

**The impact of brand extension on
brand image:: The case of energy drink market in Sri Lanka**

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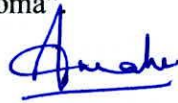
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fulfilment of the requirements for the Degree of Master of Business

Administration on The impact of brand extension on
brand image : The case of energy drink market in Sri Lanka

“The work described in this thesis/research/project was carried out by me under the supervision of Prof. Rohini Samarasinghe and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree/ Diploma”

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ABSTRACT

The research that is to be conducted determine the level effectiveness of brand extension on brand image of the Sri Lankan energy drink manufacturers .For conducting this research it has taken into consideration of both global and local context of how energy drink marketers captured the market consecutively to create brand awareness and brand repeat purchase patterns among customers.

The main problem was to how organisations develop of their own brand strategies to distinguish their products from competitors as energy drink market remain niche compare to the soft drink industry. Therefore the Problem statement was derivate by identifying the core issue related to whether brand extension effect brand image for energy drink manufactures in Sri Lanka. As significance of study, this paper provides opportunities for energy drink manufactures and distributors of Sri Lanka to understand the customer's perception about energy drink in order to set their brand extension strategies. Moreover to provide knowledge about how energy drink companies grip their customers within around twelve years of experience.

Literature review consists of identifying independent variables and dependent variables that the relationship among those variables. Conceptual framework and hypotheses developed according to the above identified relationships and justified using secondary data which are journals, articles and other published texts. Operationalization was done to measure each variable which would help build questionnaire for primary data collection for analysis process. Methodology was done in order to identify the most appropriate research approach which was deductive method and survey approach as the research strategy. Sample size was calculated by taken consideration into analysing my target group. Questionnaires were distributed to the calculated sample population of 100 and analysis was done based on the questionnaire collected.

the results obtained from the study identified the effect the variables brand fit, attitude and familiarity have towards brand image and identified that perceive quality has no relationship with brand image. The findings of the study are useful for brand managers to apply brand extension strategies to the energy drink market. The results suggest that in order to at least maintain product image after an extension companies should focus on their brand communication strategies for building attitude and gaining familiarity. Less attention should be given on consumers perceive view on quality. Advertising and promotion should be focus on gaining competitive advantage maintaining and building the image of the brand.

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CHAPTER 1

1.0 INTRODUCTION

1.1 Introduction to the study

The future of many companies lies in brands. A brand is an entity that offers customers added value and these added values or brand values differentiate the offer and provide the basis for customer preference and loyalty. Established brands have a great potential for increasing the ability of companies to compete as well as generating their growth and profitability. An important task within a firm's brand strategy is to encourage favorable image for its brands. Keller (1993) defines brand image as "perceptions about a brand as reflected by the brand associations held in consumer memory". One of the factors influencing a brand's image is brand extension strategies. Keller (2003,) has defined brand extension as "when a firm uses an established brand name to introduce a new product". Brand image is viewed either by aspects associated with the name which is General Brand Image or attributes associated with the product which is Product Brand Image. Researchers have sought to identify factors related to the success of a brand extension, and the negative effect that the brand extension strategy may have on the brand image.

The research attempts to reveal Brand extension strategies of Energy Drink marketers in Sri Lanka depend on the degree of effectiveness on brand image. Therefore this research focuses on the effect of brand extensions on product brand image. Among many factors that impact on survival of Energy drinks market, effectiveness of Brand extension strategies was selected for this relevant study.

As the target population of the study, members of the sports clubs within the Colombo were selected. Therefore Colombo based sports clubs currently have more than 1000 registered members were selected as the focus target sample. In order to support the chosen Dependent and Independent variables and to verify hypothesis the various research articles and published reports were taken in to consideration.

1.2 Introduction to the global energy drink market

Energy drink can be differentiated by other drink as it is taken to get an energy edge and keep you awake and energized. Cola and coffee drinks have long been promoted and known as drinks that give energy before the introduction of energy drinks in the 1980s. The products that belong to the energy drink category includes double the caffeine of normal colas or other drink products. They meant to give a little pick me up, mostly in the form of caffeine and sugar. One of the main ingredients of energy drinks is taurine which is a chemical substance supposed to increase energy levels.

Japan and Thailand have a longer history of energy drinks and the use of caffeine has been a key ingredient in those countries. Energy drinks acting as an alternative to coffee were first introduced in Europe. At present the most popular energy drink in the global market is Red Bull which was created by an Austrian company, and was launched in Europe in the late 1980s. Their slogan is "Red Bull gives you wings", with images of winged bulls flying in their ads and logos. The market received a significant boost when Red Bull entered the US market in 1997. After this successful market introduction, various beverage companies including Coca-Cola and Pepsi entered the market. Austria-based Red Bull remains the market leader though with an approximate market share of 65%. According to Beverage Marketing, the growth rate of this industry had been doubling every since the late 90s. The current U.S. domestic market may be approximately \$4 billion, expected to grow to an estimated US \$10 billion by 2012.

Recent years have witnessed the emergence of several new energy drinks. They include KMX of Coca-Cola, 180 of Anheuser-Busch, Hansen's Energy, and Adrenaline Rush of PepsiCo's SoBe. Pepsi had earlier introduced AMP under the Mountain Dew brand and also Extreme Energy by Arizona Beverage Company was launched. Growth of the current worldwide market for energy drinks is estimated at 17.8%. Major producers are focusing heavily on marketing, targeting the promotion of energizing conception, result oriented marketing and product positioning and a greater push into developing markets.

The Category of Energy Drink First started booming in Asia and Europe in the 1980's, in response to the public demand for nutritional supplements that would give a boost of energy and provide vitamins, all in one. Jolt Cola in the 80s was one of the early entries in the "energy

drink" market, which was marketed towards teens and college students by using the slogan "twice the caffeine". The major market regions of the energy drinks industry, according to a 2004 survey, are:

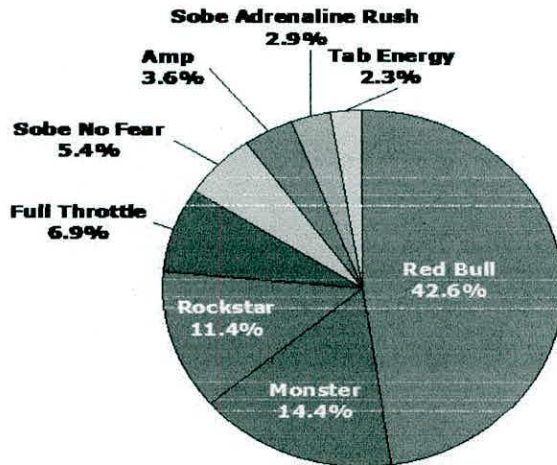
Geography	Market Share (%)
Asia Pacific	58.1%
North America	14.7%

“Red Bull” is widely accepted as the largest and first brand to recognize the need to provide people who lead a busy lifestyle with a boost of energy and vitamins in one swift (non alcoholic) hit. Red Bull really gained in popularity and fame in the late 90s and into the new millennium, setting off a whole new market segment of energy drinks. They sold more than 1 billion cans of Red Bull in 2000, and their growth continues until this day. Red Bull is estimated to dominate 60-70% of the energy drink market - it is popular with teens all the way up through people in their thirties.

Figure 1.1- share of energy drink market

Share of Energy Drink Market

(based on dollar sales)



Source : http://researchwikis.com/Energy_Drinks_Market

As health and wellness continue to shape consumer choice, drinks have become one of the priorities in younger generation's regular consumption pattern. In addition, the increasing work load of daily schedules have made people more tired and leave less time for important tasks like sleeping and eating. Therefore Energy Drink quickly found a receptive market because the choices and effects of energy drinks are becoming more diverse as more people tend to seek energy drinks for countless reasons. The customers of energy drinks believes that consuming this product increase performance, increase concentration, improves vigilance, improves emotional status, and stimulates metabolism.

In the last two decades, consumption and demand for energy drink has experiencing rapid growth, as people continue to seek and new better way to achieve energy with less time consuming. Therefore Energy drinks increase its popularity, by coming up next high growth sector of the soft drink industry as many companies take advantage of the profitable market. Considering International Energy Drink market, it was growing day by day. According to Market Researchers, Its evident that usage of Energy Drink has grow up in 2006 and up 17%

growth was driven by energizing concepts (such as usage of natural ingredients), strong marketing and product positioning.

1.3 Introduction to Sri Lankan Energy Drink Market

The Energy Drink market in Sri Lanka is in its infancy with around 9 years of experience. “Booster” was the first brand launched for the first time in Sri Lanka in 1999. At the event of overlooking Sri Lankan energy drink market, it is evident that there are few companies that provide the Energy Drink in the market locally and well as imported brands. Some of the major players in the market are, Red Bull, Booster, Wild Elephant and Olé Plus. Above major branded Energy Drink distributors and manufacturers have captured the market through their own strategic manner and develop their own branding strategies to survive in the market as well as to gain top market share.

Stassens Group Sri Lanka, are the importers of Red Bull to the island. Stassens imports Red Bull from Austria.

Ole Marketing Private Ltd., bottlers and distributors of Ole Range of carbonated soft drinks which includes ole plus. Ole range of carbonated soft drinks consists of Ole Cream Soda, Ole Ginger Beer, Ole Zingo, Ole Arshik, Ole Apple, Ole Nelli and Ole Soda.

Ceylon Cold Stores Limited added Wild Elephant to their Elephant House beverage range in 2006. There are no franchises for this product and since this is totally local, they are able to sell at a low retail price. Elephant House carbonated soft drink brands such Ginger Beer, Orange Barley and Necto popular in the local market. Some of its popular drinks are also exported to Europe including the United Kingdom, Australia, the Middle East and West Africa. Ceylon Cold Stores also manufactures ice creams and processed meats under the Elephant House label, supported by a distribution channel of 80,000 outlets around the country. The food and beverage company is a subsidiary of blue-chip conglomerate John Keells Holdings that also has interests in leisure, real estate, property, finance and plantations.

Suri Trading Company (Pvt) Ltd are the sole agents in Sri Lanka for Kotra Pharma (M) Sdn.Bhd Malaysia, a leading manufacturer of Pharmaceutical and Nutricuticals under the trade name Appeton. About eight years ago Suri Trading introduced Booster Energy Drink in 240ml cans to