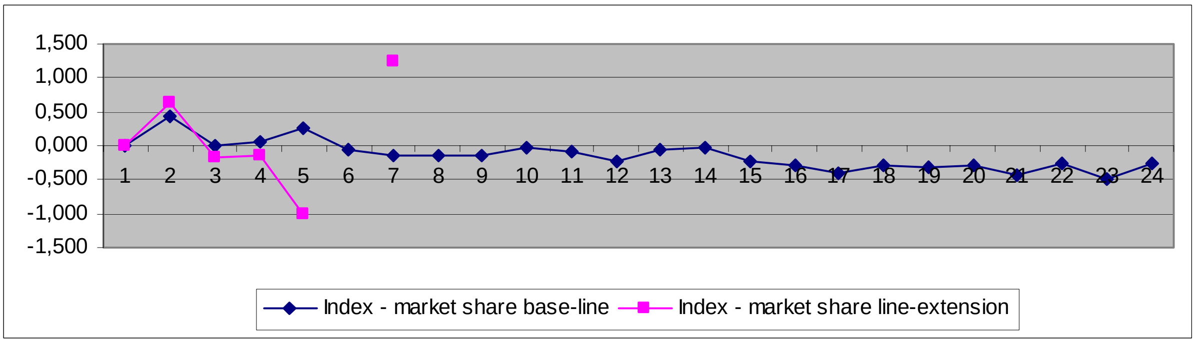

Figure 31, Variation in Market share Ice Cream quarter 1-24

The upper diagram shows that the market share of the two different products is fairly coincidental and that the baseline product although manages to keep an overall relatively even share of the market during a considerable amount of time.

It is important to stress that the lemon extension is disappearing after one and a half year, reason for this will be discussed further below. The diagram above shows, as in earlier examples, market shares over the elapsed period of time.

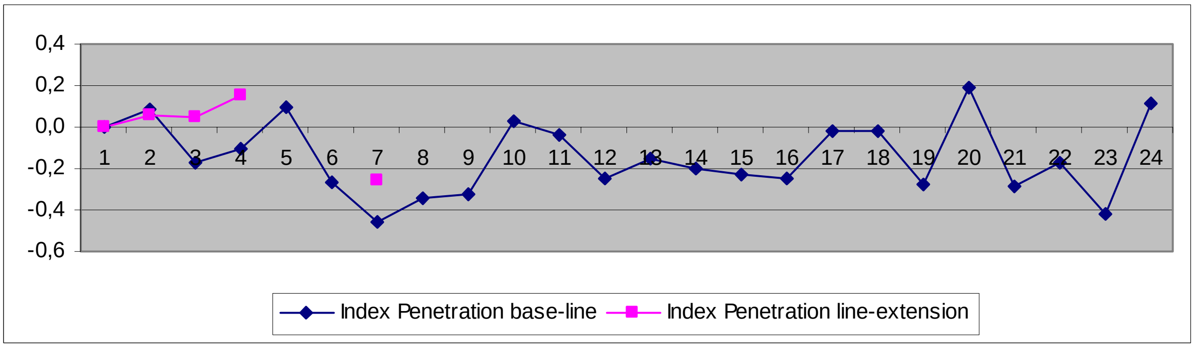

Figure 32, Variation in penetration between line-extension and base-line product quarter 1-24

From a penetration point of view, it is shown that during the seemingly short period of time the line extension existed, the penetration of the base line product declined. Further we can detect a considerable incongruence in the level of penetration rate for the baseline product during the examine product.

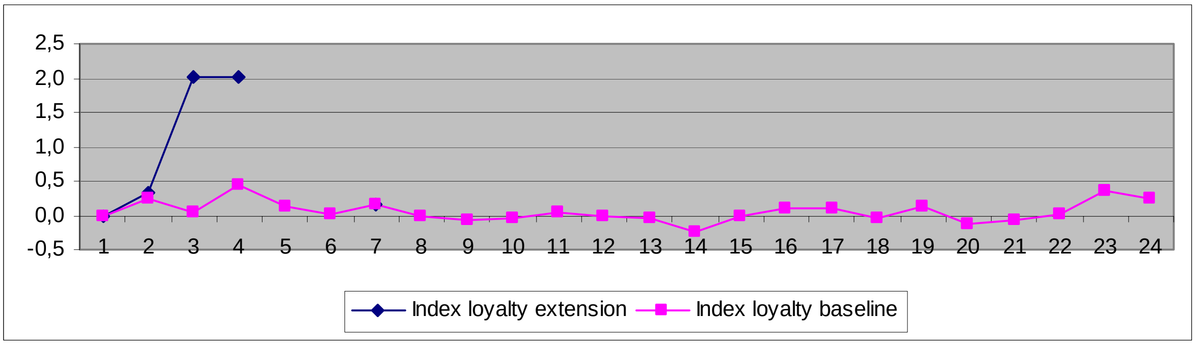

Figure 33, Variation in loyalty between line-extension and base-line product quarter 1-24

The figures are indicating that there are no statistically significant correlations between the products in a loyalty aspect. It is hard to really grasp any influential aspects since the extensions lifecycle is relatively short compared to the other categories examined.

4.1.8 Juice

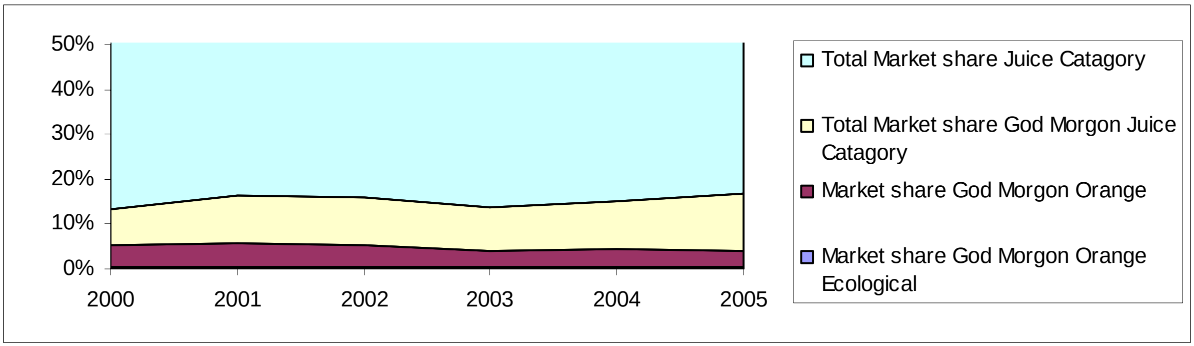

Figure 34, Total market share juice category

As a reflection we can see that God Morgon is not in a dominating position on the market but are struggling in a pretty regular manner. As visible in the chart above the ecological alternative to the baseline product is modestly represented in the total representation.

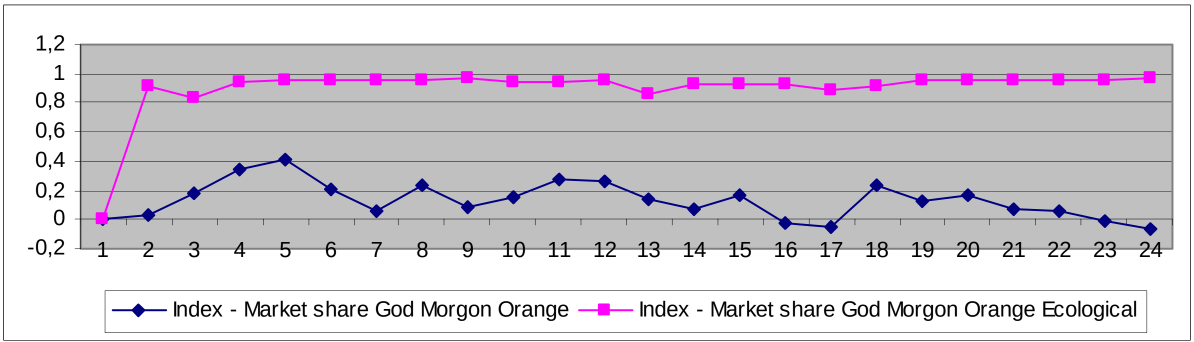

Figure 35, Variation in market share line-extension and base-line product quarter 1-24

It is revealed above that the extension is enjoying a more even curve in terms of market share rates and that the relationship from a fluctuation aspect is non-existing. The extension product made an initial jump from the introducing quarter to stay on a more consisting level with a firm and stable market development and market share. It also seems to be a positive correlation between the variables but a look at the r-value of 0,024 and a p-value 0,910 indicates that there is no positive or negative correlation between the variables.

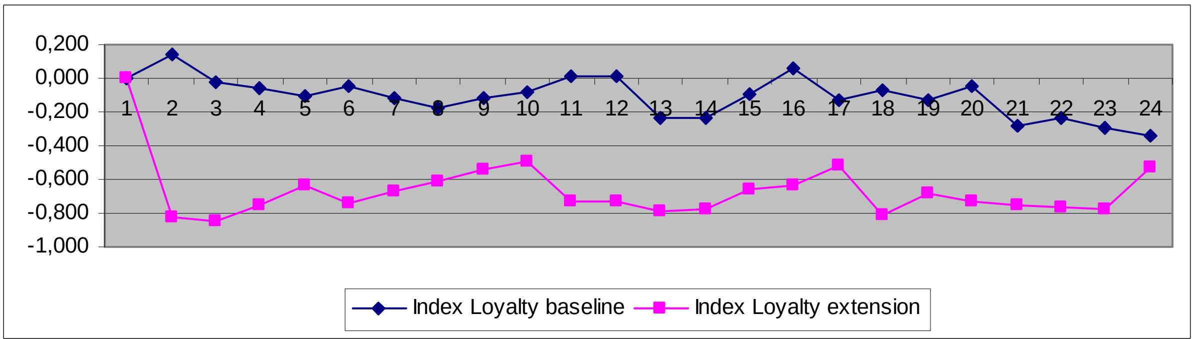

Figure 36, Variation in loyalty between line-extension and base-line product quarter 1-24

A first look at the graph gives an impression that there is no negative or positive correlation between the variables. Although, when controlling the r-value of -0,033 and a p-value of 0,878, there are some small indications of a negative correlation.

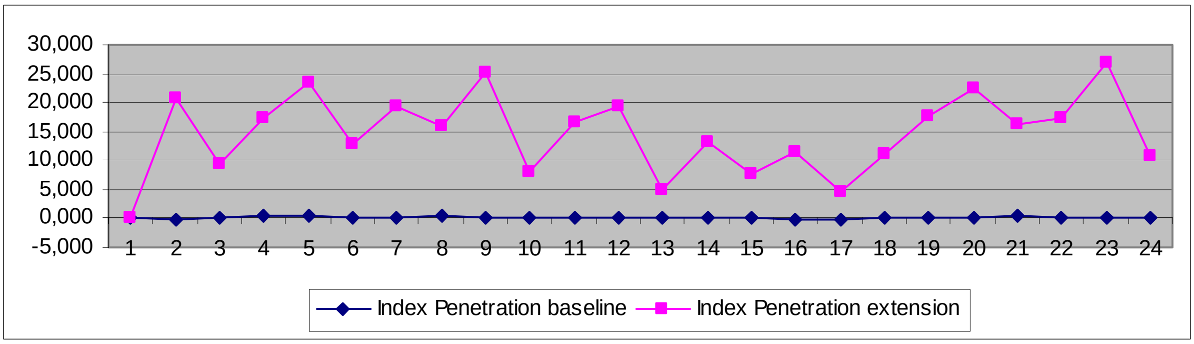

Figure 37, Variation in penetration between line-extension and base-line product, quarter 1-24

At the first glance at the graph it looks like there are a positive correlation between the variables, but when taking a deeper look at the correlation analysis we can spot that there actually is a positive correlation between the variables with a r-value of 0,215 and a p-value of 0,315. These figure are though not statistically significant and we can't make a valid statement of an occasional correlation.

5 Analysis

In this chapter we intend to adapt and compare the theories presented in the conceptual framework on the results gained from the conducted measurements. We are also aiming to validated or dismiss those hypothesises that are presented in the back of the conceptual framework chapter.

5.1.1 Market shares

The most common theoretical concern about conducting a Line extension is that they presumably will cannibalize on the market shares of the baseline product and hence not contribute with new market shares to the brand as a whole. There are although very little in our results that justifies these theories by Aaker, 2003; Draganska & Dipak, 2005; Reddy et al 1994 and Chen & Lui, 2004. The results is in a schematic manner more traceable to the theory of Kai-Lung (2004) that suggests that a line extension should capture market shares from consumers that preferably not part of the baseline products current consumer base.

In seemingly all measured categories, there are no signs of a correlation that ensures that the varied success of the line extension is on behalf of the baseline product. This is enclosed by the assumption that in the case of a perfect cannibalization correlation the market shares of the baseline product would decline relatively with every prospective increase of market shares in the line extension function.

The above-mentioned not to found in any of eight categories, reasons for this will be reviewed further in the discussion chapter. What is although graspable for the eye, is the fact that for example Continetal Sausages, Cereals and Fish au gratin tend to follow each other in terms of fluctuations in market share gains and losses, this in turn could be interpreted as an indication of that line extension and baseline product at least in a schematic manner actually works as co-drivers (Aaker, 1997), with this notifications also Meyvis & Janiszevskis (2004) theoretical focal point concerning the reciprocal affects of line extension, to an extent be validated. In this aspect Draganska & Dipak (2005) seems to show only moderate accurateness in their statements concerning the major influence of the baseline product i.e , in this study, the parent brand, referring to the non existing correlation in the market share variables.

As stated in the methodological chapter, it is not possible to enclose a certain result by just confirming that the initial and opposing hypothesis valid or not. This means that if the results had shown a positive relationship to the hypothesis we would not had been able to declare this as a given truth, however, applied to this particular case given the results, we can, with statistically valid evidence backing us up, claim that the added market shares of the baseline product and the line extension wont stay consistent over time. To relate back to the reviewed results in the past chapter it is traceable that the market share of the baseline product is not affected in any way by the rates of the line extension or vice versa, hence it is likely to assume that the various fluctuations in the rates are not interdependent.

5.1.2 Brand loyalty

The ultimate successful line extension is said to enhance the total brand straight of the launching organisation and should ostensibly create a boost in loyalty concerning also the baseline product (Kapferer, 2004). In order to live up to these criteria, the categories examined in this thesis should have shown considerable boosts in loyalty rates from the year that the line extension was presented, this is however not the case and there are no lucid commonalities in the rate fluctuations that shows that these extensions has been successful from this focal point of view. With the result we have aimed it is hard to really justify any of the given definitions made about loyalty as a product of equity or as a building brick that carries it (Aaker, 1997; Keller, 1993), this was although nor our intention with this thesis.

Concerning the opposing paradigms of loyalty towards a brand versus loyalty towards products (Draganska & Dipak, 2005; Briggs, 2006) the results presented in the earlier chapter gives somewhat interesting information that enables a comparison. On the face of there is only one out of the eight examined categories, a statistical significant correlation is appearing which should be interpreted as a adapted confirmation of the theory of Briggs (2006), there are no congruence between the loyalty rates of the same branded products and the loyalty should hence be interpreted as derived from affection towards one particular product and not towards the brand. This encloses *H2a* by the fact that there are neither statistically valid connections nor feasibility between the loyalties gained by the line extension and the loyalty rates of the baseline product.

Even if there of course occurs simultaneous fluctuations in loyalty during the examined time era and the fluctuations sometimes, to the eye, appears a more or less congruent, there are no statistic data that can back up an occasional correlation, *H2b* must therefore be approved as valid due to the above mentioned i.e. fluctuations in the loyalty rates of the line extension does not in a valid manner result in consequences for the baseline product. In fact, non of the examined categories support Hsin-Hui & Yi Shuns (2006) of experienced relationships towards a brand since the rates indicate that this part of brand equity, in these cases, is directed towards single products. Once again though, only because the results of the measurements is supporting the stated hypothesises we cannot enclose the non-existing correlation, we can though, say that the measurements indicates that the circumstances are not of a reversed character.

5.1.3 Market Penetration

Theorists (Keng & Ehrenberg, 1984; Meyvis & Janiszewski, 2004; Yang & Zhou, 2005) tend to deduct much of the market penetration rates in the unexamined variable of awareness. By a schematic comparison between obtained rates of market shares (which should be able to hint about the brand awareness) and penetration this does seem to correlate, this is although a highly unscientific statement and should not by any means be estimated as valid information but more suitable a hint of actual tendencies. Market penetration is as declared in the conceptual framework measured by an appreciation of the amount of a given sum of money the scanned consumer cluster is willing to spend on the particular brand or product (Keng & Ehrenberg, 1984). Sargent (1996) although, claims market penetration as likely to decrease in a linear manner with a rising amount of product consumed by a certain brand.

In the measures conducted and the results gained there are three of the eight categories that are correlating in a significant and positive manner, this although, is not to be viewed as an indicator on any kind of penetration cannibalization since a correlation aught to be negative in a cannibalistic situation. The measurement does not allow a congruence control of Peryas (2001) statement of the expected relationship to market share fluctuations but an overall although not statistically valid check allows a modest approval.

Sargents (1996) above-mentioned theory concerning somewhat a linear independent but opposing correlation, can not be validated due to our measurement results. In none of the examined categories a statistically significant correlation of this character stand to be found. Hence; *H3a* cannot be scientifically nor statically enclose due to lack a significant correlations and the reversed scenario with an increasing penetration rate of the line extension, there are no statistic figures that could back this theory up, why also *H3b* has to rejected.

5.1.4 Vertical Line extensions

Vertical line extensions are a stated defined as extend an existing range of product either upwards or downwards on a qualitative and hence price fluctuating scale (Chadwick & Clowes, 1998). Fruther it is, according to Aaker (2003) initiated in order to reach segments with differential preferences in relation to these above-mentioned attributes. Some extensive critique is although directed at this concept claiming that it erodes the equity of a brand and consistency of the messages the company behind the launches wishes to communicate (Chen & Lui; 2004).

Aaker (2003) expresses his concern about the venture like character of engaging in this activity in terms of the dangers, risking to suffer massive losses in the total brand equity. The categories we have defined as vertical due to the above-mentioned criteria are; Cereals, Df Meat products, Fish au Gratin and Juice. Within these categories, the various measurements work as indicators of fluctuations in the chosen parts of brand strengths and hence corner stones in the total brand equity (Gilbert & Hewlett, 2003). The results show no signs of any particular change in any of the categories that is statistically deducible to the introduction of the vertical line extension. A question of dissonance is however of more contemplating nature and to fully grasp all the essences a study of more qualitative art would be required. Although, since brand strength by Kapferer (2004) is defined as one of three considerable brick in the architecture of brand equity, an assumption that changes in brand strength are likely change the total brand equity would be doable.

As stated the changes in all our measured categories lacks statistically significant correlations that would enable us to draw conclusions that supports the current theoretical viewpoint, i.e. *H4* cannot be validated or enclosed. There is seemingly no valid proof that indicates a dissonance in brand equity caused by vertical line extensions, at least not in the aspects of brand equity. The fluctuations occurring during the elapsed period of time are by all probability derivable from other circumstances, which we intend to discuss further in the next chapter named discussion.

6 Conclusions

6.1.1 Theoretical contribution

Within the fields of study brand equity and extensions, there is an immense amount of research conducted. The area of extensions is interesting since there seem to be a paradox between united front of researcher's point of view and which strategies actually is adopted by market driven companies. Extensions applied to various dimensional factors constitute as an insight in how extensions actually are perceived and hence their influence on the parent brand and its baseline product and vice versa in terms of loyalty, penetration and of course market share. In this report, extensions derived from strategic incentives are adapted on a general theoretical framework which in turn is applied on actual bona fide indented growth actions.

What makes the area of extensions interesting is the fact that it is including a considerable amount of essences that, due to a variety of researchers, is of fundamental importance to a successful growth strategy. The existing research on extensions is very much focused on the pros and cons of the strategy solely. Aaker (2003) has examined the negative aspects of vertical line-extensions and seemingly most studies are conducted in ways that excludes alternative extension strategies i.e. if the extension is made in a horizontal or vertical manner. Sullivan (1992) has focused her study on when to use line extensions with the found conclusion that they are hazardous further Sullivan has chosen to anchor her results on a strictly theoretical basis, ostensibly prohibiting alternative ways to conduct the strategic move. Sullivan's research is an interesting study and our should be enabled to be viewed as a empirical compliment to hers. Chadwick & Clowes 1998 are focusing on the differences between what they perceives as brand- or line- extensions and the critical success factors surrounding these, aiming to create a framework of how to maximize profits using this tool. Anselmson et al (2006) has written a report on brand equity and the grocery industry, which is very close to our subject, although they have focused more on retailers own brands and their inference on price premiums within the industry. Most research within this area, with a few exceptions, has the commonality that they are based on a theoretical empirical framework. This report is aiming to examine how line extensions, based on a quantitative material, actually on a long-term basis might influence the parent brand and its baseline product.

The outcome of the study has, probably of different reasons that are being discussed later in this chapter, not in an appearing manner validated many of the theories examined. Reddy et al (1994) are claiming that the perceived fit of the extension is crucial as a success criteria although the studies has shown that the vertical extensions has not been less successful than the horizontal ditto in terms of generated sales or graspable effects on the baseline product. Further Preyas (2001) is concerned about a possible cannibalization scenario, neither this has our measurement results indicated. There is a rather high possibility that the categories we have chosen to include in the study, for some reason, has gained relatively too small market shares, to make it possible in an extent to distinguish the above mentioned theories

The loyalty variable has not either shown any particular correlations in relativity between the extension and the baseline products. Briggs (2006) can therefore, by these results be credited since there are no feasibility hence or positive or negative correlations between the different same brand products. A reflection concerning this matter could be that the modern consumer is rather enlightened and price aware and are seemingly not loyal to particular brand but to products offering them premium utility in relation to price.

Meyvis & Janizewski (2004) can to an extent gain approval concerning the importance of market penetration and this parameters ability to indicate the brands position I relations to the competitors. This because there are a somewhat commonality in the figures parallel to number of market shares. This is although a rather obvious relationship under the circumstances. Seemingly there are, in the results, no indications of any linear function concerning penetration that Sargent (1996) claims. This might due to us depend on the fact that the products examined in this case are of fast-moving character and that the brand in general is not that important in terms preferences and social parameters where it might occur some fear of be seen as a degenerated brand slave.

Further there were no negative correlations that confirmed Chen & Lui (2004) theory concerning a potential dissonance in the total brand equity caused by vertical line extensions, again this might be the outcome of the factual industry that we have chosen to examine, people might lack of a referential framework about the perception of different brands and an occasional frame of reference might not be as high as in more lasting product industries.

6.1.2 Managerial Implications

It has to be underlined that this thesis, by no means is indented to be viewed as a paradigm shift since our study is only focusing on line extensions influence on brand strength. And as we will further develop beneath, there are a great possibility that the extensive critique aimed at this strategy, may very well have effects on other parts, than the ones examined.

Recommendations concerning line extensions influence of brand equity in general and of brand strengths in particular have, due to the results in our study, to be miscellaneous. If the intention is to expand the total market share, there are no influential indications on own brand cannibalization. From this aspects, a company should have no doubts initiating a imperative managerial action like this since the market shares obtained in the examined examples are shown to be collected from primarily other products than the one we have defined as baseline products. This is further proved and can hence be passed on as a recommendation by the fact the there where no significant negative correlation in the fluctuations in the market share rates either. The same recommendations go for loyalty and penetration that is not showing any kind of indications of being of influential character for the baseline product nor the parental brand. In terms of what is being investigated i.e. brand strengths there is a lot in our results that indicates that the products should be viewed separately, and not as interdependent so a recommendation to companies would be to thoroughly examine the potential of the intended new launch from a solely individual perspective and hence base their decision on this.

The above-mentioned and non existing positive nor negative correlations could of course be interpreted as negative due to the lesser total effect of an occasional success of the line extension, but if the results are put in parity to the rather sceptical theories, it could relatively be positive due to the proved minimal risk of eroding the brand strength.
We cannot on valid bases, make recommendations concerning activities that will induce the brand equity since our measurements don’t allow this.

We although have to stress and there by warn organizations that none of the line extensions has been of a particularly successful character in terms of the parameters measured. So a general recommendation to grocery manufacturers would be to avoid it. Although if the extension is preceded of careful own brand- and market analysis there are nothing that says that it can't be successful. Further there is really, again due to our results, seemingly nothing to loose in the brand strength aspect. The ice-cream category disappeared after a short period of time, but there were outwardly no negative effects of the baseline product despite this failure.

We would although recommend a more thorough and extensive consideration before engaging in a line extension since this study has shown that it is highly likely that brand assets and brand values are affected to a larger degree than the, in this thesis, examined part.

A reflection due to the issue of concern is that it is recommendable to make an estimation of peoples general awareness of the brand. This part of brand strength would provide a solid ground of how concerned a manager need to be about losing brand strength, this of course under the circumstances that our above-mentioned assumptions is correct. Seemingly if the awareness of the brand is low, there would be a decreased risk of lowering brand strength and hence equity.

6.1.3 Limitations and Future Research

Since a part of the contribution of this thesis is the adaptation of consequences onto this above mentioned definition, the current overall literature is not approaching the dilemma from this stance which makes it hard to really anchor to which part the critique is aimed. Another possible reason for the incongruence with existing theory and the results of the measure conducted in this thesis could further be the that the common critique is aimed at other parts of brand strength such as image and to an extent awareness that in turn are highly linkable to the segmentation and positioning aspects branding (Draganska & Dipak, 2005; Chadwick & Clowes, 1998; Akker & Joachimstahler, 2004). It has to be viewed as highly possible that the weaknesses of line extensions are of more intangible characteristics and hence are not able to be grasped by conducting a quantitative study. This is although to some extent reflected upon in the analysis regarding dissonance in the total brand equity.

As reviewed, the fluctuations in the charts were, with a few exceptions, is not significantly correlating, which indicated that the line extensions solely was not a driving factor. This opens up for a discussion for alternative sources of influence. As described in the introduction chapter the market has exploded in terms of new chains invading the Swedish grocery market and as a effect the native chains are introducing own brands as an alternative to the ones measured in this study (Anselmsson et al, 2006). This naturally has lead to a general decrease in market share for all brands and this process has seemingly been exceptionally intense during our period of measurement. This degeneration of market share has lead to some unusual circumstances and is likely to have affected the brand strengths of the examined categories more that the line extensions has (Ulver, 2003).
Therefore a more in-depth study concerning solely market shares would be interesting where the researcher compare changes in market shares in one particular category in parity with number of line extensions launched.

Since there are no apparent weakening or strengthening effects on the brand strengths that in a statistically significant manner is derivable from the line extensions being examined, a logic conclusion to draw is that the repeated theoretical critique and warnings are fetched from the other parts of Kapferers (1993) definition of the total concept, namely brand assets and brand value. Therefore it would be interesting to see a study examining these aspects. A qualitative study on brand assets would probably work as a excellent complement to this study.
Further it would be worthy of note to take part of a study that are considering the number extensions made by a brand in a indexing manner towards the brand value. How the actual financial circumstances are fluctuating parallel with number of extensions implemented. Together with this study, the above mentioned would to an extent employ as a solid base to rely on when considering a line extension.

One aspect that has not been brought up yet in this thesis but that is in a way linkable to the reasoning of Anselmsson et al (2006), is the fact that the extension of a product range might be of considerable lesser importance today than when the critical voices concerning the issue was raised. Today almost every brand holds a respectable amount of products in their range and is perhaps more or less expected to do so, this could be one valid reason to explain why the number of categories actually correlating has been so small. It might even be so that, consumers are demanding a variety of products from a brand and that ones lacking this variety is being stripped on brand equity, a study evaluating this particular circumstance would therefore also be of value for companies to take part of.

One limitation is the fact that we have collected and interpreted the examined set of categories ourselves due to the availability on information in Mintel and Gfk. With this in mind we have tried to cover a range that is likely to be viewed as general. From this point of view, a perhaps complementing qualitative and aimed study would have been preferable, contacts within a variety of companies could probably have provided with a more differentiated set of categories. But again, information of this nature is most likely to be sensitive tidings and there is a considerable risk that the figures obtained are not entirely objective.
Further it is not taken into account the seasonality of some of the products. This together with other external factors that might have affected the figures obtained is excluded, which may have had some influence on the results. More generally it has to be stated testing of hypotheses according to Körner & Wahlgren (1997) is a quite tricky task to manage. Testing a hypothesis results in that we either accepts or rejects it. This together with the chosen quantitative approach to the subject, has conceivably left out some nuanced interpretations of the environmental factors and other more intangible aspect that are hard to grasp in a numeric manner.

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