Dove vs. Dior: Extending the Brand Extension Decision-Making Process from Mass to Luxury

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Abstract

This paper furthers the understanding of the decision process used by managers when extending their brands. In particular, we investigate the extent to which the model of extension decision process outlined by Ambler and Styles (1997) for fast moving consumer goods is relevant to the luxury sector. We find that the broad structure and components of the A & S model extend to the luxury sector. However, some modifications are required to reflect the differences between luxury and fast moving consumer goods. In contrast with fast moving consumer goods, growth, rather than defence, is the main driver for extending luxury brands. The marketing function, rather than R&D, has the strongest influence on brand extension decisions in the luxury sector. Tradition and brand heritage are identified by luxury goods experts both as the first driver and an important decision criterion for brand extensions.

Keywords: Brand extension, Luxury goods, Business process models, Empirical generalisations

1. Introduction

As recent reviews of the literature attest (Czellar, 2003; Grime et al., 2002), there has been a plethora of research on consumer attitudes to and evaluation of brand extensions and on their impact on the 'equity' of the parent brand. Much of this research has been of the replication and generalisation kind, particularly of Aaker and Keller's (1990) paper (e.g. Barrett et al., 1999; Bottomley and Doyle, 1996; Sunde and Brodie, 1993). However, few articles have examined how managers choose whether to launch a new product as a line extension or as a second brand (Speed, 1998) or the decision process underlying such decisions (Amber and Styles, 1997; Nijssen et al., 1996). To our knowledge, little research has sought to establish whether managers' decision process concerning brand extensions and the factors underlying such decisions are the same in different industries and for products and brands with different characteristics (e.g. McWilliam, 1993). Indeed the 'functional' versus 'symbolic' positioning of a brand or its degree of 'abstract meaning' (McWilliam, 1993) not only may affect the content and the process of consumers' evaluation of brand extensions, but also may make a difference in the managerial decision process and extension strategy (Czellar, 2003). While brand and line extensions are widespread within both the mass-market fast moving consumer goods sector and the luxury goods industry, we know little about the strategic antecedents, decision criteria and launch judgement process across significantly different markets and circumstances.

This paper examines the decision process used by luxury goods managers when extending their brands. In particular, we aim to progress towards the development of a generalised managerial process model aimed at structuring decision making for brand extensions, optimising the quality of such decisions. The Ambler and Styles (1997) study *'was an initial, exploratory step in this direction'* (p. 233), and offered a 'launch pad' towards achieving an empirically generalised model. From the viewpoint of identifying the boundaries of existing knowledge and of incrementally generating 'new' knowledge, we investigate whether the process model of extension decisions put forward by Ambler and Styles (1997) (hereafter A & S) for fast moving consumer goods (e.g., an "fmcg" such as Dove soap) can be stretched to the luxury sector environment (e.g., for a Christian Dior fragrance).

2. Background

In recent years the luxury goods industry has come under increased pressure, with low consumer confidence and the rise of the Euro against the dollar reducing global consumer expenditure on luxury brands (The Economist, 2003). Although launching brand extensions has proven to be a potentially successful and profitable growth strategy in the luxury sector, such defining factors as high awareness, exclusivity and desirability can be lost as the brand and its luxury appeal becomes diluted. Indeed, many luxury brand organisations have re-evaluated the breadth of their brand extensions and the number of licensing agreements they grant (The Economist, 2004). In the words of Bernard Arnault, Chairman and controlling owner of LVMH: *"Some brands (…) have slid off the map of prestigious goods to become a sort of mass market of luxury items"* (The Economist, 2003; p. 67). Furthermore, some brands have extended well beyond their traditional sphere of expertise, for instance moving from fashion to hospitality (e.g. the 'Palazzo Versace' Hôtel in Australia's Gold Coast or Salvatore Ferragamo's the 'Continentale' in Florence).

These trends highlight the importance for luxury brand managers to understand the strategic drivers (antecedents) to brand extension decisions, the factors that constitute important decision criteria and their impact on launching the extension. To what extent these antecedents, decision and launch criteria are the same for fast moving and for luxury goods is the focus of this paper.

We find that while the general structure of the brand extension decision process remains the same for fast moving and luxury goods, specific elements such as tradition, heritage and craftsmanship are key considerations before deciding to extend a luxury brand.

After a brief review of the relevant literature, we examine our findings in the context of A & S's brand extension decisions framework. We then put forward propositions for a generalised decision process model for extending luxury brands.

3. Previous Literature

This section summarises the issues relating to brands and their extensions, and the differences between the branding of fmcg and luxury goods that may affect the extension decision process. Finally, the A & S management process model for brand extensions decisions is outlined.

3.1. Brands and Their Extension

To allow continuity of comparison with the model we seek to generalise, we outline the definitions of brand (and related concepts), brand extension and line extension as adopted by A & S (1997). These authors identified two approaches to brand definition. The first is the traditional product plus definition, whereby the product is the driver and the brand is primarily the identifier. The second is the holistic view, which focuses on the brand itself, encompassing more than just the product. This is typified by de Chernatony and McDonald (2003, p. 25):

"A successful brand is an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant, unique added values which match their needs most closely. Furthermore, its success results from being able to sustain these added values in the face of competition."

Such a holistic view lends itself well to luxury brands, which by definition are high in symbolic added values (e.g. Vickers and Renand, 2003). This view is also relevant to the current research, since it creates the context in which brand extensions must be managed.

Holistic management of a brand encompasses all elements of the marketing mix, with product as only one element alongside price, promotion and distribution. The holistic view of a brand is also relevant to the concept of 'brand equity', as proposed by A & S and Srivastava and Shocker (1991):

"Brand equity is the aggregation of all accumulated attitudes and behavior patterns in the extended minds of consumers, distribution channels and influence agents, which will enhance future profits and long term cash flow"

A & S (1997) noted that previous literature had linked the concepts of a brand's 'equity' and of its extendibility in a reciprocal relationship. Not only can a firm leverage a brand's equity in new categories (e.g. Shocker and Weitz, 1988), but brand extensions are likely to affect (either positively or negatively) the equity of the core brand (e.g. Keller and Aaker, 1992; Loken and John, 1993).

Finally, A & S (1997, p. 15) condense the available literature to adopt the following definitions of extensions:

"Brand extensions *involve the use of an established brand name to enter a new product category (Aaker and Keller, 1990). …* ***Line extensions,*** *in contrast, involve the use of an established brand name for a new offering in the same product category (Reddy et al., 1994)."*

Consistently with A & S, in this paper we examine the process of how luxury brands extensions and line extensions are brought to market and examine possible differences with fmcg.

3.2. The Concept of Luxury and the Branding of Luxury Goods

Phau and Prendergast (2000) point out that whilst 'luxury' is a subjective concept, *"luxury brands compete on the ability to evoke exclusivity, a well-known brand identity, [...] brand awareness and perceived quality."*

Nueno and Quelch (1998) further define luxury brands as *"those whose ratio of functional utility to price is low while the ratio of intangible and situational utility to price is high"*. Whilst competitive value remains important, price is not the prime issue for consumers attracted by status symbols. This is a key difference between the mass consumer group who purchase a fmcg, and the minority population who purchase luxury goods. While consumers of a fmcg may be influenced by the brand and its associations, they will usually give priority to functionality and price. Conversely, purchasers of luxury goods are influenced primarily by brand and status, while functionality is assumed.

Consistently, Vickers and Renand (2003, p. 473) remark that *"although luxury and non-luxury goods can be conceptualised on the basis of functional, experiential and interactional symbolic dimensions, there is a distinctive difference in the mix of these components."* Specifically, they remark that luxury goods are higher in the psychological, social and symbolic dimensions, while non-luxury goods score higher in the functional dimension. According to Vickers and Renand (2003), the symbolic dimension is what enables luxury brands to maintain their status and continue to command a premium price, whereas luxury goods which become too dependent on technological development risk loosing such status, becoming 'too functional'. This is likely to have an impact on brand extension strategies. For instance, consumers may evaluate the fit between the luxury parent brand and its extension on an abstract and symbolic level, with a focus on non-product related associations, whereas they might evaluate fmcg brands on a concrete, product-related level (see Czellar, 2003). As a consequence, the marketing strategy of luxury brands and of their extensions should focus on the symbolic, rather than functional, component. In contrast, continuous technological development and R&D are often essential to sustain the added value of fmcg brands (e.g. de Chernatony and McDonald, 2003).

Another concept related to luxury brands is the *"rarity principle":* the prestige of the brand gets eroded, if too many people own it (Dubois and Paternault, 1995; Kapferer, 1998). This creates a paradox for luxury brand management (Roux and Floch, 1996): the company needs to maximise its profits but can never sell or standardise too much. Luxury brands organisations have to maintain a fragile equilibrium between high exposure and awareness but a controlled level of sales. To maintain their dream value and avoid the risk of commoditisation, *"luxury brands must be desired by all, consumed only by the happy few"* (Kapferer, 1997). This differentiates fmcg from luxury goods: fmcg address mass consumer markets (Dibb et al., 2001), whilst luxury goods companies target a relatively small, high disposable income group of consumers (Phau and Prendergast, 2000). An essential component of luxury brands' 'equity' is therefore their desirability and inaccessibility (Roux, 1991; Kapferer, 1998).

An indiscriminate brand extension and distribution strategy can erode this rarity principle, and therefore dilute a luxury brand core essence of desirability and

Table 1: Comparison of Fast Moving and Luxury Goods Characteristics

Fast Moving Consumer Goods		Luxury Goods	
Address a mass market	Dibb et al. (2001)	Target a niche market	Phau & Prendergast (2000)
Mass distribution	Dibb et al. (2001)	Exclusive distribution	Kapferer (1997)
Functionality	Vickers & Renand (2003)	Symbolism	Vickers & Renand (2003)
Purchase transaction	Grönroos (1994)	After-care service	Dall'Olmo Riley & Lacroix (2000)
Price focus	Nueno & Quelch (1998)	Status focus	Nueno & Quelch (1998)
Technology, R&D	de Chernatony & McDonald (2003)	Craftsmanship	Kapferer (1998)
		Founder's heritage	Kapferer (1998)

status. Because of their high prices, luxury brands must not only deliver the best but also *"extensively customise them* [their products] *in order to prove how customer-focused they are"* (Kapferer, 1997). Furthermore, personal relationships with customers, forged at the point of sale, and after sale services are important in the luxury goods sector (Dall'Olmo Riley and Lacroix, 2000). For fmcg, on the other hand, transactional marketing activities may suffice (cfr. Grönroos, 1994). Again, this has repercussions for luxury brand extensions and their distribution, since the same standards of quality, craftsmanship and service will be expected for all products carrying the luxury brand name, no matter what they are and where they are sold. Indeed, craftsmanship and the tradition and heritage deriving from the company founder are essential components of the equity of a luxury brand and form the pillars of any strategic and marketing decision. In the words of Kapferer (1998; p. 86): *"The golden rule, therefore, is never to compromise on the brand's set of values or its deeply rooted identity trait. The brand is a living memory* (of the founder)". In contrast, for many fmcg brands, success has arisen from abandoning the original positioning and roots (e.g. Lucozade's and Coca Cola's transformation from 'medicinal' to 'power' brands).

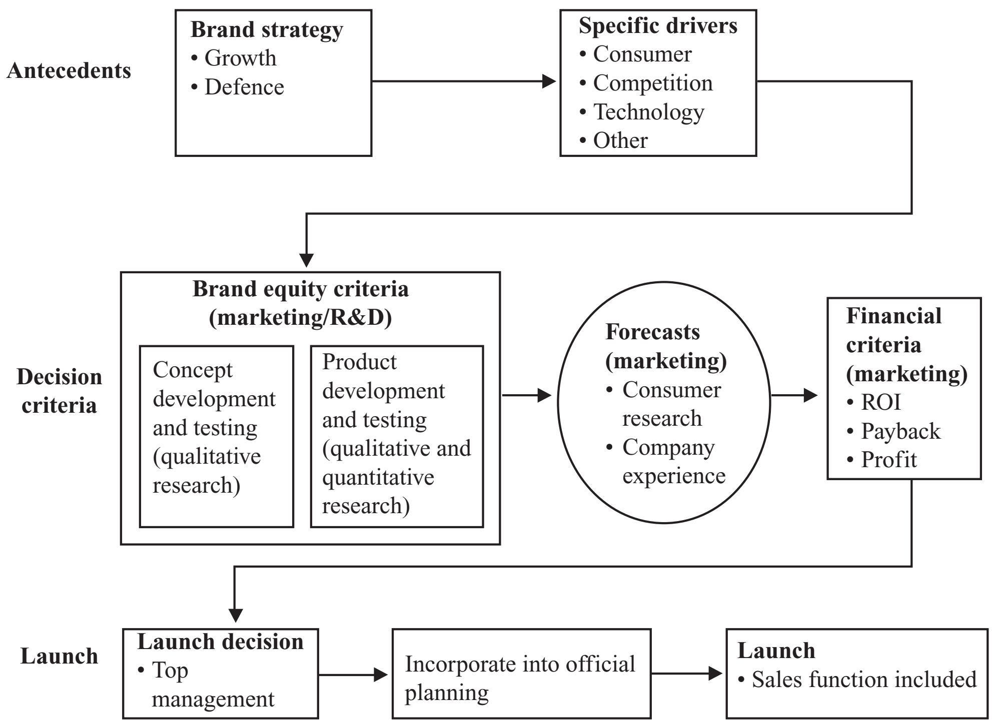
From the literature, therefore, a number of differences can be identified between fmcg and luxury goods characteristics, as summarised in Table 1.

The differences between fmcg and luxury goods indicate the need to test whether any decision process model pertaining to the extension of fast moving consumer goods generalises to the specific context of luxury brands. A managerial process model can provide a structure to manage internal relationships and contribute to the assessment of intangible values in brand extension decisions for luxury goods. Hankinson and Cowking (1997) found companies slow to adopt new structures, resulting in an increasingly fragmented brand management process. This suggests that research into the application of a managerial process model to different contexts will be beneficial.

3.3. Managerial Process Models: A & S Model of Extension Decisions

A & S (1997) investigated the process followed by eleven managers when launching line and brand extensions of fast moving consumer goods, based on data collected by The Boston Consulting Group (BCG). Their research led to the development of a set of

Figure 1: Amber & Styles (1997) Model



propositions about the extension process, summarised in the form of the process model outlined by the diagram in Figure 1. A & S framework is divided in three parts: (i) antecedents (the main drivers behind extension decisions); (ii) decision criteria (upon which decisions are made to proceed or not with the extension); and (iii) launch (the key players in the development and launch process) – as described below.

Antecedents

The antecedents of extension decisions were divided into strategic drivers (related to growth or defence brand strategy) and specific drivers (including a variety of factors of which consumer needs, competition and technology were the most prominent).

Decision criteria

A & S found that fmcg managers used two main sets of criteria for brand extension decisions: brand equity and financial. Brand equity criteria were tested early in the development process through qualitative research relating to the consistency with and image of the original brand and its extension (e.g. concept and/or product tests with consumers). Financial criteria included measures such as ROI, payback periods or NPV. Qualitative consumer research and company experience emerged as the major sources of data for extension forecasts. Managers were not found to use market simulation models in their forecasts.

Launch

Marketing was found to be the most important function in the development of extensions, however, R&D would prevail for technology driven extensions. At the end of the process, the sales function was involved with launch issues such as promotions and presentations to the trade. Finally, the extension development process was found to occur outside the formal planning process. This contradicts normative models of formal planning (e.g. Booz et al., 1982).

If found to extend to non-fmcg sectors, the framework of A & S (1997) could offer a generic decision-making managerial process model for brand extensions.

4. Aims of the Study and Methods of Research

Our study investigates whether the A & S model can be extended to a different context. Specifically, the paper investigates the following:

1. The drivers (antecedents) of extension strategy in the luxury sector.
2. The decision criteria used to determine whether to proceed with the extension.
3. The decision process used to plan and launch luxury brands extensions.
4. Whether a managerial or an academic process model is being used for brand extensions.

Qualitative research, consistent with the A & S (1997) study, was considered appropriate for this research, since we were concerned with understanding issues rather than measuring them (Gordon and Langmaid, 1988; Carson et al., 2001).

Sample

Since extending a brand is a strategic decision, contact was sought with marketing directors, brand managers and other managers involved in the marketing of luxury goods in the UK. The original A & S project involved eleven fmcg companies; our study encompassed seven companies within the luxury goods industry. The seven companies that participated in the study were five luxury goods suppliers, one luxury goods commentator, and one luxury goods financial analyst. To preserve anonymity, a letter of the alphabet will identify each participating organisation. Details of the companies involved in the study are summarised in Table 2.

Research Procedure

Respondents were interviewed by means of a semi-structured questionnaire, aimed at gaining a better understanding of brand strategy and management practices in the luxury goods sector, in general and for extensions in particular. Since our ultimate goal was to assess whether the A & S decision-process model could be stretched to encompass luxury brand extension decisions, the questionnaire was designed by decomposing the A & S model into its three main components parts (Antecedents, Decision Criteria and Launch). For each component part and relative section in the A & S paper, we asked specific questions relating to the reality of brand extension decision-making within the luxury goods sector. For instance, with reference to the main drivers behind line and brand extensions, we asked respondents to identify whether growth or defence strategic objectives predominated, and which specific factors (from a list based upon the A & S model) drove the respondent organisations to choose a brand extension strategy. For each question, we asked respondents to identify any additional factor and to add any comments they wished, for instance regarding the relative

Table 2: Sample Characteristics

Company	**Role of Interviewee** ***(Mode of Interview)***	**Location of Head Office**	**Range of Products (as described by interviewees)**	**Focus of Interview**	**Ranking (as perceived by interviewees)**
W (part of Richemont Group)	Managing Director (reflecting views of UK office) *(Face-to-face)*	Continental Europe	'Multi-product luxury goods company' (no clothes)	Largest luxury product category supplied	1st (by market share and customer perception) (UK)
T (part of Richemont Group)	Marketing Director (reflecting views of UK Head Office) *(Face-to-face)*	UK (but Group Head Office located in Continental Europe)	'Quintessentially British, style-based multi-product luxury goods range' (including clothes)	Range of luxury product categories supplied	5th (by market share) 2nd /3rd (by customer perception) (UK)
G (part of LVMH group)	UK Marketing Manager (reflecting views of UK office) *(Face-to-face)*	Continental Europe	'Multi-product luxury goods company' (including clothes)	Range of luxury product categories supplied	1st (by market share) 3rd (by customer perception) (global)
P	European Brand Planner *(Face-to-face)*	USA	'Multi-product luxury goods company' (including clothes)	Range of luxury product categories supplied	3rd (by market share and customer perception)
L	Brand Manager *(Telephone)*	UK	'Multi-product luxury goods company' (including clothes)	Range of luxury product categories supplied	Unknown
J	Managing Director *(Postal)*	UK	Luxury goods information services	Luxury goods industry	1st (by market share)
C	Analyst *(Telephone)*	Switzerland	Luxury goods sector financial analysis	Luxury goods industry	Unknown

importance of each specific factor. To ensure consistency of terminology and understanding, at each stage of the research we ensured that respondents were familiar with the terminology and the definitions provided by A & S in their 1997 paper (e.g. regarding the concepts of 'brand equity', 'line' vs. 'brand' extensions).

Four interviews were conducted face-to-face, two by telephone and one by post (see Table 2). Results were therefore obtained from a combination of structured (e.g. factors ticked by each respondent) and unstructured responses (e.g. comments on relative importance of factors). Face-to-face interviews were tape-recorded and subsequently transcribed. Comprehensive notes were taken during the telephone interviews. Face-to-face interview transcripts, telephone interviews notes and responses of the postal questionnaire were analysed for patterns and themes by two of the researchers. The components and sub-components of the A & S model were used as a coding frame, broadly following the 'axial coding' procedure described by Strauss and Corbin (1998). Any differences in interpretation between the two researchers were discussed and resolved.

Finally, the literature on luxury brands was used as a secondary source of data to supplement the responses of the interviewees, as suggested by Strauss and Corbin (1998, p. 51). Primary and secondary data were then integrated to derive propositions for an extended decision-process model for luxury brands extension decisions. The use of multiple sources of evidence (respondents' opinions and extant literature) also contributed to the construct validity of the findings. Finally, external validity was addressed by the replication logic inherent in the use of multiple interviews, although this was limited to only seven 'case studies'.

In the context of developing empirical generalisations, a table in the Appendix compares the fieldwork and analysis undertaken for this study and that undertaken for the A & S study. The table follows the framework sketched by Romaniuk (2004).

5. Analysis of semi-structured questionnaires

In this section we report key findings resulting from the analysis of the semi-structured questionnaires.

5.1. Antecedents of Brand Extensions in the Luxury Sector

Strategic drivers

Respondents emphasised the long history of their companies. This tradition, combined with the founder's views, was a significant influence on corporate strategy. This is consistent with the luxury brands literature reviewed above. All managers reported the existence of a corporate strategy focused on growth, rather than defence; this strategic approach also influenced decisions concerning brand extensions. Brand strategies appeared to be driven by Head Office (often in another country), not by brand managers.

Specific drivers

When asked "What factors drive your organisation to choose brand extension", the majority of respondents (5) mentioned consumer demand, in spite of an apparent lack of reliance on market research. For instance:

"both line and brand extensions are necessary. Brand extension is used to engage new customers, line extension to achieve additional sales with existing customers" (Marketing Manager, Company G).

Brand equity emerged as the second driver (4 respondents), followed by distribution acceptance (3 respondents). Competition, brand recognition and technology were selected either by 1 or 2 respondents. Reduced costs were not recognised as a factor, even though it was acknowledged that distribution and technology might result in significant potential cost reductions. This apparent lack of concern for cost reduction is consistent with the relative freedom from price constraint enjoyed by luxury brands (Kapferer, 1998).

5.2. Decision Criteria

Brand Equity Criteria

Consistently with A & S, brand equity criteria were deemed most important. All managers accepted the need for a measure of success in brand strategy and that brand extensions should increase brand equity, for instance:

"brand equity grows through extension procedures" (Marketing Manager, Company G); and

"brand equity and brand extensions are interdependent because one is the result of the other" (Brand Planner, Company P).

Accordingly, the top six criteria for brand extension decisions were: *'brand equity'; 'building on the original brand'; 'leveraging the brand'; 'protecting the brand'* and *'meeting profit forecasts'. 'Perception of fit' and 'existing core brand of high quality'* also emerged as important criteria in brand extension decisions. On the other hand, the main risks associated with brand extension decisions were: *'poor fit'; 'benefits over-estimated'; 'risk to core brand'; 'brand dilution'* and *'logistics/ manufacturing inefficiencies'.* For instance: *"fit must be determined before brand extension launch – it must establish a brand link with the historic tradition"* (Marketing Manager, Company G).

Research and forecasting

Consistently with the A & S results, while both quantitative and qualitative research were perceived as useful, the latter was considered as the most important, for instance:

"qualitative research is more important than quantitative research in brand extension decisions" (Managing Director, Company J)

However:

"qualitative research is more important than quantitative, but the value is enhanced when they converge" (Marketing Manager, Company G).

Regarding the type of data used in brand extension forecasting, our investigation revealed little evidence of consumer research, although consumer demand had been claimed as a driver of brand extension. The strongest source for brand extension decisions was considered to be *'company experience'*. For example:

"company experience is the most important of the sources for brand extension decision-making" (Brand Planner, Company P).

Moreover, there was a mention of the need to consider cannibalisation forecasts, not only as a potential danger, but also as a deliberately managed technique to exploit a short-term market opportunity, such as discontinuing a product line. For example:

"Cannibalisation is acceptable when responding by extension to meet and 'opportunist' trend" (Marketing Manager, Company G).

Financial criteria

All respondents saw financial returns as a performance measure for brand extensions. Consistently with A & S, the brand equity criteria were said to precede financial criteria.

Key players in the development process

Consistently with A & S, the marketing department resulted as the main function in brand extension decisions, followed by sales. Five respondents rated the marketing function as 'very important' in determining the brand extension process (four did so for 'sales'). Marketing and sales were rated as 'important' by one respondent, respectively (see Table 3). For instance:

"Marketing will become very important as brand guardians and the agents of communications" (Marketing Director, Company T).

Responses were equally split between respondents on the relative importance of R&D in the brand extension process (see Table 3). In contrast to A & S, no respondent related the R&D function to innovation, creativity or technology. R&D was not applied to innovation throughout the supply chain and some respondents were confused by the term 'R&D'. Some interpreted this as *'design'* while others saw it as *'product buying and specification'*. This finding is consistent with the literature on luxury branding reviewed earlier.

5.3. Launch

Respondents revealed that, in general, brand managers did not make decisions on brand extension. Brand

Table 3: Key Players in the Development Process

Function	Indicate the relative importance of the following players in determining the brand extension process		
	Not important	Important	Very important
Marketing	–	1	5
Sales	1	1	4
R & D	2	2	2

NB: Company C is a luxury goods financial analyst and therefore did not answer this question extension decisions were made by directors at the Head Office, sometimes with the help of external advisors. The role of the founder of the organisation was also stressed, for example:

"…there is no defined managerial process. The process is instinctive through the founder supported by a long-standing small group of senior staff." (Brand Planner, Company P).

Respondents were also asked to identify whether and how brand extension decisions are integrated within the company's planning process. Annual budgets emerged as the primary planning control mechanisms for extensions. Where rolling three-year plans did exist, the extension targets were incorporated. Ad hoc systems appeared to be widely used, with the result that extension budgets are incorporated retrospectively. In the words of the Managing Director of Company J:

"Extension decisions are integrated at quarterly strategy meetings and usually integrated after the extension has been authorised".

This pattern of results is consistent with the findings of A & S. However, this is contrary to what is advocated by Porter (1996) and by Prahalad and Hamel (1990) where strategic planning and core skills are intended to drive budgeting processes and thus set the demand level for extensions.

Examples of the range of responses given by the interviewees concerning the planning process are reported in Table 4.

5.4. Use of process models

Finally, respondents were asked to indicate whether there was a defined 'managerial process' for brand extension in their organisations and whether they used any 'academic' process model. In-house models were controlled by the Head Office, often in a different

Table 4: Planning Process

Company	How are extension decisions integrated into routine planning?	Are brand extensions integrated into the formal planning and budget processes AFTER the extension has been given authorisation?	Are ad hoc systems outside of formal planning used for brand extension?
W	At financial planning stage	Yes	Yes
T	Next year's budget and 3 year plan	Unknown	Yes
G	Annual budget and 3 year plan	Sometimes yes, but it should happen before	No – exceptional
P	Budgets with twice per year update	Yes, try to	No – try to incorporate at the beginning
L	Budgets	No	Yes
J	Quarterly strategy meeting	Yes	Yes

NB: Company C is a luxury goods financial analyst and therefore was excluded from this analysis country. Personal models were generally attributed to the company's founder. There was a lack of formalisation, reflected in the general lack of connectivity with the concept of process models:

"The management process model used is personal (in the head of the founder) and not documented. … It is clear, to transform inspiration into a managerial process model would prove difficult." (Brand Planner, Company P).

Awareness of the contribution of the academic world was low. The gap between academics and practitioners is illustrated by failure to draw upon any academic studies. There was no reported knowledge of the A & S model even where the company had a connection with the BCG (who had collected the data upon which A & S's analysis had been undertaken). Only the analyst demonstrated higher awareness of academic sources: *"we value academic literature as a reference source"* (Marketing Director, Company T).

Consistently with A & S findings, two respondents thought that the use of a managerial process model would hinder innovation:

"A managerial process model will encourage efficient business, but contains the danger of inhibiting innovation and creativity" (Brand Planner, Company P); and:

"In luxury goods, innovation/ creativity is stimulated by knowledge, exposure, archives, competition, other industries, suppliers, markets" (Managing Director, Company W).

In contrast, others saw a role for a process enabling the commitment of resources for NPD and for the establishment of formal arrangements for managing NPD and extensions. Significantly, there was less support for product strategy linked to the managerial process model.

6. An extended process model

As already mentioned, the literature on luxury brands was used to supplement the primary data and generate propositions from which an extended decision-process model suitable to luxury brands extension decisions could be derived. In this section, we draw upon the analysis of the semi-structured questionnaire responses presented in the previous section and of the literature review and present our propositions for extending the A & S decision-process model to the context of luxury brands.

When conducting the primary data collection and analysis, the general framework of 'antecedents', 'decision criteria' and 'launch' was found to be helpful in the context of planning luxury brand extensions.

Among the 'antecedents', strategic brand objectives of defence and growth had been found by A & S as the most important drivers for extending a fmcg brand. Our primary research has indicated that strategic growth is an important driver to extending a luxury brand. However, consistently with the literature (e.g. Kapferer, 1998), respondents have stressed the need to engage the influence of the founding entrepreneurs and of the Head Office (top management) in the development of luxury brands extension strategy. This is because allocation of accountability for industry position and growth, respecting the tradition and the origin of the luxury brand, must be the responsibility of the Board. This requires the inclusion of these specific drivers in a modified model to reflect the accountabilities highlighted in this research. Hence, we propose the following:

Proposition 1: *A managerial process model for the extension of luxury brands identifies corporate strategy accountabilities for growth within the tradition and heritage of the organisation.*

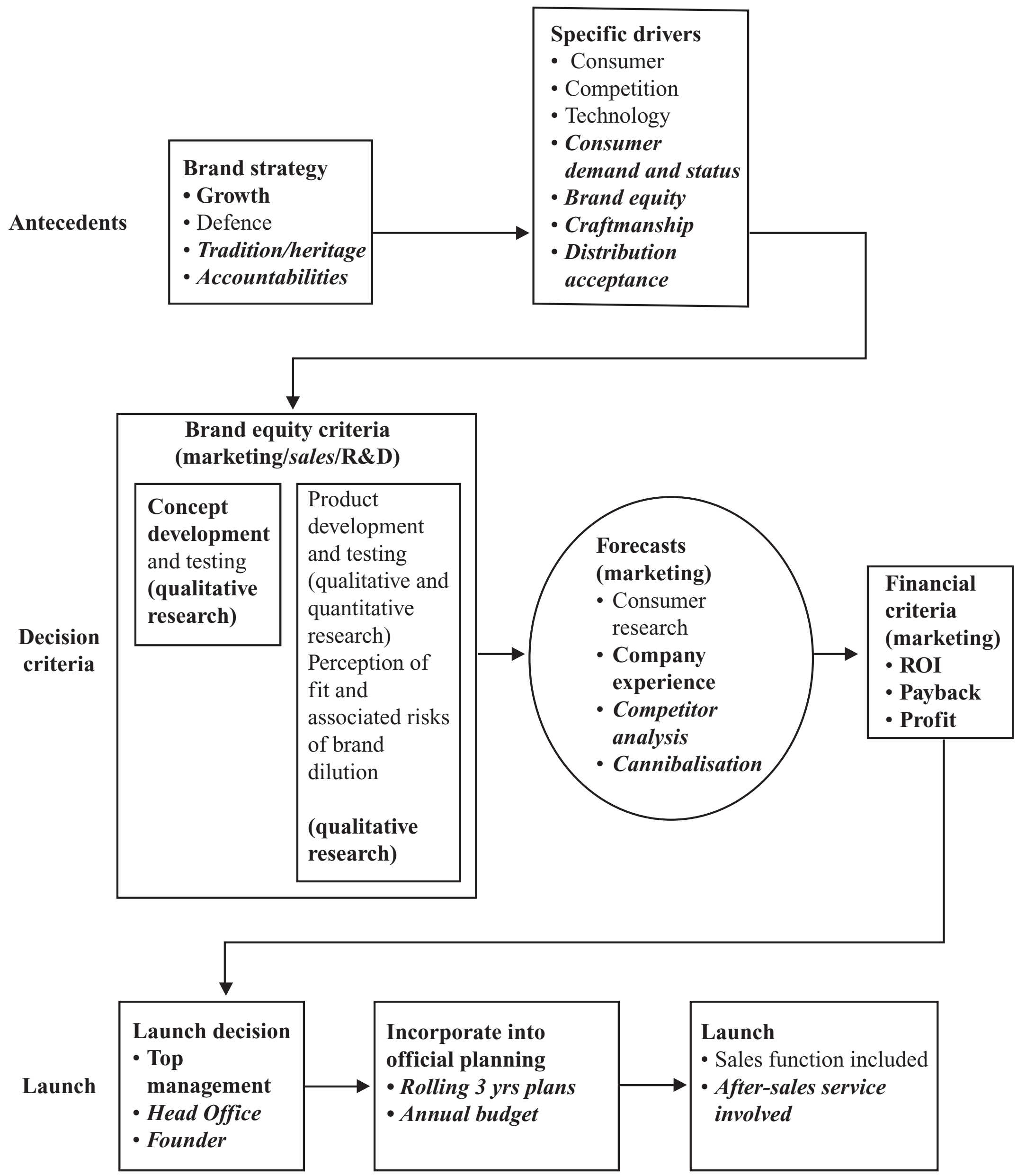
Consumer demand, competition and technology are specific drivers found to be appropriate to fmcg by A & S. For luxury goods, our research and the literature (see Table 1) show status and brand symbolism to be more important than the functional aspects of the product.

Brand equity criteria are important for the extension of both fmcg and luxury goods, but the emphasis falls upon different components. In fmcg, the focus is on concept and product development. For luxury goods, it is necessary to make these criteria more specific. Alongside brand equity criteria, additional elements must be evaluated, as arisen from our primary research and from the literature review. These elements are: consumer demand for status and symbolism, quality/ craftsmanship, channel (distribution) acceptance, and fit with brand symbolic associations. Therefore, our second proposition is:

Proposition 2: *A managerial process model for the extension of luxury brands includes the drivers of consumer demand for status and symbolism, quality/ craftsmanship, channel (distribution) acceptance, and fit with brand symbolic associations.*

Our primary research and the literature (e.g. Roux, 1991)

Figure 2: Extended Model



NB: **Bold** type denotes elements **common** to both fmcg and luxury brands
Italics type denotes elements *specific* to luxury brands
Normal type denotes elements more important for fmcg than for luxury brands

also indicate that when considering decision criteria, evaluating symbolic perception of fit and associated risks of brand dilution is essential to the development of enhanced brand equity within the historic tradition of the brand. These are tested by means of qualitative research (see also Kapferer, 1998), and are managed by the marketing and sales functions. Thus, our third proposition is:

Proposition 3: *A managerial process model for the extension of luxury goods brands prioritises decision criteria focused on enhanced brand equity, consistent with the historic tradition and status of the brand.*

Luxury goods managers show a degree of resistance to forecasts and instead rely on the founder's experience and on the company tradition. However, luxury goods companies should also be concerned with competitor analysis as well as consumer demand, cannibalisation (a degree of which may be acceptable) and brand dilution, all of which may destroy the concept of luxury status (e.g. Dubois and Paternault, 1995; Kapferer, 1997 and 1998). From this evidence we derive the following:

Proposition 4: *Luxury goods companies must account for competitor analysis, company experience, consumer demand, acceptable cannibalisation and the danger of brand dilution.*

While both fmcg and luxury goods brand extension launches must have support from top management, essential decision criteria concern the allocation of financial accountabilities, budget provisions and budget targets. Hence:

Proposition 5: *Top management allocates accountabilities and success measures. Accountability must be exercised for return on investment (ROI), payback and profit.*

Finally, at the launch stage, the Head Office, acting as the guardian of the tradition, identity and status of the luxury brand (Kapferer, 1998), should be accountable for the final brand extension decision. Furthermore, the literature suggests that after-sales service is an essential element of luxury brand management (Dall'Olmo Riley and Lacroix, 2000). While the A & S model for fmcg extensions was not concerned with after-sales service, luxury brand extensions still require attention to after-sales service and connectivity of customer satisfaction/dissatisfaction to top management. Closing this feedback loop to evolution of the corporate strategy via top management will encourage a luxury goods company to use managerial processes to preserve the tradition and heritage of the brand and of its extensions.

Proposition 6: *For luxury goods, after-sales service, customer care and feedback to top management are essential to the successful launch of extensions.*

The six propositions can be used to extend the A & S model to the context of luxury brands extensions. The extended model is presented in graphic form in Figure 2. **Common elements** to the process of extending fmcg (A & S 1997) and luxury brands are presented in **bold**. **Elements specific** to the extension of luxury brands are presented in ***italics***.

7. Conclusions

This paper contributes to the understanding of the decision process followed by managers when extending their brands. In the context of developing empirical generalisations, the scope and boundaries of existing knowledge pertaining to the extension of fast moving consumer goods has been tested. We have done so by examining whether an existing model designed to portray the decision-process for extending fmcg brands (Amber and Styles, 1997) could be stretched to depict the luxury brands extension-process. As discussed in the literature review, luxury brands are considered to differ significantly from 'mass' fmcg brands in terms, for instance, of the balance between functional and symbolic characteristics, targeting and positioning. The peculiar characteristics of luxury brands are considered by researchers important enough to make a difference in their managerial decision process and extension strategy (e.g. Roux and Lorange, 1993; Czellar, 2003).

On the basis of our research and of the extant literature, we have put forward a managerial process model for the extension of luxury brands. The proposed model is an extension of the managerial process model designed by A & S (1997) for fast moving consumer goods. This research therefore constitutes a further step towards designing a generalised decision-process model that would enable managers operating in different sectors, markets and circumstances to undertake more effective and efficient brand extension decisions. A managerial process model for extension decisions might also stimulate systematic reduction of exposure to risk.

The decision-process framework of 'antecedents', 'decision criteria' and 'launch' put forward by A & S (1997) was found to be helpful in the context of planning luxury brand extensions. Furthermore, consistently with

A & S, most of the luxury goods experts we interviewed recognised the importance of corporate strategy, driven by growth. Growth appeared to be the primary driver of any form of extension. Luxury goods companies regarded growth strategy as the best form of defence, even when they were the market leaders.

Other common features in the decision-process of fmcg and of luxury goods brands included the importance of the marketing function in the development process, and concept development based on qualitative research. Forecasts based on the company experience and financial decision criteria based on projected ROI, payback and profit were also found to apply to both sectors.

However, the A & S model required some additions to reflect the different nature of luxury goods, compared to fast moving consumer goods. Emphasis on the luxury brand's heritage and tradition is the first important element of the extended model put forward in Figure 2. The second important characteristic of the revised model, when compared with the A&S model, arose from the experts' perception of the concept of brand equity. Respondents often identified brand equity as both an important driver as well as a decision criterion for the extension of luxury brands. The subject is critical for the use of a managerial process model for brand extension because enhanced brand equity appears to be the greatest influence on a company seeking extension success. Brand equity also related to the notion of 'fit', avoiding the risk of brand dilution particularly in terms of consumers' perceptions of status, symbolism and craftsmanship. Hence qualitative research was considered as the best way to ensure the consistency of any extension. Furthermore, the sales function, rather than the R & D function, emerged as a second key player (after marketing) in the development process. Finally, the literature review suggested that after-sales service has an important role to play even after the launch of a brand extension.

Investigation of the role of marketing directors and brand managers revealed the complexity, individuality and variety of managerial structures, which exist in luxury goods companies. Respondents, while sympathetic to a managerial process model, suggested the dangers of such systems inhibiting creativity. The greater the influence of the founding entrepreneur, the greater the resistance to the use of a managerial process methodology. That resistance may be valid, but might result in a severe knowledge management crisis when the founder is removed and there is no established methodology for managing processes. The research results indicated the need for balance between these two forces – inspiration and system. Indeed, business commentators remark that while creativity is essential, no luxury brand has generated long-term profit without strong business management (The Economist, 2004). The research findings also coincide with those of King (1991), in recognising the need for systems which contribute to the building of communities and internal communications as the basis of the future business model.

However, we also found little connection between practitioners and academic sources in the development of corporate strategy. This is consistent with findings by the Chartered Institute of Marketing (2002) that many practitioners do not regard marketing theories to be relevant to their day-to-day working lives.

8. Limitations and further research

Although this research has advanced the understanding of the drivers and decision criteria followed by managers when extending their brands, it suffers from several limitations. Specifically, our research, like A & S's own study, is based on a limited number of cases in a specific industry. This research is therefore only an additional, exploratory step towards the establishment of a generalised decision process model enabling managers in different industries to enhance their decision-making concerning brand and line extensions. While we have identified commonalities and differences in the decision-process of extending fmcg and luxury brands, more research is needed in different sectors such as services, non-profit and business-to-business, to enable the construction of a truly generalised model.

Finally, researchers may want to formalise these initial, exploratory findings with the development of suitable measurement scales, similarly to what has already been done in other areas of research, such as, for instance, in the case of market orientation.

Appendix: Comparison of Previous and Current Studies

Study	Amber and Styles (1997)	Current study (2004)
Market (s)	Fast Moving Consumer Goods	Luxury Brands
Sampling Frame	Brand/marketing manager or other key executive responsible for brand extension launch	Marketing directors, brand managers and other managers involved in the marketing of luxury goods, plus 1 financial analyst.
Sample size	11 case studies	7 companies
Data collection method	Face-to-face depth interviews	Semi-structured questionnaires. 4 face-to-face, 1 postal, 2 telephone interviews
Key measures	Category/brand definition and background. Company policy/ philosophy on brand and line extensions. Description of the extension development process. Planning process.	Category/brand definition and background. Drivers of extension strategy in the luxury sector;. Decision criteria. Decision process. Use of process models.
Qualitative relationship	Antecedents (strategic and specific drivers) Decision criteria (Brand equity, forecast and financial criteria) Launch	A & S framework generally applicable, but additional specific elements for luxury brands, e.g.: tradition/ heritage; company founder; status and craftsmanship; after-sales service
Quantitative relationship	NA	NA

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Angela Blunden is an experienced marketer, having worked in various industry sectors and been involved in business-to-business PR. For over four years she was engaged in marketing luxury goods with Dunhill. More recently she read an MA in Marketing at Kingston University. Her MA dissertation was partly based on the research described in this paper. Currently, she is Brand Marketing Manager with SR Gent (International) Ltd, a leading design, manufacturer and distributor of retail clothing to high street retailers, which includes the recent launch of the childrenswear brand OshKosh B'Gosh into the UK via Boots and Debenhams.

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