Brand extensions positioning guidelines for competitive differentiation
Munteanu Claudiu-Cătălin

Abstract
In the era of hyper competition, increasingly more companies pursue competitive differentiation by creating brand extensions. Each brand extension promises to be new, bigger or better, but in reality most of these brand extensions fail to be unique and to exert a certain appeal to consumers. In these circumstances, competitive differentiation has become extremely important because it can create and sustain a strong competitive advantage. A meaningful positioning strategy creates competitive differentiation by providing consumers reasons to buy the brand. The purpose of this article is to present a brand positioning framework for competitive differentiation through brand extensions. A careful examination of brand extensions and competitive differentiation related issues is provided. Based on this examination, we provide brand managers a detailed guide for identifying and establishing brand positioning bases for brand extensions. We further elaborate some useful brand positioning guidelines for brand extensions.

Key words: brand extensions; competitive differentiation; brand positioning, competitive advantage

INTRODUCTION
In the era of hyper competition, competitive differentiation is at the heart of marketing strategy. More and more companies pursue competitive differentiation by creating brand extensions. However, in practice most of these brand extensions fail to be unique and to exert a significant appeal to consumers. As a result, the financial risks of creating a brand extension have increased considerably. Compared to the last decades, the financial tag for creating a brand extension is much larger now due to increased costs for distribution and for promoting the brand (Smith&Park, 1992). Consequently, a successful brand extension must differentiate itself from competing brands through unique elements that have a significant value for consumers.

Despite these circumstances, brand extensions are still attractive to companies because they provide a way to take advantage of the parent brand equity. Basically, leveraging a strong parent brand can reduce the risks associated with introducing a brand extension to a new or existent market. One of the major setbacks related to competitive differentiation through brand extensions is that each brand extension promises to be new, bigger, better or simply improved. However, in most cases, competitive differentiation is the result of offering consumers a value that surpasses their expectations (Albert et al. 2008). In the quest for differentiation, most brand extensions become too similar with each other, thus in fact killing competitive differentiation (McGovern&Moon, 2007). Many brands therefore often achieve commoditization by adding new features to their brand extensions. In these circumstances, brand positioning has become the primary focus of competitive differentiation.

In order to assure a coherent positioning strategy for brand extensions, brand managers must take some critical strategic decisions with a high impact on both the parent brand and the brand extension. To guide these decisions, we will first describe the steps for developing an effective positioning strategy and the types of brand positioning strategies. We will further provide a careful examination of brand extensions and competitive differentiation related issues. By adapting the brand positioning framework to brand extensions we provide brand managers a detailed guide for identifying and establishing brand positioning bases for brand extensions.

DEVELOPING A BRAND POSITIONING STRATEGY
Everyday consumers are bombarded with a lot of information regarding brands, products and marketing related actions. In order to simplify the buying process, consumers organize products, services and
brands in categories that form memory clusters (Puccinelli et al. 2009). To a larger extent, brand positioning is the sum of all perceptions, impressions and feelings consumers have towards a specific brand, product or service (Brooksbank, 1994). Brand positioning is the way the brand is perceived by consumers on important brand attributes, benefits and values (Keller, 2008). This perception is based on the distinct space that the brand occupies in consumers' minds relative to competing brands. As a consequence, brand positioning is based on two factors: its position against the competition and how it is perceived by consumers. Nevertheless, consumers are those who finally determine the effectiveness of brand positioning.

Defining a brand positioning strategy is the process of creating consumer perceptions regarding the characteristics of a company and its products in relation to competition (Sengupta, 2005). In practice, a brand positioning strategy involves establishing a specific and distinct place for the brand in the customer's mind (Keller, 2008). Thus there are two basic principles of brand positioning: identifying the product brand with a certain category of brands and on the other hand, differentiating brand attributes in order to enable the consumer to distinguish the brand from category competitors. In order to create and sustain a competitive advantage, marketers must carefully plan a coherent brand positioning strategy. Marketing programs are designed to achieve a relevant brand positioning strategy, while marketing communications are aimed to emphasize consumer beliefs about a brand or to create a more favorable brand image (Nandan, 2005)

Defining a coherent brand positioning strategy has sometimes been seen as a problem of marketing communication (Reid et al. 2005). According to this approach, the nature of the product is given and the objective is handling consumer brand perceptions. However, other experts show that a positioning strategy doesn’t only involve advertising and promotion, but managing the entire marketing mix (Sengupta, 2005; Keller, 2008). For an effective brand positioning, the marketing mix should be used in an integrated, coherent and viable long term strategy. For example, a short-term positioning strategy based on a lower price for a high quality brand can beat competition and boost sales in the short run, but low prices may lead to lower long-term revenues and a damaged brand image.

In practice, planning a positioning strategy should start with identifying and choosing a set of possible competitive differentiation points, that can be combined in a coherent and sustainable positioning strategy. Implementing a solid positioning strategy can be achieved by using the entire marketing mix for developing the selected brand positioning (Sengupta, 2005). The emphasis should be on integrated marketing communications in order communicate the chosen position. When necessary, a brand repositioning strategy can be developed and implemented as a result of reconsidering the current marketing environment.

**BRAND POSITIONING FRAMEWORK**

Traditionally, developing a brand positioning strategy starts with developing a specific frame of reference and communicating a unique value proposition (Keller, 2008). Organizations determine the target segments and main competitors. A positioning strategy for creating a solid competitive advantage is based on a reference framework built for unique targeted segments (Sengupta, 2005).

In relation with these variables, companies establish brand points of parity (POPs) and develop brand points of difference (PODs). Usually, an effective positioning strategy will contain sufficient evidence to convince the target customers to prefer the brand in detriment of competitors (Albert et al. 2008). This is achieved by offering consumers relevant information about the similarities and differences between brands. The chosen PODs should be credible, relevant and distinctive in order to sustain a strong competitive advantage (Keller, 2008). Communicating those PODs to consumers must be feasible and sustainable in time to provide a clear and effective positioning strategy (Fuchs&Diamantopoulos, 2010). It is also necessary that the chosen POPs serve for denying the points of differentiation of competing brands, while creating a “tolerance zone” for consumers in which the brand is good enough compared to competitors (Thompson&Sinha, 2008).

An effective brand positioning strategy is based on the premise that there is a high congruence between the desired and perceived brand positioning. However, there is often a large difference between the two in reality. This gap is caused by the fact that people often prefer brands with certain characteristics that
take them closer to a desirable satisfaction state (Da Silva & Alwi, 2006). For example, an entry-level employee that aspires to become a manager will prefer a Mercedes or Hugo Boss clothes due to status signaling brand characteristics that are convergent with the desirable state. In order to narrow this gap, POPs and PODs should be chosen according to the means-end theory model depicted in figure 1.

**Figure 1: Means-end chain theory model (Woodside, 2004)**

Through its positioning strategy a brand informs consumers what it stands for. It is therefore imperative to create a positioning vector containing a description of the attributes, benefits and unique values of the brand. Therefore, POPs and PODs specific to the three steps of the means-end chain theory provide a positive resolution of these imperatives and amplify the psychological involvement of consumers. When using this framework in practice, there are three major brand positioning errors a company may face: under-positioning, over-positioning and a confused or blurred positioning. Under-positioning a product leads to a dangerous situation in which the organization has failed to communicate a clear positioning to the end-consumer (Kotler & Keller, 2011). Over-positioning a product leads to an even more dangerous situation in which the target market is too narrow to sustain growth (Porter, 2008). The main problem in this situation is that the target market may interpret the product as being a very specialized solution due to a very narrow perception of what the product actually offers. A confused positioning strategy creates a blurred brand image, which is the source of major inconsistencies in marketing communications (Kalafatis et al. 2000).

**TYPES OF BRAND POSITIONING STRATEGIES**

The main goal of brand positioning is to create and sustain competitive advantage (Keller, 2008). This can be achieved by finding a "niche" in the consumer's mind that a brand can handle (Albert et al. 2008). Brand positioning begins by delineating a differentiation strategy for implementing the organization's value proposition. The competitive advantage results from the differentiation strategy’s capacity to provide consumers greater value, either through lower prices or by offering more benefits that justify higher prices. The added value contributes to a successful differentiation strategy. A brand positioning strategy must therefore strongly focus on differentiation. Usually a differentiation strategy is based on the product itself, the brand image, employees, services provided and distribution channels used.
Each differentiation strategy should be focused on laddering the means-end chain of attributes, benefits and values.

A differentiation strategy related to products makes use of the intrinsic attributes of the product such as functional characteristics, structural performance, style, design, consistency, durability, reliability or reparability. For example, P&G puts a large emphasis on product reliability and the structural performance of its products while is main competitor Unilever emphasizes mainly product functional characteristics.

A differentiation based on services can be achieved by providing better overall services such as installation, repairs, consulting or customer training. For example, Southwest Airlines tries to provide a unique experience to consumers by customizing their services in a diverting way.

Differentiation through the marketing channel coverage is based on the attributes, skills and performance of the channel. Companies can also differentiate themselves through employees’ skills, expertise, attitudes and care towards customers. For example, Amazon achieved number one status for home delivery in the U.S. by creating a solid distribution channel capable of delivering a product anywhere in the U.S. the next morning.

A differentiation strategy based on brand image is implemented by communicating the brand’s unique advantages and by the integrated use of identity symbols that express the brand personality. For example, Nike incorporates in all advertising campaigns daily life elements or situations that suggest brand personality features such as friendliness, dignity or classiness.

Depending on the chosen differentiation strategy and on how this strategy is communicated to consumers, there are three types of brand positioning: objective positioning, emotional positioning and symbolic positioning (Bhat&Reddy, 1998).

An objective brand positioning strategy involves differentiating performance objectives of the brand or organization through a rational discourse (Bhat&Reddy, 1998). This type of positioning strategy involves differentiation through functional, constructive, aesthetic or economic benefits, with the main focus on the product or service use.

An emotional brand positioning strategy highlights aspects that determine a favorable attitude of the public towards the brand (Orth et al. 2004). Specific brand attributes, benefits or values that can respond to consumers’ psychological needs are used. These elements are closely related to brand imagery, but are not entirely similar to it (Keller, 2008).

A symbolic positioning strategy is based on the symbols that are associated with the brand or organization. By helping customers express their own identity, the brand satisfies consumer needs for social differentiation and belonging to a particular group (Munteanu&Pagalea, 2014). In the case of internal branding, a symbolic positioning strategy contributes to fostering a sense of belonging to the organization (Bhat&Reddy, 1998). A symbolic positioning is highly based on consumer values, thus reaching the highest level of the means-end chain.

An effective positioning strategy, which creates strong competitive differentiation, is essential for the success of brand extensions. There are multiple ways for a company to extend a brand in practice. Nevertheless, 70% of brand extensions simply fail in the first two years after they have been created (Völckner&Sattler, 2006). Brand extensions that fail to create a strong competitive advantage are eliminated (Keller, 2008). Also, brand extensions can suffer from the same shortcomings a regular product has to face in the marketplace. In these circumstances, it is critical for marketing managers to understand the importance of creating a relevant differentiation strategy for brand extensions. In forecasting the success of a future brand extension, marketers should analyze and adjust the employed differentiation strategy to create and sustain competitive advantage.

One of the recent trends in marketing is the downgrading of already existing brands by upgrading line extensions. For example, when improving a beer assortment, companies may aim for the best possible taste and forget about calories or aim for keeping calories in check by sacrificing taste. Competitive differentiation has become a tradeoff for brand development. But for most organizations, the big question is not whether to extend a brand, but rather when to extend it and how to differentiate it. In most cases, brand development is a direct consequence of brand differentiation (Smith&Park 1992). To better
understand the nature of brand differentiation strategies for brand extensions, a structural analysis of the product category in relation with brand differentiation and brand development is needed (figure 2).

A brand extension is created when an organization uses an established brand name to introduce a new product (Keller, 2008). This product can target the already existing product category. For example, Doritos introduces a new flavor for their nachos or Burger King starts serving a new type of burger. In this case, the new brand extension assures significant brand development, but does not contribute to brand differentiation. In order to ensure future venues for brand differentiation without impairing brand development, the following strategic tools and decisions should be developed and undertaken:

- a cohesive analysis whether the brand is over or under extended;
- a clear understanding about what associations the parent brand owns in consumers' minds;
- an action plan for the parent brand to maintain consumer relationships through its entire life cycle;
- a plan for future brand extensions;
- an organizational mechanism to test and launch brand extensions;

Companies can develop brand extensions that further expand the product category. Usually this is done by creating new products that have additional attributes or provide supplementary benefits. For example Coca-Cola introduces Coke Zero, or Visa introduces Visa Gold Travel. In this case, the new brand extension contributes by a small margin to brand differentiation and provides a medium brand development. In this scenario, further brand differentiation is possible if:

- there are new consumer segments for which the parent brand can have a certain appeal;
- a method for analyzing the congruity between the new brand extension and the parent brand promise is employed;
- a brand licensing department exists that enforces strict guidelines for brand extensions in order not to hurt or dilute the image of the parent brand;
- the new brand extensions are tested regarding their impact on brand equity;
BRAND EXTENSION POSITIONING BASES

There are several positioning bases for brand extensions that contribute to brand extension differentiation. These bases are tied to specific brand differentiation issues linked to brand extensions. We further describe these brand positioning bases while emphasizing the brand extension differentiation issue.

An important part of brand extension positioning is to prevent cannibalization between different brands within a product category (Keller, 2008). This is essential for companies such as Procter & Gamble, which have many brands in the same product category, but positioned differently. Similar issues can be easily avoided by adopting a brand extension positioning strategy based on product attributes or benefits. An attribute can be defined as a product characteristic that differentiates the product and makes it stand out, while a benefit can be defined as a unique advantage provided by the use of the product (Gwin & Gwin, 2003). For example, Paradontax toothpaste provides gentle gum care while fighting tooth decay.

Another important part of positioning brand extensions is to create a sustainable competitive advantage. Usually, competitors tend to negate a brand’s PODs in an aggressive manner that destroys differentiation. This is essential in innovative industries such as smartphones or personal computers, but noxious in other industries. Such drawbacks can easily be avoided by adopting a positioning strategy for brand extensions that is based on main competitors. Using competition as a positioning base consists in creating a large comparative contrast between the brand extension and its main competitors. For example, Avis used the slogan “We try harder” to differentiate its car rental service from their main competitor, Hertz.

When designing a positioning strategy, the chosen PODs should be relevant for the user. Observing the way consumers use the product or relate to it can be a strong positioning base for brand differentiation. This is increasingly important for a brand extension because it ensures a high degree of relevance in the context of consumption. For example, iOS users can use the full features of their devices much easier than Android or Windows users.

Generally, developing a positioning strategy starts with establishing a frame of reference and choosing a target segment (Keller, 2008). But sometimes this step can become the entire positioning base for a brand extension. For example, when first introduced, Apple was the computer specially designed for the use in educational facilities. This kind of positioning allows the brand extension to obtain category acceptance without previous category expertise.

In regards to brand extensions, consumers tend to always welcome new options. But in most mature markets the act of purchase has become mundane and routine. As a result, consumers are more inclined to buy products that are perceived as providing diversity in consumption (Moon, 2005). Although brand extensions are meant to offer consumers the diversity they seek, some incremental changes provided by the brand extension almost never stimulate consumers. The solution is to use breakaway positioning as a more radical positioning base for future brand extensions. For example, Swatch created the “fashion accessory watch”, breaking away from the general trend in the watches industry and thus creating a new market.

Unlike parent brands, in practice most brand extensions can swap the product class by rapidly repositioning. Opting for a rapid repositioning strategy as a positioning base for brand extensions can provide a short term differentiation strategy which, if carefully sustained, can evolve with time into a strong competitive advantage. For example, in 1980 Napisan was a laundry detergent especially designed to wash baby diapers. When disposable diapers slowly became the norm, Napisan opted for a repositioning strategy through subsequent brand extensions that allowed the brand to evolve into an “all laundry and house detergent”.

When positioning brand extensions, marketers should always analyze the degree of fit between the brand extension and the parent brand. Academic research shows that the success rate of the brand extension is strongly influenced by the degree of “fit” with the parent brand (Aaker & Keller, 1993). Using this information, brand extensions should follow a similar pattern in accordance with the parent brand positioning strategy. For example, when creating a new brand extension, preliminary market tests should also focus on the fit with the parent brand positioning.
Usually brands are positioned as high quality - expensive brands or lower quality - cheaper brands. For example, Cosco diamonds are high quality expensive diamonds because "diamonds are diamonds" and they are meant to be rare. But inverting the quality-price ratio can become a strong positioning base for a brand extension by shifting consumers’ expectations. For example, Le Vian transformed brown diamonds (the lowest possible quality diamonds) into largely demanded "chocolate diamonds" by using a carefully designed positioning strategy in combination with brilliantly designed marketing instruments.

In the past, Coca-Cola gave birth to what soon became the norm in marketing by creating the "feel-good marketing concept". The main idea behind the concept is to create a product or a brand that everyone loves or at least likes. This concept plagues today differentiation attempts for almost all brands. However, successful brands such as Red Bull, Apple, Mini Cooper, Marmite or Hollister prove that brands can become meaningfully different by creating polarization and ambivalence, adopting a "hostile brand" positioning strategy (Moon, 2005). Hostility can be a strong positioning base for a brand extension. For example, Facebook messenger app adopted this differentiation strategy, rapidly entering the top 20 of most downloaded apps on Google Play and iTunes.

CONCLUSIONS
In this article we emphasize the role of competitive differentiation in creating and sustaining competitive advantage in the era of hyper competition. We provide a careful examination of the relationship between brand extensions and competitive differentiation with reference to the positioning strategy of brand extensions. Our study not only sheds light on the basics of developing a brand positioning strategy for brand differentiation, but is also relevant to the broader problem representing competitive differentiation for brand extensions. In their quest for differentiation, brands can use an objective, emotional or symbolic positioning strategy based on the means-end theory model.

By analyzing the brand positioning framework and the different types of brand positioning strategies, we uncover the main principles of competitive differentiation for brand extensions. Based on these principles we offer the bases for brand extension positioning strategies. Successful brand extensions are those which expand or disrupt the product category in order to differentiate themselves. In regards with the positioning strategy, brand extensions that pursue brand development alongside brand differentiation should avoid brand positioning errors such as under-positioning, over-positioning or a confused positioning strategy.

From a managerial perspective, we offer some important information regarding positioning bases for brand extensions. Generally, companies may use a positioning strategy based on product attributes or benefits for short-term competitive differentiation. For negating competing brands’ PODs, brands should swap the product class using a repositioning strategy or adopt a positioning strategy centered on main competitors’ differentiation ideas.

However, for obtaining long-term differentiation, a hostile positioning strategy or inverting the quality-price ratio can yield better results. In the marketplace, brands can assure a high degree of relevance for their brand extensions by developing a positioning strategy based on the way consumers use the product. Because sometimes competitive differentiation is hard to achieve due to negative consumer response to new products, companies may use breakaway positioning or a positioning strategy with a set frame of reference.

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