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Brand Extension Management: Analysis of Industry Trends

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Abstract
Incumbent traditional brands have an initial advantage over new entrants to a market. With traditional brands, marketers have spent many dollars and many years to establish brand awareness and build equity. Building and managing strong brands is considered to be one of the key drivers of success in the hospitality industry. A brand extension strategy is followed when a company uses an established brand name to introduce a new product. This practice has been widely used by a variety of firms to introduce new products. This study views the brand extension from the hotel industry by conducting qualitative research and contributes to research and theory on brand extensions by developing a model in the hotel industry.

Keywords: Brand Extension, Hospitality, Hotel marketing

1. Introduction

1.1 Introduce the Problem

Building and managing strong brands is considered to be one of the key drivers of success in the hotel industry. This trend towards strong brands is also developing at local as well as global level for better market recognition. Leveraging the brand equity of a successful brand promises to make introduction of a new entry less costly by trading on an established name. The costs of introducing a brand into a consumer market can be considerable, ranging above $50 million (Pitta & Katsanis, 1995). With the huge costs and risks involved in launching new brands, Brand extension became popular as the way to achieve growth in a cost-controlled environment.

Brand extension is defined as 'the use of established brand names to enter new product categories or classes' (Keller & Aaker, 1992). A brand extension is when a firm uses an established brand name to introduce a new product. When a new brand is combined with an existing brand, the brand extension can also be called a sub-brand. An existing brand that gives birth to a brand extension is referred to as the parent brand.

1.2 Brand Extension in the Hospitality Industry

Brand extensions were introduced as a branding strategy in the consumer products industry. Marketers have long recognized that strong brand names that deliver higher sales and profits have the potential to pass their qualities

on to other products. The value of a brand is not only determined by its current status, but also by its potential in the future and in new currently untapped markets (Eusebio et al., 2006; Srivastava & Shocker, 1991). This potential can be realized by making use of brand extensions as a growth strategy (Broniarczyk & Alba, 1994). The two most common approaches to leveraging brand equity are line extensions and category extensions. Line extension is the use of an established brand for a new offering in the same product category. Category extension is the stretching of the established brand to a different product category (Aaker & Keller, 1990).

One of the earliest examples of line extension in the hospitality industry occurred in the 1970s, when Radisson diversified its brand into product tiers, including Radisson Inns, Resorts, and Plaza Hotels. Later Holiday Inn introduced Holiday Inn Express and Holiday Inn SunSpree Resorts in 1991. The upscale Holiday Inn Crowne Plaza was introduced in 1983; and Holiday Inn Select followed in 1994. Holiday Inn Express is targeted at the in-and-out business person or traveler who is willing to forgo some amenities for a lower price. Holiday Inn Select is similar to the Express but is aimed at the business traveler staying for a longer period of time who desires a few more amenities, such as data port connections and conference rooms. The traditional Holiday Inn is targeted at the middle-class market and provides higher-cost features such as a restaurant, lounge, conference rooms, and a swimming pool. The Holiday Inn Crowne Plaza is targeted at the more upscale or serious business traveler and features luxurious furnishings and restaurants, health spas, business services, conference rooms, and other amenities. Many hotels followed this strategy and these are just some examples of brand extension strategies in the hospitality industry. Today, most major hotel companies have at least one brand extension, and this implies that hotels consider brand extension strategies to be effective.

Another example of brand extensions, category extension, in the hospitality industry is that some upscale hotels have extended across a range of products. Westin was the first hotel company to use category extension for its products. They developed their unique *Heavenly Bed* with its own brand name under the slogan 'its layer after layer of cozy down bedding. It's an oasis for a weary traveler. It's heaven on earth. And it's at Westin.' Now, Westin's *Heavenly Bed* is being sold not only through a room catalogue on the Internet but also in the At Home departments of 48 Nordstrom stores nationwide, and is available by special order at others. Each component and a bed frame also can be purchased separately at stores. The bed has a distinctive brand standard, and is a good brand to build upon. The *Heavenly Bed* was a trailblazer in hotel marketing and prompted other chains to follow similar approaches. It was the first big success in the growing hotel retailing business. After Westin's success, other upscale hotels started to imitate that brand extension. Other Starwood brands launched branded pillows and beds. Sheraton Hotels introduced a mattress and bed under the brand name, *Sweet Sleeper* mattress, bed; W Hotels started to sell W brand pillows, sheets, and bedding products as well. After the huge success of the *Heavenly Bed*, Westin Hotels developed another product named the *Heavenly Shower*. Westin's *Heavenly Bath* came just two years after the introduction of the Heavenly Bed. This new bathroom improvement was the result of a survey by Westin, which was conducted by Guideline Research and Consulting Corporation of New York City. One thousand men and women were interviewed on their bathing habits and bathroom likes and dislikes. After a year of research and development, which included testing more than 150 showerheads, Westin decided on the Speakman shower with a dual showerhead. The custom-designed showerhead features several spray options, from a light mist to massaging needles. Westin has already begun installing *Heavenly Baths* around the country.

Westin's *Heavenly Bed* ushered in a seemingly exciting new trend in the hospitality industry. However, the president of Ritz-Carlton Hotel Co., Horst Schulze, insisted that instead of innovating, the major brands were simply copying each other. He lamented, 'imagine an industry that has existed for thousands of years and suddenly the marketing for the brand is a bed' (Hotels, 2005). Nevertheless, Ritz-Carlton Hotels has now introduced a range of retail products for sale at its online gift shop (http://www.ritzcarltonshops.com). At http://www.omnitoyou.com, Omni Hotels is selling a range of branded products including 'Omni Ideal Bed*, *Omni Presidential Bed*, *Luxury Omni Robes*, *Luxury Bath Towels*, *Luxury Bath Products*, *Luxury Bed Linens*, and others. Through Peninsula Merchandising Limited, The Hong Kong and Shanghai Hotels, Limited has been successfully merchandising a variety of products with the Peninsula Hotel brand name and logo. There are now Peninsula Boutiques at Hong Kong International Airport, and at the Peninsula Hotels in Hong Kong, Tokyo, and Beijing, selling products including chocolates, teas, coffees, and cookies. The Peabody Hotel Group through The

Peabody Galleria (http://www.thepeabody-hotelsathome.com/) allows consumers to buy a variety of merchandise carrying the company's well-know duck motif. In Scotland, the Gleneagles Hotel has put its famous brand name on a variety of golf-related gift items.

A brand extension strategy is aimed at encouraging customers to patronize a brand family on various occasions (Jiang et al., 2002). Figure 1 provides specific examples in the two varieties of brand extensions; line and category extensions.

Figure 1. Examples of Brand Extensions in the Hospitality Industry

Brand Extension	Category Extension	Holiday Inn Crowne Plaza
		Holiday Inn Select
		Holiday Inn Express
	Line Extension	Westin Hotels & Resorts
		Westin Heavenly Bed
		Westin Heavenly Shower

(Adapted from Keller, 2003)

1.3 Purpose of the Study

Brand extension strategies have had a fairly long and successful history in the hospitality industry. There is considerable evidence that this is an ongoing trend and more research on this phenomenon study from different perspectives is needed. Previous research has provided mixed evidence about the general effect of an extension on the parent brand only from consumers' perspectives and has not directly studied from the industry. Therefore, there is current need to examine the issues and trends in a scientific framework from the industry perspective. To fill this gap in the literature, this study seeks to explore the following questions.

- How industry managers view the brand extension?
- What are the main drivers behind the brand extension?
- What would be the benefits/ risks of brand extensions from the industry view?
- Who are key players involved in the process in hotels?

2. Method

To produce data relevant to operational techniques and marketing trends, data will be collected through qualitative, telephone interviews. There are three specific advantages to this methodology: 1) it increased the amount of data collected by overcoming poor response rates of questionnaires; 2) it can be facilitated comparability by ensuring that all questions will be examined; and 3) it provides a framework in which an understanding of topics could be developed in lieu of measurement (Barriball & White, 1994; Brown, 2005).

The design of these questions can be unstructured, where no specific set of explorative topics are developed, or fully structured, where limited deviation of conversation is provided (Kayat, 2002). To ensure that participants are asked the same set of questions within a flexible framework, a semi-structured interview methodology is employed (Dearnley, 2005). This allows the researcher to examine a pre-determined set of themes in-depth (structure) with the flexibility of topic exploration (unstructured) (Babbie, 2004). Table 3.1 provides an overview of the questions.

Table 1. Interview Questions

Is your hotel selling your branded logo products?
(a) If yes, what kinds of products?
(b) If no, why is your hotel not selling your own brand product?
Are you familiar with Westin's "Heavenly Bed"?
What is yor general attitude regarding brand extension?
Do you think that the strategy of brand extension is helpful for hotels (or your hotel)?
    (a) If yes, why do you think so?
    (b) If no, why not?
What are the key decision criteria for brand extension decisions?
What benefits do you see in using brand extension strategy?
What data are used in brand extension forecasting?
What could be the risk of using brand extension strategy?
In your opinion, what would be the key factors in a brand extension strategy?
Why do you think other hotels like Hyatt or Ritz Carlton are imitating Westin's strategy?
Does your hotel have any plan to develop its own logo products in the near future?
What is your current position at your hotel?
How long have you been in your position?
How long have you been in the hospitality industry?

While there are no defined rules as to sample size for qualitative research (Baum, 2000), sample size of previous studies ranged from 10 and 100, with approximately 50 being a popular sample size (Rubinstein, 1994). More important for qualitative research than the sample size is the derailed description of the data (Carey, 1995). There is a need to find evidence of data saturation or redundancy, when limited new significant information is uncovered through additional interviews (Phillimore & Goodson, 2004). Given these factors, and targeted subject selection, it is decided that 35 of the marketing manager would be an appropriate sub-population.

To recruit the sample, an initial mailing will be distributed on official university letterhead to every marketing & sales manager from the directory of HSMAI (Hospitality Sales and Marketing Association International). The letter indicates the scope and purpose of the study and that the researcher would contact them if they would give the response to the researcher. The researcher will follow up on the response through telephone communication and set up the interview schedule. A total of 35 managers will be interviewed. All scheduled interviews will take place during the late fall and early winter of 2018.

Content analysis will be selected as the methodological framework for several reasons. This technique enables analysis of 'open-ended' data, such as interviews, to be structured for the purpose of diagnostics (Babbie, 2004). This method, even in its most informal state, is often applied in exploratory research and can be useful in determining directions for further investigation (Li & Dewar, 2003).

Analysis was completed using the program Atlas/ti. Atlas/ti is a computer based program for users to manage, organize and support research using qualitative data (Muhr, 2005). A hand-coding process was used first, prior to the computer analysis. The hand-coding is a necessary component of preparing the interviews for analysis in Atlas. The coding process was simple and natural. The unit of measurement was first defined. Berg (2001) identifies "theme" as a useful unit to count, defining it as a simple string of words, or a sentence. Themes and/or words are coded initially into one the major themes. Current computer programs are not sophisticated enough to identify emergent codes without being directed from a list of pre-generated options. Identified codes are entered into Atlas/ti in a list of all codes developed in the process of manually examining the transcripts. The software developer, Muhr (2005) describes the process of coding and entering data for analysis by Atlas/ti. First, all of the data (the interview transcriptions) gathered is entered and associated with the program in what is referred to as a hermeneutic unit (HU). This creates a single file of all the data, allowing practical and easy access to all the sources in one corpus.   Text passages are then selected and assigned code words or phrases previously

determined and entered into the program by the researcher. These passages tie together lines of text, referred to by the software program as quotes, to certain codes from the established list. Upon completion of initial coding, the program is then able to look at patterns across all interviews, and generate an assessment of codes fully or partially shared by multiple respondents. With Atlas/ti, the researcher can access specific features that assist in making connections between various coded concepts, especially in terms of unique and distinct forms of useful diagrams and other visual output (Berg, 2001). From this analysis, the researcher can build what the software refers to as semantic, propositional, or terminological networks representing the relationships between the content of the varying interviews (Muhr, 2005). These results can then be further analyzed in detail by the program's generation of what it identifies as super codes, or coding that is prevalent and prominent in all data sources. The researcher can guide the analysis process by tacking memos, or basic notes of interest to multiple quotes from different respondents.

Output from the program can be generated via a compiled report that sorts and groups all codes, super codes, memos, and networks into one amalgamated file (Muhr, 2005). Additionally, Atlas also assists in producing graphic representations of the existence, relationship, frequency, and strength of themes within or across interviews.

3. Results

Twenty five open-ended interviews were conducted (n=25). There will be a review of the open coding categories used within each coding family. This is followed by a detailed review of respondent interviews, as well as comparisons of results across cases. The nature of each hotel and the individual respondents will be summarized in a descriptive fashion. Each interview will be summarized with respect to the perception and attitude of the manager toward the brand extension strategy within that organization, as well other relevant or noteworthy issues pertaining to the manager's attitude and strategic key factors. Wherever possible and appropriate, direct quotes from the interviews are cited. This is for the purposes of adding as much depth and description to the analysis of the emergent themes within each interview.

3.1 Coding

The open coding process concentrated on the portions of the interview that addressed the perception toward the brand extension. As coding progressed, three logical groupings, or categories, of codes emerged: attributes and characteristics of brand extension in general; benefits of, and risks to the extension; and key factors and key decision criteria (See Figure 2). A detailed listing of codes will be presented in the following sections.

Figure2. Major Brand Extension Categories.
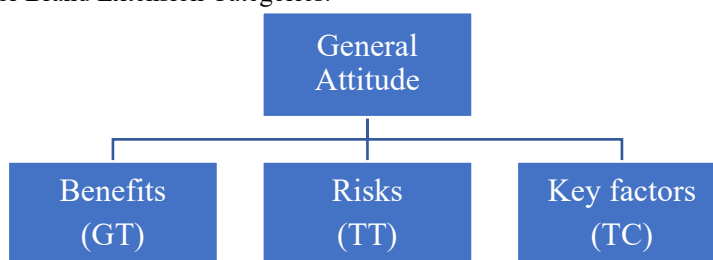
3.2 General Attitudes

Within Atlas/ti, the General Attitude is represented by a prefix code of GA and six codes were identified for this category: strategy, benefit; opportunity, marketing, synergy; and saving (See Table 2). The codes strategy and marketing indicate which extension methods have been in place and which extension methods are used for the strategy of the hotels. These themes help to paint a picture of the strategies used by the hotels with respect to the marketing. The opportunity code pertains to instances where the chance of the extension strategy was identified. It can be helpful in ultimately attempting to compare programs across cases. Certain passages were identified

with the Benefit code. In all of the interviews, there was some amount of discussion about the benefit of the brand extension strategy within the hotel. These entries were of great assistance in presenting the company's position and attitude towards extension. While the codes within the General Attitude do not address specific content of brand extension, they are nonetheless helpful in painting a more robust picture of the goals and value of brand extension within each case.

Table 2. General Attitude (GA) Codes

Code Names
Strategy
Benefit
Opportunity
Marketing
Synergy
Saving

3.3 Extension Benefits

Throughout the coding process, numerous types of benefits of the brand extension were identified. These emergent codes were identified as belonging to the coding category of extension benefits, which was identified within Atlas/ti with the prefix EB. There were a total of 12 codes identified within the EB family.

Table 3. Extension Benefits (EB) Codes

Code Names	
Awareness	Opportunity
Brand image	Projects
Certification	Profits
Class	Saving
Coaching	Synergy
Marketing	Test
Money	Win

4. Discussion

Brand extension strategy is a key strategy in the hospitality industry. The marketing manager is the individual responsible for the communication and implementation of corporate policies and projects. This study explored the industry manager's attitudes towards brand extension strategy of the hotel. It also reviewed and discussed the characteristics and benefits of the brand extension given to the hotel industry, as well as the content of that strategy. The information that was generated from the analysis of the twenty five interviews conducted indicated the perceived attitude to the brand extension strategy in the hotel industry. The majority of the respondents possessed a strong and clearly defined perception towards brand extension. They all have positive perceptions regarding the brand extension strategy and they thought that is necessary.

This study revealed a number of principles concerning the proper way to introduce brand extensions. Brand extension strategies must be carefully considered by systematically steps. Brand extension benefits content varied widely. Several predominant factors were defined to include: extension benefits, extension risks, key decision factors, marketing tools, and forecasting data. Brand awareness was the most frequently discussed item during the interview. It is noted that it is critical to fully understand the depth and breadth of awareness of the parent brand and its strength, favorability, and uniqueness. Moreover, before the extension decisions are contemplated, it is important that the desired knowledge structures be fully articulated. The results of the study also shows that profiling actual and desired knowledge structures helps to identify possible brand extensions as well as to guide decisions concerning their likely success. In regard to the key decision factors, the consumer knowledge and consumer trends were the most prevalent factor when concerning brand extension strategies. Possible category extension product candidates can be generated through managerial brainstorming sessions as

well as consumer research. Although consumers are generally better able to react to an extension concept that to suggest one, it still may be instructive to ask consumers what products the brand should consider offering if it were to introduce a new product.

In forecasting the success of a proposed brand extension in the hotel industry, it is necessary to access the likelihood that the extension would realize the advantages and avoid the disadvantages of brand extensions through consumer research. Consumer expectations, patterns, and preference are key factors for forecasting the success extension strategies. As with any new product, analysis of consumer, corporate, and competitive factors can be useful. To narrow down the list of possible extensions, consumer research is needed. Consumers may be probed directly. Consumers may even be asked what products they believe are currently attached to the brand. To better understand consumers' patterns and attitudes toward a proposed extension, consumer research should be employed using open-ended associations as well as rating scales based on perception statements. Marketers must not only take a consumer perspective in evaluating a proposed brand extension but must also take a broader competitive perspective. 'What are the competitive advantages to the extension as perceived by consumers and possible reactions initiated by competitors as a result?' would be the important factors when considering brand extension strategies.

More research can be done in this realm. A more detailed assessment of how often, how long, and how effective particular programs are would be the next logical step after this exploratory study. As the extended brand industry continues to grow and thrive, the need for brand extension strategy will follow. Any hotel interested in successful growth must focus on how the brand extension strategy can be best developed and maintained.

Several limitations existed in the execution of this study that could provide insight for additional research. The geographic region under investigation was very homogenous in size and scope. While this provided an excellent controlled environment to develop an understanding of the industry prospective, further diversification of the sample is recommended. Another limitation is the generalizability of sample in the study. This research drew from a sample from HSMAI and only 25 responses. Therefore, it cannot be assumed that the respondents were a representative sample of the population of all hotel industry. Another limitation of this study is that only 70% of respondents mentioned that their hotels are using brand extension strategies for the different products. 30% of respondents mentioned that their hotels had not started brand extension strategies yet. Since the purpose of this study is to see the perspective from the industry managers, the interviews from those 30% of respondent were not removed. However, that lack of experience could be another limitation of this study. Along these lines, the overall scope of this research was limited in that only a cursory review of hotel industry was taken. By decreasing the scope and focusing on individual aspects, a deeper understanding of specific issues could be established. Further this examination would be the inclusion of a qualitative component to analyze developed constructs and test relationships among them.

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